

Comparative Study of Performance of Public and Private Sector Bank

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Abstract

Banks are backbone of any economy. With the debut of multinational private sector banks, banking sector is facing stiff competition and a thirst to enhance their service quality in order to gain a competitive edge over their customers. Public sector banks are facing stiff challenges from the private sector banks and are under tremendous pressure to cope up with the facilities provided by the multinational banks. While public sector banks have an advantage of perception and strong rural network private sector banks have better services and amenities. Our study was aimed at comparing public sector and private sector on the criteria of public perception, basic amenities customer centric services and there bench strength. We have done a field study taking a sample size of 50 and a strong reliability of .901 was measured on cronbach's alpha reliability test using SPSS version 16.0 further an independent T-test was applied to data.

Key Words- public sector banks, private sector banks and customers.

Introduction

The bank of any country play very important role in the economic development of country. Finance is regarded as the oxygen of trade and industry. The development of banks in the country and development through banks in the country have placed India amongst the top 5 fastest growing economics of the world. Whole of the world is looking towards India as prospective dominant player in the world's markets. The banks today have touched the life of every citizen. Whether he has to keep his money at midnight from the bank, to keep is valuable safe; to book the tickets for rail and air journeys; to pay insurance premium, telephone bills,

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electricity bills; to purchase/sale securities from capital market, to take loan for business, for education, for house or for consumer items, everywhere the bank is present.

Basically the banks can be divided into two sectors-commercial banks and co-operative banks. Commercial banks, which have national network and provide a host of services are further divided into 2 sectors- Public sector banks and private sector banks. Public sector banks are fully controlled by government (i.e. central government) and private sector banks have private ownership.

The present research is conducted keeping in view the sharp difference between public and private sector banks.

Necessity of Research and Importance

Indore is industrial and business capital of MP and one of the fastest growing cities of the country. Great potential of employment increasing requirements, various banks are opening their branches in Indore. There are about 330 branches in Indore covering public sector banks, private sector banks, regional rural banks, co-operative banks etc. Besides these there is a large no. of credit co-operative societies which perform a sort of banking functions.

The research was aim to compare the performances, to study the differences to approach, to analyze these differences, to highlight the strength and weakness, to know about their contribution, to know the difficulties faced by banks and finally to present the conclusion by original research and survey's and suggest the way to assure their best performance.

Objectives of Banks

All the banks are established to achieve the common objectives as well as specific objectives. The common objectives of banks are as follows:

1. Promoting the saving habits of masses.
2. Fostering the economic growth of country by providing funds to business sector.
3. Development of basic industries, consumer products industries, large and small business enterprises and service sector.
4. Earning sufficient profit.

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Private sector banks have been set up with the sole objectives of profit making which they are fulfilling through the use of latest technology, efficient managerial policies, non-participating in government promoted lending schemes, non participating in branch expansion in rural areas etc.

Literature Review

“Comparative study of promotional studies adopted by public and private sector banks in India” published in Asia- pacific business review, July September (2008) by SL Gupta, arun mittal. The study concluded that public sector is more reliable that but not so good in quality and innovativeness, a private sector bank is not so reliable but they are better in services quality and innovation.

Bhallabh(2002) analyzes challenges in the post banking sector reforms. With globalization and changes in technology, financial markets, world over, have become closely integrated. For the survival of the banks, they should adopt new policies/ strategies according to the changing environment.

Kumar (2006) studied the bank nationalization in India marked a paradigm shift in the focus of banking as it was intended to shift the focus from class banking to mass banking. Internationally also efforts are being to study causes of financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. Financial inclusion can emerge as commercial profitable business.

Laxman, deen and Badiger (2008) examined that Banking Industry is undergoing paradigm shift in scope, content, structure, functions and governance. The information and communication technology revolution is radically perceptible changing the operational environment of the banks.

Nair(2006) discussed the future challenges of technology in banking. The author also point out how IT possesses a bright future in rural banking, but is neglected as it is traditionally considered unviable in the rural segment. A successful bank has to be nimble and agile enough to respond to the new market paradigm and ineffectively controlling risk. Innovation will be the key extending the banking services to the untapped vast potential at the bottom of the pyramid.

Singh(2003) analyzed profitability management of banks under the deregulated environment with some financial parameters of the managers for bank group that is public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the

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deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer non-interest income sources.

Singla(2008) examines that how financial management plays a crucial role industrialist growth of banking. It is concerned with examined the profitability position of selected sixteen banks of banker index for a period of six years(2001-2006) the study reveals that the profitability position was reasonable during the period of study when compared with the previous year. Strong capital position and balance sheet place. Banks in batter position to deal with and absorb the economic constant over a period of time.

Subbaraoo(2007) concludes the Indian banking system has under gone transformation itself from the domestic banking to international banking system requires a combination of new technologies, well regulated appraisal, treasury management, product diversification, internal control, external regulation and professional skilled human resources to achieve the heights of the international play its role critically in meeting the

Research Methodology

Scope of Study

The study examines the parameters which new generation private sector banks have influence on public sector banks. Emphasis has been placed on exploring and identifying the underlined issues of competition for the banking professional in general and public sector banks in particular.

Objectives of Research

A comparative study of performance of public sector bank and private sector bank has been made by keeping in view, the following objectives –

1. To compare the performance of public sector banks & private sector banks.
2. To analyze the reason of shortcomings and achievements.
3. To know the role of banks in economic development of Indore district.
4. To access the customer satisfaction.

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Methodology of Research

I. Hypothesis of Research

Before conducting the research work three hypothesis were made which are as follows:

1. Performance of public sector banks and private sector banks.
2. Public has more faith on public sector banks in terms of deposits.
3. All the banks are not utilizing their full potential.

II. Sampling Area

Indore District.

III. Sampling Size

Sampling size 50 public and private bank customers.

IV. Sampling technique

The researcher used sampling method on the basis of objectives.

V. Sources of information

This research is conducted on the basis of primary as well as Secondary data. Following have been the main sources of information:

a) Primary sources

- 1) Surveys conducted among bank customers to know their assessment about banks.
- 2) Research analysis

b) Secondary sources

The Researcher made extensive use of internet to obtained Secondary data. Data from number of research journals, dissertation, project report, Academic Books, hand books, government reports, newspaper, websites.

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DATA ANALYSIS:

Gender	N	Mean	Std. Deviation	Std. Error Mean
VAR00001 Male	23	1.3043	.47047	.09810
Female	27	1.3333	.48038	.09245
VAR00002 Male	23	1.3043	.47047	.09810
Female	27	1.4444	.50637	.09745
VAR00003 Male	23	1.4783	.51075	.10650
Female	27	1.6667	.48038	.09245
VAR00004 Male	23	1.0000	.00000 ^a	0.00000
Female	27	1.0000	.00000 ^a	0.00000
VAR00005 Male	23	1.4348	.50687	.10569
Female	27	1.5556	.50637	.09745
VAR00006 Male	23	1.4348	.50687	.10569
Female	27	1.5556	.50637	.09745
VAR00007 Male	23	1.6087	.49901	.10405

	Female	27	1.5185	.50918	.09799
VAR00008	Male	23	1.3913	.49901	.10405
	Female	27	1.4444	.50637	.09745

This table shows our variable that is gender it implies the difference in perception of the male and female towards the comparison of public and private sector bank.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
VAR00001	Equal variances assumed	.186	.668	-.215	48	.831	-.02899	.13503	-.30048	.24251
	Equal variances not assumed			-.215	47.037	.831	-.02899	.13480	-.30016	.24219
VAR00002	Equal variances assumed	3.567	.065	-1.007	48	.319	-.14010	.13911	-.41979	.13960
	Equal variances not assumed			-1.013	47.612	.316	-.14010	.13828	-.41818	.13798

VAR00003	Equal variances assumed	2.624	.112	-1.343	48	.186	-.18841	.14033	-.47055	.09374
	Equal variances not assumed			-1.336	45.694	.188	-.18841	.14103	-.47233	.09552
VAR00005	Equal variances assumed	.018	.893	-.840	48	.405	-.12077	.14375	-.40980	.16825
	Equal variances not assumed			-.840	46.730	.405	-.12077	.14376	-.41003	.16848
VAR00006	Equal variances assumed	.018	.893	-.840	48	.405	-.12077	.14375	-.40980	.16825
	Equal variances not assumed			-.840	46.730	.405	-.12077	.14376	-.41003	.16848
VAR00007	Equal variances assumed	1.170	.285	.630	48	.532	.09018	.14316	-.19768	.37803
	Equal variances not assumed			.631	47.028	.531	.09018	.14293	-.19736	.37771
VAR00008	Equal variances assumed	.532	.469	-.372	48	.711	-.05314	.14273	-.34012	.23384
	Equal variances not assumed			-.373	46.954	.711	-.05314	.14256	-.33994	.23366

This table shows the results of Levene's Test for Equality of Variances on our 8 variance table 2 shows the significant value that is denoted by sig. If the significant value > tabulated value i.e 0.05 then the null hypothesis of the variance is accepted and if significant value < tabulated value then the null hypothesis is rejected.

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Significant value of our 8 items are more than 0.05 hence, all are null hypothesis is accepted.

Limitations

1. Our sample size was very small so results can change with a bigger sample size.
2. Majority of our respondents were students so we cannot get a view of working professionals.

Conclusion

The role of banks is very important in the economic development of Indore district. Indore is the island of financial institutions in Madhya Pradesh. The penetration of private sector banks is increasing rapidly. Indore is not only commercial capital but also considered as one of the leading business centers. Before independence, Indore was the heartbeat of world's cotton trade. Presently it is the major industrial city and two major industrial growth centers viz. Dewas and Pithampur surround it. Not only traditional family banks owned business flourished here but modern challenging areas like information technology, communication, computer software, media, fashion etc. are also flourishing here.

Since 1993 the Indian banking has entered into new era and its expansion is affected by entry of private banks and foreign banks. Tough competition, development of financial markets, relaxation in government control and awareness among customer will require more changes in approach of banks.

The present research is conducted keeping in review the sharp differences between public and private sector banks at the district level.

Findings of the Study

1. More no. of the people have a/c with public sector banks.
2. Majority of the respondents whether in private sector or in public sector banks have saving a/c with banks.
3. People want a change in the behavior of the staff of the private sector banks.
4. No. of problems found by the people is more in private sector banks.

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5. People are more satisfied from the private sector banks due to their better services provided by them in terms of speedy transactions, fully computerized facilities, more working hours (in case of ICICI bank the no. of working hours is 12), good investment advisory services, efficient and co-operative staff, better approach to customer relationship management.
6. Private sector banks proper promotional activities should be taken up's to make the population aware of the services provided by the banks even in rural areas.
7. The facility that was availed by most of the people at public sector banks was that of ATMs/Debit cards. The least availed facility was that of Demit a/c and foreign transfer of funds.
8. The facility that was availed by most of the people at private sector banks was that of internet/phone banking by ATM/Debit card.

Suggestions

Banks provide valuable services to the general public and also to the industry. Not only variety of services and profit are important, but simultaneously the quality of services, the cost of services and safety of public money is also important. During the course of research a lot of problems of financial nature and non financial nature, have been emerged. The problem of depositors, the problems of borrowers, the problems of employees, the problem of management included among them. These problems are in detail at appropriate places.

In the report presented by Narsimhan Committee in 1998, the more emphasis is given on consideration of banks. Within a period of three years there will be major changes in the banking sectors. Not only the faces of banks but the character of the banks will also be changed. There will be stiff competition from global banks, which are entering into the country in 2005.

With reference to those problems, we have tried to present my humble, concrete and practical suggestions, which are as follows:

1. All the banks of public sector banks should be consolidated as soon as possible in 8-10 big banks to face competition from local and global banks.

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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.

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13. The technological advancement will enable the public sector banks to control the branches more efficiently, so the structure of local head/regional office/zonal offices should be done away. It will reduce the cost of operations.

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