

**A COMPARATIVE STUDY BETWEEN PUBLIC AND
PRIVATE SECTOR BANKS ON THE BASIS OF IMPACT
OF SERVICES**

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Abstract

Recently the Indian economy has witnessed the emergence of many banks in the private sector. There are several reasons behind the increasing number of commercialization of banks. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction on the basis of various services provided by these banks. There is definitely scope for improving efficiency related to the networks of each bank both in private as well as the public sector bank. The following paper covers the performance comparison of private sector banks and the public sector banks on the basis of services provided to customers.

Key words: services, performance, efficiency, comparison

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1.1 Introduction

Recently the Indian economy has witnessed the emergence of many banks in the private sector. There are several reasons behind the increasing number of commercialization of banks. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction on the basis of various services provided by these banks. There is definitely scope for improving efficiency related to the networks of each bank both in private as well as the public sector bank. The following paper covers the performance comparison of private sector banks and the public sector banks on the basis of services provided to customers. Efficiency and profitability of the banking sector in India has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. Since competition cannot be observed directly, various indirect measures in the form of simple indicators or complex models have been devised and used both in theory and in practice. Different indicators are used for measuring performance of the selected public as well as private banks. The public sector banks included in this study are State Bank of India, Central Bank of India, Bank of India along with private sector banks such as Axis Bank, ICICI Bank and Yes Bank.

1.2 Literature Review

A study on public and private sector banks shows that a gap between expectations of consumers and perceptions of service delivered is highest in public sector banks and lowest in private sector banks. The research done earlier in this regards has been considered in this study.

Narayana and Brahmanandam (1990) in their study, "A Study of Customer Services in Commercial Banks" have studied customer services in banks by analysing physical facilities, reputation of bank, complaints and suggestion system, staff behaviour besides their diverse services like account operations, cheque operations, draft and money transfer operations etc. The authors have concluded that the banks which are good in the said services are enjoying more satisfied customers in comparison to the banks which are lagging in the same.

Bahia and Nantel,(2000). The paper suggested an alternative scale for measuring service quality in retail banking and developed a scale called as Banking Service Quality Scale which

contained factors like effectiveness and assurance, access, price, tangibles, service portfolio and reliability and was found to be more reliable than SERVQUAL.

Sureshchandar,(2002). The relationship between service quality and customer satisfaction in Indian banking sector were found to be independent but closely related. Both constructs were found to vary significantly in core services i.e. human element, systematization of service delivery, tangibles and social responsibility.

Nalini. (2006). in her study, “A Service Quality Model for Customers in Public Sector Banks” has opined that entry of new private sector banks in the banking industry of India has lead to higher utilisation of technology, improved customer service and better products.

Arora S, (2005). An analysis influencing customer satisfaction in public sector, private sector and foreign banks in northern India. 300 customers were questioned using questionnaire method which reveled that significant differences exist in customer satisfaction level of customers in each group of banks regarding routine operation and situational and interactive factors. Foreign banks were found to be the leaders in mechanization and automation

Padhy P K and B N Swar, (2009). The role of technology in banking and its impact on perceived service quality in public, private and foreign banks in Orissa using a s ample size of 300 customers was studied. It was found that the foreign banks are very close to expectations of customers followed by ICICI and AXIS. Service quality in public sector banks was found to be very low

Ravichandran, (2010). The paper tries to understand socio demographic and rational profile of public retail banking consumers. Also, the importance of service quality dimensions to predict the multidimensional model of behavioral intentions among public sector consumers in India are studied. Loyalty was found to be influenced by operating hours, error free records etc. Service quality parameters like tangibility, responsiveness were also found to be very important.

At this backdrop, a study on bank's perception in the mind of customers and comparative analysis of services of private and public sector bank sounds interesting. Such analysis will provide the banks with a quantitative and qualitative estimate of their services as perceived by their customers.

1.3 Objectives of the Study

1. To compare the services of different banking sectors which are largely offered towards the customers.
2. To analyze the opinion of the customers towards the services rendered by public and private sector banks.

1.4 Hypothesis

In the light of above objectives the present study is intended to test the following hypotheses:

H0: There is no difference in the opinion of customers in public and private banks.

H1: There is significant difference in the opinion of customers in public and private sector banks.

1.5 Research Methodology

The present study aims at assessing the customer satisfaction of the public and private banks operating in key service sector industries of India. The public sector banks included in this study are State Bank of India, Central Bank of India, Bank of India along with private sector banks such as Axis Bank, ICICI Bank and Yes Bank. To accomplish the objectives of the study, the research conducted on the basis of primary data. The primary data have been collected with the help of a structured questionnaire addressed to the customers of the selected service organizations. The customers of the selected organizations included in the sample have been chosen on the basis of the judgment and convenience of the researcher. In all, 200 customers have constituted the sample needed to get a bird's eye view of customer satisfaction practices being adopted by the selected organizations. Since the customer base of these selected service organizations is enormous, the researcher has chosen 200 customers of each of them means 100 from private sector banks and 100 from public sector banks to see how they rate the satisfaction of their organizations.

1.6 Data Analysis

A) Opinion of the customers about the effectiveness of the services provided by the bank during the routine transactions															
Sr. No.	Services	Public Banks							Private Banks						
		SA	A	N	D	SD	T	WA	SA	A	N	D	SD	T	WA
1	There are improvisation in net banking services	23	34	18	21	4	100	3.49	35	47	6	10	2	100	2.97
2	I am getting regular updates regarding Dmat services	17	26	14	24	19	100	3.07	33	31	9	18	9	100	2.94
3	There is transparency about credit card transactions	16	23	20	17	24	100	2.90	36	39	7	13	5	100	2.87
4	SMS alert services are on regular basis	15	22	28	24	11	100	3.39	38	51	5	6	0	100	2.79
5	I am satisfied about ATM services	25	41	8	20	6	100	3.11	43	51	2	4	0	100	2.67
6	I am getting haselfree mobile banking services	21	24	19	31	5	100	3.50	39	47	8	4	2	100	2.73

Source-Primary Data

B) Difference of Weighted Average of Opinion about Effectiveness of Banking Services by Public and Private Banks				
Sr. No.	Services	Public Banks Weighted Average	Private Banks Weighted Average	Difference
1	There are improvisation in net banking services	3.49	2.97	0.52
2	I am getting regular updates regarding Dmat services	3.07	2.94	0.13
3	There is transparency about credit card transactions	2.90	2.87	0.03
4	SMS alert services are on regular basis	3.39	2.79	0.60
5	I am satisfied about ATM services	3.11	2.67	0.44
6	I am getting haselfree mobile banking services	3.50	2.73	0.77
Average				0.42

The above table is concern with the opinion of customers of public as well as private banks related to the certain parameters. The focus is being made on weighted average of the opinion on the basis of likert's scale along with the difference of these averages. It can be seen

that there is higher difference in case of haselfree mobile banking services (0.77) and regular SMS alert services (0.60). This refers to impact of these services are affecting at a greater extent towards the customers.

C) Gender based Analysis of Difference of Weighted Average of Opinion about Effectiveness of Banking Services by Public and Private Banks							
Sr. No.	Services	Male			Female		
		Public Banks W A	Private Banks W A	Difference	Public Banks W A	Private Banks W A	Difference
1	There are improvisation in net banking services	2.72	2.30	0.41	2.48	2.33	0.15
2	I am getting regular updates regarding Dmat services	2.48	2.49	-0.01	2.15	2.38	-0.22
3	There is transparency about credit card transactions	2.67	2.34	0.33	2.39	2.71	-0.31
4	SMS alert services are on regular basis	1.94	1.83	0.11	1.94	1.63	0.31
5	I am satisfied about ATM services	2.99	2.00	0.99	2.55	1.83	0.71
6	I am getting haselfree mobile banking services	2.87	2.21	0.66	2.24	2.13	0.12
		Average		0.41	Average		0.13
Source-Primary Data							

The above table refers to the analysis of the opinions of the customers on the basis of the gender. In case of the male respondents the average difference is 0.41 and at the same time it is 0.13 in case of the female respondents. The major issues of male respondents are related to ATM services (0.99) as well as regular updates about D-mat services (-0.01) provided by the banks under both sectors. However, the responses of female respondents show the major issue of transparency in credit card transactions (-0.31).

D) Occupation based Analysis of Difference of Weighted Average of Opinion about Effectiveness of Banking Services by Public and Private Banks													
S r . N o .	Services	Services			Business			Professional			Others		
		Publi c Banks WA	Privat e Banks W A	D	Publi c Banks WA	Privat e Banks W A	D	Publ ic Ban ks WA	Private Banks W A	D	Public Banks WA	Privat e Banks W A	D
1	There are improvisation in net banking services	2.72	2.07	0.65	2.54	2.42	0.11	2.56	2.13	0.43	2.56	2.14	0.41
2	I am getting regular updates regarding dmat services	2.57	2.07	0.51	2.04	2.58	-0.54	2.28	2.29	0.01	3.00	2.86	0.14
3	There is transparency about credit card transactions	2.32	1.97	0.35	2.31	2.18	0.13	2.61	1.83	0.78	2.67	2.43	0.24
4	SMS alert services are on regular basis	2.43	1.72	0.70	2.23	1.85	0.38	2.39	1.63	0.76	3.00	1.93	1.07
5	I am satisfied about ATM services	2.66	1.93	0.73	2.35	2.09	0.26	2.33	1.88	0.46	2.67	1.86	0.81
6	I am getting haselfree mobile banking services	2.62	2.17	0.44	2.73	2.06	0.67	2.83	2.00	0.83	3.22	2.14	1.08
		Average		0.56	Average		0.17	Average		0.54	Average		0.63
Source-Primary Data													

The above table is showing the analysis of the opinions on the basis of occupation of the respondents. The section of the respondents belonging to services are having the important concern of ATM services (0.73) provided by the banks whereas the business section is reflecting issues of updates of D-mat services (-0.54). In case of professional respondents there are discrepancies in haselfree mobile banking services (0.83) and same is the issue about other respondents in this study.

E) Education based Analysis of Difference of Weighted Average of Opinion about Effectiveness of Banking Services by Public and Private Banks													
Sr. No.	Services	Matriculate			Graduate			Post Graduate			Professional		
		Public Banks WA	Private Banks WA	D	Public Banks WA	Private Banks WA	D	Public Banks WA	Private Banks WA	D	Public Banks WA	Private Banks WA	D
1	There are improvisation in net banking services	3.26	2.85	0.42	2.89	2.62	0.27	2.71	2.22	0.49	3.00	2.57	0.43
2	I am getting regular updates regarding Dmat services	3.05	2.96	0.09	2.89	2.65	0.24	2.82	2.17	0.64	2.63	2.57	0.05
3	There is transparency about credit card transactions	2.74	1.96	0.78	2.67	2.22	0.45	2.50	1.83	0.67	2.13	2.14	-0.02
4	SMS alert services are on regular basis	2.63	1.73	0.90	2.48	1.97	0.51	2.37	1.61	0.76	2.38	1.64	0.73
5	I am satisfied about ATM services	3.11	1.88	1.22	2.81	1.89	0.92	2.47	2.04	0.43	2.69	2.14	0.54
6	I am getting haselfree mobile banking services	3.05	2.04	1.01	2.78	2.05	0.72	2.58	2.00	0.58	2.69	2.29	0.40
		Average	0.74		Average	0.52		Average	0.60		Average	0.36	
Source-Primary Data													

The opinions on the basis of educational qualification of the respondents are analyzed in the above table. This reflects that the matriculate respondents are more concern with ATM services (1.22) whereas the graduate respondents are with ATM services (0.92) provided by the banks. In case of postgraduate customers regular SMS alert services (0.76) is the major concern while transparency about credit card services (-0.02) is for professional customers.

1.7 Conclusion

According to the analysis of the respondent's opinions in the present study it can be said that there is definitely scope for improvisation in terms of various services offered by public and private sector banks. It can be firmly expressed that there is significant difference in the opinion of customers in public and private sector banks. The observation of the opinion refers that private banks are on the better side as compared with the public banks in terms of providing different services to the customers.

To be more precise the issues to be focused by public banks on account of services related to the ATM services, SMS alert services and haselfree mobile banking services. The up gradation of these services will definitely offer convenience as well as better satisfaction of the customers. On the other hand improvement on account of updates regarding D-mat account services and more transparency in credit card services can be undertaken by private banks so as to keep satisfaction of the customers on higher end.

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