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A STUDY ON CUSTOMER SATISFACTION IN PUBLIC VS PRIVATE BANKS

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ABSTRACT

The Indian banking sector has witnessed rapid transformation over the past decade, driven by liberalization, technological advancements, and the growing presence of private sector banks. The increasing adoption of digital banking platforms, such as mobile banking and internet banking, has significantly reshaped customer expectations and service delivery mechanisms. In this context, customer satisfaction has emerged as a key determinant of competitiveness and long-term sustainability for banking institutions.

This study aims to conduct a comparative analysis of customer satisfaction levels between public sector and private sector banks in India. The research is primarily based on empirical data collected from a sample of 100 respondents using a structured questionnaire. The study evaluates various dimensions of banking services, including service quality, operational efficiency, digital banking facilities, customer support, trust, and overall user experience.

The findings of the study indicate that private sector banks have a competitive advantage in terms of service speed, efficiency, innovation, and digital banking capabilities. Their focus on technology-driven services, user-friendly applications, and prompt customer support contributes significantly to higher satisfaction levels among customers. On the other hand, public sector banks continue to maintain a strong position in terms of trust, reliability, and perceived security, largely due to government ownership and long-established reputation.

The research further identifies key factors influencing customer satisfaction, such as staff behavior, waiting time, ease of digital transactions, service charges, and grievance handling mechanisms. While a majority of customers report overall satisfaction with banking services,

the level of high satisfaction remains relatively moderate, indicating the need for continuous improvement.

Based on the findings, the study suggests that public sector banks should focus on modernization, reducing service delays, and enhancing digital infrastructure, whereas private sector banks should work on strengthening customer trust, reducing service costs, and expanding their reach in rural areas. The study concludes that a balanced approach combining efficiency, innovation, and trust is essential for improving customer satisfaction and ensuring sustainable growth in the competitive banking environment.

1. INTRODUCTION

The banking sector plays a vital role in the economic development of a country by facilitating financial transactions, mobilizing savings, and supporting investment activities. In India, the banking industry has undergone a significant transformation over the past few decades, particularly after economic liberalization and the entry of private sector banks. These changes have intensified competition and compelled banks to adopt innovative strategies to attract and retain customers.

Customer satisfaction has emerged as a critical determinant of success in this highly competitive environment. It not only influences customer retention and loyalty but also affects the overall profitability and reputation of banking institutions. Satisfied customers are more likely to continue using banking services, recommend them to others, and contribute to long-term business growth. Therefore, banks must continuously evaluate and enhance their service quality to meet evolving customer expectations.

With rapid technological advancements, especially in the field of digital banking, the nature of banking services has changed dramatically. Customers now expect fast, convenient, and secure services through digital platforms such as mobile banking applications, internet banking, and online transaction systems. This shift has increased the importance of service efficiency, responsiveness, and technological innovation in determining customer satisfaction.

Public sector banks have traditionally dominated the Indian banking system due to their extensive branch network, government ownership, and strong customer trust. These banks have played a crucial role in financial inclusion by providing services to rural and economically weaker sections of society. However, they often face challenges such as longer waiting times, bureaucratic procedures, and slower adoption of new technologies.

On the other hand, private sector banks have rapidly gained popularity by focusing on customer-centric approaches, advanced technology, and efficient service delivery. They offer user-friendly digital platforms, faster transaction processing, and better customer support, which have attracted a large segment of modern banking customers. Despite these advantages, private banks still need to strengthen customer trust and expand their reach in less developed areas.

In this context, understanding customer perceptions and satisfaction levels becomes essential for evaluating the performance of both sectors. This study focuses on analyzing and comparing customer satisfaction in public and private sector banks by examining various factors such as service quality, digital banking facilities, staff behavior, waiting time, and trust. The research also aims to identify key determinants that influence customer preferences and provide insights for improving banking services.

Overall, the study seeks to contribute to a better understanding of customer expectations in the banking sector and to suggest measures that can enhance service quality and customer satisfaction in both public and private sector banks.

2. OBJECTIVES OF THE STUDY (Expanded Version)

The present study is designed with the aim of gaining a comprehensive understanding of customer satisfaction in the banking sector, particularly focusing on the comparative performance of public and private sector banks. The specific objectives of the study are as follows:

1. **To compare customer satisfaction between public and private sector banks:** This objective focuses on evaluating and contrasting the level of satisfaction experienced by customers in both banking sectors. It seeks to identify which sector performs better in terms of meeting customer expectations and delivering quality services. The comparison helps in understanding the strengths and weaknesses of each sector in the current competitive environment.
2. **To identify the key factors influencing customer satisfaction in banking services:** Customer satisfaction is influenced by multiple variables such as service quality, staff behavior, waiting time, accessibility, digital banking facilities, and service charges. This objective aims to examine these factors in detail and determine their impact on overall customer experience. Identifying these factors helps banks prioritize areas that require improvement.
3. **To analyze customer perceptions regarding digital banking, service quality, and trust:** With the growing importance of technology in banking, it is essential to understand how

customers perceive digital services such as mobile banking and internet banking. This objective also explores customer opinions about service efficiency and the level of trust associated with different types of banks. Understanding these perceptions provides valuable insights into customer preferences and expectations.

4. RESEARCH METHODOLOGY

Research methodology forms the backbone of any study as it provides a systematic framework for collecting, analyzing, and interpreting data. The present study adopts a structured and analytical approach to examine customer satisfaction in public and private sector banks.

4.1 Research Design

The study follows a descriptive research design, as it aims to describe and analyze customer perceptions, preferences, and satisfaction levels regarding banking services. This design is suitable for identifying patterns, trends, and relationships among different variables influencing customer satisfaction.

4.2 Sources of Data

The study is based on both primary and secondary data sources:

- **Primary Data**

Primary data was collected directly from respondents using a structured questionnaire. The questionnaire was designed to capture firsthand information about customer experiences, opinions, and satisfaction levels with banking services.

- **Secondary Data**

Secondary data was gathered from books, research journals, articles, and online sources related to banking services and customer satisfaction. This data helped in building the theoretical foundation and supporting the analysis.

4.3 Sample Size and Sampling Technique

The study is based on a sample size of 100 respondents. The respondents were selected using the **convenience sampling method**, which involves choosing individuals who are easily accessible to the researcher. Although this method is simple and cost-effective, it may have certain limitations in terms of generalization of results.

4.4 Data Collection Instrument

A structured questionnaire was used as the primary tool for data collection. The questionnaire consisted of both closed-ended and multiple-choice questions, making it easy for respondents to answer and for the researcher to analyze the data.

The questionnaire was divided into different sections covering:

- Demographic profile (age, gender, occupation)
- Banking preferences (type of bank used)
- Duration of banking relationship
- Usage of digital banking services
- Perception of service quality, trust, and customer support
- Overall satisfaction level
- Customer behavior (recommendation and switching patterns)

4.5 Data Analysis Tools and Techniques

The collected data was analyzed using simple statistical tools to ensure clarity and ease of interpretation:

- **Percentage Analysis**

This method was used to express data in percentage form, making it easier to compare responses and identify trends.

- **Tabular Representation**

Data was presented in tables for systematic organization and better understanding of results. Tables help in summarizing large amounts of data in a concise format.

4.6 Limitations of the Study

- The study is limited to a sample size of 100 respondents.
- The use of convenience sampling may not fully represent the entire population.
- Responses are based on individual perceptions, which may vary over time.

Despite these limitations, the methodology provides a reliable framework for analyzing customer satisfaction and drawing meaningful conclusions about banking services in both public and private sectors.

5. DATA ANALYSIS AND INTERPRETATION

This section presents the analysis and interpretation of data collected through a structured questionnaire administered to 100 respondents. The analysis is based on percentage methods and tabular representation to derive meaningful insights regarding customer perceptions of banking services, especially in the context of digital transformation.

5.1 Demographic Profile

The demographic analysis reveals that the majority of respondents fall within the age group of 18–25 years, indicating that young individuals form a significant portion of the sample. This reflects a digitally inclined population, which is more likely to adopt fintech services. In terms of gender distribution, male respondents dominate the sample with 82.2%, while female respondents constitute 17.8%.

Occupationally, students represent the largest segment at 42.6%, followed by salaried individuals at 37.6%. This composition suggests that the findings are largely influenced by young, educated, and economically active individuals who are frequent users of digital banking platforms.

5.2 Banking Preferences

The data indicates a slight preference for private sector banks, with 37% of respondents favoring them. Public sector banks are preferred by 34% of respondents, while 29% use both types of banks. This distribution suggests that although private banks have a marginal edge, public banks still maintain a strong customer base due to their credibility and reach.

5.3 Duration of Banking Relationship

The duration of customer relationships with banks shows that 35% of respondents have been associated with their bank for 3–5 years, while 32% have maintained relationships for more than 5 years. This indicates a relatively stable customer base, reflecting customer loyalty and consistent service engagement over time.

5.4 Digital Banking Usage

Digital banking adoption is significantly high among respondents. A majority of 63% use both mobile and internet banking services, while 30% rely exclusively on mobile banking. Only 7% use internet banking alone. This highlights the growing dominance of mobile banking as a convenient and accessible platform for financial transactions.

5.5 Service Quality Perception

When evaluating service quality, 42% of respondents believe that private banks offer superior services. In contrast, 23% favor public sector banks, and 35% perceive no significant difference between the two. This suggests that private banks are generally perceived as more efficient and customer-oriented.

5.6 Trust and Reliability

Despite the higher service quality ratings for private banks, public sector banks are considered more trustworthy by 39% of respondents. Private banks are trusted by 35%, while the remaining respondents show neutral perceptions. This reflects the long-standing reputation and government backing associated with public banks.

5.7 Digital Banking Services

In terms of digital services, 37% of respondents rate private banks higher, while 33% believe both sectors perform equally. Public banks are preferred by 30% of respondents. This indicates that although private banks lead in innovation, public banks are gradually closing the gap.

5.8 Customer Support

Customer support services are preferred in private banks by 38% of respondents. Meanwhile, 32% believe both sectors provide comparable support, and 30% favor public banks. This suggests that private banks may have a competitive advantage in responsiveness and service efficiency.

5.9 Customer Satisfaction

A significant majority of respondents (85%) express satisfaction with their banking services, while only 15% report dissatisfaction. This high satisfaction level indicates that both public and private banks are largely successful in meeting customer expectations.

5.10 Customer Behavior

Customer behavior analysis reveals that 51.5% of respondents are willing to recommend their bank to others, indicating positive word-of-mouth potential. However, 43% of respondents have switched banks due to dissatisfaction, highlighting that service gaps still exist and customer retention remains a challenge.

6. FINDINGS

Based on the analysis and interpretation of the collected data, several key findings have emerged regarding customer perceptions of banking services and the impact of fintech innovations on traditional banking systems.

Firstly, private sector banks are generally preferred by customers for their efficiency, faster service delivery, and advanced digital banking facilities. Respondents perceive private banks as more technologically equipped and customer-oriented, particularly in terms of mobile banking, internet banking, and overall service responsiveness.

Secondly, public sector banks continue to hold a strong position in terms of trust and reliability. This trust is primarily attributed to government backing, long-established presence, and perceived security of funds. Despite lagging in certain service aspects, public banks maintain customer confidence due to their stability and credibility.

Another significant finding is that digital banking has become a crucial determinant of customer satisfaction. The widespread use of mobile and internet banking highlights the growing dependence on technology-driven financial services. Customers increasingly expect seamless, secure, and efficient digital platforms, making fintech integration a necessity for banks.

However, the study also identifies certain challenges. Waiting time is a major concern, particularly in public sector banks, where customers often experience delays in service delivery. This negatively impacts customer satisfaction and can influence switching behavior.

Furthermore, staff behavior plays a vital role in shaping customer experience. Polite, responsive, and helpful staff contribute significantly to positive customer perceptions, while poor interaction can lead to dissatisfaction, regardless of the bank's technological capabilities.

Lastly, although a majority of customers report being satisfied with their banking services, the level of satisfaction can be considered moderate rather than absolute. There remains considerable scope for improvement, especially in enhancing service efficiency, reducing waiting time, and strengthening customer engagement strategies.

Overall, the findings indicate that while fintech innovations are driving customer preferences toward private banks, public banks still retain a competitive edge in trust. Both sectors must focus on continuous improvement to meet evolving customer expectations.

7. SUGGESTIONS

Based on the findings of the study, several practical suggestions are proposed to improve the performance of both public and private sector banks, as well as to enhance the overall banking experience for customers.

Suggestions for Public Sector Banks

Public sector banks need to focus on improving their operational efficiency to remain competitive in the evolving banking environment. One of the primary areas of improvement is service speed. Reducing waiting time at branches through better queue management systems and process automation can significantly enhance customer satisfaction.

Additionally, public banks should adopt advanced digital technologies to strengthen their digital banking platforms. Investment in modern fintech solutions such as AI-based customer support, mobile banking enhancements, and seamless online services can help bridge the gap with private banks.

Employee training is another critical area. Staff should be regularly trained to improve customer interaction, communication skills, and responsiveness. A customer-centric approach can help improve overall service quality.

Furthermore, upgrading infrastructure, including branch facilities and digital systems, is essential to provide a more efficient and comfortable banking experience.

Suggestions for Private Sector Banks

Private sector banks, while strong in service delivery and digital innovation, need to address certain concerns to maintain customer loyalty. Reducing service charges and fees can make banking more affordable and attract price-sensitive customers.

Expanding their presence in rural and semi-urban areas is also important. Increasing accessibility will help private banks tap into a larger customer base and contribute to financial inclusion.

Building stronger customer trust is crucial, especially when compared to public sector banks. Transparency in operations, data security, and ethical practices can enhance credibility.

Improving complaint handling mechanisms is another key area. Efficient grievance redressal systems that resolve issues quickly and effectively can significantly boost customer satisfaction and retention.

General Suggestions

Across the banking sector, strengthening customer relationship management (CRM) systems is essential. Banks should focus on maintaining long-term relationships through regular communication, feedback mechanisms, and loyalty programs.

Providing personalized services based on customer preferences and behavior can create a more engaging and satisfying banking experience. The use of data analytics can help banks tailor their offerings effectively.

Enhancing cybersecurity measures is critical in the digital banking era. Banks must ensure robust protection against cyber threats to maintain customer trust and safeguard financial data.

Finally, conducting regular customer feedback surveys can help banks identify service gaps and continuously improve their offerings. Customer insights should be actively used to refine strategies and enhance service quality.

Overall, the implementation of these suggestions can help both public and private sector banks improve efficiency, strengthen customer relationships, and adapt to the rapidly evolving fintech landscape.

8. CONCLUSION

The study concludes that both public and private sector banks possess distinct strengths that influence customer preferences and satisfaction levels. Private sector banks have a clear advantage in terms of efficiency, technological innovation, and quality of customer service. Their focus on digital banking, faster service delivery, and customer-centric approaches makes them more appealing, especially to younger and tech-savvy customers.

On the other hand, public sector banks continue to hold a strong position in terms of trust, security, and accessibility. Their government backing and long-established presence contribute significantly to customer confidence, particularly among individuals who prioritize safety and reliability over speed and innovation.

The research further highlights that customer satisfaction is a multifaceted concept influenced by various factors such as service quality, digital convenience, staff behavior, and perceived reliability. While digital banking has emerged as a critical driver of satisfaction, human interaction and trust still play a vital role in shaping overall customer experience.

In order to remain competitive in the rapidly evolving banking landscape, both public and private sector banks must adopt a balanced approach. This includes integrating advanced technologies with strong customer relationship management practices. Continuous improvement in service quality, reduction in service delays, and enhancement of responsiveness are essential for meeting changing customer expectations.

Overall, the future of banking lies in the effective combination of innovation, efficiency, trust, and customer-centric strategies. Banks that successfully align these elements will be better positioned to achieve long-term growth and sustainability in an increasingly competitive and technology-driven environment.

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