

# A STUDY OF COMPARISON OF PRIVATE AND PUBLIC SECTOR BANKS REGARDING VARIOUS ASPECTS OF RELATIONSHIP MARKETING

Rupali Madan\*, Rachna Agrawal\*\*, Mitu G. Matta\*\*\*

**Abstract:** *In today's competitive world, it has become mandatory to maintain the relationship not only with customers but also with other stakeholders. After liberalisation, privatisation, and globalisation, private banks are giving tough competition to public sector banks. The present paper compares the public sector and private sector banks in various aspects of relationship marketing. For the same purpose, 23 variables have been taken. The mean and standard deviation have been calculated. The data has been collected through the chosen employees of the different banks. The area chosen for the study is national capital region (NCR). Independent t-test has been used for comparing the banks. It has been observed that there is a significant difference between private sector and public sector banks. The performance of private sector banks has been found to be better in every aspect studied.*

**Keywords:** *Relationship Marketing Strategies, Private Sector Banks, Public Sector Banks, Customer Relationship Management*

## INTRODUCTION

Relationship marketing is the process of attracting the customer, establishing relations with them, maintaining relations with them, and terminating the relations when not found to be beneficial for the parties involved.

In late 80s, Indian banking sector was mainly held by public sector banks. There was no competition during those times. There was no need to maintain relationship with customers. The world was going through turbulence. After 1991, the concept of liberalisation, privatisation, and globalisation increased the competition. New concepts in marketing are being created, laying much onus on the organisations to maintain the relationship with customers. In today's times, there is much emphasis given to increase the customer lifetime value. Banks are working hard to delight their customers. For better understanding of their customers, banks now need to identify their strengths and weaknesses, where they stand in competition to others. Customer's expectations have also increased in the last 10 years because there is a plethora of banks providing almost all services that an individual requires. Banks need to maintain a good database of loyal customers. In general, private banks are more technology oriented and public sectors banks have good database of customers. Both of these kinds of banks

are giving tough competition to each other. Both sectors are running in a race to capture more and more customers.

## LITERATURE REVIEW

Siddique and Khandakar (2007) compared the services of public, private, and foreign hospitals from perspective of Bangladeshi patients. The survey was conducted among Bangladeshi citizens who were patients in public, private or foreign hospitals of Dhaka city. Data was collected from 400 patients using five point Likert scale. The service quality in private hospitals scored higher than public hospitals considering the aspects such as nursing care, tangible hospital matters, cleanliness, supply of utilities, and availability of drugs. The overall service quality was better in the foreign hospitals compared to the private hospitals.

Mittal (2008) studied whether managers of public and private sector banks believe that their banks are relationship centric or not. He brought out that there is variation with respect to the implementation of relationship marketing philosophy in the banks under study. He concluded that public sector banks need to work hard to follow a relationship marketing approach.

\* Assistant Professor, YMCAUST, Faridabad, Haryana, India. Email: [kunal.kapila@gmail.com](mailto:kunal.kapila@gmail.com)

\*\* Associate Professor, YMCAUST, Faridabad, Haryana, India. Email: [rachna\\_ag@rediffmail.com](mailto:rachna_ag@rediffmail.com)

\*\*\* Associate Professor, Lingaya's University, Faridabad, Haryana, India. Email: [mitu.matta@gmail.com](mailto:mitu.matta@gmail.com)

Das, Parmar, and Sadanand (2009) found association between CRM practices and customer loyalty. The study was divided in two parts. The first part was the CRM best practices survey. The second part was customer loyalty survey. The results showed that there is no strong association between deployment of CRM best practices in scheduled commercial banks and loyalty levels of both high and medium relationship value retail customers.

Das (2012) reviewed the literature on the use of CRM in the banking sector. They studied the comparative perception of SBI customers with other nationalised banks' customers on the issue of CRM practices. It is observed that the approach of CRM by SBI and other nationalised banks is, to some extent, the same, but their reach is quite distinguishable. It is due to their capability and the strategy of CRM in making it and reaching down to customers. In contrast, it can also be claimed that the background of both banks is also found as a big cause for reaching the top CRM. Hence, he concluded that CRM is an inevitable tool of marketing that can be considered as critical responsibility of market with regard to banks in present context.

Rajshkhar and Dash (2012) compared the relationship marketing in public sector and private sector banks of India. The primary objective of the study was to analyse customer perceptions regarding relationship marketing. It also discussed various barriers to implementation of relationship marketing in Indian banking Sector. The study was based on a survey. Sampling method used was random sampling. Five banks were chosen from public sector and five banks were chosen from private sector. The data was collected using a structured questionnaire method on five dimensions of relationship marketing, i.e. bonding with customer, communication, relationship quality, conflict-handling, and customer satisfaction and trust. The findings of the study indicated that implementation of relationship marketing in both public sector and private sector banks is much away to become effective. There was significant gap between expectations and perceptions in all the aspects: bonding, communication, and conflict-handling aspects of relationship marketing. Communication and conflict-handling aspects were found to be main factors of customer satisfaction.

Caemmerer and Dewar (2013) compared the performance of private sector and public sector organisations. The purpose of study was to investigate whether private sector performs better in providing the necessary services to their customers. The study was conducted on 200 respondents. The theoretical framework taken was SERVQUAL model to compare expectations and perceptions. The results indicate that there was no significant difference between expectations and perceptions of private and public sector services. On the SERVQUAL dimension, there was 74% satisfaction in the case of public sector, and there was 87% satisfaction in the case of private sector.

Gill and Arora (2013) compared the public sector and private sector banks in Punjab on the basis of customer satisfaction. The objective of the paper was to get insights of factors affecting customer satisfaction. The technology was found to be important factor for the customer satisfaction in banks. It was analysed that because of technology factor, private sector banks were able to satisfy the customer better than public sectors banks. Staff in the private sectors banks was young and technology-oriented.

Haq and Muhammad (2013) conducted the study on comparison of public and private sector banks of Pakistan. The primary data was collected through a questionnaire. The questionnaire was adapted by three studies and distributed to 351 respondents at different places. The study concluded that customer satisfaction is subjective in nature. Bank managers need to do research work to understand consumer behaviour.

Balakrishnan and Krishnaveni (2014) studied the customer relationship management practices in selected private sector banks of Coimbatore district. The tools used were percentage analysis, Likert point scale analysis, mean method, and ranking method. The study concluded that CRM practices would increase the satisfaction of customer, thus it would help in customer retention.

Puthukulangara and Moses (2014) compared the customer perception of CRM initiatives in public and private sector banks in Thrissur District, Kerala. The study explored the role of CRM in modern banking system and its impact on customer perception. Introduction of core banking system and computer related initiatives has helped in concept of CRM.

## OBJECTIVES OF STUDY

The objective of the paper is to compare the public sector and private sector banks in various aspects of relationship marketing from the perspective of employees. The second objective is to find out gaps between these two types of banks.

## RESEARCH METHODOLOGY

The study uses descriptive research design. Primary data has been collected from employees of private and public sector banks in national capital region. Four banks have been chosen from the public sector, viz. State Bank of India, Punjab National Bank, Bank of India, and Syndicate Bank. Three banks have been chosen from the private sector viz. ICICI bank, HDFC Bank, and Axis Bank. State bank of India, Punjab National Bank of India, Bank of India, and Syndicate Bank are amongst top ten public sector banks according to market share. ICICI bank, HDFC bank, and Axis Bank are amongst top ten private sector banks according to market share. Sample size taken is 210. Approximately

30 employees have been taken from each bank. Judgement sampling method has been used to collect the data. Data has been collected from the employees who are associated with the bank for more than five years. Five-point Likert scale has been used for the questionnaire. In five-point scale is defined in this way: 1- disagree, 2- somewhat disagree, 3- somewhat agree, 4- agree, and 5- strongly agree. Strongly disagree have not been taken in scale because in pilot survey, no response was marked as strongly disagree. T-test has been applied to compare these two groups: public sector banks and private sector banks.

**Hypothesis Ho:** There is no difference between public sector and private sector banks regarding various aspects of relationship marketing that have been taken for the research.

## ANALYSIS AND INTERPRETATION

### Comparison of Private and Public Sectors Banks on Different Aspects

Different aspects of relationship marketing have been taken for the comparison of public sector and private sector banks. Mean score and standard deviation have been collected. Independent t-test has been used to compare the private and public sector banks on various aspects of relationship marketing. Details are shown in Table 1.

**Table 1: Comparison of Public Sector and Private Sector Banks Regarding Relationship Marketing**

Variables	Type of Bank	Mean (Standard Deviation)	T Stats	Prob. Value
Commitment of bank towards customer	Public	3.21 (1.063)	-9.353	.000
	Private	4.42 (0.7160)		
Service quality	Public	3.44(0.968)	-7.894	.000
	Private	4.38 (0.696)		
Cross selling of products	Public	3.30 (0.883)	-10.360	.000
	Private	4.41 (0.577)		
Complaint system	Public	3.21 (1.016)	-9.842	.000
	Private	4.42 (0.651)		
Quick response	Public	3.30 (0.967)	-9.824	.000
	Private	4.42 (0.559)		
Confidentiality of data	Public	3.51 (0.934)	-4.144	.000
	Private	4.03 (0.849)		
Database management system	Public	3.44 (1.045)	-4.404	.000
	Private	4.02 (0.816)		
Qualifying customers	Public	2.82 (0.887)	-8.046	.000
	Private	3.97(1.169)		
Customisation of products	Public	2.9(0.803)	-9.532	.000
	Private	4.05 (0.947)		
Knowledge management system	Public	3(0.799)	-9.120	.000
	Private	4.13(0.991)		
Customer lifetime value based customer segmentation	Public	3.39(1.058)	-4.049	.000
	Private	3.96(0.906)		
Treatment of customers on basis of customer lifetime value	Public	3.52(0.943)	-4.101	.000
	Private	4.03(0.823)		
Variety of distribution channels	Public	3.45 (1.038)	-3.492	.001
	Private	3.91 (0.798)		
Tracking of preference of channel by customers	Public	3.48 (1.014)	-3.202	.002
	Private	3.89 (0.781)		
Consistency of bank towards all channels of distribution	Public	3.53 (0.996)	-4.263	.000
	Private	4.08 (0.806)		

Management of record of communications with the customer.	Public	3.52 (1.014)	-4.379	.000
	Private	4.09 (0.798)		
Availability of software and hardware	Public	3.51 (0.979)	-2.053	0.041
	Private	3.78(0.867)		
Core banking system	Public	3.46 (0.996)	-2.9	0.004
	Private	3.86 (0.95)		
Technical support.	Public	3.43(1.011)	-3.452	0.001
	Private	3.89 (0.888)		
Mobile apps for the convenience of the customers	Public	3.48 (1.039)	-3.246	0.001
	Private	3.92 (0.897)		
Emotional bonding with key customers	Public	3.44 (1.094)	-4.642	0
	Private	4.09 (0.877)		
Employee training programmes	Public	3.04(0.959)	-12.53	.000
	Private	4.50(0.639)		
Measurement and monitoring of employee satisfaction	Public	3.25 (0.937)	-10.40	.000
	Private	4.44(0.636)		

The first aspect of relationship marketing has been taken as the commitment of bank towards the customer. This aspect considers the level of committed services the bank is able to give to its customers. Mean score of private banks is found to be 4.4 and for public banks, it is 3.2, which highlights that there is a lot of difference between the two sectors in handling this particular aspect.

The second aspect of relationship marketing has been taken as service quality. Services are intangible in nature. So quality aspect becomes important in case of services. If banks do not provide the quality in services, they are not able to manage relationship with customers. Mean score of private banks is 4.38 and that of public banks is 3.44, which also highlights that there is a considerable difference between the two.

Third aspect of relationship marketing has been taken as cross-selling of products, which means selling the related products to the existing customers. Cross-selling of products effectively decreases the cost of acquiring the new customer. The related products may be offered to the existing customers. Mean score of private banks is 4.4 and that of public banks is 3.3, which also depicts significant difference.

Fourth aspect of relationship marketing has been taken as complaint system. The banks have formal complaint system. The customers can complain by phone or email or can put the complaint in the complaint box. Bank resolves the problems of the customers within specified time period. Mean score of private banks is 4.42 and that of public banks is 3.21 which shows the considerable difference between the two.

Fifth aspect of relationship marketing has been taken as quick response. This aspect considers the responsiveness of the employees in providing services to the customer. This helps in building the trust of customer in banks. Mean score of private banks is 4.42 and that of public banks is 3.30,

which also highlights the considerable difference between the two.

Sixth aspect of relationship marketing has been taken as confidentiality of data. As customers provide a lot of personal information to the banks, they expect that their personal information should be kept confidential. If banks are able to do so, it helps in maintaining a relationship with customer. Mean score of private banks is 4.03 and that of public banks is 3.51 which shows a lot of difference between the two.

Seventh aspect of relationship marketing has been taken as database management system. Every organisation needs to maintain an exhaustive database of the customers in order to maintain long lasting relationship with customers. Mean score of private banks is 4.02 and that of public banks is 3.44 which highlights the difference between the two.

Eight aspect of relationship marketing has been taken as qualifying customers. Qualifying customer means providing full information to the customer about the products and services. Mean score of private banks is 3.97 and that of public banks is 2.82 which shows a significant difference.

Ninth aspect of relationship marketing has been taken as customisation of products, which means providing the product that suits the needs and preferences of the customer. Mean score of private banks is 4.05 and that of public banks is 2.9, that depicts considerable difference between the two.

Tenth aspect of relationship marketing has been taken as knowledge management system. It means that bank has a comprehensive system that has the complete knowledge about the needs, preferences and suited channel to communicate with the customers. Mean score of private banks is 4.13 and that of public banks is 3 which also highlights the difference in handling of this aspect.

Eleventh aspect of relationship marketing has been taken as customer segmentation based on customer lifetime value. Banks consider the criteria for customer segmentation as customer lifetime value. On the basis of customer lifetime value, they can select their VIP customers and can treat them differently. Mean score of private banks is 3.96 and that of public banks is 3.39 which shows some difference between the two.

Twelfth aspect of relationship marketing has been taken as treatment of consumer on the basis of customer lifetime value which shows that VIP customers are treated differently. Mean score of private banks is 4.03 and that of public banks is 3.52 which shows considerable difference between the two banks.

Thirteenth aspect of relationship marketing has been taken as variety of distribution channels. Banks offers a variety of distribution channels to communicate with customers so that they may maintain good relations with customers. Mean score of private banks is 3.45 and that of public banks is 3.91 which shows some difference between the two banks.

Fourteenth aspect of relationship marketing has been taken as tracking of preference of channel by the customer. Bank tracks the preference of channel so that communication to the customer is proper and the customer may be contacted in real time effectively. Mean score of private banks is 3.89 and that of public banks is 3.48 which again shows some significant difference between the two banks.

Fifteenth aspect of relationship marketing has been taken as consistency of all available channels for the customer. These days banks are available on many channels by which customer can be communicated. Mean score of private banks is 4.05 and that of public banks is 3.52 which again shows significant difference between the two.

Sixteenth aspect of relationship marketing has been taken as management of record of communication with the customers. Every bank needs to maintain a good record of communications with the customers. This information helps in doing perfect analysis about every customer. Banks are able to track the customer and understand the consumer behaviour easily using this record. Mean score of private banks is 4.09 and that of public banks is 3.52 which shows difference in handling of this aspect.

Seventeenth aspect of relationship marketing has been taken as availability of software and hardware. The effective use of IT systems helps in maintaining long lasting relationships with customer. With the help of software work can be done within seconds. Hardware maintenance is also good in the case of private sector banks. Mean score of private banks is 3.78 and that of public banks is 3.51 which shows some difference in this aspect as well.

Eighteenth aspect of relationship marketing has been taken as having a core banking system. Core banking system helps ineffectively integration of a branch with the whole banking system. The customers are able to access their account from anywhere. Mean score of private banks is 3.86 and that of public banks is 3.46 which shows some difference in this aspect as well.

Nineteenth aspect of relationship marketing has been taken as technical support. Nowadays, everything is automated. To get the necessary benefit from using automation, an optimum level of technical support is required. Technology is strong component that helps in maintaining strong relationship with the customer. Mean score of private banks is 3.89 and that of public banks is 3.43 which also shows some difference in this aspect between the two banks.

Twentieth aspect of relationship marketing has been taken as mobile apps for the convenience of customers. The effective usage of mobile apps has made it possible for the banks to carry out various transactions in a faster and reliable way. Mean score of private banks is 3.92 and that of public banks is 3.48 which shows that significant difference is there between the two banks.

Twenty-first aspect of relationship marketing has been taken as emotional bonding with key customers. Trust and emotional bonding helps in making a good relationship with customer. Banks do send their customers many personalised messages like wishing them on the important occasions like Diwali, New Year, birthdays, anniversaries etc. This helps in creating an emotional bonding with customers. Mean score of private banks is 4.09 and that of public banks is 3.44 which also shows significant difference in this aspect between the two banks.

Twenty-second aspect of relationship marketing has been taken as employee training programmes. Banks organise training programmes for the employees from time to time in order to develop and impart new skills to their employees. Technical and soft skills training are required for the employees to maintain the healthy relationships with the customers. Mean score of private banks is 3.04 and that of public banks is 4.5 which highlights that a very significant difference with respect to this aspect between the two banks.

Twenty-third aspect of relationship marketing has been taken as measurement and monitoring of employee satisfaction. If the employees of an organisation are satisfied, then only they will be able to satisfy their customers. Satisfied employees are able to generate more revenues for the banks. So, it is necessary to measure and track the employee satisfaction. Mean score of private banks is 4.44 and that of public banks is 3.25 which again shows significant difference between the two.

## DISCUSSION AND CONCLUSION

From the detailed study, it was found that there are many significant differences between private and public sector banks, considering most of the key aspects of relationship marketing. Private sector banks are found to be better and, in some cases, extremely good than the public sector banks. The employees of the selected banks (State Bank of India, Punjab National Bank, Bank of India, Syndicate Bank, HDFC Bank, ICICI Bank, and Axis Bank) feel that frontline employees are rewarded on the basis of customer satisfaction delivered. The mean score is more in case of private banks in all the aspects, which shows that implementation of relationship marketing techniques is more prevalent in case of private sector banks in comparison to public sector banks. Now, as the importance of relationship marketing has been realised worldwide, the public sectors banks should work on improving multiple facets of relationship marketing.

As per analysis of the study, the mean score is found to be greater than 4.25 for some aspects in the case of private banks. These aspects are commitment towards customers, service quality, measurement and monitoring of employee satisfaction, employee training programme, quick response, complaint system, and cross selling of products. On the other hand, the public banks have not got a score greater than 4.25 in any of the aspects. Their score is below 3 in two aspects: qualifying customers and customisation of products. The lowest score is found to be 2.82 considering the aspect of qualifying customers for public banks. It can be deduced that the public banks are not providing the necessary information to their customer. Customers are needed to be well-educated about the products and services that banks provide to their customer, especially on the key differentiators in comparison to other banks. They are not customising the available products as per the needs of their customers. Private banks are using the IT systems to track the needs and preferences of their customers so that banks are able to create customised products. There is also considerable difference in the scores of public and private banks in case of training their employees. Public sector banks should provide adequate learning opportunities to their employees so that they increase the efficiency of the banks. Re-skilling, in terms of imparting modern techniques, is the need of the hour for public sector employees, especially considering the significant difference in the average age of the employees working in private and public sector banks.

## LIMITATIONS AND SCOPE FOR FURTHER RESEARCH

The study is limited to public and private sector banks only. Foreign banks can also be included for the comparison. The area that was considered is also limited to national capital

region. Further study can be done covering a wider area to cover the Indian banking system. A larger sample size can be also evaluated for the further study.

## REFERENCES

- Agrawal, R., MattaMittu G., & Madan, R. (2014). *Relationship marketing in Indian banking sector: A review in ZIJEMR*, 4(6), 181-188.
- Balakrishnan, H., & Krishnaveni, R. (2014) *The SIJ Transactions on Industrial, Financial & Business Management (IFBM)*, 2, 15-20.
- Caemmerer, B., & Dewar, A. (2013). A comparison of private and public sector performance. *The Journal of Applied Business Research*, 29(5), 1451-1458.
- Chimote, N. K., & Srivastava, A. (2011). A Study on the effectiveness of Relationship Marketing practices with existing customers in banking industry. *Romanian Journal of Marketing*, (4), 42.
- Cokins, G. (2002). Measuring customer value: How BPM supports better marketing decisions. *Business Performance Management*, 13-18.
- Cooper, M., Upton, N., & Seaman, S. (2005). Customer relationship management: A comparative analysis of family and nonfamily business practices. *Journal of Small Business Management*, 43(3), 242-256.
- Daffy, C. (1999). *Once a customer, always a customer*. New Delhi: HarperCollins.
- Das, S. K. (2012). Customer relationship management in banking sector: A comparative study of SBI and other nationalized commercial banks in India. *ArthPrabhand: A Journal of Economics and Management*, 1(6), 68-82.
- Das, K., Parmar, J., & Sadanand, V. K. (2009). Customer Relationship Management (CRM) best practices and customer loyalty: A study of Indian retail banking sector. *European Journal of Social Sciences*, 11(1), 61-85.
- Gill, H. S., & Arora, S. (2013). A study of customer satisfaction: Comparison of public and private banks. *Pacific Business Review*, 6(6), 74-79.
- Gronroos, C. (2006). On defining marketing: Finding a new roadmap for marketing. *Marketing Theory*, 6(4), 395-417.
- Gronroos, C. (2009). Marketing as promise management: Regaining customer management for marketing. *Journal of Business & Industrial Marketing*, 24(5/6), 351-359.
- Gronroos, C. (1999). Relationship marketing: Challenges for organization. *Journal of Business Research*, 46, 327-335.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. (2010). *Multivariate data analysis* (7<sup>th</sup> Ed.). Pearson.
- Haq, W., & Muhammad, B. (2013). Customer Satisfaction: A Comparison of Public and Private Banks of Pakistan.

- In: Xu J., Yasinzai M., Lev B. (eds) *Proceedings of the Sixth International Conference on Management Science and Engineering Management*, 185. Springer, London
- Hiebeler, R., Kelly, T. B., & Ketteman, C. (1998). *Best practices: Building your business with customer-focused solutions*. New Delhi: Simon & Schuster.
- Madan, R., Agrawal, R., & Matta, M. G. (2015). Relationship marketing in banking sector: A review. *International Journal of BRIC Business Research*, 4(4), 1-10.
- Madan, R., Agrawal, R., & Matta, M. G. (2012). Service quality in banking sector with special reference to Haryana. *International Journal of Business Economics & Management Research, Zenith*, 2(11), 155-165.
- Mittal, A. (2008). Relationship marketing - A perspective of public and private bank managers. *Amity Management Analyst*, 2(2), 63-71.
- Puthukulangara, M. D., & Moses, D. R. (2014). A comparative study on consumer perception of CRM initiatives of public and private sector banks in Thrissur District, Kerela. *International Journal of Research in Engineering and Technology*, 3(7).
- Rajshekhar, V., & Dash, M. (2012). A Comparison of Relationship Marketing in Public and Private Sector Banks in India. Available at SSRN: <https://ssrn.com/abstract=2190064> or <http://dx.doi.org/10.2139/ssrn.2190064>
- Siddique, N., & Khandakar, S. A. (2007). Comparison of services of public, private and foreign hospitals from the perspective of Bangladeshi patients. *Journal of Health, Population and Nutrition*, 25(2).
- Sin, L. Y., Tse, A. C., & Yim, F. H. (2005). CRM: Conceptualization and scale development. *European Journal of Marketing*, 39(11/12), 1264-1290.