

## A Comparative Study of Public and Private Sector Banks in India - Customer Satisaction

Dr. Saikumari. V<sup>1</sup>, Deepti B<sup>2</sup>, Vijay K<sup>3</sup>, Saranya H<sup>4</sup>

<sup>1</sup>Professor, Head of the Department  
Department of Management Studies  
Easwari Engineering College  
Chennai, India  
[dr.kumaris@gmail.com](mailto:dr.kumaris@gmail.com)

<sup>2</sup>Research Scholar  
Department of Management Studies  
Easwari Engineering College  
Chennai, India  
[lathabalaji333@gmail.com](mailto:lathabalaji333@gmail.com)

<sup>3</sup>Research Scholar  
Department of Management Studies  
Easwari Engineering College  
Chennai, India  
[mail2vijay99@gmail.com](mailto:mail2vijay99@gmail.com)

<sup>4</sup>Department of Management Studies  
Easwari Engineering College  
Chennai, India  
[ayanaras123@gmail.com](mailto:ayanaras123@gmail.com)

**Abstract**— As globalization intensifies competition and creates an environment of constant change, winning and keeping customers has become very important. Conventional knowledge regarding customer relationships suggests that a corporation should strive to deepen the loyalty of its customer base. The banking system like any other financial service industries is facing a rapidly changing environment, particularly more demanding customers.

In banking sector, the entire range of activity and generation of incomes swivels round the customer. Nowadays banks have realized that cost of attracting a replacement customer is far quite more than retaining existing customers, so banks are emphasizing more upon customer satisfaction. The current research genuinely attempts to recognize the banking sector that is largely availed by the customers, evaluate the determinants of customer satisfaction on higher service quality and to analyze the perception of consumer's determinants of service quality.

This study has been conducted in Chennai city. A sample of 100 customers has been selected using convenient sampling method. The statistical tools used for analysis are Correlation, Chi square test and Reliability test (Cronbach's Alpha). This study concluded that private sector banks are most preferred by the customers.

**Keywords**— Customer satisfaction, service quality, public and private sector banks, market study, financial sector and management.

## I. INTRODUCTION

The bank of any country play very vital role in the economic development of country. Finance is considered as the oxygen of trade and industry. The development of banks within the country has placed India amongst the top 5 fastest growing economics of the world. Whole of the world is looking towards India as world's markets. The banks today have touched the lives of almost every citizen. Whether he has to keep his money safe; to book

the tickets for rail and air journeys; to pay insurance premium, telephone bills, electricity bills; to purchase/sale securities from capital market, to take loan for business, for education, for house or for consumer items, everywhere the bank is present. These days customers demand for timely, fast and quality services and products , so customers prefer techno- savvy banks also bankers The present research is conducted keeping in view the sharp difference between public and private sector banks.

### A. WHAT SATISFIES A CUSTOMER?

According to Juran, Deming and Crosby it's the quality of the product or service, that satisfies a customer. The service quality school view satisfaction as an antecedent of service quality - satisfaction with individual transactions "decay" into an overall mindset towards service quality. The satisfaction school holds the opposite view that assessments of service quality lead to an overall attitude towards the service that they call satisfaction.

There is obviously a robust link between customer satisfaction and customer retention. Customer's perception of Service and Quality of product will determine the success of the product or service in the market. If experience of the service greatly exceeds the expectations clients had of the service then satisfaction will be high, and vice versa.

### B. MANAGING YOUR MOST LOYAL CUSTOMER

Customer retention may be a range of activities aimed at keeping customers for the long term and turning them into loyal buyers. This can attain by different means.

- Managing customer defections
- Move customers up a level
- Bimodal Strategy - Increase the number of truly loyal customers simultaneously trying to reduce any detractors.

## II. LITERATURE REVIEW

**[1] John Sedunov, Small banks and consumer satisfaction, Journal of Corporate Finance, Volume 60, 2020.**

This paper examines the impact of the composition of local banking markets on customer satisfaction. I measure customer satisfaction at the county level using complaint types, market types, market demographics, and alternative econometric specifications data filed with the Consumer Financial Protection Bureau (CFPB) from 2012 to 2017.

**[2] Dutta, Kirti Dutta, Anil (2009) Customer expectations and perceptions across the Indian banking industry and the resultant financial implications., Volume – IX, Journal of Services Research.**

This study establishes the needs of customers. Social status of the bank's customers and the perception that the customers had of banks were studied along with customer's judgment of the range of services that the banks has offered. It investigates perception of expectations of customers across all the banks in India. It was found that foreign banks were the most preferred banks followed by private banks and public banks.

**[3] Feng Li, Hui Lu, Meiqian Hou, Kangle Cui, Mehdi Darbandi, Customer satisfaction with bank services: The role of cloud services, security, e-learning and service quality, Technology in Society, Volume 64, 2021.**

Customer satisfaction is a significant factor in helping banks to keep their competitive advantage. Therefore, the present investigation aims to examine the factors influencing the satisfaction of customer with e-banking services.

### III. RESEARCH PROBLEM

- There is a stiff competition between public and private sector banks. Private sector is preferred for fast and timey services. Whereas, public sectors for low rate of interest and other government schemes.
- It has been debated that ease transaction processing and enhance customer experience by bringing the customer closer to their banks. On the other hand, online banking has certain problems such as lack of knowledge to operate the technology, lack of relationship among banker and customer etc.
- So, there is need to assess the satisfaction level of customers in public and private sector banks to provide the suggestions for improvement of services and other tangibles of the banks.

### IV. RESEARCH OBJECTIVES

*Primary Objective:*

- To recognize the banking sector that is largely availed by the customers.
- To analyze the expectations and the satisfaction level of the customers towards the services rendered by public and private sector banks.

*Secondary Objectives:*

- To study and compare the perceptions of the customers in and public and private banks.
- To determine the perceptions of customers regarding the service quality in banks.
- To understand the preferences and priorities towards types of services provide by the public and private sector banks
- To identify the factors influencing the satisfaction level of customers with different banks.

### V. RESEARCH METHODOLOGY

This study has been conducted in Chennai city with the help primary Data by using questionnaire under convenient sampling method. Secondary data were collected from internet, books, journals, and newspapers. The type of data used is Categorical data and Numerical data. All working and non

working professionals in India were taken in this study. The statistical tools used for analysis are Percentage analysis, Correlation, Chi square test and Reliability test (Cronbach's Alpha).

#### *Target Respondents*

Account holders in both banking sector are considered for this study.

#### *Sample Size*

The number of samples collected for this study is 100.

### VI. HYPOTHESIS OF THE STUDY

H<sub>a0</sub>: There is no difference in satisfaction level of customers in public and private banks.

H<sub>a1</sub>: There is significant difference in the satisfaction level of customers in public and private sector banks.

H<sub>b0</sub>: There is no correlation between selected attributes of customer satisfaction.

H<sub>b1</sub>: There is correlation between selected attributes of customer satisfaction.

### VII. LIMITATIONS OF THE STUDY

There is no research study without limitations. Few limitations in the present study are,

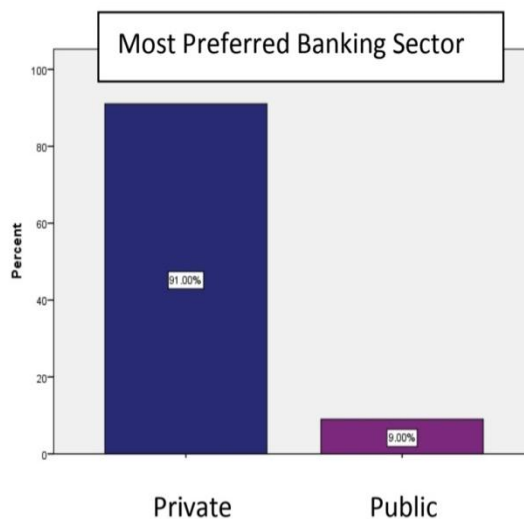
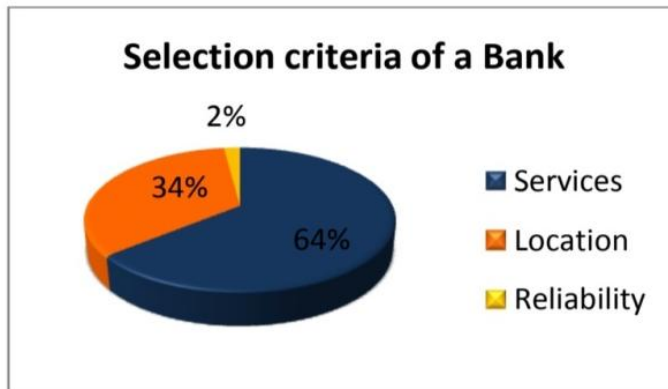
1. The researcher believes that the result of this study may be limited in terms of generalization because it extinguishes the opportunity of making comparison and generalizing to the other countries.
2. Some of the respondents are reluctant to divulge personal information which can affect the validity of all responses.
3. Some of our respondents were students so we cannot get a view of working professionals.

### VIII. ANALYSIS AND INTERPRETATION

#### **Demographic profile of respondents**

Factors		
Gender	Male	63%
	Female	37%
Age	Below 20	18%
	21-30	29%
	30-40	22%
	Above 40	31%
Occupation	Student	30%
	Employed	46%
	Businessman	19%
	Homemaker	5%
Annual Income	>250,000	31%
	250,000-500,000	5%
	500,000-1000,000	47%
	<1000,000	17%

## Percentage Analysis



## Correlation

**Correlations**

		Years	Overall Performance
Years	Pearson Correlation	1	.385**
	Sig. (1-tailed)		.000
	N	100	100
Overall Performance	Pearson Correlation	.385**	1
	Sig. (1-tailed)	.000	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (1-tailed).

## Chi square test

Test Statistics		
	Most Preferred Banking Sector	Banking Service
Chi-Square	67.240 <sup>a</sup>	124.900 <sup>b</sup>
Do	1	4
Asymp. Sig.	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.0.

## Cronbach's alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.743	.762	8

Inter-Item Correlation Matrix								
	Banking Service	Manager Relationship	Telephonic Enquiry	Branch Facility	Teller Services	Recommendation	Overall Performance	Innovative Services
Banking Service	1.000	.084	-.066	.063	.182	.060	.119	.088
Manager Relationship	.084	1.000	.374	.260	.195	.235	.132	.419
Telephonic Enquiry	-.066	.374	1.000	.517	.316	.586	.225	.424
Branch Facility	.063	.260	.517	1.000	.281	.334	.503	.250
Teller Services	.182	.195	.316	.281	1.000	.443	.398	.345
Recommendation	.060	.235	.586	.334	.443	1.000	.329	.679
Overall Performance	.119	.132	.225	.503	.398	.329	1.000	.243
Innovative Services	.088	.419	.424	.250	.345	.679	.243	1.000

Findings on the basis of Hypothesis:

- According to Hypothesis  $H_{a0}$  there is no difference in satisfaction level of customers in public and private banks but the findings of current research shows that private sector banks are providing better services in terms of mutual funds, query resolution through telephone, branch facilities, services by teller and above all customer relations with manager. Thus

hypothesis  $H_{a0}$  does not hold good for this factors and alternative hypothesis  $H_{a1}$  is accepted.

- Correlation of attributes viz. services offered by teller, relationship with manager, branch facilities, statement facility, and loan services mutual fund services and enquiry on telephone for measuring customer satisfaction. Thus hypothesis  $H_{b0}$  is rejected and alternative hypothesis  $H_{b1}$  is accepted.

#### Cronbachs Alpha - Reliability test

In this study reliability was examined on all items. As a test of reliability Cronbach's Alpha was adopted to represent internal consistency. All the variables show the reliability test with all values greater than threshold of 0.60(Walsh, 1995). Hence it can be conclude that the items reliably measure the defined constructs.

#### IX. SUGGESTIONS AND FUTURE RESEARCH DIRECTIONS

Based on the study conducted there are suggestions given by the respondents. These are the comments given by regarding the improvement of banking services in India,

- Banks should obey RBI norms and should provide facilities provided as per the norms. Customers should be given prompt services and the bank officials should serve the customers willingly.
- RTGS and NEFT should be done faster.
- More ATM coverage and proper functioning of already available ones.
- 24hrs banking should be introduced.
- Private sector banks should decrease their service charges.
- Knowledge of local languages should be there in every bank employee.
- Increasing contribution towards CSR activities both in public and private sector banks.

Introducing more foreign policies depending on the branch performance, moving more towards green banking and practicing sustainable development are some areas in which future research can be done.

#### CONCLUSION

As per the current data 60% of the customers have been with their respective relationship officer/manager for more than 5 years. This research further strengthens the findings of Tyler and Stanley, 2001 which says that customers give more importance to their personal relationship with relationship officer/manager rather than the bank they represented. Thus the relationship marketing should be emphasized upon and special training should be provided to all the corporate staff members in the bank.

This can be attributed to the very fact that today larger client base in India is banking with Private sector banks as compared to Public sector banks. Most of the respondents were of the view that public sector banks are lagging behind in use of advanced technology and techno savvy staff.

This research shows that if the facilities provided in the branch like infrastructure, ambience, decor, sitting facility, signage, etc. are adequate, it not only leads to customer satisfaction but overall

improvement in working of the branch as well whether it is services by teller, managers, loan services or mutual fund services. If all the signage are appropriate it will direct the customer to right desk without wasting their time which further helps the service officer in attending the customers in time and cater to their needs.

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