

# A Comparative Study on Customer Satisfaction in Indian Public Sector and Private Sector Banks

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## ABSTRACT

The banking industry like many other financial service industries is facing a rapidly changing Market, new technologies, economic uncertainties, fierce competition, and especially more Demanding customers; and the changing climate has presented an unprecedented set of Challenges. Customer service is one integral part of any facet of banking and it defines future of any banking organization. In banking sector, the whole range of activity and generation of Income swivels around the customer. From a very comfortable and peaceful environment, now the Indian Banking Sector is characterized by stiff competition for the customer's satisfaction and profit war between different banking groups i.e. (Private bank vs. Nationalized Bank). This paper tries to analyze the comparative analysis of customer satisfaction among these two categories of banks – public and private sector banks. Simple random sampling technique is adopted and sample size of the data is 50 from Malout and Bathinda region of Punjab.

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## I. INTRODUCTION

Banks play a very important role in the economic development of every modern state. Banks operate at the heart of the modern economy. Traditionally, banking had been restricted from private participation in India and public sector banks had been enjoying complete protection. This scenario has changed since 1990. The decade of 90s witnessed a sea change in the working of banking in India. Technology made tremendous impact by introducing „anywhere banking“ and „anytime banking“. The financial sector now operates in a more competitive environment than before and involves relatively large volume of international financial flows. In the wake of greater financial deregulation and global financial integration, the biggest challenge before the public sector banks is to match the market requirement rather than being promoted by Government or regulator. Foreign banks and the new private banks have embraced technology right from the inception of their operations and therefore, they have adapted themselves to the changes in the technology easily. Deregulation, liberalization and globalization have produced intense competition in banking industry resulting into declining margins in traditional businesses, increased cost pressures and greater risks. Market positioning, cost of intermediation and service delivery are likely to be determinants of the efficiency of banks with respect to their competitiveness. In the changed environment creating new customers and retaining the existing ones have become difficult tasks for banks. To meet the competition, creating satisfaction of customers has become primary objective of each bank.

### Hypothesis:

There is no significant difference between the types of banks (Public and Private sector) with respect to service quality dimensions.

### Objectives:

1. To find out the parameters on which a customer decides with which bank he wants to be associated with.
2. To compare the public sector banks and private sector banks in terms of customer satisfaction.
3. To determine the perceptions of customer regarding service quality in banks.
4. To assess the performance of the banks based on customer satisfaction, service quality and other related factors
5. To identify the key factors which influence the performance other than customer satisfaction and service quality.

## II. RESEARCH METHODOLOGY

Descriptive research design has been used for this study and a survey has done for fact-finding inquiries of different kinds. The data is collected through the questionnaire. The information is gathered from the different customers of the

two banks, viz., Punjab National bank and HDFC Bank located in Malout and Bathinda region. 25 bank respondents from each bank were contacted personally in order to seek fair and frank responses on quality of service in banks.

### III. DATA COLLECTION

Primary Data were collected using the questionnaire and personal contact approach. The respondents were approached personally on order to seek fair and frank responses on quality of service. Secondary data has been collected from the internet, published reports and the fact sheets of PNB Bank and HDFC Bank. For analysis of the data, weighted Mean had been used.

#### Limitations of the Study:

1. This study is geographically restricted to Malout and Bathinda region only.
2. Limited number of banks (only two Public sector and two Private sector banks) were covered under the study.
3. The sample size do not ensure representative and conclusive finding and finally, a more robust analysis is needed to reach a strong conclusion.

### IV. DATA ANALYSIS AND INTERPRETATION

#### Demographical Data

Factors		
Gender	Male	60%
	Female	40%
Age	Upto 20	2%
	20-40	65%
	40-60	25%
	Above 60	8%
Occupation	Business	14%
	Govt job	9%
	Private job	65%
	others	2%
Education	HSC	5%
	UG	19%
	PG	71%
	Others	9%
Marital status	Married	76%
	Unmarried	24%
Income	>10000	17%
	10000-30000	31%
	<30000	52%

Source: Compiled by author

From the above data it can be said that out of the 50 respondents 60% were Male and 40% were female. 2% of the respondents were under the age of 20, 65% were in the age group of 20 to 40 years, 25% were in the age group of 40-60 years and 8% were above 60 years. If we see the educational qualifications then 5% were 12th pass, 19% were graduates and 71% were post graduates. 76% of the respondents were married and 24% were unmarried. Of the 50 respondents 17% had an income of less than 10,000 rupees, 31% had an income between 10,000-30,000 rupees and 52% had an income of more than 30,000 rupees.

### V. DATA ANALYSIS AND INTERPRETATION

1) **Modern equipment used:** - If we look into the tangible factors like modern equipments used we find that private sector score more in this area. 34% of the people having a relationship with the private bank find that the modern equipments used by the private banks are excellent as compared to only 14% of the people having a relationship with the nationalized bank.

- 2) **Physical facilities:** - As far as physical facilities are concerned customers of private banks are more satisfied than those of the nationalized banks. It is evident from the fact that 48% of the customers of private banks have given a rating of excellent and good. Whereas only 35% of the customers of nationalized banks have given a rating of excellent and good.
- 3) **Employee's appearances:** - Customers of the private banks feel that the employees are very presentable as it is evident from the fact that 47% of the customers of private banks feel so. In comparison to this only 27 % of the customers of nationalized banks feel so.
- 4) **Material quality:** - If we consider the quality of the materials used for pass book, Cheque book etc. we find here also the customers of private banks are satisfied with it. As 46% of the customers have given a grading of excellent and good as compared to 33% in the case of nationalized banks.
- 5) **Time schedule for the operations:** - Private Banks fair well as compared to nationalized banks in maintaining time schedule for operations. 45% of the private bank customers feel so as compared to 23% of the nationalized bank customers.
- 6) **Employee's interest in solving customer's problems:** - Customers of private banks feel that employees of these banks are interested in solving their problem. It is evident from the fact that 45% of the customers of private banks feel so. In comparison to this only 23 % of the customers of nationalized banks feel so.
- 7) **Consistency of service provided by the employees:** - If we look into the consistency of the services being rendered by the banks from both the sectors we find that 44% of the private bank customers feel so as compared to 25% of the nationalized bank customers.
- 8) **Time taken for operation against standard time:** - 44% of the customers of private banks have given a grading of excellent and good in regard to the time taken for operation as against the standard time. Whereas only 23% of the nationalized bank customers have given a grading of excellent and good in this area.
- 9) **Quality of record maintained by the employees:** - Customers of private banks feel that the banks maintain the records in a very proper manner. It is evident from the fact that 57% of the customers of private banks feel so. In comparison to this only 29 % of the customers of nationalized banks feel so.
- 10) **Information and guidance to the employees:** - 44% of the customers of private banks feel that the bank provides proper information and guidance to its employees but only 24% of the customers of nationalized banks feel so.
- 11) **Promptness of service rendered by the employees:** - Customers of private banks are pretty satisfied with the promptness of services rendered by these banks. It is evident from the fact that 37% of the customers of private banks feel so. In comparison to this only 20 % of the customers of nationalized banks are satisfied in this area.
- 12) **Employee's willingness to help the customers:** - 43% of the customers of private banks feel that the employees of these banks are willing to help the customers. Whereas only 22% of the nationalized bank customers feel so.
- 13) **Employee's attitude to hear the customers problem:** - Customers of private banks feel that the employees of these banks have a very positive attitude towards solving the customer's problem. It is evident from the fact that 41% of the customers of private banks feel so. In comparison to this only 22 % of the customers of nationalized banks are satisfied in this area.
- 14) **Employee's behavior to increase the confidence of customers:** - 41% of the customers of private banks feel that the employees of these banks try to increase the confidence level of their customers. Whereas only 24% of the nationalized bank customers feel so.
- 15) **Confidence of safety of funds with the bank:** - It seems customers of private banks are quite confident about the safety of the funds with the banks. 44% of the customers of private banks feel so. In comparison to this only 34 % of the customers of nationalized banks are confident about the safety of the funds.
- 16) **Employee's courtesy with customers:** - 44% of the customers of private banks feel that the employees of these banks are very courteous towards their customers. Whereas only 23% of the nationalized bank customers feel so.

## VI. FINDINGS AND CONCLUSION

When the private sector banks are compared with public sector banks, Private Banks score more in all the 16 parameters considered for this study. Private Banks seem to have satisfied its customers with good services and they have been successful in implementing tangible factors like modern equipment, infrastructural facilities, quality of materials used etc. Private sector Banks have been successful in achieving a satisfying relationship with customers however public sector banks have to improve a lot in this area. Most of the respondents felt that the employees of the private banks are very keen to satisfy their customers. On the other hand customers of nationalized banks felt that the employees were least bothered about their customers. Private Banks customers feel that their banks take due consideration about their convenience and are ready to cope up with their preferences of working hours.

Although in this study it was attempted to cover all aspects of service quality, there may be certain aspects that may have been omitted or that may become relevant as new trends in banking evolve. In future research, customers may reveal new aspects of service quality in retail banking that are important to them, and these would have to be incorporated in the scale so as to further explore the concept of service quality in the retail banking arena.

## **VII. SUGGESTIONS**

If the following suggestions are followed by nationalized banks, it can increase customers' satisfaction and ultimately it will be a boost for the Indian banking industry:

- Staff should be knowledgeable about the services offered.
- Staff should be more courteous towards their customers.
- Staff members should apologize for mistakes.
- Account should be handled carefully.
- Customers' instructions should be carried out carefully.
- Operation time should be reduced.
- Complaint should be handled then and there.
- Regarding complaint customers should receive follow up contact.
- Name and address of customers should be handled carefully.

## **REFERENCES**

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