A Study on Customer Preference towards Financial Services of Public and Private Sector Banks - A Comparative Study

Dr. Srinivas K.T.
Associate Professor & Chairman, Department of Studies in Commerce, Davangere University, Davangere, INDIA

Corresponding Author: srinikeelara@gmail.com

ABSTRACT

The banking sector plays a significant role in the development of the economy, as it mobilizes deposits and provides credit to various sectors across business including individuals. The purpose of this study is to understand the customer preference of selecting banking services among public and private sector banks. This study is based on primary data obtained from customers of Public and Private sector banks in Mandya district. The study reveals that Public sector banks have a greater number of branches and private sector banks have good and innovative products and customer friendly environment at branches. Both the sector banks have similarity in various services provided to the customers but as per the study public sector banks have attracted more customers than private sector banks in the study area, since their main focus is inclusive development of the society.

Keywords-- Public Sector Banks, Private Sector Banks, Customer Preference

II. OBJECTIVE OF THE STUDY

To understand the customer preference of selecting banking services among public and private sector banks.

III. HYPOTHESIS FOR THE STUDY

\( H_0 \) There are no similarity in banking services provided by the public and private sector banks.

\( H_1 \) There are similarity in banking services provided by the public and private sector banks.

IV. RESEARCH METHODOLOGY

Data Collection: To achieve the aforesaid objectives and to test the hypotheses, data is gathered from primary and secondary sources. The primary data is collected through well-framed and structured questionnaire to the well-considered opinion of both public sector and private sector banks customers. Stratified random sampling method has been used to collect the responses from the customers of both public and private sector banks.

Scope of the Study & Sampling: For the data collection, sample of 300 customers who have their bank account with different private and public sector banks having operations in Mandya city on convenience basis. Thereafter, the questionnaire was administered to customers for giving their response on private and public sector banking products and services. The data has been collected from the customers who were the customers of State Bank of India, Bank of Baroda, and ICICI Bank and HDFC Bank from more than 3 years. The data collected has been analyzed with the help of SPSS, simple tabulation and the t-test.

V. RESULTS AND DISCUSSION

An attempt has been made to analyze the reasons for preferring the public sector banks over private sector banks. The below mentioned table shows the details with regard to the reasons for preferring the public sector banks.
**Table 01:** Details of customer’s feedback for parameters

| Parameter                     | Public Sector Banks | Private Sector Banks |
|-------------------------------|---------------------|----------------------|
|                               | Frequency           | Percentage           |
| Saving Bank Account           | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 75                  | 50                   |
|                               | 150                 | 100                  |
| Safety and Security           | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 15                  | 15                   |
|                               | 15                  | 15                   |
|                               | 15                  | 15                   |
|                               | 45                  | 40                   |
|                               | 150                 | 100                  |
| Investment                    | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 45                  | 40                   |
|                               | 150                 | 100                  |
| Large customer Base           | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 60                  | 40                   |
|                               | 150                 | 100                  |
| More number of Branches       | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 60                  | 40                   |
|                               | 150                 | 100                  |
| Providing various innovations | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 45                  | 40                   |
|                               | 150                 | 100                  |

**Sources:** Survey data

Table no. 01 indicating the customers’ response towards financial services of PSBs and PvSB. Customers prefer to have savings bank account in public sector banks over private sector banks and customers responded that private sector banks service are safe and secured as compared to PSBs. Customers preferred to invest in PSBs over PvSB and PSBs have large customer base, more number of branches and providing various innovative products. Customers have positive response towards PSBs, since they offer services with societal concern for inclusive development. Hence, customers prefer PSBs over PvSB.

**Table 1.1:** Details of customer’s feedback for parameters

| Parameter                     | Public Sector Banks | Private Sector Banks |
|-------------------------------|---------------------|----------------------|
|                               | Frequency           | Percentage           |
| Debit and credit card facility| 27                  | 18                   |
|                               | 27                  | 18                   |
|                               | 14                  | 9                    |
|                               | 41                  | 27                   |
|                               | 41                  | 27                   |
|                               | 150                 | 100                  |
| Innovative banking services   | 15                  | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 60                  | 40                   |
|                               | 60                  | 40                   |
|                               | 150                 | 100                  |
| Customer friendly environment at branch | 15          | 10                   |
|                               | 15                  | 10                   |
|                               | 30                  | 20                   |
|                               | 30                  | 20                   |
|                               | 60                  | 40                   |
|                               | 60                  | 40                   |
|                               | 150                 | 100                  |
| Quick services                | 25                  | 10                   |
|                               | 25                  | 10                   |
|                               | 13                  | 9                    |
|                               | 38                  | 27                   |
|                               | 38                  | 27                   |
|                               | 150                 | 100                  |
| Digital banking services      | 13                  | 7                    |
|                               | 13                  | 7                    |
|                               | 25                  | 17                   |
|                               | 25                  | 17                   |
|                               | 37                  | 33                   |
|                               | 37                  | 33                   |
|                               | 50                  | 35                   |
|                               | 50                  | 35                   |
|                               | 150                 | 100                  |
| Mobile banking services       | 27                  | 10                   |
|                               | 27                  | 10                   |
|                               | 27                  | 10                   |
|                               | 41                  | 27                   |
|                               | 41                  | 27                   |
|                               | 150                 | 100                  |
| E-payment Services            | 16                  | 11                   |
|                               | 16                  | 11                   |
|                               | 32                  | 21                   |
|                               | 32                  | 21                   |
|                               | 34                  | 34                   |
|                               | 34                  | 34                   |
|                               | 51                  | 50                   |
|                               | 51                  | 50                   |
|                               | 150                 | 100                  |

**Sources:** Survey data

In continuation to table no. 01, table no. 1.1 shows customers prefer PvSB for debit and credit card, quick services, digital banking services, mobile banking services and e-payment services over PSBs.

**Testing of Hypothesis**

Hₐ. There are no similarity in banking services provided by the public and private sector banks.

H₁. There are similarity in banking services provided by the public and private sector banks.
Table 02: Paired Sample test result of Parameters used for Comparative analysis

| Parameters                                           | Mean  | Std. Deviation | Difference | Sig. (2-tailed) |
|------------------------------------------------------|-------|----------------|------------|----------------|
| Pair 1 Saving Bank Account - Private bank- Saving Bank Account | 0.5   | 1.81           | 149        | 0.00           |
| Pair 2 Safety and Security - Private Bank-Safety and Security | -0.3  | 2.10           | 149        | 0.05           |
| Pair 3 Investment - Private Bank-Investment          | 0.1   | 0.83           | 149        | 0.14           |
| Pair 4 Large customer Base - Private bank-large customer Base | 0.2   | 1.90           | 149        | 0.12           |
| Pair 5 More number of Branches - Private bank-More number of Branches | 0.4   | 1.96           | 149        | 0.02           |
| Pair 6 Providing various innovative Products - Private Bank-Providing various innovative Products | 0.2   | 2.28           | 149        | 0.28           |
| Pair 7 Debit and Credit card facility - Private Bank-Debit and Credit card facility | -0.1  | 2.08           | 149        | 0.46           |
| Pair 8 Innovative banking services - Private Bank-Innovative banking services | 0.3   | 2.11           | 149        | 0.07           |
| Pair 9 Customer friendly environment at branch - Private Bank-Customer friendly environment at branch | 0.1   | 2.08           | 149        | 0.56           |
| Pair 10 Quick services - Private Bank-Quick services  | -1.6  | 1.50           | 149        | 0.00           |
| Pair 11 Digital banking services - Private Bank-Digital banking services | -0.1  | 1.86           | 149        | 0.41           |
| Pair 12 Mobile Banking services - Private Bank-Mobile Banking services | -0.3  | 1.97           | 149        | 0.05           |
| Pair 13 E-payment Services - Private bank-E-payment Services | -0.1  | 1.90           | 149        | 0.64           |

Source: Primary data

Table no. 02, showing the result of paired sample test for parameters have used for comparative analysis of public sector and private sector banks. As per the result of the test, in parameters – savings bank account, safety and security, number of branches, quick services and mobile banking service, both the banks have similarity as the significance value is less than 5%, which is insignificance to prove the similarity. Except these five parameters, eight parameters have similarity as per the significance value (more than 5%). Investment, number of branches and others have similarity which implies both the banks putting efforts to attract and retain the customers and customers also have accepted the same.

VI. FINDINGS OF THE STUDY

From the present study, it is found that most of the customers prefer public sector banks over private sector banks in the study area and paired t test also shown the similarity in eight parameters as discussed above except similarity in five parameters namely savings bank, safety and security, branches, quick service and mobile banking. These dissimilar parameters have more contribution in attracting customers than recent advanced development in banking industry. Private sector banks putting effort to expand their customer base by increasing number of branches and competing with public sector banks.

VII. CONCLUSION

The study is aimed at measuring the customers’ preference for financial services offered by private and public banks. The study shows that Public sector banks have a greater number of branches and private sector banks have good and innovative products and customer friendly environment at branches. Both the category of banks have similarity in various services provide to the customers but as per the study public sector banks have attracted more customers than private sector banks in the study area.
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