



A Comparative Study between Public and Private Sector Banks

- With Special reference to Palani Taluk

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Abstract:

This research paper aims to identify the banking sector largely preferred by the customers of Public and Private sector Banks in Palani Taluk. The data used in the study are primary in nature which has been collected through issue of structured questionnaire. A sample of 80 Public and Private Banking customers has been selected through simple random sampling method. Simple percentage analysis and chi-square test are applied to analyze the data. The study observes that majority of the public and private sector bank customers have moderate level of influence and the variables like services, preferred, reason, satisfaction level and choosing public and private sector banks are found to have association with the level of influence the public and private banking customers.

Keywords: Banking Sector – Public, Private.

Introduction:

A bank is a financial institution that accepts deposits and channels the money into lending activities. Banking is essentially a high contact service industry and there is a close interaction between service provider and the customers in the traditional banking scenario. Customer satisfaction and retention are very crucial for the success of any retail Bank. Customers perceive very little difference in the services offered by Retail Banks and any new offering is quickly matched by competitors. Retail Banks like any other service providers discovered increasing customer retention and have substantial impact on profits in meeting or exceeding customer expectation. Service is an invisible offering which is dependent on and inseparable from the person who extends it. Services in Indian Banks are mostly branch-based in the recent past Banks stride with full scale technology enabled banking. Retail banking is typical mass-market banking where individual

customers use local branches of larger commercial banks. It is an attractive market segment having a large number of varied classes of customers. It encompasses various financial products: different types of deposit account, consumer auto and other types of loan accounts, Demat, Insurance facility, Mutual fund ,credit and debit cards, ATM's, payment of bills etc. Banking services constitute a hybrid type of offering that consists of both tangible goods: loan schemes, interest rate paid, kinds of accounts and the intangible services: behavior and efficiency of the staff, speed of transactions, the ambience. The forces of competition have been compelling the banks to innovate and introduce newer and newer add-on services. The evolving customer has ever been on the lookout for value proposition and the private sector banks are smart in responding to the requirement. While customers have a wide variety of options to choose from, banks have been able to reduce the cost, which has had a positive impact on the profitability of various Banks.

Review of Literature:

Gokilamani, and Natarajan (2014) in their study opine that customers of Indian commercial banks are positively responding to retail banking. It is important for banks to focus on service quality for strengthening their competitive edge and to allocate the limited resources to serve the personal banking division. They further views that the success of a retail bank will depend on product innovation, technological developments and strategies to retain the retail customers. **Dr. M.Kumarswami, Jayprasad D. (2014)**,The study was based on Customer Relationship Management in KaveriGrameena Bank, The respondents have shown unfavourable views with respect to banking experience, transaction accuracy and promptness. However, customers share positive views concerning bank trustworthiness and accuracy of banking solutions. Therefore, it can be argued that customers trust their bank. Indeed, trust is seen as a critical construct in a range of discipline areas including CRM. Further, within the realm of relationship marketing, trust has been recognized as an important variable for the success of relationships in the banking sector. **Navinkumar Mishra and VijaykumarPandey (2013)** in their paper “customer satisfaction –A comparison of public and private sector banks of India in which research is done to compare public and private sector banks of India by evaluating their customer satisfaction. This research is mainly based on primary data which has been collected through a well-structured questionnaire (adapted from three different studies). The questionnaire has been distributed to 350 different respondents on different chosen locations. This paper makes a useful contribution as there are very low number of studies has been conducted in India on such areas like price, technology, reliability, customer service, location and infrastructure. Their findings says that most of people prefer to deal with public sector banks due to safety and reliability factors. **Uppal R K and Poonam Rani (2012)**, in their study titled Customer Perception towards Better Banking Services in India- An Empirical Study, analyzed customer perception about CRM, reliability, accuracy, security and transparency among the customers of public sector banks, Indian private sector banks and foreign banks in Amritsar, Punjab. They have found that most of the customers are satisfied with banking services and that customer satisfaction can be improved by ensuring more speed in

rendering transactions and giving prompt services. **Kajal Chaudhary and Monika Sharma (2011)** in their article “Performance of Indian public sector banks and private sector banks: a comparative study” suggests that banks should take adequate measures to escape from NPA problem. Proper training should be given in documentation and creation of charge of securities to the staff involved in loan sanctioning. Care should be exercised in the selection of borrowers and projects. **Manoj P.K, (2010)**, in “Determinants of Profitability and Efficiency of Old Private Sector Banks in India with Focus on Banks in Kerala State:” An Econometric Study paper which Focuses on the OPBs based at Kerala state (KOPBs) in the Indian union, this paper seeks to identify the determinants of profitability and operational efficiency of KOPBs, using an econometric methodology. For the sake of comparison of KOPBs, the general case of OPBs and New generation Private sector Banks (NPBs) in India have also been analyzed. Their study results that priority sector advances are do not affect either profitability or risk management adversely, as against the popular belief in this regard. The strategies as above have got special significance in respect of OPBs in general and KOPBs in particular in the ongoing globalized regime of industrial competition; because higher profitability, and strong risk management capability are vital for these banks for survival and growth.

Research Problem:

Banking sector in any nation is the vital for developing the business and economy. Banks are the heart of the business sector of any economy and supply the necessary money blood to all business organizations and simultaneously support the weaker sectors or the organizations of a nation. Customers' satisfaction is the elemental factor that decides the success of any bank. Now a days, Private and Public sector banks are expanding their branches in urban as well as in rural areas to get more and more customers. Branch size, services, infrastructure, facilities, staff, working hours etc. is varying according to the governing ownership and location the branch i.e. Private sector and Public sector or Rural and Urban branch. So, there is need to assess the satisfaction level of customers from Private and Public sector Banks or Rural and Urban areas to provide the suggestions for the improvement of services and other tangibles of the banks.

Objectives of the Study:

This study has been conducted with a variety of important objectives in mind. The following provides us with the chief objectives that have tried to achieve through the study. The extent to which these objectives have been met could judge from the conclusions and suggestions, which appear in the later of this study.

The Chief Objectives of this study (with respect to Palani Taluk) are:-

- ❖ To find the banking sector largely preferred by the customers.
- ❖ To find out the factors which influences the customers to choose a bank.
- ❖ To study the problems faced by the customers in public as well as private sector banks and also to

compare between them.

Research Methodology:

Research is an art of scientific investigation. In other words research is a scientific and systematic search for pertinent information on a specific topic. The logic behind taking research methodology into consideration is that one can have knowledge regarding the method and procedure adopted for achievements of objective of the project. With the adoption of this others can also evaluate the results too. The methodology adopted for studying the objective of the project was surveying the bank account holders of the Palani Taluk. So keeping in view the nature of requirement of the study to collect all the relevant information regarding the comparison of public sector banks and the private sector banks direct personal interview method with the help of structured questionnaire was adopted for collection of primary data. Secondary data has been collected through the various magazines and newspaper and by surfing on internet and also by visiting the websites of Indian Banking Association. Keeping in mind all the constraints the size of the sample of our study was selected as 80. State bank of India, Mani and Town branch in Palani Taluk. Due to nature of study we also visited various branches of SBI, IOB, ICICI, AXIS etc in Palani Taluk.

Results of the Study:

The findings of the study is separated into two wide sections namely, the socio-economic profile and variables associated with their influence of Public and Private Banking sector.

(i) Socio-economic Profile:

- More number of people has account in public sector banks.
- Majority of the respondents whether public sector or private sector banks have saving banks account in their respective banks.
- People want a change in the behaviour of the staff towards customers in public sector banks.
- There needs to be more awareness regarding the trust factor in private sector banks and the amount deposited there in this part of country.
- People are more satisfied with the public sector banks in this part of country. The main reason for their satisfaction is Trust factor and the Location of the branch.
- The private sector banks need to enhance the number of their branches and specially cover the rural area so as to attract more customers. In addition they need to create awareness among customers to enhance the trust factor in them.
- The facility that was availed most was the ATM/Debit card facility whether in private sector bank or in public sector bank.
- Majority of the respondents do not want to shift from their current bank.
- The most favoured bank in this part of country is the SBI and UBI.

- From the above study it is clear that the respondents of public sector banks have chosen the respective banks due to adequate branches i.e. location and due to the trust factor.
- From the above study it is clear that the respondents of private sector banks like them because of the friendly behaviour of the staff as well as the quick and fast services that is being provided.
- As the public sector banks working under the financial inclusion policy of RBI hence they have got more number of customers because they have “ no frill account “ now a day’s called BSBDA (Basic saving bank deposit account)
- From the above study it can be assured that BANCASSURANCE is still not a part in this part of the country. Negligible amount of respondents have shown their interest in this services along with mobile banking and credit card facility.
- From the above study it can safely said that public sector banks wins over the private sector banks but they also need to improve a lot.

(ii) Select Variables and Level of Influence of Public and Private Banking Sector:

To examine the association between the select variables and level of influence of public and private banks in the Palani Taluk, the Chi-square test has been employed.

Ho: There exists no association between the select variables and level of influence of public and private banks

Table 1
Select Variables and Public and Private Banks – Chi-Square Test

Variables Considered	d.f	Calculated χ^2 Value	Table Value	Remarks
			5%	
Services	4	28.44*	9.49	Significant
Preferred	6	14.73*	12.6	Significant
Reason	6	5.87	12.6	Not Significant
Satisfaction Level	4	13.91*	9.49	Significant
Reason for Choosing Public Sector Banks	4	7.24	9.49	Not Significant
Reason for Choosing Private Sector Banks	4	9.44	9.49	Not Significant

* Significant at five per cent level

Out of the total six variables selected for testing, three variables are found to be associated with the level of influence of public and private banks. Of which, services, preferred and satisfaction level found to have significant association at five per cent level with the level of influence of public and private banks.

Recommendation:**A) For Public Sector Banks –**

- a) Bank staff should be customer friendly and highly motivated to serve the normal customers.
- b) As far as possible the bank should reduce the documentation process while providing loan.
- c) Computerization should be done in banks at all levels and the operators should be properly trained.
- d) Token system should be introduced so as to reduce the waiting line in the bank.
- e) Proper ambience in the banks can develop a healthy work culture.
- f) Should be flexible in providing interest of the deposited money.
- g) Quick services should be provided.

B) For Private Sector Banks –

- a) 24 hours banking should be introduced so as to facilitate the customers who don't have time in day time or week days.
- b) More ATM coverage should be provided for convenience of the customers.
- c) Should reduce the amount while opening a new saving bank account.
- d) Should maintain a proper recruitment policy like the PSU to attract genuine talent to work for the customers. Rather than recruiting on internal recommendation they should follow the IBPS for recruitment to get better talent and better services from their employees.
- e) Should enhance the number of branches in rural areas to attract more customers.
- f) Should advertise extensively regarding their operations and services to garner faith in them.

Conclusion:

From the above study we can conclude that the people of Palani have more faith on PSU Bank than Private sector Bank. Since Palani Taluk is a semi-urban place, so there are less number of branches of private sector banks in this area and also the trust factor is less in case of private sector banks. Whereas for Private Sector Banks they are working under the financial inclusion policy of the RBI and thus have adequate number of branches in this place which Private Sector Banks do not. Hence with respect to this place it is the Private Sector Bank mainly revealed in our study which is far ahead of the Private Sector Banks with respect to customer base. Since, banking industry is bound to grow extensively in the next few years; it is up to the private sector banks to enhance the number of branches in the Palani taluk to attract customers of the staid place. For the Private Sector Bank in order to sustain the large customer base, they to change their view regarding the customer relationship management (CRM). Their employees need to change their behavior and attitude towards its customers in order to serve its customer whole heartedly and willingly.

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