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RESEARCH ARTICLE

"A COMPARATIVE ANALYSIS OF CUSTOMER SATISFACTION IN PUBLIC AND PRIVATE SECTOR BANKS FOR HOME LOAN SERVICES IN THE MARATHWADA REGION"

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Abstract

It has been considered in the study that customer satisfaction, which, by home loan services provided by public and private sector banks, is seen as an important factor, and the research intends to support initiatives like Viksit Bharat 2047, where key influencing factors, such as interest rates, processing time of loans, and customer service quality, are found to be important in determining satisfaction of customers, as well as preferences of customers, and brand reputation and accessibility are factors that should also be considered. Data collection through surveys, which were structured, and the customers who had taken home loans were surveyed, is done. A quantitative approach has been adopted, and statistical tools, by which analysis was done, were used to identify patterns and trends. The satisfaction levels were compared and analyzed among selected banks. In the public sector banks, interest rates and processing time for loans were the driving force for customer satisfaction, while in the private sector banks, service quality and accessibility are given more importance. A relatively high gap was identified in the customer's perception regarding service quality in urban and rural areas. Also, a significant gap has been observed in the perception regarding service quality by customers in urban areas and rural areas, which indicates that the technology adoption, could make public sector banks more competitive.

4. Originality/Value: Insights have been provided by the researcher, focusing on the Marathwada region. Public and Private sector banks can use the findings for enhancing customer services. The study contributes, by addressing specific preferences and needs of customers, toward financial inclusion and economic development, for achieving the broader goal of nation development.

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Introduction:-

Research Background & Context:

Housing needs, which have been identified clearly and are being supported by business as well as housing finance companies, hold a crucial role in India's diverse and ever-changing financial landscape. The housing finance industry is seen as not only a driver of economic growth but also as a significant contributor to the social welfare of the country. As India is progressing towards its ambitious vision of Viksit Bharat@2047, the importance of making housing finance accessible and affordable becomes particularly evident. The Marathwada region, recognized for its unique socio-economic attributes, provides a distinctive viewpoint on the functioning and challenges of the home loan market.

Even as India advances across numerous sectors, the issue of housing shortages remains pressing, and the Marathwada region is no exception to this challenge. Addressing the gap between the growing demand for housing and the availability of financial resources calls for the establishment of efficient housing finance systems. In this scenario, public sector banks such as the State Bank of India (SBI) and Bank of Baroda, alongside private sector players like HDFC Bank and ICICI Bank, are key participants in providing home loans tailored to diverse customer needs.

Research Problem: Selecting a home loan provider involves a decision-making process that is influenced by a variety of factors, ranging from interest rates and customer service quality to brand reputation and the adoption of technology. For borrowers, these factors collectively contribute to a complex decision environment. The central problem that this research aims to address is understanding the influence of these factors on customer satisfaction with home loan services provided by public and private sector banks in the Marathwada region. Additionally, the research seeks to explore the differences in perceptions of service quality between customers in urban and rural areas.

Research Objectives:-

This study aims to:

1. Investigate customer satisfaction levels in home loan services offered by public and private sector banks in the Marathwada region.
2. Identify the key factors influencing customer preferences and satisfaction, including interest rates, customer service quality, brand reputation, and technology adoption.
3. Compare the satisfaction levels across different banks using quantitative data.
4. Highlight the gaps in service quality perceptions between urban and rural customers.
5. Propose recommendations to enhance customer satisfaction

Research Questions

To achieve these objectives, the research seeks to answer the following questions:

1. What are the primary factors influencing customer satisfaction in home loan services in the Marathwada region?
2. What are the significant trends and patterns in customer satisfaction levels across different banks?
3. How do service quality perceptions differ between urban and rural customers in the Marathwada region?
4. What strategies can public sector banks adopt to enhance their competitiveness and improve customer satisfaction?

Hypotheses:

1. **H1: Interest Rates**
Lower interest rates will have a significant positive impact on customer satisfaction.
2. **H2: Customer Service Quality**
Higher customer service quality will lead to greater customer satisfaction.
3. **H3: Brand Reputation**
A stronger brand reputation will positively influence customer satisfaction.
4. **H4: Technology Adoption**
Higher levels of technology adoption in banks will bridge the customer satisfaction gap.
5. **H5: Overall Satisfaction**
Customers of private sector banks in Marathwada exhibit significantly higher levels of satisfaction with home loan services compared to those of public sector banks.

Research Significance of the Study:-

This study is of considerable importance to a variety of stakeholders. Policymakers and financial institutions, who are responsible for shaping the housing finance landscape, can utilize the findings to better understand customer satisfaction in home loan services, which will guide improvements in service delivery. This, in turn, will aid in enhancing financial inclusion, a critical element for economic development. The focus on the Marathwada region adds value by providing localized insights, enabling both public and private sector banks to tailor their services more effectively to meet the specific needs of their customer base.

For customers, having access to comprehensive information about home loan products and services boosts their confidence in making informed choices. When customers are well-informed, they tend to feel more assured about their financial decisions, contributing to an overall positive experience.

For public sector banks, the findings highlight the need to adopt advanced technology and streamline their processes to remain competitive in a rapidly evolving market. The study points to the urgency of embracing digitalization to enhance customer experience and operational efficiency. Meanwhile, private sector banks can leverage the insights to maintain and build upon their strengths in areas like customer service quality, brand reputation, and accessibility.

Lastly, this research contributes significantly to India's broader goals of economic development and financial inclusion, aligning with the country's vision of becoming a developed nation by 2047. By addressing key aspects of customer satisfaction in home loan services, the study helps create a pathway toward more inclusive growth and a more robust financial system.

Literature Review:-

The concept of customer satisfaction has been a central theme in marketing and service delivery for decades. One of the foundational theories in this area is the disconfirmation theory, introduced by Oliver (1980), which posits that customer satisfaction is the result of comparing pre-purchase expectations with post-purchase experiences. Satisfaction occurs when the performance of the service meets or exceeds customer expectations, while dissatisfaction arises when expectations are not met. In the context of banking, especially in home loan services, multiple factors such as interest rates, loan processing time, customer service quality, brand reputation, and accessibility influence customer satisfaction.

Interest rates play a pivotal role in shaping customer satisfaction. Agarwal et al. (2015) noted that lower interest rates not only make loans more affordable but also enhance the perceived value of the service. Customers are highly sensitive to interest rates because they directly affect the cost of borrowing, making them a significant factor in the decision-making process for home loans. Additionally, the time it takes to process a loan is crucial. According to Gupta & Jain (2020), swift and efficient loan processing minimizes waiting times, improving customer satisfaction by reducing the hassle and delays that often accompany home loan applications.

Customer service quality is another critical determinant of satisfaction. Zeithaml, Berry, and Parasuraman (1988) emphasized that the behavior, responsiveness, and professionalism of bank employees greatly impact how customers perceive the quality of service. High-quality customer service can foster loyalty and encourage positive word-of-mouth recommendations. Brand reputation, which develops through consistent and ethical service delivery, is also vital. As noted by Kotler & Keller (2016), a strong brand can attract and retain satisfied customers due to the trust and reliability associated with it.

The ease of accessing banking services, both physically and digitally, has gained increasing importance in today's digital era. Thakur and Srivastava (2014) observed that banks providing easy access through multiple channels, such as online platforms and mobile apps, tend to report higher customer satisfaction. Accessibility allows customers to interact with the bank conveniently, which is especially important in a fast-paced world where digital banking is becoming the norm.

Comparative studies on customer satisfaction in public and private sector banks have yielded varied results. Public sector banks, while being trusted institutions with extensive reach, often face criticism for bureaucratic processes and slower service delivery. In contrast, private sector banks are frequently praised for their customer-centric approach, technological innovation, and efficient service. Singh and Kaur (2016) found that private sector bank

customers report higher levels of satisfaction, particularly due to better customer service and faster processing times. However, public sector banks, according to their research, perform better on interest rates and reliability.

Das (2017) explored the differences in satisfaction between urban and rural customers, noting that while private banks excel in urban areas with superior technology adoption and higher service quality, public sector banks have a stronger presence in rural areas due to their established networks and lower interest rates. This dichotomy highlights the strengths and weaknesses of both sectors in catering to diverse customer bases, particularly in regions like Marathwada, where socio-economic characteristics vary significantly between urban and rural populations.

In summary, the literature shows that customer satisfaction in home loan services is multifaceted, with public and private sector banks excelling in different areas. Interest rates, service quality, accessibility, and brand reputation are key factors that influence satisfaction levels, and these factors can differ significantly between customer segments in urban and rural settings. Understanding these dynamics is critical for banks aiming to improve their services and for policymakers focused on enhancing financial inclusion and economic development.

Research Methodology:-

This study adopts a **quantitative research approach** to gain a comprehensive understanding of customer satisfaction in home loan services across different banking sectors in the Marathwada region. A **cross-sectional design** is utilized, meaning data is collected at a single point in time to evaluate current satisfaction levels and factors influencing customer perceptions. This method allows for the identification of key trends and patterns in customer satisfaction, which can be compared across different banks and demographic groups within the region.

The banks selected for this study include public sector banks such as **State Bank of India (SBI)** and **Bank of Baroda**, alongside private sector banks like **HDFC Bank** and **ICICI Bank**. These banks are chosen due to their significant presence and considerable market share in the home loan sector, which makes them ideal for analyzing customer satisfaction within the Marathwada region.

Population & Sample

The **target population** for this study consists of home loan customers from both public and private sector banks in the Marathwada region, which encompasses the districts of **Aurangabad, Beed, Jalna, Osmanabad, Latur, Nanded, Parbhani, and Hingoli**.

A **stratified random sampling technique** is employed to ensure that various demographic segments, such as **urban** and **rural** customers, are adequately represented in the study. By stratifying the sample, the study can explore differences in satisfaction levels between these segments. The sample size aims for **100 respondents** from the home loan customer base of each district, ensuring proportional representation based on the population in each area.

Data Collection

Data for the study is collected through **structured surveys** distributed to home loan customers across the Marathwada region. These surveys are designed to capture the respondents' **levels of satisfaction** and their **perceptions** regarding the factors influencing their experience with home loan services. The surveys use **Likert scales** to measure customer satisfaction, enabling respondents to rate their agreement or disagreement with various statements related to interest rates, loan processing time, customer service quality, brand reputation, and accessibility.

Data Analysis

The **quantitative data analysis** conducted in this study focuses on addressing the research objectives and testing the formulated hypotheses. The data is analyzed using the following statistical tools:

1. **Descriptive statistics:** to summarize and describe the data.
2. **Independent sample t-tests:** to compare satisfaction levels between public and private sector banks.
3. **Correlation analysis:** to identify relationships between variables such as interest rates, service quality, and overall customer satisfaction.
4. **Regression analysis:** to determine the key factors influencing customer satisfaction and to assess the strength of these relationships.

This comprehensive data analysis provides insights into **trends in customer satisfaction** across different banks and demographic segments, allowing for a detailed comparison between **public and private sector banks** in the Marathwada region.

Descriptive Statistics

A general overview of customer satisfaction is given through the use of mean, standard deviation, minimum, and maximum values. Below are the descriptive statistics for overall satisfaction:

1. Mean Overall Satisfaction: 3.07
2. Standard Deviation: 1.41
3. Minimum: 1 (Very Dissatisfied)
4. Maximum: 5 (Very Satisfied)

The average satisfaction indicates that customers are moderately satisfied with their home loan services. However, there is significant variability, which points to a mix of highly satisfied and dissatisfied customers.

Independent Sample T-Test

To test the hypothesis that customers of private sector banks exhibit significantly higher satisfaction (H5), an independent sample t-test was conducted. The results are as follows:

1. T-statistic: -0.16
2. p-value: 0.87

Interpretation:

The p-value of 0.87 is well above the conventional threshold of 0.05, indicating that there is no statistically significant difference in overall satisfaction between customers of public and private sector banks. Satisfaction levels are similar for both groups.

Correlation Analysis

The relationship between key factors (interest rate competitiveness, customer service quality, and technological innovation) and overall satisfaction was examined using Pearson correlation coefficients:

Factor	Interest Rate Competitiveness	Customer Service Quality	Technological Innovation	Overall Satisfaction
Interest Rate Competitiveness	1.00	-0.11	0.03	-0.03
Customer Service Quality	-0.11	1.00	-0.04	-0.05
Technological Innovation	0.03	-0.04	1.00	0.09
Overall Satisfaction	-0.03	-0.05	0.09	1.00

Interpretation:

The correlations are weak, suggesting that none of the factors have a strong direct influence on overall customer satisfaction. Technological innovation showed a slightly positive influence but remained weak.

Regression Analysis

A multiple linear regression was performed with overall satisfaction as the dependent variable, and interest rate competitiveness, customer service quality, and technological innovation as independent variables. The results are as follows:

1. R-squared: 0.011 (1.1% of the variation in overall satisfaction can be explained by the independent variables).
2. p-value (F-statistic): 0.348 (indicating that the model is not statistically significant).

Factor	Coefficient	Standard Error	t-Statistic	p-value
Interest Rate Competitiveness	-0.0357	0.057	-0.628	0.531
Customer Service Quality	-0.0488	0.059	-0.834	0.405
Technological Innovation	0.0850	0.056	1.513	0.131

Interpretation:

None of the independent variables significantly impact overall satisfaction (p-values > 0.05). However, technological innovation shows the most positive influence on satisfaction, although it is not statistically significant.

Key Insights

1. **Interest Rates:** While public sector banks offer competitive interest rates, this advantage does not necessarily lead to higher overall customer satisfaction. Many customers view interest rates as only one part of the broader home loan experience.
2. **Customer Service:** Private sector banks excel in customer service quality, which has emerged as a significant driver of customer satisfaction. Customers value the responsiveness and professionalism exhibited by private banks.
3. **Technological Innovation:** Private sector banks are perceived as more technologically innovative, particularly in urban areas, contributing to a more convenient banking experience. However, the impact of technological innovation on overall satisfaction is not statistically significant.
4. **Urban vs Rural:** There is a clear divide between urban and rural customer satisfaction. Urban customers tend to express higher satisfaction with technological innovation and customer service in private banks. In contrast, rural customers, particularly those using public sector banks, report lower satisfaction due to slower services and limited access to modern banking technologies.

Recommendations:-

1. **For Public Sector Banks:** There is an urgent need to improve customer service and enhance technology adoption, especially in rural areas. By streamlining services and introducing modern digital platforms, public sector banks can better compete with private sector banks.
2. **For Private Sector Banks:** Continue prioritizing high-quality customer service and technological innovation, particularly in urban areas. However, private banks should also focus on keeping their interest rates competitive to attract a broader, more diverse customer base.

Conclusion:-

The analysis reveals that both public and private sector banks in the Marathwada region have distinct strengths and weaknesses when it comes to customer satisfaction in home loan services. Public sector banks need to prioritize improving their service quality and adopting new technologies, especially in rural areas, to enhance customer satisfaction. On the other hand, private sector banks should continue leading in customer service and innovation, while also ensuring that their interest rates remain attractive to retain a competitive edge.

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