International Research Journal of Human Resource and Social Sciences
ISSN(O): (2349-4085) ISSN(P): (2394-4218)
Impact Factor 6.924 Volume 9, Issue 12, December 2022
Website- www.aarf.asia, **Email** : editoraarf@gmail.com

DISCUSSION THE FEATURE OF PUBLIC AND PRIVATE BANK AND ITS ADVANTANGES AND DISADVANTAGES

UTPAL MUKHERJI
RESEARCH SCHOLAR, SUNRISE UNIVERSITY, ALWAR, RAJSTHAN

DR. KAILASH CHAND SEWAL
RESEARCH SCHOLAR, SUNRISE UNIVERSITY, ALWAR, RAJSTHAN

ABSTRACT

As economic globalization intensifies competition and creates a climate of constant change, winning and keeping customers has become all the more important. Nowadays banks have realized that cost of attracting a new customer is much more than retaining existing customers, so banks are emphasizing more upon customer satisfaction. These days customers demand for top quality services and products served with minimum wait time, so customers prefer techno- savvy banks as well bankers. At this backdrop, the main problem today before the commercial banks, more particularly the public sector banks in India which were earlier operating in a sheltered regime after nationalization, is their long-run survival, tapping quality customers and forging way ahead by retaining their valued customers. The current research paper attempts to make a comparative analysis of level of customer satisfaction towards services provided by public and private sector banks. The study has been conducted in Chandigarh city. This study is based on questionnaire method. A sample of 160 customers has been selected using convenient sampling method. The statistical tests are conducted at 5% and 1% level of significant the main statistical tools are used. This study concluded that private sector banks are more preferred by majority of the customer as they emphasize more upon relationship building with their clients and are better equipped with modern infrastructure as compared to public sector banks.

Keywords: - Public, Private, Bank, Feature, Government.

I. INTRODUCTION

The business of banking is as old as the civilization itself. As early as 2,000 B.C., the Babylonians used their temples for lending at higher rates of interest against gold and silver which had been left with them for safe custody. In ancient times, the main functions of the banks related to granting of loans to individuals or the state in times of crisis. Banking institutions during preindependence period primarily consisted of Indigenous banks, sahukars, nidhis, loan offices etc. In 1850, the passing of joint stock company act greatly helped in establishment of many commercial banks. Later on in 1921, the Imperial Bank of India and in 1935 RBI was also established. Banking business has since evolved many folds to recent techno savvy form.

Banks these days provide a variety of services ranging from opening a savings account to internet banking, granting loans to selling insurance, providing locker facilities to transferring money abroad. Their customers come from all classes of society from a salaried group to a Multi National Corporation having its business activities all around the world. The banks have to satisfy all the customers belonging to different social groups. The banking has therefore become more complex and requires specialized skills.

People working in banks act as a bridge between the bank and the customer. They are the people who face customers directly and are the first ones to know what customer actually needs. As a service provider their role becomes very important in shaping bank’s perception in customer’s mind. As services can make or break a customer, much emphasis is laid upon service delivery by most of the banks. The link between service quality and customer satisfaction has been subjected to intense scrutiny by a few service quality researchers. As survival of the fittest has become the order of today, every bank is trying woe the best customer who is common for all. Retaining the existing customers and attracting new ones has become all the more difficult especially for public sector banks.

II. LITERATURE REVIEW

Sharma, Poonam (2020) This article describes 20 papers for comparative studies of non-performing assets (NPAs), financial performance, and bank staff morale in the public and private sectors. The camel model, t test, chi-square test, and correlation methods have been used to compare public and private sector banks. Compared to public sector banks, private sector banks have a smaller NPA. Private sector banks generate more money than public sector banks since NPAs of public sector banks have a lower CAR, according to a new study. The financial health of both public and private sector banks is reflected in their exposure to non-performing assets (NPAs). In the long run, the issue of non-performing loans (NPA) will have an impact on the economy as a whole. There have been several factors for the rise of non-performing assets (NPAs) in public sector banks. After mergers in public sector banks, surveys have shown the influence of staff morale. Our research attempts to lower public sector banks' escalating NPAs and enhance their financial results.

Maity, Sudarshan (2017) All five of State Bank of India's (SBI) partner banks were amalgamated into SBI on April 1, 2017, in accordance with regulator instructions. As a result, researchers have looked into whether or not SBI and its affiliates were operating at an efficient or inefficient level prior to the merger. The current study aims to measure the extent of SBI and five associate banks' overall technical efficiency (OTE), pure technical efficiency (PTE), and scale efficiency (SE) using data envelopment analysis (DEA), with three output variables (deposits, advances, and total income) and four input variables (number of bank branches, number of ATMs, total assets, and gross non-performing assets). Two different DEAs were run, one for each year from 2011 to 2016, and the other for the designated five-year period as a whole. State Bank of Bikaner & Jaipur (SBBJ), State Bank of Hyderabad, State Bank of Patiala and the State Bank of Travancore achieved OTE scores equal to 1 and were on the efficient frontier under the CRS assumption based on CCR model, and also achieved PTE scores equal to 1 and were also on the efficient frontier under VRS assumption based on BCC model. Since its OTE and PTE scores in 2012-13 were both 1, the State Bank of Mysore (SBM) group has been operating at or near the frontier of efficiency as a result, we can say that prior to the mergers, the majority of SBI's partner banks ran efficiently. SBI and its affiliate banks will no longer have to compete against each other, reducing the risk and allowing them to better concentrate on the defaulter.

Alagarsamy, Thangam. (2019). The purpose of this research is to examine how defaulting debtors at the State Bank of India (SBI) view non-performing assets (NPAs). Madurai is the research location. There are now a total of twenty-two variables in the study. Those who would take part in the current study were selected by a convenience sample technique. Primary data came from the researchers. Defaulting debtors have filled out surveys in order to gather the information. One hundred and seventy-five recalcitrant borrowers provided the data for this study. Percentages, weighted averages, and chi-square tests have all been utilized by the researcher. Seven of the top 10 reasons, according to the research, are linked to demographic characteristics such as educational attainment and monthly household income. They can't pay back the debt for seven different reasons. SBI's NPA problem is mostly due to this. Non-Performing Assets, Loan Purpose, and the Factors Affecting Non-Performance

Kadiwala, Abidhusain (2019) When comparing the financial performance of two banks, the State Bank of India and United Arab Emirates, this research will be conducted. SBI is a conventional bank, whereas DIB is an Islamic bank, which is a fast-growing idea in the globe. Selected banks' most recent five years of financial data are gathered. A variety of financial measures including the Bankometer model for Solvency are used to assess profitability and solvency. Research shows DIB is superior than SBI on all metrics except Assets Utilization. In terms of Non-performing Assets, SBI will be caught in the act.

III. PRIVATE BANK

Private sector banks are renowned for their cutting-edge technology and strong competition. Private banking careers are consequently more competitive, with individuals being required to meet rigorous goals and outperform expectations in order to advance their careers. Although income may be higher and the risk-to-reward ratio is also higher, the job security may not be as robust as it is a publicly held institutions.

Education Requirements: A bachelor's degree in economics, business, or finance is typically enough to provide a strong basis for a career in banking. The majority of private banks will demand an MBA from a recognized university in addition to a bachelor's degree in one of these subjects. They prefer to hire new people through campus recruitment, referrals, and walk-ins through consultants rather than relying on newspaper advertisements. They might or might not be posted, though, depending on how many positions are available. They are not compelled to adhere to reservation policies that mandate allocating a set number of positions to predetermined groups of people. Private Banks are looking for young, competitive people that enjoy working under pressure and think it's important to give it their all.

Employment: A diversified customer base is served by private sector banks' high-end services, which are delivered while maximizing technical capabilities. In order to capitalize on their capacity to deliver high-quality services in the shortest amount of time, private banks commonly use aggressive client engagement strategies.

IV. PUBLIC BANKS

Public sector banks are renowned for having a larger customer base and a more organized management structure. The work environment is also less competitive than at private banks, and employees are less likely to be concerned with achieving goals and providing the best performance on a team.

A greater emphasis is typically placed on providing suitable training to employees in order to assist them in updating their knowledge and skills in order to improve their performance over time. Job security is significantly better in public sector banks than in private sector banks, and for some people, this may be the most crucial aspect of building a long-term career.

Required education– Candidates are picked after clearing a set of common admission tests offered by public sector banks. Any graduate can work in banking for the government. Candidates for the position of public banker should be well-versed in accounting, finance, and banking procedures and possess excellent verbal and written communication abilities.

Although the requirements are less strict than those of private banks, one still needs to pass the test. They are constrained by particular state-imposed rules and constraints when it comes to employment because they are government-owned financial institutions. Any job openings must typically be advertised in prominent periodicals, and the number of posts reserved for members of underrepresented groups in society is determined by reservation criteria.

Employment– As the government continues to extend the scope and reach of publicly-owned banks to the most remote regions of the country, there is a growing need for banking experts. However, a much bigger number of people apply for a relatively small number of positions, boosting competition, because of the increased benefits and employment security provided. For instance, 40 lakh applications were made in 2013 for 80,000 positions in government banks. Despite all of the alleged advantages of a career in public banking, getting through the exam might be challenging.

V. This PESTLE analysis highlights key factors affecting the banking industry.

Political factors: A tool for the big guys

The banking sector looks all powerful — but it's susceptible to a bigger giant: the government.

Government laws affect the state of the banking sector. The government can intervene in the matters of banking whenever, leaving the industry susceptible to political influence. This includes corruption amongst political parties, or specific legislative laws such as labor laws, trade restrictions, tariffs, and political stability.

Economic factors: Easily influenced

The banking industry and the economy are tied. How income flows, whether the economy is prospering or barely surviving during times of recession, affects how much capital banks can access. Spending habits, and the reasons behind them, affect when customers borrow or spend funds at banks.

Additionally, when inflation skyrockets, the bank experiences the backlash. Inflation affects currency and its value and causes instability. Foreign investors think twice before providing their funds when a particular country's currency value is high.

Exchange rates also affect banks globally — stable currencies such as the US dollar impact other currencies, spending habits, and inflation rates in other countries.

Sociocultural factors: Consumers want ease

Cultural influences, such as buying behaviors and necessities, affect how people see and use banking options. People turn to banks for advice and assistance for loans related to business, home, and academics. Consumers seek knowledge from bank tellers regarding saving accounts, bank related credit cards, investments, and more.

Consumers desire a seamless banking experience. And technology is developing to allow consumers to buy products easier, without requiring assistance directly from banks.

Technological factors: Smartphones to the rescue

Once, it was expected to visit the local bank to make changes to financial accounts. But not anymore.

Technology is changing how consumers handle their funds. Many banks offer a mobile app to witness accounts, transfer funds, and pay bills on smartphones.

Smartphones can scan cheques, and the bank can process it from their end, at their location. This change helps to save paper and the need to drive directly to the branch to handle these affairs.

Debit cards are also changing. Chips have been implemented, requiring users to insert their card into debit machines rather than swiping them. Other countries, such as Canada, have implemented a “tap” option — tapping the debit card onto the device, requiring no pin, for a transaction to complete. These changes make it easier on the user to make purchases without required intrusion from banks.

Even banks themselves are utilizing technology within the workplace. Telecommunicating through virtual meetings is being embraced. It replaces the need for in-person meetings.

Legal factors: Strict guidelines

The banking industry follows strict laws regarding privacy, consumer laws, and trade structures to confirm frameworks within the industry. Such structures are required for customers in the allocated country and for international users.

Environmental: Reduced footprint

With the use of technology — particularly with mobile banking apps — the use for paper is being reduced. Additionally, the need to drive directly to a branch to handle affairs is minimized as well.Many issues are taken care of through mobile apps and online banking services. Consumers can apply for credit cards online, buy cheques online, and have many of their banking questions answered online or by phone. Thus, reducing individual environmental footprints.

VI. Pros and Cons of Public bank and private bank

Pros of Public Bank

Better terms on loans and credit products: Public banks don’t have large overhead costs or shareholders to report to, so they can offer loans and credit products at lower interest rates.Focus on community development: Public banks invest money into their local communities, helping to create jobs and improve residents’ quality of life.Can help with economic stability: Public banks can help stabilize the economy by providing a source of capital during times of economic turmoil.

Cons of Public Bank

Potential for political interference: While some argue that public banks are better solutions than traditional banks, they’re still at the mercy of elected officials and board members. So there could be people who disagree with how a public bank operates in their area.

Lack of competition: Currently, North Dakota is the only state with an operational public bank. So whenever you open your next checking or savings account, there’s a good chance it will be with a traditional, for-profit institution.

Advantages of private bank

- It maintains privacy as customer names and transaction details remain confidential.
- Clients are likely to receive the financial products and services at a discounted or comparatively lower rate.
- The exclusive range of services offered to clients may include access to hedge funds and other alternative investments.
- Customers will get all their customized services in one place by calling their dedicated representative.
- Other advantages include higher annual percentage yields on assets and lower annual percentage rates on mortgages.

Disadvantages of private bank

- The banks or financial institutions can change the private banker assigned to their clients at any time and replace it with another.
- Higher maintenance fees (fixed or a percentage of investments) because the customers who use the service have higher-than-average assets.
- Interest rates paid on the investments and savings to private banking account clients tend to be lower.
- Banks and financial institutions with a small geographic presence prefer to provide fewer investment products and services to the HNWIs.
- The regulatory requirements require private bankers to be transparent and accountable for their services. As a result, they must exercise extreme caution when providing financial advice to their clients.
-

VII. CONCLUSION

The banking industry is held accountable by the government. What and how they offer services is determined by politics and current governmental laws. Additionally, banks are at the whim of the economy — inflation rates can devastate banking prospects as it affects the value of currency.

Technology is helping consumers spend and save money with readily available apps and online services. For many daily transactions, it isn't required for users to visit their branch anymore. This, in turn, saves the use of paper and gas spent from driving to and from banking locations.

Legally, banks regard consumer laws, trade agreements, and privacy laws. They also must have top-notch cyber security with the growing use of technology with banking transactions.

The duration of time that a customer spends with his relationship officer or manager is very important. As per the current data 68% of the customers have been with their respective relationship officer/manager for more than 2 years. This research further strengthens the findings of Tyler and Stanley, 2001 which says that customers give more importance to their personal relationship with relationship officer/manager rather than the bank they represented. Thus relationship marketing should be emphasized upon and special training should be provided to all the corporate staff members in the bank, making them aware about the actual meaning and use of this concept. Table 2 shows the t-test conducted for the sample. As per table all the values except statement facility and loan services are significant. According to Hypothesis Hb0 all the selected attributes effect customer satisfaction equally while the findings of current research shows that the relationship of customers with manager/customer relationship officer (mean = 27.57) effects customer satisfaction the most. Thus hypothesis Ha0 does not hold good for this factors and alternative hypothesis Ha1 is accepted.

REFERENCES:-

1. Dutta, K. and Dutta, A. (2009), "Customers expectation and Perception across the Indian Banking Industry and the resultant financial implications", Journal of Services Research 9(1), Sage publications, 31-49.
2. Liang, Chiung-Ju and Wang, Wen-Hung (2004), "Attributes, benefits, customer satisfaction and behavioural loyalty- An integrative research of financial services industry in Taiwan", Journal of Services Research, 4(1), April-September, Sage publications, 23-57.
3. Sarin, Anil (2007), "Contemporary Issues in Services Marketing." Prabandhan: Indian Journal of Marketing 37, 40-44.
4. Tyler, K. and Stanley, E. (2001), "Corporate banking: the strategic impact of boundary ICBI 2010 - University of Kelaniya, Sri Lanka spanner effectiveness", International Journal of Bank Marketing 19(6), Emerald, 246-252.

5. Sharma, Poonam&Mathur, Neha. (2020). A Comparative Study on Public & Private Sector Banks: A Special Reference to Financial Performance, Non- Performing Assets and Employee Morale. 10.46528/JK. 2020.V10I08N02.11.
6. Maity, Sudarshan&Sahu, Tarak. (2017). Pre-Merger Performance Measures of State Bank of India and Its Associate Banks Using Data Envelopment Analysis.
7. Alagarsamy, Thangam. (2019). Perception Of Non-Performing Assets (NPAS) In State Bank Of India. International Journal of Scientific Research. 8. 2721-2727.
8. Kadiwala, Abidhusain&Rasikbhai, Dr. (2019). Financial Performance of State bank of India and Dubai Islamic Bank: A Comparative Study. 6. 33-37.