

A COMPARATIVE STUDY BETWEEN PRIVATE SECTOR AND PUBLIC SECTOR BANKS

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1.1 Introduction



The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of university. Banking can also be classified as retail and corporate banking. Retail banking that is designed to meet the requirement of individual customers and their savings which includes payment of utility bills, credit cards, consumer loans and checking bank account. Corporate banking on the other side caters to the need of corporate customers such as opening letters, credit, managing cash, bills discounting etc.

Banks marketing can also be defined as the part of management activity which seems to divert the flow of profit from banking services to clients Essentially, the marketing notion necessitates a knowledge of the customer's need to learn about the market and how it operates. Furthermore, the industry is categorized in order for banks to better understand the needs of their customers. Services like portfolio management, internet banking, venture capital etc.

The services that banks provide to their customers are nearly completely focused on managing money or finances for other individuals. Banks play a crucial role in our economy. The basic duty of banks is to put the money in their account holders' accounts to good use by lending it to individuals in need.

Money is a means of exchange, or a system for valuing goods and services that has been agreed upon. Precious stones, animal products, and other valuable things were once utilised as a means of exchange, and are still used in some places today. "Barter" is another name for this system.

A medium of exchange could be anything with a predetermined value. Many different types of money are used nowadays. Money is any thing or record that is widely accepted in a specific socio-economic setting or country as payment for goods and services and debt repayment. Money has four major functions: it is a medium of commerce, a unit of account, a store of value, and in the past, a standard of postponed payment.

Money can be defined as any object or secure verifiable record that performs certain functions. Money simply indicates how much something is worth, whether it is a new gadget or two hours of your effort. When you have money, a bank can operate as your financial institution.

The lifeblood of trade, commerce, and industry is finance. The banking industry now serves as the backbone of modern enterprise. The financial system is crucial to any country's development.

The word bank is derived from either the old Italian word banca or the French word banque, both of which refer to a bench or a money exchange table. For the purpose of lending or exchanging, European money lenders or money changers used to display (show) coins from various countries in large heaps (quantity) on benches or tables.

A modern economy cannot function without a bank. A bank, like any other business, is one that is heavily involved in money transactions. No one can live without money nowadays, and without a bank, safe and secure money transactions are impossible. A bank can be found wherever there is money. It engages in a variety of activities. A bank performs a variety of crucial functions for the growth of society and the country. As a result, no one can deny the significance of a bank. The bank is regarded to be the heart of the modern economy. Commercial banks are financial entities that lend money as well as offer transactional, savings, and money market services.

What is Bank?



According to the research, a bank is defined as,

"An establishment that keeps money in its custody and pays it out according to a customer's request."

The Banking Companies Act of 1949 in India defines a banking company as follows:

"One who engages in the banking business, which entails collecting money from the public for the purpose of lending or investing it to depositors, repayable on demand or otherwise, and withdrawable by check, draught, or order." The Indian banking system is an important part of the overall financial system. It demonstrates a significant conduit for gathering small savings from households and lending them to businesses.

The Reserve Bank of India (RBI) is the central bank of India and is responsible for all banking concerns.

1.2 Statement Of The Problem:-

The Indian economy, which had previously been sheltered, witnessed the forces of liberalisation, privatisation, and globalisation unleashed in the business environment in the early 1990s. Previously, until the 1990s, the insulated economy gave comforts to the general public.

While in an administered interest regime, sector banks in areas of liquidity management

Because management's discretion was limited, the risk parameters in these sectors were lowered.

Unquantifiable and fuzzy Regrettably, public sector banks, which played an important role, have been shut down to play earlier, but their performance deteriorated at that time. The truth is that the utility of the nationalised sector has passed. Banks in the public sector have been overburdened with debt unwanted heirlooms; customer service suffers a setback; the demand for computerization grows. The need for networking among the enormous branch network was felt urgently.

In the midst of all of this, a new generation of banks — private sector banks – emerged in the Indian banking system. In that setting, private banking was seen as a novel option because these banks were able to avoid the regulatory framework. The public sector has structural and other flaws. Several of the new ones that were introduced The IDBI and ICICI, which were pushed by institutions like as the IDBI and ICICI, were successful in establishing themselves (despite the fact that their size and scope of business activities differed) and made it through the market the 1990s upheavals Aside from other considerations, some of the professionals' approach. They were able to avoid the difficulties associated with new generation private sector banks.

After discussing the banking sector's performance metric, which represents an organization's efficient use of all resources, Banks are currently dealing with a number of issues, including regular technological upgrades required for modern banking, as well as a lack of capital.

Increasing competitiveness, strict prudential standards, and an alarming proportion of nonperforming assets. Customer demands are rising, profit margins are tightening, and asset- liability management is becoming more important management, liquidity and credit risk management, and increasing operating expenditures are just a few of the issues that need to be addressed. The size of the spread is reducing, and so on. As a result, the research looked at how people's attitudes have changed through time.

Different types of financial indicators were used, and their impact on the performance of chosen institutions was investigated. As a result, it aids the banking sector in resolving issues with banking liquidity and profitability. The findings of this investigation were:

India's commercial and public sector banks have had a poor performance.

The Indian banking system has faced some problems and challenges in the post-reform period as a result of liberalisation, privatisation, and globalisation. The following are the major concerns and challenges that the Indian banking sector is now facing:

1. What role does banking play in our everyday lives?
2. Has India's banking system improved in terms of performance?
3. To what extent are banking sectors responsible for the safety of public deposits?
4. Which banking sectors are lowering public operating expenses?
5. Which of the financial sectors provides the best service to the public customer?
6. What is the public and private sector's significant financial position banks?
7. Which of the sectors is showing signs of improvement?
8. What is the significance of the CAMEL rating system in banking supervision?
9. What are the key roadblocks to the banking sector's expansion in India?

1.3 Objective Of The Study:-

The following are the precise goals of this research.

1. Research into the Banking Sector's Concept and Emerging Innovations in India.
2. To examine and compare the financial performance of a number of public-sector organisations. Banks in the Public and Private Sector.
3. Analyze and Compare the Operational Performance of Selected Public Sector Organizations Banks in both the public and private sectors.
4. To assess and compare the overall performance of the public sector in question.

CAMEL Ratings of the Banks Under Study and Public and Private Sector Banks

- a. To Make Recommendations for Improving the Performance of the Selected Banks in both the public and private sectors.
- b. Educating the general public on the need of saving.
- c. Supporting the country's economic growth by providing funds to the private sector.
- d. Growth of primary industries, consumer goods industries, and large and small businesses and the service sector.
- e. Making a decent profit.
- f. A comparison of public and private sector banks in terms of ATM, Internet Banking, Telephone Banking, and Mobile Banking services.
- g. A comparison between public and private sector banks in terms of technology usage issues such as ATMs, Internet banking, telephone banking, and mobile banking.
- h. To compare public and private sector banks' expectations and levels of satisfaction with several service quality aspects.
- i. To identify the banking sector that is largely availed by the customers.

1.4 Nature And Scope Of The Study:-

In the modern era, the world has become a global market, and globalisation has had an impact on the financial sector as well. The Indian banking sector tries to improve the efficiency and profitability of financial institutions that must deal with global challenges competition. As a result, not only has there been a rapid increase in the number of banking institutions in the country, although the country's banking vision has also expanded. With the arrival of the new private sector and international banks, things have changed dramatically.

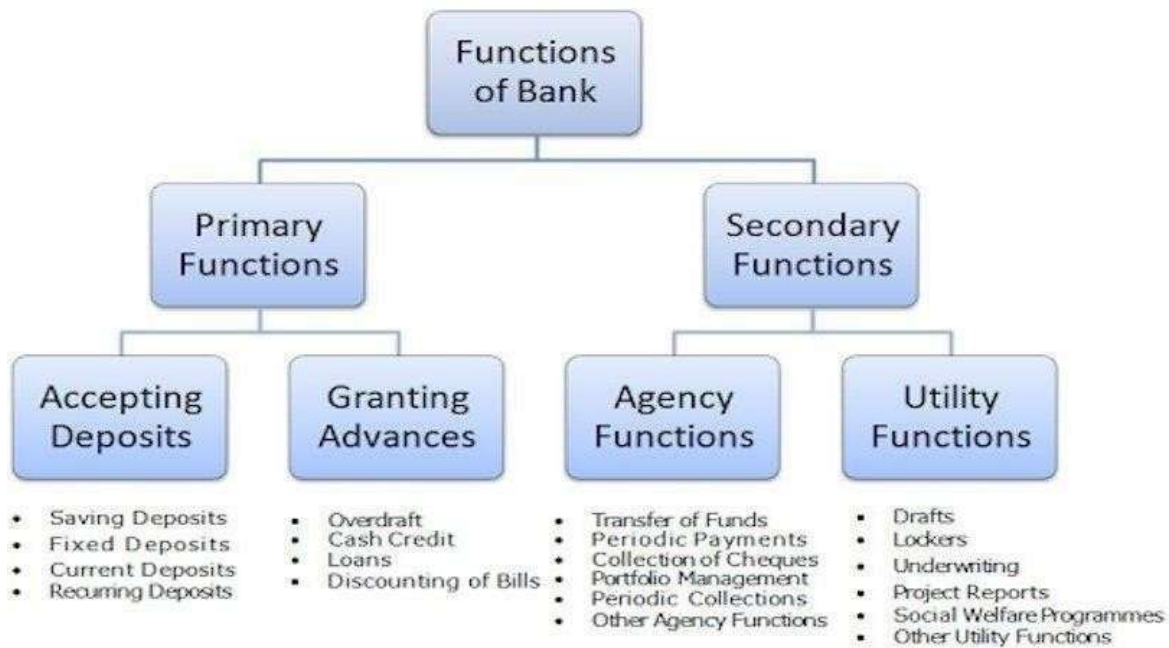
The study's scope is broader and includes India's banking sector. In India, there is a major problem with the banking sector's financial situation. However, the study will only compare the financial and operational performance of the two companies. In India, we chose ten public sector banks and ten private sector banks. Banks from other countries have been left out of the research. Foreign banks' policies and laws are constantly changing. They are not included, unlike other commercial banks. The time limit has been set from 2007 to 2016, as it will provide a precise picture of the bank's impact performance.

The research could be useful for future descriptive studies on the concepts being investigated. Furthermore, learning how to sustain the banking sector's healthy financial performance through numerous elements would be advantageous.

The research looks at 31 financial and 11 operational ratios. In addition, the research covers the 18 characteristics that can be used to evaluate and compare a company's overall performance based on the world's ten public sector banks and ten private sector banks.

The well-known CAMEL Model is used. CAMEL evaluates and compares the performance of several factors for the study's selected sample banks for the time period.

1.5 Functions of Banks:



PRIMARY FUNCTIONS:

1) **Accepting of Deposits:** A bank is a financial institution that accepts deposits from the general population. To their convenience, people can deposit their cash balance in one of the following accounts.

A) **Fixed or Time Deposit Account:** - A fixed time deposit is a type of deposit account that is received for a set length of time with no movement and pays a greater interest rate than a standard savings account accepting fixed-term deposits for three months is the minimum period required. Interest rates will vary depending on the amount and length of the deposit, i.e., the greater the deposit amount/the longer the deposit time in the bank, the higher the interest rate.

B) **Savings Account:-** A limited number of withdrawals, a lack of check and connected debit card facilities, limited transfer choices, and the inability to be overdrawn are all common aspects. Savings account transactions were traditionally kept in a passbook, and were sometimes referred to as passbook savings accounts, with no bank statements; however, similar transactions are now regularly recorded electronically and accessible online.

C) **Current Account:** - A current account, also known as a financial account, is a type of deposit account used to conduct large-value transactions on a regular basis. Current

Accounts are used to store liquid funds and, unlike Savings Accounts, do not pay interest. Businessmen, such as proprietors, partnership partnerships, trusts, associations of persons, public and private corporations, and so on, open current accounts. It enables consumers to make deposits and withdrawals at any moment without prior

warning. The account is perfect for making cheque payments to debtors. The primary goal of a current bank account is to allow businesspeople with accounts to conduct financial transactions efficiently.

2) Advancing of Loans :- The bank advances money in any one of the following ways:

A) Overdraft Facilities:- A bank overdraft is a sort of financial instrument that a bank offers to some customers in the form of an extended credit capacity that kicks in once the account's principal balance hits zero. To put it another way, a bank overdraft is an unsecured line of credit that is typically utilised to meet short-term liquidity needs. Customers of banks are given a credit limit based on their relationship with the bank. The bank assesses different interest and costs for account non-maintenance. The interest rate on an overdraft facility may differ from one bank to the next.

B) Money at Call:- It is money lent for a brief period of time, usually 1 to 14 days. Typically, such advances are made solely to other banks and financial institutions.

C) Loans:- Banks make loans based on securities that can be easily sold on the open market.

A loan is issued when the bank has convinced itself that the party is sound.

D) Cash Credit :- Cash credit is a short-term loan that banks grant for enterprises, financial institutions, and companies to meet their working capital needs. Even if there is no credit balance, the borrowing firm can take money up to the borrowing limit.

E) Discounting Bill of Exchange:- Modern banks also offer discounting of bills of exchange as a sort of loan. The owner of the bill of exchange might get a discount from the bank using this procedure. In an exchange bill, the debtor receives the creditor's bills (that is, the bills' owner's bills) and agrees to pay the indicated amount at maturity. The bank pays the invoice's value to the owner after a minor deduction (in the form of a charge). The bank receives payment from the party who accepts the bill of exchange when it expires. As a result, such a loan is self-liquidating. An exchange invoice is a written, legally enforceable document that outlines the buyer's duty to pay the seller a specific sum.

F) Investment in Government Securities- Government securities are a sort of financial instrument in which investors can put their surplus money to work earning a fixed rate of income while also growing their wealth over time. Treasury bills, bonds, and notes, for example, are all examples of government securities. Furthermore, government securities are a type of debt instrument. That is, as an investor, you give the government with a loan/debt in order for it to fund its programmes. Bonds are issued by both the federal and state governments to cover their fiscal needs. The money of the investor is safe with the government, and the investor receives a predetermined rate of return on the capital invested.

3) Credit Creation: It is a well-known fact that banks do not maintain a 100% reserve against deposits in order to meet depositor demands. The bank is not a cloakroom where you may store your currency notes or coins and then retrieve them whenever you want. It is often assumed that the money received by the bank will be advanced to others. A depositor must be satisfied with the bank's commitment or assurance to repay him whenever he requests it. As a result, the term 'credit creation' denotes a situation in which "a bank may receive interest merely by allowing customers to overdraw their accounts or by purchasing assets and paying for them with its own cheques, thus raising the total bank deposits," to borrow Benham's words.

4) Cheque System of Payment of Funds :- A payment system is a method that allows a payer to discharge his or her payment obligations to a beneficiary by facilitating the transfer of value between them. Payment systems are a means of transferring payments from one person to another, allowing businesses and economies to function

more efficiently. The payment system allows for a two-way flow of payments in the economy in exchange for goods and services. Payment systems enable consumers to send money to one another. Cash is the most common and conventional payment method used by customers to buy products and services in their daily life. Other payment tools are also available through banking systems, and these are commonly utilised in business. Payment systems are made up of instruments that can be used to make payments.

SECONDARY FUNCTIONS:-

Besides the above primary function, bank also perform many secondary functions such as agency functions, general utility and social functions.

1. Agency Functions:-

Bank act as agents to their customers in different ways: -

- A) Collection and Payment of Credit and Other Instruments: - Commercial banks collect and pay checks, bills of exchange, promissory notes, rent, interest, and other bills on behalf of their customers, as well as make payments for income tax, fees, and insurance premiums.
- B) Purchase and Sale of Securities:- The manner different assets are bought and sold is one important component of investing that is often ignored. The financial business is expanding with numerous outlets for buying and selling stocks, bonds, and mutual funds, thanks to decreased commission rates, looser regulatory constraints, and increased public interest in investing.

In the North America, you can trade Investment Securities through the following four ways-

- 1) Brokerages
 - 2) The company that issue them
 - 3) Banks
 - 4) Individual Investors
- C) Trustee and Executor :- One crucial aspect of investing that is frequently overlooked is how different assets are acquired and sold. Because of lower commission rates, lighter regulatory limits, and more public interest in investing, the financial industry is booming with multiple venues for buying and selling stocks, bonds, and mutual funds.
 - D) Remittance of Funds :- Commercial banks occasionally serve as clients' representatives or correspondents, particularly when dealing with numerous applications.
 - E) Letter of References :- Banks also share information about their customers' financial situations with domestic and international traders, and vice versa.
 - F) Billion Trading :- Commercial banks in several countries trade in billions of dollars of gold and silver. In October 1997, eight banks, including SBI, IOB, Canara Bank, and Allahabad Bank, were granted permission to import gold under the open general licence category.

- 2) General Utility Services :- In addition to agency services , banks render many more utility services to the public. These services are-
- Locker Facilities :- Customers of the bank have access to lockers. These lockers can be used to store valuable or crucial documents. Their annual rent is really low.
 - Issuing letters of credit :- A letter of credit is an international payment instrument in which a bank provides a monetary guarantee to enterprises that import and export commodities. A letter of credit can be used for both import and export. International businesses must deal with unknown suppliers and must obtain payment assurance before progressing with any transaction. As a result, a letter of credit is required to ensure that suppliers and exporters get paid.
 - Acting as Information Banks :- In today's environment, information systems are critical for corporate organisations' growth and survival. For the administration of critical information and data, all sectors of the industry are completely reliant on these. Information systems are used from small enterprises to huge, strong businesses such as high street banks and central and local government to regulate their data. We will cover the different benefits of using information systems in the banking industry in this paper. We'll examine the requirements of information systems at various levels, as well as the security requirements for these reasons.
 - Dealing in Foreign Exchange:- Major commercial bank branches also do foreign exchange transactions. In India, commercial banks are the primary permitted foreign exchange dealers.
 - Help in Transportation of Goods:- After consigning products to their merchants, big businessmen or industrialists transmit the Railway Receipt to the bank.

1.6 Research Methodology:

Research design used to carry out this study is descriptive research because it deals with statistical data and the main aim of the report is to describe the factors affecting the problem mentioned and making comparison between banks performance in context of NPA. The study is done on the basis of data for the period of 5 years from the financial year 20122017 and secondary data is collected mainly from the sources available at internet like the RBI website, websites of the banks etc. Data is presented with the help of Graphs, charts and tables etc.

Sample Design :-

A sample design is a method for selecting a representative sample . It refers to the methods or procedures used by the researcher to select items for the sample. The sample design may also specify the number of items to be included in the sample, i.e. the sample size. Before any data is gathered, the sample design is determined.

The methodology and design adopted for the study is as follows:

Area of Study -The study has been conducted in Chandigarh city having a population of more than nine lacs. Chandigarh is known as one of the best experiments in urban planning and modern architecture in the twentieth century in India.

Period of the Study-

The present research study is related to “Customer Satisfaction: A Comparative study of Public and Private Sector Banks in India”. The survey lasted for about six months.

Data Collection-

This study is based on questionnaire methods. Primary data were collected from men and women respondents living in Chandigarh city. People from all walks of life were contacted. The total number of respondents was 160. The researchers have covered customers from six banks, three each from public sector and private sector. Under Public sector banks State Bank of India, Punjab National Bank and Oriental Bank of Commerce were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks.

Sampling-

A sample of 160 customers has been selected using convenient sampling method. The data has been interpreted satisfactorily whenever and wherever needed.

Sampling Technique:

All of the people who had a savings account were considered. The study was based on the idea that respondents will provide honest and fair replies in a pragmatic and non-biased manner.

Sampling Description:-

The material was collected and evaluated according to their socioeconomic background, which included the features of their respondents, in order to better understand the nature and characteristics of various respondents in this study. This description demonstrates that the respondents in this survey come from a variety of backgrounds, broadening the study's breadth.

Primary Data :-

Primary data is information that is used or obtained for the first time and has never been used before. There are a variety of primary data sources from which information can be gathered.

I choose the following resources for our research :

QUESTIONNAIRE:

This type of data collection is very popular, especially for large inquiries. In our study, we asked respondents to answer 11 basic questions with accurate information.

RESPONDENTS:

Respondents aid in the development of a more accurate understanding of our research. I meet the respondents both inside and outside of the banks.

Secondary Data:-

Secondary data is information that is already available in a ready-to-use format and has been used by people for a variety of purposes. Secondary data can come from a variety of places, including newspapers, periodicals, journals, books, reports, records, and other publicly available material.

BANKS ANNUAL REPORTS:

Banks publish annual reports to keep the public informed about their profitability and growth. These annual reports are quite helpful in providing us with the most up-to-date data and other relevant information for our research. It informs us about the rise or fall in profits as well as other facilities.

JOURNAL AND PUBLICATIONS OF DIFFERENT BANKS:-

I also take into account the bank's periodicals and papers published at various times. I learn about the locations of the branches, ATMs, and other essential information.

MANUALS AND BROACHERS OF DIFFERENT BANKS:-

I enlist the assistance of bank employees and others who provide me with detailed information and data that may not be available elsewhere. They are willing to help in any way they can.

INTERNET :-

I also take the consideration the internet facility with which I collect lot of latest information.

1.7 Limitations of The Study:

Every study has certain limitations. Same is true with this study also. Some of the limitations faced during this study are: For the purpose of this study only data of 5 years has been taken that is from financial year 2013-2017. Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of the study are:

- The study is based on the secondary data and the limitation of using secondary data may affect the results.
- The secondary data was taken from the annual reports of the Private Sector and Public Sector Banks. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.

Financial analysis is mainly done to compare the growth, profitability and financial soundness of the respective banks by diagnosing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and Profit & Loss Account. It helps in better understanding of banks financial position, growth and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements.

Some of the respondents of the survey were unwilling to share information.

The research was carried out in a short period. Therefore the sample size and other parameters were selected accordingly so as to finish the work within the given time frame.

The information given by the respondents might be biased because some of them might not be interested to give correct information.

The officials of the bank supported me a lot, but did not have sufficient time to make the points more clear.

Review of literature:

SL Gupta and Arun Mittal published "Comparative research of promotional studies adopted by public and private sector banks in India" in Asia-Pacific Business Review, July September 2008. According to the survey, the public sector is more dependable, but not as good as the private sector. A private sector bank is not as reliable as a public sector bank in terms of quality and innovation, but they are superior in terms of services both in terms of quality and creativity.

Bhallabh (2002) examines the issues that have arisen as a result of the banking sector reforms. Financial markets around the world have become increasingly intertwined as a result of globalisation and technological advancements. Banks must adopt new policies/strategies in response to changing market conditions if they are to survive environment.

Kumar (2006) found that bank nationalisation in India marked a paradigm shift in banking, with the goal of shifting the focus from class to popular banking. Internationally, efforts are also being made to investigate the causes of low-income people's financial inclusion, recognising it as both a problem and an opportunity. This is both an economic opportunity and a corporate social duty.

Financial inclusion is a possibility as a commercially viable enterprise.

The Banking Industry is undergoing a paradigm transition in scope, content, structure, functions, and governance, according to **Laxman, deen, and Badiger (2008)**. The information and communication technology revolution is having a significant impact on the banking industry's operational environment.

The future problems of technology in banking were explored by **Nair (2006)**. The author also mentions how IT has a bright future in rural banking, but it is overlooked because it is generally thought to be unviable in this segment. A successful bank must be nimble and agile enough to respond to changing market conditions the new market paradigm and poor risk management The key to extending the life of a product will be innovation the provision of banking services to the underserved masses at the bottom of the pyramid.

Singh (2003) examined bank profitability management in a deregulated environment using some financial parameters of managers for bank groups such as public sector banks, old private sector banks, new private sector banks, and foreign banks, and found that profitability has declined in the deregulated environment.

Singla (2008) investigates the significance of financial management in the industrialist rise of banking. It is focused with examining the profitability position of sixteen banks from the banker index during a six-year period (2001-2006). The study demonstrates that the profitability position of the banks is improving. When compared to the prior year, was reasonable during the study period. Capital that is strong position on the balance sheet Banks are in a better position to handle and absorb economic shocks. Over a period of time, it has remained steady.

According to **Subbarao (2007)**, the Indian banking sector has undergone change from domestic to international banking, which necessitates a mix of modern technologies, well- regulated evaluation, treasury management, product diversification, and internal controls. To reach the pinnacles of success, you'll need control, external regulation, and highly trained people resources.

The international community plays a key role in meeting the challenges.

Aurora and Malhotra (1997) investigated the level of customer satisfaction and marketing methods used in India's public and private banks. Their research looked into several aspects of customer satisfaction in these banks and found that clients are more satisfied with private banks due to their employees. They recommend that public sector banks be well-equipped, employ qualified personnel, personalise services, eliminate long lines, and maintain a pleasant environment.

Varghese (2000) compared the state and private banks in Kerela. He looked at the outcomes of two banks from each category and compared them. There are no substantial differences in the services provided by public and private banks, according to the data. Furthermore, banks across all industries employ comparable internal marketing techniques.

In his Ph.D. research, "Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad," **Prashanta Athma (2000)** aimed to investigate the performance of Public Sector Commercial Banks with a special emphasis on State Bank of Hyderabad. The study's performance evaluation period is a little more than a decade, from 1980 to 1993-94.

V.N. Saxena (1978) looked into this. "Stock inspection processes and procedures, as well as stock register maintenance, both need to be improved. It is necessary to adopt reforms in the areas of sponsorship programmes, recovery, and consulting " For banks, this could be a **beneficial tool.**

Mumupilly (1980) looked into the profitability and costs of Indian commercial banks. The paper provides an analytical assessment of changes in the components of cost of profits of major groupings of Indian commercial banks since nationalisation. The study focuses on the cost and profitability of the banking industry as a whole, rather than individual banks.

Srinivasa Reddy (2016) examines the performance of priority sector advances in India, as well as their share of scheduled commercial banks, because commercial banks play an important role in the Indian financial system and are supervised by the Reserve Bank of India.

Sudesh (2007) investigated the quality of banking services in India and came to the conclusion that public sector banks in India deliver bad service. These institutions score low on tangibility, responsiveness, and empathy when compared to private sector banks. According to the poll, management should keep a watch on potential failure points and make every effort to handle customer complaints as promptly as possible.

The banking system's aid to vital sectors of the economy, according to **Jaynal Ud-din Ahmed (2010)**, has not received adequate funding from commercial banks. The examination of priority sectors NPAs in the study area, namely Barak Valley, was not included because to a lack of data. According to the findings, appropriate loan recovery is required to boost bank performance; otherwise, institutions would have a liquidity problem when recycling money.

With a focus on State Bank of India, Patna Circle, and Bihar, **Mishra (2011)** explained a conceptual framework for nonperforming assets (NPAs) and examined the dimensional approach to NPAs in India's banking sector.

A study on the efficiency of Indian commercial banks' NPA management was undertaken by **K.K.Siraj and P.Sudarsanan Pillai (2012)**. According to the survey, nationalised banks outperform international and private sector banks.

Anne M Smith (1990) investigated how clients' views of quality service from banks are influenced by the four distinctive qualities of services: intangibility, inseparability, heterogeneity, and perishability. According to the

findings, increased competition and rising customer expectations have produced an environment in which quality is viewed as a crucial strategic determinant for boosting customer happiness and, as a result, contributing to financial service providers' profitability.

According to **Liang et al (2004)**, there are two categories of service quality attributes: product-related and non-product-related. Customers may perceive symbolic, functional, or experiential benefits as a result of these characteristics. Customer satisfaction has a favourable impact on a customer's trust and commitment to a service provider, which in turn has a positive impact on a customer's behavioural loyalty, according to the study's findings.

According to **Sarin and Anil (2007)**, manpower in service firms should be focused on customer satisfaction. Banking should highlight the areas that need to be improved, as well as the methods that customers believe should be implemented in order to improve service quality.

According to Laroche and **Manning (1986)**, the most important factors in banking services are location convenience, speed of service, competency, and friendliness of bank personnel.

Geiger (1975) conducted research to determine client wants. Customers' social standing and perceptions of banks were investigated, as well as customers' assessments of the breadth of services offered by banks, the effectiveness of various advertising and other sales promotion measures, and customers' willingness to save and other habits. According to the findings, satisfied customers are more hopeful than those who are dissatisfied with the services provided by their banks.

Lewis and Birmingham (1991) investigated the demands, attitudes, and behaviour of the young market for financial services and discovered that the needs and conduct of the youth market are not uniform.

In a study of consumer choice criteria in financial institution selection in the United States, **Boyd et al (1994)** discovered that reputation and loan interest rates, as well as savings rates, are more important than personnel friendliness, modern facilities, and drive-in service. In his study on rural bank marketing, **Rajagopla Nair (1994)** discovered that security and liquidity are the most important requirements for rural customers' deposits, and that the interest rate on fixed and demand deposits is not at all a criterion for rural bank depositors to deposit their savings with commercial banks.

Huu Phuong Ta and Kar Yin Har (2000) investigated undergraduates' bank selection preferences in Singapore. The Analytic Hierarchy Process was used to structure the selection problem into a three-level hierarchy, and nine criteria for picking banks and five banks were determined.

According to the data, undergraduates place a greater emphasis on the pricing and product characteristics of bank services.

Customer satisfaction in banks was investigated by **Hallowell Roger (1996)**, who discovered that banks should only target and serve those clients whose requirements they can meet better and more profitably than their competitors. Customers will be maintained for longer periods of time, consume various goods, and promote the bank to their friends and relatives, perhaps resulting in higher returns for the bank's stockholders.

According to **Meidan (1976)**, nearly 90% of respondents banked at the branch closest to their home and workplace. The single most essential consideration in choosing a bank was found to be convenience in terms of location.

Dutta et al., 2009 did a study to look into customer perceptions and expectations across all banks' Information and Knowledge Management departments. Foreign banks were found to be the most popular, followed by private banks and public banks.

Vashisht (1987) examined the performance of public sector banks in India based on six indicators: branch expansion, deposit, credit, priority sector advances, DRI advances, and net profit from 1971 to 1983 in his PhD

dissertation, "Performance Appraisal of Commercial Banks in India." He has proposed establishing marketing techniques for deposit mobilisation, profit planning, and SWOT analysis in order to increase performance.

In his research work "Productivity in Indian Banking Business," **Singh (1990)** analysed the trends and changes in productivity in the Indian banking industry, with a focus on employee and branch productivity. To analyse productivity trends, the researcher employed seventeen indices. Because banking is a service industry, more emphasis has been placed on staff productivity. On the basis of these indicators, he conducted cross-sectional and inter-temporal analyses, which he grouped into three categories:

- Per employee indicators (Labour productivity)
- Per branch indicators (Branch productivity)
- Financial ratios measuring productivity

The study period was divided into four sub-periods, from 1969 to 1985. In addition to comparing the growth rates of various variables, the relative performance of various positions has been assessed using average T-scores and ranking based on them.

In her thesis, "Profits and Profitability of Indian Nationalized Banks," **Amandeep (1991)** believed that banks have become an instrument to efficiently meet the needs of the economy's development in order to promote overall socioeconomic transformation. According to the study, two elements determine and influence a bank's profitability: spread and burden. Credit policy, priority sector lending, significant geographical development, growing establishment expenditures, low nonfund revenue, deposit composition, and all other factors. She has chosen 11 parameters that affect a bank's profitability in order to determine the most important variable. The report advised banks to concentrate their efforts on spread and burden management.

Krishna (1996) defines profitability analysis in depth in his article "Profitability Analysis: An Overview." It is a rate that expresses profit as a percentage of total assets or sales, or any other variable that represents assets or sales, according to the researcher. What should be utilised in the numerator and denominator to calculate the profit rate is determined by the goal being measured. Krishna (1996) defines profitability analysis in depth in his article "Profitability Analysis: An Overview." It is a rate that expresses profit as a percentage of total assets or sales, or any other variable that represents assets or sales, according to the researcher. What should be utilised in the numerator and denominator of the numerator and denominator of the numerator and denominator of the numerator and denominator.

In his technical study on the profitability and productivity in Indian banking, **Ramamurthy (1998)** argued that the banking structure and profitability structure of the banking system across the country have an impact on bank profitability. When banks are classified as large, medium, or small, the larger banks have more room for economies of scale. The author believes that the network of branches, often known as franchise strength, is one of the most important factors of a bank's profitability. According to the study, Indian banks have :

- Higher interest spreads than banks abroad
- Higher operating costs than banks abroad
- Higher risk provision level.

In terms of the influence of liberalisation, the author claims that during the post-reform period of 1992-96, the banking system's overall productivity increased from Rs. 45.33 crore to Rs. 73.40 crore in terms of per employee business.

Malhotra (1999) examined the performance of PSBs as a result of banking sector reforms in her research "Banking Sector Reforms: Experience of PSBs." A brief review of banking reforms was conducted in the first section. Deregulation of lending and deposit rates is one of the most significant reforms. Entry deregulation, a revamped branch licencing policy, financial health measures, operational efficiency measures, and reserve preemption are all on the table. After splitting the reform period of 1992-98 into two phases, the researcher analysed the influence of banking sector reforms on PSBs in the second half. Phase I covers the years 1992-1993 to 1995-1996, and Phase II covers the years after that. Bank profitability dropped from 0.28 per cent to - 0.38 per cent.

The influence of liberalisation on the Indian banking system was investigated by **Bisht et al. (2002)**. They demonstrated that the current banking structure is the result of a long-term process of expansion, reorganisation, and consolidation that went through three major stages: pre-nationalization, post-nationalization, and post-liberalization. With the advent of the internet, the arrival of the fourth phase can clearly be discerned, which resulted in massive structural changes in banking by replacing brick and mortar branches with electronic delivery channels to provide clients with more 18 options. Traditional banking is no longer an option, as technology has altered the game's rules.

In their article, **Bhinde et al. (2002)** provided a critical review of ongoing banking sector reforms. They discovered that the conventional face of banking has shifted from that of an intermediary to that of a provider of speedy, cost-effective, and efficient services.

Consolidation, re-capitalization, adoption of prudential requirements, legislative framework, corporate governance, and Basel-II norms are all issues that the Indian banking sector is currently confronting. The reform process will not be painless. Along with accomplishments, there are also traps to be avoided. As a result, policymakers must establish a balance between the two. Authorities face a continuing problem in recognising fresh hazards, implementing detrimental incentives, and improving the banking industry in order to keep up with changes in the environment and technology.

CRISIL (2002) found that reducing operating expenses boosted bank profitability, contrary to prevalent belief that only trading earnings helped banks improve their bottom. The reduction in operating costs was made feasible by PSBs implementing large-scale VRS. According to the findings, the banking industry is currently experiencing the benefits of labour cost rationalisation and other cost-cutting initiatives. The ability of banks to replicate and sustain such initiatives, according to the study, will be a deciding factor in enhancing their productivity and profitability.

Ram Mohan (2002) assessed the performance of public sector banks (PSBs) in absolute and relative terms following deregulation, as well as the reasons for their better performing. The author stated that the banking system has not collapsed and that no banking crisis has occurred. The improvement in lowering spreads of PSBs is a significant feature that supports their better performance. Key performance measures such as interest spread, intermediation cost, nonperforming assets, provision and contingencies, and net profits as a percentage of total assets were used to assess PSB performance from 1991 to 1999. However, from 1994-95 to 1999-00, he compares public sector banks, private sector banks, and foreign banks in terms of relative performance.

The author concluded that government-owned banks have had low exposure to riskier assets such as real estate and the stock market, in part due to regulatory rules. Another reason for banks' survival throughout the deregulation era was the government's sensible decision to avoid fullfledged capital convertibility. The author also mentioned the need for PSBs to be recapitalized in his piece. Last but not least, government ownership promotes bank recapitalization at the onset of reforms, which has undoubtedly resulted in more expensive bailouts down the road.

Furthermore, it was noted that, despite the economic crisis, the government had no alternative but to inject cash into the banking industry due to necessary Basel criteria for banks.

When analysing the financial performance of private sector banks from 1994 to 1995, **Pathak (2003)** stated that private sector banks have provided an unique banking experience. Because of the growing popularity of such services, their public-sector competitors have begun to imitate them. He looked at the financial performance of these institutions in terms of deposits, advances, earnings, return on assets, and productivity.

The author attempted to get insight into the financial operations of these institutions in this research. For financial analysis, a sample of five banks was chosen. All of these banks' financial records were examined, and their financial performance was compared. All of the constituents performed admirably, but the HDFC Bank came out on top.

In his essay "Post-1991 Banking Sector Reforms in India: Policies and Impact," **Kalita (2004)** noted that banking sector reforms in India began as a follow-up measure to the country's economic liberalisation and financial sector reforms. Because the banking sector is the lifeblood of the economy, it was given top priority in the financial sector reforms. The reforms attempted to make India's banking system more competitive, adaptable, efficient, and productive, as well as to adhere to international accounting standards and be free of government supervision.

In their article "Comparing Performance of Public and Private Sector Banks: A Revenue Maximization Efficiency Approach," **Ram Mohan and Ray (2004)** compared the performance of three types of banks - public, private, and foreign - using physical quantities of input and outputs and comparing the revenue maximisation efficiency of banks. The study found that public sector banks performed much better than private sector banks, but not significantly better than international banks.

Data envelopment analysis was used to compare public, commercial, and foreign banks in India in this study (DEA). Physical input and output quantities are employed in DEA. As a result, efficiency measures based on output-input numbers may be more appropriate. In the case of India, the ideas of using deposits and loans as output were acceptable during the nationalised era, when maximising these was indeed a bank's goal. Banks, on the other hand, are primarily concerned with increasing their profits. When it comes to optimising income, interest and operating expenses are viewed as inputs. Finally, they came to the conclusion that PSBs' improved performance can be attributed to their higher technical efficiency rather than their superior allocative efficiency.

In his research, **Bansal (2005)** sought to determine the impact of liberalisation on the productivity and profitability of India's public sector banks. In the postliberalization period, from 1991 to 2002, the researcher assessed the productivity and profitability of 27 PSBs. Employee productivity (labour productivity), branch productivity, and overall productivity have all been used to assess PSB productivity. The researcher assigned different banks to each of the three production levels.

He employed characteristics like Deposit, Advances, Business, Total Income, Total Expenditure, Burden, Spread, and Net Profit to measure productivity. According to the survey, the best performers in terms of total productivity were BOB, BOI, SBI, COB, and OBC, while SBBJ, SB, AIIB, SBM, and UCB were ranked last.

When analysing the profitability of all PSBs, the trend analysis revealed that while net earnings have increased in absolute terms for the majority of PSBs, profitability has decreased. However, a few banks have improved their profitability during the research period. Increased rivalry has resulted in a shrinking spread, which is the fundamental reason for the falling trend in profitability. The researcher employed a variety of ratios to assess profitability, including interest income, interest expended, spread, non-interest income, non-interest expenditure, burden, and net profits to working capital ratios. Interest income to total income ratios, interest expended to total spending ratios, and staff expenditure to operating expenditure ratios were also employed by the researcher.

Business India (2006) convened a panel debate to choose the finest bank in the Indian banking market based on a number of factors. Business India examined 24 banks for the purpose of the panel discussion. While the remaining banks (out of a total of 88) were still eligible to be chosen by the panel. Business India essentially short-listed this universe of 24 banks. The panellists chose the 24 competitors from each of the three categories of banks — public sector, private, and foreign – based on factors such as size and visibility. Banks that drew notice had a profile that included those who were clearly leaders in specific areas. In order to create a short list, the judges chose a few general criteria to evaluate the candidates in the first round. Financial and operational success, management quality, the building of a growth platform, value creations, and how stockholders reacted to these factors. Thirteen banks were shortlisted in Round I; six banks were chosen in Round II; and in Round III, two banks, HDFC Bank and ICICI Bank, battled against each other.

The panellists used the CRAMEL Model to calculate distinct ratios under each metric, such as capital sufficiency, resources employed, asset quality, management efficiency, earnings quality, and liquidity. Finally, ICICI Bank was named the Best Bank in India by Business India in 2006. On its current trajectory, the ICICI group will soon become the country's largest financial behemoth. It has considerable market shares in numerous business lines, including house loans, auto loans, and insurance. It has demonstrated to the world that India can establish world-class institutions in just five years after becoming a full-fledged bank.

In his essay "Ratio Analysis: An Effective Tool for Performance Analysis in Banks," **Jain**

(2006) addressed numerous ratios related to bank profitability. Costing Ratio, Returns / Yield Ratio, and Spread Ratios are the three categories in which the author categorised the various ratios. These ratios can be used to understand a bank's financial situation, operations, and investment appeal. Such a ratio study, he continued, can be used to perform an inter-branch comparison to investigate the strengths and weaknesses of particular banks, allowing them to make strategic decisions and take appropriate corrective actions.

The author advocated for calculating average cost of deposits, average cost of borrowings, average cost of interest-bearing liabilities, average cost of funds, and operating expenses to average working funds as part of the costing ratio. Similarly, he calculated yield on advances, yield on investment, average return on interest earnings, average return on funds, and non-interest income to average working funds and total income in the yield/return category. Under spread category, he subcategorized the ratios such interest spread, net interest margin and burden ratios. The importance of ratio analysis as a technique for analysing the performance of different banks / bank branches was emphasised by the author. Aside from profitability measures, the author proposed the following kinds of ratios for comparing bank performance: Productivity Ratios, NPA Ratios, and Capital Ratios.

In his article "Indian Banking - The Challenges Ahead," **Leeladhar (2006)** stated that the Indian financial system, of which banking is a crucial component, has been significantly widening and deepening in recent years. The financial sector's rising role in resource allocation has huge potential benefits for the efficiency with which our economy operates. Given the importance of the Indian financial sector, the importance of a strong and resilient banking system cannot be overstated. The banking sector's expanded importance in the Indian economy, as well as rising levels of liberalisation and competition, have placed several pressures on banks. Operating in such a rigorous climate has presented banks with numerous hurdles, including customer service and branch management.

Find of the Study:

Majority of the respondents whether in public or private sector banks have savings account in banks.

People want a change in the behaviour of the staff of the public sector banks.

In private sector banks proper, promotional activities should be taken up so as to make the population aware of the services provided by the banks even in rural areas.

The facility that was availed by most of the people at public sector banks was that of

ATM/Debit cards. The least availed facility was that of Demat account and foreign transfer of funds.

The facility that was availed by most of the people at private sector banks was that of internet/phone banking by ATM/Debit card.

Majority of respondents do not want to shift from their present bank.

Suggestion:

Banks provide important services to both the general population and the financial industry. Not only is the variety of services and profit vital, but so are the quality of services, the cost of services, and the security of public funds. Throughout the research, a number of financial and non-financial issues have surfaced. Depositors' difficulties, borrower's problems, employee's problems, and management's problems are all among them. These issues are discussed in depth at the proper locations. The Narsimhan Committee's report from 1998 places a greater emphasis on the consideration of banks. There will be significant changes in the financial sector over the next three years. Not only will the faces of banks change, but so will the character of the institutions. Global banks, which will begin operations in the country in 2005, will face strong competition. We have attempted to provide my simple, concrete, and realistic solutions in response to those issues, which are as follows: Not only will the faces of banks change, but so will the character of the institutions. Global banks, which will begin operations in the country in 2005, will face strong competition. We have attempted to provide my simple, concrete, and realistic solutions in response to those issues, which are as follows:

1. To compete with local and global banks, all public sector banks should be integrated as quickly as feasible into 8-10 large banks.
2. There should be appropriate recruitment of more officers in the public sector banks so that the branches, which are really understaffed and overburdened, become systematically sufficient.
3. The bank management should have freedom terminate the inefficient employees.
4. The work of employees of public sector banks should be associated with the targets i.e. they should be given targets of specific amount or specific job.
5. All the public sector banks should provided refresher training course at least once in a year, which must includes the topics related with latest trends in banking, various management, building public relations, communications skills, good behavior etc. actually they should be trained to behave properly with customers and to feel that customers is very important. Not only the borrower but depositor is also very important and be respected.
6. The employees should motivate for doing extra work or doing more than target. This motivation may be monetary or non monetary.
7. All the banks must have ATM facilities. It will be better to have networking ATM system
i.e. if it is not possible to install ATMS in all parts of city there should be tie up with other banks. Presently, some banks are doing the same.

8. There should be flexibility in organizational structure of banks. The top management should have liberty to appoint professional from out of banking sector (if required).
9. There should be incentive and penalty mechanism for employees.
10. There should be tie up with manufacturer of consumer goods to finance the customer e.g. the manufacturers of cars, bikes, television, fridge, computers etc.
11. The bank should raise additional capital through public issues, foreign direct investment (FDI) etc. to meet the capital requirements under the base and to meet the growing domestic and international competition.
12. There should not be government intervention and the bank should be liberated to run on professional basis.

Questionnaire:

- 1) What is your age group?
 - A) <20
 - B) 21-30
 - C) 31-40
 - D) >40

- 2) What is your occupations?
 - A) Student
 - B) Job
 - C) Business man
 - D) Other

- 3) What is your income level?
 - A) Below 1,00,000
 - B) 1,00,000-2,00,000
 - C) 2,00,000-5,00,000
 - D) Above 5,00,000

- 4) Do you have bank account?
 - A) Yes
 - B) No

- 5) Which sector bank do you have your account?
 - A) Private
 - B) Public
 - C) Both

- 6) If private, then in which bank do you have account?
 - A) ICICI
 - B) Axis
 - C) HDFC
 - D) Others

- 7) If public, then in which bank do you have account?
- A) SBI
 - B) Indian bank
 - C) Canara bank
 - D) Others
- 8) Which type of account do you have in the bank?
- A) Savings
 - B) Current
 - C) F.D
 - D) Salary
- 9) In case you have your account in more than one a bank which one is your most preferred bank (give only one bank)
- 10) Rank the selection criteria for opening account with bank?
- A) Brand image
 - B) Services
 - C) Location
 - D) Charge
- 11) Kindly rank the reasons for your preference in this particular bank?
- A) Quick and fast services
 - B) Location
 - C) Friendly behavior
 - D) Reliability
- 12) Which facilities are you availing at your bank?
- A) ATM/Debit card
 - B) Credit card
 - C) Insurance
 - D) Mobile banking
- 13) How often do you use debit card to shop?
- A) Occasionally
 - B) Never
- 14) How much satisfied are you with your bank's overall performance?
- A) Excellent
 - B) Very good

C) Good

15) Any specific services you expect from your bank?

16) If an option is given to you, would you like to shift from the present bank?

A) Yes

B) No

17) Do you face any problem regarding the services provided by your preferred bank?

A) Yes

B) No

18) Which type of bank do you prefer?

A) Public bank

B) Private bank

19) How long have you been a customer of your current bank?

A) Less than 1 year

B) 1-3 years

C) 3-5 years

D) More than 5 years

20) How would you rate the customer service of your bank?

A) Excellent

B) Good

C) Average

D) Poor

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