

# A Comparative Study of Consumer Satisfaction of Public Sector and Private Sector Banks in Pune District

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**ABSTRACT** - The purpose of conducting of a research is to compare public and private sector banks in Pune district by evaluating their consumer satisfaction. The research is mainly based on primary data which has been collected through a well-structured questionnaire. A questionnaire has been adapted from different research studies and circulated in 6 different Talukas of Pune District (Baramati, Indapur, Daund, Purandar, Shirur and Haveli). The questionnaire has been distributed to 300 different respondents on different chosen locations out of which 262 questionnaires were returned. Most of these responses were conducted the researcher and rest through the help of friends and family. The paper makes a useful contribution as there are very low number of studies has been conducted in India on such areas like technology, reliability, consumer service, price, location and infrastructure. The present research study shows that consumer satisfaction varies from person to person and, bank managers need to conduct more researches in order to evaluate consumer satisfaction more strongly.

**Keywords** - Consumer Satisfaction, Consumer Services, Technology, Reliability.

## I. INTRODUCTION

Consumer Satisfaction is a measure of how services provided by any organization meet the expectations of consumers. It varies from person to person and service to service. A consumer can be defined as a user or potential user of banking services. A consumer would include an account holder, or a person carrying out casual business transactions with the bank. The efficiency of a banking sector depends upon how best it can deliver services to its target consumers. In order to survive in this competitive environment and provide continual consumer satisfaction, the banking services providers are required to frequently increase the quality of services. In banking business it is seen that only 5% increase in consumer retention can extend 35% profitability.

## II. REVIEW OF LITERATURE

- A) **Customer Satisfaction** - Customer satisfaction is a critical issue in the success of any business system, traditional or online. In a turbulent commercial environment in order to sustain the growth and market share, customer satisfaction is critical for establishing long term client relationship<sup>1</sup>.
- B) **Technology** - In the banking sector it is necessary to increase adoption of technology to better meet consumer requirements, improve efficiencies, reduce costs and ensure consumer delight. It was the private sector and foreign banks which established the technological revolution in Indian banking. The new economy, mind share leads to market share and mind share is influenced not only by the promotions and advertisements but more importantly on favorable consumer perception which in turn is based on satisfaction with regard to products, services and interaction<sup>2</sup>.  
 The private sector banks are providing more satisfied ATM services than public sector banks. The consumer perception about Productivity, Security and Sensitivity, Cost Efficiency, Problem Handling, Compensation and Contact services related to ATM service is very less in both the public as well as private sector banks. Therefore both kinds of banks should be aware about these facts of ATM service to improve consumers' satisfaction<sup>3</sup>.
- C) **Consumer Perceptions and Expectations** - Quality expectation and the valuation of services received are slightly more in the private sector banks as compared to the public sector banks. The effects for tactic since sectarian differentiation become very blurry as a result of increasing correspondence between services and struggle from linked and additional industries<sup>4</sup>.  
 Service quality is one of main elements of consumer satisfaction and their intention to purchase. However, the consumers of public and private sector banks different in

terms of their perception of service quality. Private Banks have been observed to be higher on dimensions of service quality, effectiveness and convenient while, the nationalized banks are better on the dimensions of price and consistency<sup>5</sup>.

Consumers of private banks are more satisfied with the services than public banks. Managers in the banking sector undertake significant efforts to conduct consumer satisfaction surveys and it appears that consumers are saying that they expect good products and quality to their banks and that may be the only thing important to them<sup>6</sup>.

**D) Image and Reputation of Banks** - Some publicly owned banks are scoring well among consumers but overall analysis shows that satisfaction rate in consumers of private banks is much higher than public sector banks and people will continue the mortgage with private banks than public banks because they are impressed by the level of efficiency and honesty of private banks<sup>7</sup>.

**E) Performance of Banks** - After the privatizations of state owned banks, their performances in comparison with other banking groups have increased by 95%. The performance of private banks after privatization of state banks had significant reduces and this reduction indicates that the share of the market of newly privatized state owned banks increased. Although the performance of privatized state banks after privatization has increased significantly<sup>8</sup>.

The economic reforms and the entry of private players have cause nationalized banks to revamp their services and product portfolios to incorporate new, innovative consumer-centric schemes. Nowadays, due to the rise in competition, consumer satisfaction is considered to be the most important thing in retail services but there is no noteworthy difference in consumer satisfaction of public sector and the private sector banks<sup>9</sup>.

**F) Price and Packages** - Credit cards have become a part of life. In recent years there was a lot of demand has been shown for credit cards and there is a lot of scope for credit cards business in India. The credit cardholders consider eleven 'very important' variables which "Satisfied" them are: Joining Fee, Annual fee, Minimum payment due, Cash withdrawal possibility, Availability of ATMs, Life Insurance Cover, Card replacement fee, Air insurance, Baggage cover, lost card liability after losing the card and lost card liability before losing the card<sup>10</sup>.

**G) Location and Infrastructure** - Good sites and suitable site of the branch are essential for bank branches for smooth operation of banking business. When the private banks were compared with public banks, all the private banks have excellent locations from business point of view compared to public banks in India. Private banks are providing better services to consumers and proper training should be given to the staff by the banks, also public sector banks should invest and concentrate more on staff development. Whereas private sector gives more priority on infrastructural aspects. The rigid policy of public banks

creates more dissatisfaction among the consumers while for private banks mostly the value of service is the key factor of satisfaction<sup>11</sup>.

**H) Quality of Consumer Services** - First dimension of consumer satisfaction for nationalized banks is Service Orientation but, for private banks Service orientation appeared as second dimension. They focus more on consumer satisfaction and nationalized banks give more importance to Flexibility in Use of Services, Vision and Competency. Also consumers of nationalized banks had not been given much importance by the executives. On the other hand consumers of private banks had been offered these services right from the beginning therefore, consumers of private banks more satisfied<sup>12</sup>.

The consumers of nationalized banks are more satisfied with service quality than private banks. It is required to ascertain the key success aspects in the industry, in terms of satisfaction of consumers by keeping in view the growing market size and the strong competition<sup>13</sup>. Service quality is an important feature of consumer satisfaction in Indian banking industry irrespective of public sector and the private sector banks and Consumer satisfaction is found to be strongly associated with propensity to recommend<sup>14</sup>.

The Private Banks came to existence within the last ten years with the objective of to limit the government intervention in banks. They try hard to obtain consumer satisfaction even after a short period of existence. According to a survey the result shows that private sector banks are more popular to obtain consumer satisfaction than the public sector banks<sup>15</sup>.

### III. RESEARCH FRAMEWORK

A research framework has been developed to compare consumer satisfaction among private and public sector banks of Pune District which includes research methodology, research model and questionnaire.

**a) Methodology** - A method has been designed to meet the objectives of research. For this purpose a questionnaire has been adapted from different research studies and circulated in 6 different Talukas of Pune District (Baramati, Indapur, Daund, Purandar, Shirur and Haveli). Questionnaire consists of two different parts. The first part is showing respondents personal data such as gender, bank type, qualification, income, age and the second part asked respondent to rate their satisfaction level to their bank from "strongly agree" to "strongly disagree" on such variables which lead to build strong relationship with consumers such as technology, reliability, consumer service, prices, location and infrastructure etc. Questionnaire was given to 300 different respondents out of which 262 questionnaires were returned. Most of these responses were conducted by the researcher and rest through the help of friends and family.

**b) Scope and Limitations of the Study** – The scope and

limitations have been observed during the research by the researcher.

- 1) The research only focuses on public sector and private sector banks, other banks like foreign banks, Co-operative Banks and Micro financial institutions that also plays good role in banking industry, has not been included in this research.
- 2) A scope of the study area is limited to 6 Talukas (such as Baramati, Indapur, Daund, Purandar, Shirur and Haveli only) out of 13 Talukas of Pune District were covered in this research.
- 3) The sample size and actual respondent numbers were limited because of limited time period.

**c) Research Model**



**IV. FINDINGS & OBSERVATIONS**

- A)** The first part of this questionnaire was designed to collect personal information of respondents such as their gender, Age, bank type, income and qualification.
- 1) The research shows that 67.94% of the respondents are male and 32.06% are female of which, 46.56% of the respondents are having their account in public banks and 53.44% have their account in private banks.
  - 2) In age group 72.6% respondents are from age group 18 – 30 years, 16.9% are from age group 31 – 40 years, 5.7% are from age group 41 – 50 years, 1.7% is from age group 51 – 60 years and 3.1% are from age group above 60 years.
  - 3) In income segment, 24.43% of the respondents having income less than Rs. 25,000/-, 21.76% have income between Rs.26,000/- to Rs.50,000/-, 28.24% respondents earn income between Rs.51,000/- to Rs.75,000/-, 13.36% respondents earn income between Rs.76,000/- to Rs.1,00,000/- and only 12.21% of the respondents earn more than Rs.1,00,000/- per month.
  - 4) In terms of qualification only 0.76% are below SSC, 1.53% have done SSC, 4.96% respondents have done HSC, 66.2% are graduated and 26.55% respondents are post graduated.
- B)** The second part of the questionnaire asked respondent to rate their satisfaction level to their bank from “strongly agree” to “strongly disagree” on such variables which lead

to build strong relationship with consumers such as technology, reliability, consumer service, prices, location and infrastructure etc.

**Mean and Standard Deviation of Each Question**

| Questions  | N   | Min. | Max. | Mean | SD   |
|--|-----|------|------|------|------|
| 1. Location of the bank is convenient  | 258 | 1.00 | 5.00 | 2.05 | 1.15 |
| 2. Bank has multiple branches in Pune  | 257 | 1.00 | 5.00 | 2.03 | 1.10 |
| 3. Bank gives good interest rate on saving   | 260 | 1.00 | 5.00 | 2.15 | 1.06 |
| 4. Bank provides good credit facilities  | 256 | 1.00 | 5.00 | 2.27 | 1.19 |
| 5. Bank staff attitude is friendliness   | 250 | 1.00 | 5.00 | 2.05 | 1.08 |
| 6. Bank staff gives prompt attention to  | 255 | 1.00 | 5.00 | 2.08 | 0.98 |
| 7. Bank staff handles problems efficiently   | 260 | 1.00 | 5.00 | 2.20 | 1.15 |
| 8. Bank provides variety of service charges  | 261 | 1.00 | 5.00 | 2.20 | 1.07 |
| 9. Bank provides good E-Banking service  | 248 | 1.00 | 5.00 | 2.18 | 1.05 |
| 10. Bank provides ATM service in multiple  | 262 | 1.00 | 5.00 | 1.90 | 1.05 |
| 11. Infrastructure of the bank is attractive and                                       | 261 | 1.00 | 5.00 | 2.24 | 1.20 |
| 12. Bank doesn't charge unnecessarily for not maintaining minimum                      | 258 | 1.00 | 5.00 | 2.36 | 1.20 |
| 13. Bank provides Internet banking   | 251 | 1.00 | 5.00 | 2.14 | 1.14 |
| 14. Bank provides safety for my funds  | 249 | 1.00 | 5.00 | 1.95 | 1.00 |
| 15. Bank's image and reputation is good  | 253 | 1.00 | 5.00 | 2.17 | 1.11 |
| 16. I have open account in this bank because for personal relationship with any of the | 250 | 1.00 | 5.00 | 2.25 | 1.26 |
| 17. I am satisfied with my bank  | 255 | 1.00 | 5.00 | 2.17 | 1.08 |
| 18. I will not switch to any other bank  | 258 | 1.00 | 5.00 | 2.32 | 1.14 |
| 19. Bank provides a good consumer service  | 257 | 1.00 | 5.00 | 2.14 | 1.09 |
| 20. Overall opinion about my bank is good  | 258 | 1.00 | 5.00 | 2.18 | 1.13 |

(N = No. of respondents, Min = Minimum, Max = Maximum, SD = Standard Deviation)

**V. CONCLUSION**

Above analysis shows that consumer satisfaction vary according to the nature of the services and in this case, highest consumer satisfaction is shown in such areas like price charged by banks is nominal, convenient location of bank branches and staff attitude toward problem solving of consumers.

When the private sector banks are compared with public sector banks, the consumers of private sector bank were more satisfied with their bank because of their multiple branches at convenient locations and technology (like cheque deposit machines, utility bill accepting machines etc.) which were not sufficiently seen in public sector banks. But when we talk about public sector banks, consumers of public sector banks were more satisfied with reputation, reliability and the prices which public sector banks impose on services like cheque/cash deposit and cheque/cash withdraw. It means that the price charges are lower in public sector banks than in private sector.

When we compare both types of banks in terms of consumer care service, private sector banks are favored more than public sector banks.

Although overall both consumers of public and private sector banks are satisfied with their banks but due to wide difference of response, both banks should concentrate on their weak areas in order to meet their consumer expectations. The present study provides sort of guidelines to managers of banks to take suitable decisions to get more satisfied responses from their consumers.

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