

**FACTORS AND PREFERENCES ON SELECTION OF PUBLIC SECTOR AND PRIVATE SECTOR BANKS WITH  
RESPECT TO KARNATAKA REGION**

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**ABSTRACT**

*In the current scenario the banking sector of India is facing tremendous challenge in providing customer satisfaction. The sector is focusing on how to provide excellent services as well retaining the customers from switching banks for better facilities and services.*

*The objective of the Study is to determine the preference of banking sector among the customers, the factors that influences them to choose the bank, problems faced by the customers in both the sectors of the banking and to measure the quality of services provided by public sector and private sector Banks.*

*The primary data is collected through the questionnaire and interview method from the customers of both the sectors and secondary data from various sources like magazines, journals and research papers. The data is analyzed by using statistical tools. The sample size is 100 customers. The sophisticated technology and innovation are required to develop the social banking environment. This paper tries to provide Factors And Preferences On Selection Of Public Sector And Private sector Banks With Respect To Karnataka Region*

**KEY WORDS-**, FACTORS, PREFERENCES, QUALITY, SERVICES, PROBLEMS

## INTRODUCTION

The Banks play a major role in the development of economy of the country. It is a financial institution that accepts deposits and imparts these deposits into lending activities either directly or through capital markets. A bank relates the customers who have capital deficits to those customers with capital surpluses. The banking industry in India is facing challenges like providing quality service, customer satisfaction, retention of customer and customer loyalty. The quality of service that is provided helps in achieving customer satisfaction and creating brand loyalty in banking sector. The expansion of Branches as formulated by the Reserve Bank of India aims at making necessary banking facilities in all parts of the country especially in unbanked rural and semi urban areas. The banking system occupies a crucial place in the country's economy. A banking institution plays a major role in the economic development of a country. Thus development of the economy of a country depends on the success of its banking industry. The customers currently are exposed to innovations in communication technology. This improved customer services have increases the profitability. Now a bank is termed as a customer oriented because the banking staff and regulations have geared to the preferences of the customer.

## REVIEW OF LITERATURE

1. **M.E. Doddaraju (2013)** explains that the banks should pay special attention to develop human resources providing regular training to the employees to conduct themselves better.
2. **MS Linda Mary Simon (2012)**. The author explains the study on customer perception towards various services provided by the bank. It is prudent that public sector banks have a strong presence in the market but currently they are facing a tough competition from private sector banks in terms of quality and products.
3. **Safeena et al (2010)**. The author explains the customer's perception towards adopting the internet banking. It shows the usefulness, ease to use, consumer awareness and perceives risk which are the important determinants of online banking and have strong and positive effect on customer to accept online banking system.
4. **Santhiyavalli, G. (2011)**. The author briefs about the customer's perception of service quality of most of the banks and what are the major factors responsible for their satisfaction.
5. **Surbhi Singh and Renu Arora (2011)** the authors have depicted on a comparative study of banking services and customer satisfaction in public and private sector.

## GAP IN THE EARLIER STUDY

- There is no proper study on factors influence a customer to chose a bank.
- There are only few researchers who have made an attempt to provide a comparative analysis of Indian private and public sector banks simultaneously.

## OBJECTIVES

- To Analyze the banking sector that is mostly preferred by the customers
- To find the factors that influence the customers to choose a bank
- To analyze the quality of services provided by public sector and private sector Banks.

**HYPOTHESIS**

H01- There is no relationship between the customers preference towards banking sector

H02- There is a significant difference of factors that influence the customers to choose a bank.

H03- There is a positive relationship between quality of services and performance of banks.

**RESEARCH METHODOLOGY**

The primary data is collected through the questionnaire from customers of various banks and secondary data from various sources like magazines, journals and research papers. The data is analyzed by using statistical tool. The sample taken is 100. The area taken for research is Karnataka. The Statistical tool used is Chi-square Test.

The public sector banks taken for the study are The Karnataka Apex Bank Ltd , Bank of India, Karnataka, UCO Bank , Bank of Baroda, Vijaya Bank , Syndicate Bank, IDBI Bank Ltd , Andhra Bank, Union Bank of India, State Bank of Mysore, Indian Overseas Bank, United Bank Of India and Central Bank of India .

The private sector banks taken for the study are The South Indian Bank Ltd, HDFC Bank , Karnataka Bank , Axis Bank and Bank of Rajasthan.

**ANALYSIS AND INTERPRETATIONS**

**H01- There is no relationship between the customers preference towards banking sector**

**Chi Square Test**

Particulars	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.638	.992
Likelihood Ratio	5.620	.992
Linear-by-Linear Association	.026	.872
N of Valid Cases	100	

**Source: Collected through Questionnaires and Interview method**

**Interpretation:** Since the calculated Asymp. significance at 5% level of significance is greater than the 0.05 - We reject H0 and conclude- There is a relationship between the customers preference towards Banking sector.

**H02- There is a significant difference of factors that influence the customers to choose a bank.**

**Chi Square Test**

Particulars	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	123.563	.000
Likelihood Ratio	103.235	.000
Linear-by-Linear Association	6.368	.012
N of Valid Cases	100	

**Source: Collected through Questionnaires and Interview method**

**Interpretation:** Since the calculated Asymp significance at 5% level of significance is lesser than the 0.05 - We accept H0 and conclude-There is a significant difference of factors that influence the customers to choose a bank.

**H03- There is a positive relationship between quality of services and performance of banks.**

#### Chi Square Test

Particulars	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	400.000	.000
Likelihood Ratio	321.888	.000
Linear-by-Linear Association	99.000	.000
N of Valid Cases	100	

**Source: Collected through Questionnaires and Interview method**

**Interpretation:** Since the calculated Asymp. significance at 5% level of significance is lesser than the 0.05 - We accept H0 and conclude- There is a positive relationship between quality of services and performance of banks.

#### FINDINGS

1. Most of the customers still feel that public sector banks are trustable as it is owned by the government of India whereas Private Sector Banks cannot be trusted.
2. Most of the customers feel that the public sector banks levy low interest rates for loans compare to the private sector.
3. When it comes to the quality of services provided and introducing of new products, the customers feel that the private banks are the best.
4. The facilities provided by the private banks are more organized compare to the public sector banks.
5. In the private banks the employees are provided training to handle the customers' needs and requirements in empathetic manner.

#### SUGGESTIONS

1. Though the public sector banks are putting their efforts in bringing out new products, still they need to improve in providing innovative products that would help them to be in par with private sector banks.
2. Need to improve in providing services towards the Banking technology that has been implemented.
3. Employees should be trained on technical and behavioral aspects, so that banks can deliver quick and prompt services.
4. Banks need to disclose their contribution towards the social causes to the public.

**CONCLUSIONS**

Public and Private Banks should gain confidence from customers by rendering them guidance regarding service charges, service tax, interest rate, penalty if any etc at the earlier stage. All branches of a bank should provide facilities to its customers like parking, drinking water and sanitation Innovative investment schemes should be displayed at appropriate places. Modern technology and innovation are required in every aspect of banking system . To provide social banking environment, the bank officials should maintain good relationship with the customers.

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