

# A Study on Consumer Preference Towards Public and Private Sector Banks

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**Abstract:** *The banking sector constitutes one of the most critical pillars of a nation's financial system, facilitating economic growth by mobilizing savings, providing credit, and enabling financial transactions. In India, the banking landscape is broadly categorized into public sector banks, which are government-owned, and private sector banks, which are owned and managed by private entities. Over the past few decades, the sector has undergone significant transformation due to liberalization, technological advancements, and increased competition. These changes have led to a shift in customer expectations, making it essential to understand consumer preferences in choosing between public and private sector banks. This study aims to examine the factors influencing customer decisions and to evaluate the comparative perception of both banking sectors.*

*The research adopts a descriptive methodology and is based on primary data collected through a structured questionnaire administered to a diverse group of respondents. The study considers multiple variables such as trust and security, quality of customer service, interest rates, availability of banking facilities, technological innovation, digital banking services, and brand image. In addition, demographic factors such as age, income level, occupation, and education are also taken into account to understand variations in consumer behavior. By analyzing these factors, the study seeks to identify the key determinants that shape customer preferences and influence their banking choices.*

*The findings of the study reveal a clear distinction in consumer perception towards public and private sector banks. Public sector banks are widely regarded as more trustworthy and secure due to government ownership and long-established reputation. They are particularly preferred by customers who prioritize safety and stability of their financial assets.*

**Keywords:** *Consumer Preference, Public Sector Banks, Private Sector Banks, Customer Satisfaction, Digital Banking.*

## I. INTRODUCTION

The banking sector is a fundamental component of any country's economic framework, acting as a backbone for financial stability and growth. It facilitates the mobilization of savings, allocation of credit, and smooth functioning of financial transactions across various sectors of the economy. In India, the banking system has evolved significantly over the years, especially after the economic reforms of 1991, which opened the doors for private sector participation and increased competition. Today, the Indian banking sector comprises public sector banks, private sector banks, foreign banks, and cooperative banks, each contributing uniquely to the financial ecosystem. Among these, public and private sector banks dominate the market and play a crucial role in shaping consumer experiences and preferences. Public sector banks have traditionally enjoyed a strong position in India due to their government ownership, wide branch network, and long-standing reputation for safety and trust. These banks have been instrumental in promoting financial inclusion by reaching rural and semi-urban areas where access to banking services was previously limited. Customers often associate public sector banks with reliability, stability, and security of funds, which are critical factors



when dealing with financial institutions. However, over time, these banks have faced challenges related to operational efficiency, customer service, and technological adaptability, which have impacted customer satisfaction levels.

On the other hand, private sector banks have emerged as dynamic players in the banking industry by focusing on innovation, customer-centric services, and technological advancement. These banks have leveraged digital platforms to provide services such as internet banking, mobile banking, instant payments, and personalized financial solutions. Their emphasis on efficiency, speed, and convenience has attracted a large segment of customers, particularly the younger and tech-savvy population. Private sector banks are often perceived as more responsive and service-oriented, which gives them a competitive edge in today's fast-paced environment.

Consumer preferences in the banking sector have undergone a significant transformation due to changing lifestyles, increased awareness, and technological developments. Modern customers are no longer satisfied with basic banking services; they seek a seamless and integrated banking experience that includes digital accessibility, quick service delivery, transparency, and personalized offerings. Factors such as interest rates, service charges, accessibility of branches and ATMs, quality of customer service, and availability of digital banking facilities play a vital role in influencing consumer choices between public and private sector banks.

The growing competition between public and private sector banks has led to continuous improvements in service quality, product innovation, and customer engagement strategies. Banks are increasingly focusing on enhancing customer satisfaction and loyalty by adopting advanced technologies such as artificial intelligence, data analytics, and automation. This competitive environment has empowered customers to make informed choices based on their preferences and expectations, thereby making it essential for banks to understand consumer behavior in depth.

Furthermore, demographic factors such as age, income, education, and occupation also influence banking preferences. For instance, salaried individuals and business professionals may prefer private sector banks for their efficiency and digital services, while older customers and rural populations may continue to rely on public sector banks due to trust and familiarity. Understanding these variations is important for banks to design targeted strategies and improve their service offerings.

In this context, the present study aims to analyze consumer preferences towards public and private sector banks, identify the factors influencing their choices, and compare the satisfaction levels associated with each sector. The study provides valuable insights into customer perceptions and highlights areas where banks can improve to meet evolving consumer expectations in an increasingly competitive banking landscape.

### **PROBLEM STATEMENT**

The banking sector in India has witnessed significant transformation due to liberalization, privatization, and rapid technological advancements. Both public and private sector banks are striving to attract and retain customers by offering a wide range of financial products and services. However, despite these developments, there exists a noticeable difference in customer perception, service quality, efficiency, and technological adoption between the two sectors. Public sector banks are often perceived as more reliable and secure, while private sector banks are viewed as more efficient, customer-oriented, and technologically advanced.

In the current competitive environment, customers have become more aware and selective in choosing banking services based on their expectations and experiences. Factors such as customer service, digital banking facilities, accessibility, transparency, and trust play a crucial role in influencing consumer preferences. However, there is a lack of clarity regarding which factors have the most significant impact on customer decision-making and how these factors differ between public and private sector banks.

Moreover, many public sector banks face challenges such as slow service delivery, outdated technology, and limited customer engagement, whereas private sector banks may face issues related to higher service charges and lower perceived security among certain customer groups. These contrasting perceptions create a need for a comprehensive study to analyze consumer preferences and identify the key determinants influencing their choice of banks.



## **OBJECTIVE**

- To study the consumer preference towards public and private sector banks.
- To study the factors influencing customers in selecting banking services.
- To study the level of customer satisfaction in public and private sector banks.
- To study the impact of digital banking services on consumer choice.
- To study the differences in service quality between public and private sector banks.

## **II. LITERATURE SURVEY**

### **1. Study on Service Quality in Public and Private Sector Banks (2024)**

This study examined the differences in service quality between public and private sector banks in India using the SERVQUAL model. It focused on five key dimensions—tangibility, reliability, responsiveness, assurance, and empathy—to evaluate customer perceptions. The research found that private sector banks scored higher in dimensions such as responsiveness and empathy, indicating better customer interaction and quicker service delivery. Public sector banks, however, performed relatively well in terms of reliability and assurance, reflecting customer trust and confidence in their services.

The study concluded that although public sector banks enjoy strong trust among customers, they need to improve their service delivery mechanisms and adopt customer-centric approaches to compete effectively. It emphasized that service quality plays a crucial role in determining customer satisfaction and loyalty. The findings suggest that enhancing employee training, upgrading infrastructure, and focusing on personalized services can help public sector banks improve their performance.

### **2. Customer Satisfaction Study Using SERVQUAL Model (2025)**

This research aimed to measure customer satisfaction levels in both public and private sector banks using the SERVQUAL framework. The study highlighted that all five dimensions of service quality significantly impact customer satisfaction. It revealed that private sector banks provide superior service in terms of modern facilities, prompt responses, and personalized attention, which contributes to higher satisfaction levels among customers.

Furthermore, the study emphasized that public sector banks need to focus on improving responsiveness and empathy to enhance customer experience. It concluded that customer satisfaction is directly linked to the quality of services offered and that banks must continuously innovate and upgrade their services. The research also recommended the use of digital tools and customer feedback systems to better understand and meet customer expectations.

### **3. Comparative Study of Customer Satisfaction in Indian Banks (Ahuja & Khatri, 2011)**

This study explored customer satisfaction in Indian banking by comparing public and private sector banks. It highlighted that the liberalization of the banking sector has increased competition, forcing banks to improve their services and customer engagement strategies. The research found that private sector banks are more efficient in providing services due to better management practices and modern infrastructure.

The study also pointed out that public sector banks lag behind in terms of operational efficiency and customer service. However, they continue to attract customers due to their widespread presence and trust factor. The authors concluded that improving service efficiency and adopting innovative practices are essential for public sector banks to retain customers and remain competitive in the evolving banking landscape.

### **4. Comparative Study on Service Quality and Customer Satisfaction (2025)**

This study analyzed customer satisfaction by conducting a comparative evaluation of public and private sector banks. It focused on key service attributes such as staff behavior, service speed, accessibility, and technological adoption. The findings revealed that private sector banks outperform public sector banks in most service quality parameters, particularly in customer interaction and digital banking services.

The research further emphasized that customer expectations are continuously evolving, and banks must adapt accordingly. Public sector banks were found to be less efficient in service delivery due to bureaucratic procedures and



outdated systems. The study concluded that adopting modern technologies and improving staff efficiency are necessary steps for public sector banks to enhance customer satisfaction and competitiveness.

#### **5. Study on Online Banking Services and Customer Perception (2023)**

This study focused on the role of digital banking services in shaping customer preferences. It compared the online banking platforms of public and private sector banks and analyzed customer satisfaction with digital services. The results indicated that private sector banks offer more user-friendly and efficient digital platforms, leading to higher customer satisfaction.

The study also highlighted that the demand for online banking services is rapidly increasing, especially among younger customers. Public sector banks were found to lag in terms of digital innovation and user experience. The research concluded that investing in technology and improving digital infrastructure is essential for banks to meet customer expectations and remain competitive in the digital era.

#### **6. Comparative Analysis of Customer Satisfaction in Banking Services (2024)**

This study examined customer satisfaction in relation to various banking services such as loans, deposits, and general banking operations. It found that customers prefer public sector banks for their lower interest rates, security, and trustworthiness. On the other hand, private sector banks were preferred for their quick processing, better customer service, and accessibility.

The study concluded that both public and private sector banks have distinct strengths and cater to different customer segments. While public sector banks need to focus on improving service efficiency and technological capabilities, private sector banks should work on building trust and offering competitive pricing. The research provides valuable insights for banks to enhance their services and better meet customer needs.

### **III. PROPOSED SYSTEM**

#### **1. Data Collection and Analysis System**

##### **1. Customer-Centric Service Model**

The proposed system emphasizes the adoption of a customer-centric approach in both public and private sector banks to enhance overall customer satisfaction. Banks should focus on understanding customer needs, preferences, and expectations through regular feedback mechanisms such as surveys, suggestion systems, and digital reviews. By analyzing this feedback, banks can tailor their products and services to meet specific customer requirements. Personalized services, such as customized loan offers, targeted investment plans, and dedicated relationship managers, can significantly improve customer experience.

In addition, banks should train their employees to adopt a customer-friendly attitude and improve communication skills. Efficient grievance redressal systems should be implemented to address customer complaints promptly and effectively. By prioritizing customer satisfaction and building strong relationships, banks can increase customer loyalty and retention, thereby gaining a competitive advantage in the market.

##### **2. Integration of Advanced Digital Banking Technologies**

The proposed system recommends the integration of advanced digital technologies to enhance banking operations and customer convenience. Banks should invest in robust digital platforms, including mobile banking applications, internet banking portals, and AI-based chatbots, to provide seamless and efficient services. Features such as instant fund transfers, online account opening, digital loan processing, and 24/7 customer support should be made easily accessible to customers.

Furthermore, the adoption of technologies like artificial intelligence, machine learning, and data analytics can help banks understand customer behavior and predict their needs. Public sector banks, in particular, need to upgrade their digital infrastructure to match the efficiency of private sector banks. By embracing digital transformation, banks can improve operational efficiency, reduce service time, and enhance customer satisfaction.



### **3. Service Quality Enhancement Framework**

Improving service quality is a key component of the proposed system. Banks should focus on reducing waiting time, simplifying procedures, and ensuring prompt service delivery. Standardized service protocols should be implemented to maintain consistency in service across all branches. Regular training programs should be conducted for employees to enhance their skills and knowledge, ensuring better customer interaction and service delivery.

Additionally, banks should monitor service quality through performance metrics and customer feedback. Public sector banks should particularly focus on improving responsiveness and efficiency, while private sector banks should continue to maintain high service standards. By enhancing service quality, banks can build a positive brand image and attract more customers.

### **4. Strengthening Trust and Security Measures**

Trust and security are crucial factors influencing consumer preference in the banking sector. The proposed system highlights the need for banks to implement strong security measures to protect customer data and financial transactions. Advanced cybersecurity systems, secure authentication methods, and fraud detection mechanisms should be adopted to ensure the safety of digital banking services.

Banks should also create awareness among customers regarding safe banking practices, such as protecting personal information and avoiding phishing scams. Public sector banks can leverage their existing reputation for trust, while private sector banks should focus on building stronger trust through transparency and secure services. Ensuring a high level of security will increase customer confidence and encourage the use of digital banking services.

### **5. Competitive Pricing and Product Innovation**

The proposed system suggests that banks should offer competitive pricing strategies and innovative financial products to attract and retain customers. Interest rates, service charges, and fees should be structured in a way that provides value to customers while remaining competitive in the market. Banks should also introduce new and innovative products, such as flexible loan schemes, digital wallets, and investment options, to meet diverse customer needs.

Moreover, banks should continuously analyze market trends and customer preferences to develop products that align with changing demands. Public sector banks should focus on making their products more flexible and customer-friendly, while private sector banks should ensure affordability along with innovation. By offering competitive and innovative solutions, banks can enhance their market position and customer base.

### **6. Awareness and Financial Literacy Programs**

The proposed system also includes the implementation of financial literacy and awareness programs to educate customers about banking services and digital platforms. Many customers, especially in rural and semi-urban areas, are not fully aware of the benefits and usage of modern banking services. Banks should organize workshops, seminars, and digital campaigns to increase awareness and promote financial inclusion.

These programs can help customers make informed decisions and encourage them to adopt digital banking services. Public sector banks, with their extensive reach, can play a significant role in promoting financial literacy, while private sector banks can use digital channels for awareness campaigns. Enhancing customer awareness will lead to better utilization of banking services and improved customer satisfaction.

## **IV. RESEARCH METHODOLOGY**

### **1. Research Design**

The present study adopts a descriptive research design, as it aims to analyze and describe the consumer preferences towards public and private sector banks. Descriptive research is appropriate for this study because it focuses on understanding existing patterns, behaviors, and opinions of customers regarding banking services. It enables the researcher to systematically collect data and present factual information without manipulating any variables.

This research design helps in identifying key trends such as customer preferences, satisfaction levels, and factors influencing the choice between public and private sector banks. By using this approach, the study provides a clear and



accurate understanding of consumer behavior, which is essential for drawing meaningful conclusions and recommendations in the banking sector.

### 2. Sources of Data

The study is based on both primary and secondary data sources to ensure comprehensive analysis and reliability. Primary data is collected directly from bank customers through structured questionnaires, which include multiple-choice questions related to preferences, satisfaction, service quality, and digital banking usage. This firsthand data provides current and practical insights into customer behavior.

Secondary data is collected from various sources such as research papers, banking reports, journals, websites, books, and publications related to the banking sector. These sources help in understanding the theoretical framework, previous studies, and industry trends. The use of both primary and secondary data enhances the accuracy and credibility of the research.

### 3. Sampling Technique

The study uses a convenience sampling method, where respondents are selected based on their accessibility and willingness to participate. This method is suitable due to time and resource constraints and allows for quick data collection from a diverse group of bank customers.

Although convenience sampling may not fully represent the entire population, it provides valuable insights into consumer preferences within a specific group. The selected respondents include individuals from different age groups, occupations, and income levels to ensure diversity in the sample and better understanding of customer behavior.

### 4. Sample Size

The sample size for the study consists of **112 respondents**, who are users of both public and private sector banks. This sample size is considered sufficient to identify general trends and patterns in consumer preferences and satisfaction levels.

The respondents are selected from different backgrounds such as students, salaried employees, business professionals, and others. This diversity helps in capturing varied opinions and experiences, making the study more comprehensive and representative.

### 5. Data Collection Method

The primary data for the study is collected using a structured questionnaire consisting of multiple-choice questions. The questionnaire is designed to gather information on factors such as bank preference, service quality, trust, digital banking usage, and customer satisfaction.

The questionnaire is distributed through both online and offline modes. Online tools such as Google Forms are used for efficient and wide-reaching data collection, while offline surveys help in collecting responses from individuals who may not be comfortable with digital platforms. This mixed method ensures better response rates and quality data.

### 6. Tools and Techniques of Analysis

The collected data is analyzed using simple statistical tools such as percentage analysis, tables, and charts. Percentage analysis helps in identifying the proportion of respondents preferring public and private sector banks and the factors influencing their decisions.

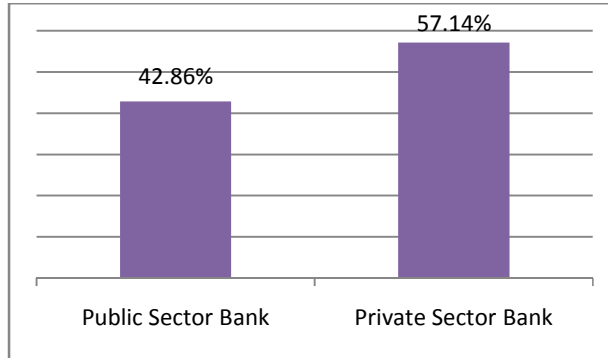
In addition, tabular representation and graphical tools such as bar charts and pie charts are used to present the data visually. These techniques make the analysis more understandable and help in drawing meaningful conclusions regarding consumer preferences towards public and private sector banks.

## V. DATA ANALYSIS AND RESULTS

**Table 1: Type of Bank Preferred**

Sr. No.	Particulars	Respondents	Percentage
1	Public Sector Bank	48	42.86%
2	Private Sector Bank	64	57.14%
	<b>Total</b>	<b>112</b>	<b>100%</b>



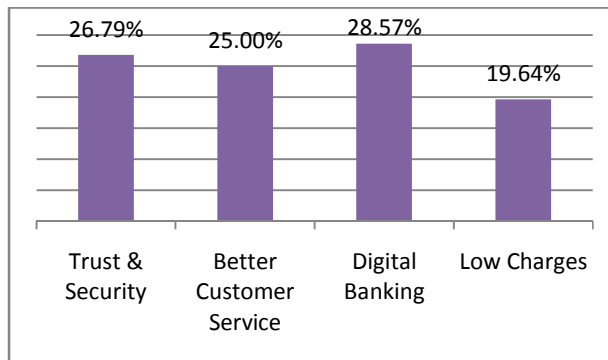


**Interpretation:**

The above table shows that a majority of respondents (57.14%) prefer private sector banks, while 42.86% prefer public sector banks. This indicates that private banks are gaining popularity due to better services and facilities. However, a significant portion still prefers public sector banks, highlighting their continued trust and reliability.

**Table 2: Reason for Choosing Bank**

Sr. No.	Particulars	Respondents	Percentage
1	Trust & Security	30	26.79%
2	Better Customer Service	28	25.00%
3	Digital Banking	32	28.57%
4	Low Charges	22	19.64%
	<b>Total</b>	<b>112</b>	<b>100%</b>



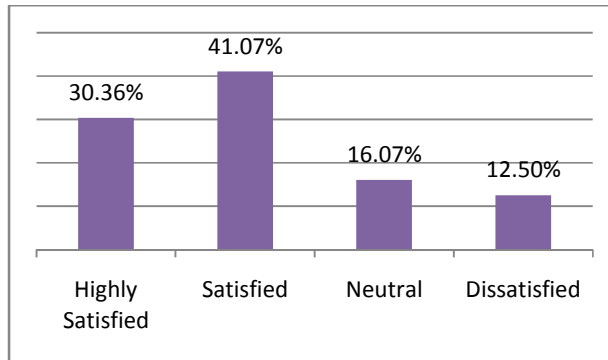
**Interpretation:**

The data reveals that digital banking (28.57%) is the most important factor influencing bank selection, followed closely by trust & security (26.79%) and customer service (25%). Low charges (19.64%) are relatively less important. This indicates a shift towards technology-driven banking preferences among consumers.

**Table 3: Satisfaction Level**

Sr. No.	Particulars	Respondents	Percentage
1	Highly Satisfied	34	30.36%
2	Satisfied	46	41.07%
3	Neutral	18	16.07%
4	Dissatisfied	14	12.50%
	<b>Total</b>	<b>112</b>	<b>100%</b>



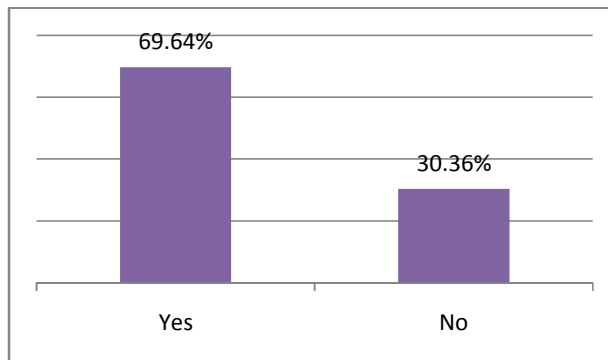


**Interpretation:**

The majority of respondents (71.43%) are either satisfied or highly satisfied with their banks. A smaller portion (12.50%) is dissatisfied, indicating that while most customers are happy with banking services, there is still scope for improvement in certain areas.

**Table 4: Usage of Digital Banking Services**

Sr. No.	Particulars	Respondents	Percentage
1	Yes	78	69.64%
2	No	34	30.36%
	<b>Total</b>	<b>112</b>	<b>100%</b>



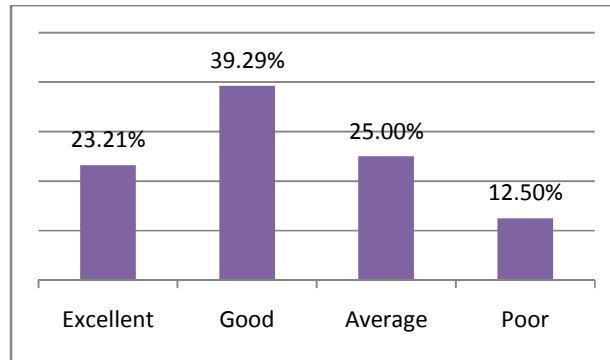
**Interpretation:**

A large majority (69.64%) of respondents use digital banking services, while 30.36% do not. This shows that digital banking has become a key factor in modern banking preferences. Banks need to further improve digital accessibility to cater to the remaining segment.

**Table 5: Rating of Customer Service**

Sr. No.	Particulars	Respondents	Percentage
1	Excellent	26	23.21%
2	Good	44	39.29%
3	Average	28	25.00%
4	Poor	14	12.50%
	<b>Total</b>	<b>112</b>	<b>100%</b>





**Interpretation:**

Most respondents (62.50%) rated customer service as good or excellent, while 37.50% rated it average or poor. This indicates that although customer service is satisfactory for many, there is still room for improvement, especially in public sector banks.

**VI. CONCLUSION**

The study on consumer preference towards public and private sector banks reveals that customer choices are influenced by a combination of factors such as service quality, trust, digital banking facilities, convenience, and overall customer experience. The findings indicate that private sector banks are generally preferred by a larger segment of customers due to their efficient services, faster processes, advanced digital platforms, and customer-centric approach. On the other hand, public sector banks continue to hold a strong position in terms of trust, security, and reliability, especially among customers who prioritize safety and long-term stability of their financial assets. The study also highlights that the growing importance of digital banking and technological advancements has significantly shaped consumer behavior, with a majority of respondents favoring banks that offer seamless and user-friendly digital services. Although overall customer satisfaction levels are relatively high, there remains scope for improvement, particularly in enhancing service efficiency, reducing procedural delays, and strengthening customer engagement. In conclusion, both public and private sector banks have their own strengths and challenges, and to remain competitive in the evolving banking landscape, they must focus on innovation, service quality, and customer satisfaction to meet the changing expectations of modern consumers.

**FUTURE SCOPE**

The present study provides valuable insights into consumer preferences towards public and private sector banks; however, there is significant scope for further research in this area. Future studies can be conducted with a larger sample size covering different geographical regions, including rural, semi-urban, and urban areas, to obtain more comprehensive and generalized results. Expanding the scope of research to include diverse demographic groups such as senior citizens, students, and business professionals can also help in understanding varying banking preferences across different segments of society.

Moreover, future research can focus on the impact of emerging technologies such as artificial intelligence, blockchain, and fintech innovations on consumer preferences in the banking sector. With the rapid growth of digital banking, studies can explore customer perceptions regarding cybersecurity, data privacy, and trust in online financial transactions. Comparative studies involving foreign banks and cooperative banks can also be undertaken to provide a broader perspective on the banking industry.

Additionally, longitudinal studies can be conducted to analyze how consumer preferences evolve over time due to changes in technology, economic conditions, and government policies. Future research can also examine the role of customer relationship management (CRM), personalized banking services, and financial literacy in influencing



customer satisfaction and loyalty. Overall, the scope for further study in this field is vast and can contribute to enhancing banking strategies and improving customer experience in the dynamic financial environment.

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