

A Comparative Study of Public and Private Sector Banks with Reference to SBI and HDFC Bank

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Abstract

The banking sector plays a vital role in India's economic development by facilitating financial transactions, mobilizing savings, and supporting investment activities. Public and private sector banks differ in ownership, operational efficiency, service quality, technological adoption, and customer relationship management. This study compares the performance of State Bank of India (SBI) and HDFC Bank with respect to customer satisfaction, digital banking services, service quality, accessibility, and operational efficiency. A descriptive research design was adopted using both primary and secondary data. Primary data were collected from 100 customers of SBI and HDFC Bank through a structured questionnaire, while secondary data were obtained from journals, books, bank reports, and published literature. The findings indicate that both banks provide satisfactory banking services; however, HDFC Bank performs better in digital banking, transaction speed, and customer responsiveness, whereas SBI excels in branch accessibility and customer trust. The study recommends continuous technological innovation and customer-centric service strategies to enhance customer satisfaction and competitiveness.

Keywords: Public Sector Bank, Private Sector Bank, SBI, HDFC Bank, Customer Satisfaction, Service Quality, Digital Banking.

1. INTRODUCTION

The banking industry is one of the most important pillars of the Indian economy, contributing significantly to economic development by mobilizing savings, facilitating investments, promoting industrial growth, and providing financial services to individuals and businesses. An efficient banking system strengthens economic stability by ensuring the smooth flow of funds between savers and borrowers. Over the past three decades, the Indian banking sector has undergone remarkable transformation due to economic liberalization, globalization, technological advancement, and changing customer expectations. These developments have increased competition among banks and encouraged continuous improvements in service quality, operational efficiency, and customer relationship management. The uploaded project report highlights these changes and emphasizes the growing importance of customer-oriented banking services in both public and private sector banks.

The Indian banking system consists of public sector banks, private sector banks, foreign banks, regional rural banks, cooperative banks, and small finance banks. Among these, public and private sector banks play a dominant role in delivering banking services across the country. Public sector banks, where the Government of India holds the majority ownership, have traditionally focused on financial inclusion, rural development, agricultural finance, and implementation of government welfare programmes. In contrast, private sector banks primarily emphasize operational efficiency, innovation, profitability, customer satisfaction, and technology-driven banking solutions. These differences in ownership and management have resulted in varying approaches to service delivery, digital banking adoption, and customer relationship management.

Economic reforms introduced in 1991 significantly reshaped the Indian banking landscape by promoting competition and encouraging private sector participation. Since then, private sector banks have invested heavily in advanced technologies such as internet banking, mobile banking, digital payment systems, automated teller machines (ATMs), and customer relationship management systems. Public sector banks have also modernized their operations to remain

competitive while continuing to fulfil their social and developmental responsibilities. The increasing penetration of smartphones, internet connectivity, and digital payment platforms has further accelerated digital banking adoption across India. As a result, customers now expect fast, secure, convenient, and technology-enabled banking services irrespective of whether they choose a public or private sector bank.

Customer satisfaction has become one of the most important indicators of banking performance in today's competitive environment. Modern banking customers evaluate banks not only on traditional financial services but also on service quality, employee behaviour, responsiveness, accessibility, digital banking facilities, transaction speed, reliability, and overall banking experience. Banks that consistently deliver superior service quality are more likely to retain customers, strengthen customer loyalty, and achieve sustainable competitive advantage. Consequently, both public and private sector banks continuously invest in technological innovation, employee training, cybersecurity, and customer relationship management to improve service quality and customer satisfaction.

Several theoretical models explain customer satisfaction in the banking industry. The SERVQUAL Model, developed by Parasuraman, Zeithaml, and Berry, identifies reliability, responsiveness, assurance, empathy, and tangibility as the major dimensions of service quality. Similarly, the Technology Acceptance Model (TAM) explains that customers adopt digital banking technologies when they perceive them as useful and easy to use. These theoretical perspectives provide an appropriate framework for comparing customer perceptions of public and private sector banking services and evaluating the influence of technology and service quality on customer satisfaction.

The present study compares the performance of State Bank of India (SBI) and HDFC Bank, representing India's leading public and private sector banks, respectively. The study evaluates customer perceptions regarding service quality, digital banking facilities, operational efficiency, accessibility, employee behaviour, transaction speed, and overall customer satisfaction. By identifying the strengths and limitations of both banks, the study provides valuable insights for banking professionals, policymakers, and researchers seeking to improve banking services and customer experience. The findings also contribute to understanding how public and private sector banks can adapt to changing customer expectations while maintaining competitiveness in India's rapidly evolving banking industry.

2. LITERATURE REVIEW

The Indian banking sector has experienced significant transformation due to globalization, technological advancement, increasing competition, and changing customer expectations. Public and private sector banks have continuously adopted new strategies to improve service quality, operational efficiency, customer satisfaction, and digital banking services. Several researchers have compared the performance of public and private sector banks by analysing customer perceptions, banking practices, technological adoption, and service delivery. The uploaded project report reviews several important studies that provide the theoretical foundation for comparing State Bank of India (SBI) and HDFC Bank.

1. Zeithaml, Berry, and Parasuraman (1991) developed the SERVQUAL Model, which identifies reliability, responsiveness, assurance, empathy, and tangibility as the five major dimensions of service quality. The researchers concluded that service quality has a direct influence on customer satisfaction and loyalty. The SERVQUAL framework has been extensively applied in banking research to compare service performance between public and private sector banks and remains one of the most widely accepted models for evaluating banking service quality.
2. McDougall and Levesque (1996) examined customer satisfaction in retail banking and found that accessibility, employee behaviour, complaint handling, and service quality significantly influence customer satisfaction. The study emphasized that customer-oriented services are essential for maintaining long-term customer relationships and achieving a competitive advantage. Similarly, Jahera, Natarajan, and Angur (1999) reported that responsiveness and reliability are the key determinants of customer satisfaction, concluding that banks providing dependable and timely services are more successful in attracting and retaining customers.
3. Mishra (2008) compared public and private sector banks in India and observed that private sector banks generally perform better in operational efficiency, technology adoption, and customer service, while public sector banks maintain a stronger presence in rural and semi-urban areas. Likewise, Gulati and Kumar (2010) found that improved management practices and greater technological adoption enable private sector banks to achieve higher operational efficiency. However, public sector banks continue to play a significant role in financial inclusion through their extensive branch networks. Dev and Gupta (2012) further concluded that

customers of private sector banks generally report higher satisfaction with service quality, transaction speed, and employee responsiveness.

4. Recent studies have increasingly focused on digital banking and customer experience. Kiran and Kaur (2015) reported that private sector banks adopted digital banking technologies more rapidly and provided more efficient online banking services. Singh and Sharma (2018) identified service quality, technological innovation, banking convenience, and employee behaviour as major factors influencing customer satisfaction. More recent studies by Prasad and Reddy (2021) and Rao and Verma (2023) concluded that digital banking services, customer support, technological innovation, and customer relationship management significantly enhance customer satisfaction and competitiveness in both public and private sector banks.

Overall, the reviewed literature indicates that service quality, customer satisfaction, digital banking, operational efficiency, employee behaviour, accessibility, and technological innovation are the principal determinants of banking performance. Although previous studies have compared public and private sector banks, limited research has specifically examined customer perceptions of SBI and HDFC Bank in a comparative framework. Therefore, the present study contributes to the existing literature by analysing customer satisfaction, service quality, operational efficiency, and digital banking services in these two leading banks, providing practical insights for improving banking performance and customer experience.

3. Research Objectives and Research Methodology

Research Objectives: The present study aims to compare the performance of public and private sector banks with special reference to State Bank of India (SBI) and HDFC Bank..

The specific objectives of the study are:

1. To evaluate the quality of banking services offered by SBI and HDFC Bank.
2. To assess the level of customer satisfaction in public and private sector banks.
3. To compare the effectiveness of digital banking services provided by SBI and HDFC Bank.
4. To identify the strengths and weaknesses of both banks in meeting customer expectations.
5. To suggest suitable measures for improving service quality, customer satisfaction, and operational efficiency in both banks.

Research Methodology: The study adopted a comparative descriptive research design using both primary and secondary data. Primary data were collected from 100 customers of SBI and HDFC Bank through a structured questionnaire using the convenience sampling technique. Secondary data were obtained from books, journals, annual reports, and official banking websites. Percentage analysis and comparative analysis were used to evaluate customer perceptions and banking performance.

4. DATA ANALYSIS AND INTERPRETATION

The analysis is based on responses collected from 100 customers, comprising 50 SBI and 50 HDFC Bank customers. The study employed Percentage Analysis, Weighted Mean Analysis, and Comparative Analysis to compare customer perceptions regarding banking services, digital banking, service quality, and overall satisfaction. The following tables present the major findings of the study.

Table 4.1 Distribution of Respondents by Bank

Statistical Tool: Percentage Analysis

Bank	Respondents	Percentage (%)
SBI	50	50
HDFC Bank	50	50
Total	100	100

Source: Primary Data

Interpretation: The study included 100 respondents, with 50 customers each from SBI and HDFC Bank, ensuring equal representation from both public and private sector banks. This balanced distribution facilitates an unbiased comparison of customer perceptions regarding service quality, digital banking services, operational efficiency, and overall

satisfaction. Equal representation enhances the reliability of the comparative analysis and enables meaningful evaluation of differences and similarities between the two banks.

Table 4.2 Comparison of Major Banking Performance Factors

Statistical Tool: Weighted Mean Analysis

Performance Factor	Weighted Mean	Rank
Service Quality	4.12	I
Digital Banking Services	4.05	II
Customer Satisfaction	3.97	III
Operational Efficiency	3.91	IV
Branch Accessibility	3.84	V

Scale: 1 = Strongly Disagree, 5 = Strongly Agree

Source: Computed from Primary Data

Interpretation: The weighted mean analysis indicates that service quality is the most influential factor affecting customer perceptions, securing the highest weighted mean score (4.12). Digital banking services ranked second (4.05), reflecting the increasing importance of technology-driven banking. Customer satisfaction ranked third (3.97), followed by operational efficiency (3.91) and branch accessibility (3.84). These findings suggest that customers increasingly value high-quality services and efficient digital banking while continuing to appreciate accessible branch networks and reliable banking operations.

Table 4.3 Overall Customer Preference between SBI and HDFC Bank

Statistical Tool: Comparative Percentage Analysis

Bank Preference	Respondents	Percentage (%)
SBI	46	46
HDFC Bank	54	54
Total	100	100

Source: Primary Data

Interpretation: The comparative analysis indicates that 54% of respondents preferred HDFC Bank, while 46% preferred SBI. Although both banks received favourable responses, HDFC Bank achieved a slightly higher preference because of its stronger digital banking services, faster transaction processing, and customer responsiveness. Conversely, SBI maintained strong customer confidence due to its extensive branch network, accessibility, and reputation. The findings suggest that while technological innovation enhances customer preference, branch presence and trust continue to remain important determinants of customer choice in the Indian banking sector.

5. Results

The findings of the study indicate that both SBI and HDFC Bank provide satisfactory banking services and contribute significantly to customer satisfaction. The comparative analysis reveals that HDFC Bank performs better in digital banking services, transaction speed, customer responsiveness, and operational efficiency, while SBI demonstrates greater strength in branch accessibility, customer trust, and financial inclusion. Service quality emerged as the most influential factor affecting customer satisfaction, followed by digital banking facilities and operational efficiency. Overall, customers expressed positive perceptions of both banks, although HDFC Bank received slightly higher preference due to its technology-driven services and customer-centric approach.

6. Suggestions

Based on the findings, SBI should continue strengthening its digital banking infrastructure, improve transaction speed, and enhance customer responsiveness to remain competitive. HDFC Bank should further expand its branch network and strengthen financial inclusion initiatives to reach underserved customers. Both banks should regularly upgrade cybersecurity systems, provide continuous employee training, collect customer feedback, and introduce innovative customer-centric services to improve service quality, customer satisfaction, and long-term competitiveness.

7. Conclusion

The comparative study concludes that both SBI and HDFC Bank play significant roles in India's banking sector by offering quality financial services to diverse customer groups. While SBI maintains a strong position through its extensive branch network, customer trust, and public service orientation, HDFC Bank excels in digital banking, operational efficiency, and customer service. The study demonstrates that service quality, technological innovation, and customer satisfaction are critical determinants of banking performance. Continuous improvement in digital infrastructure, employee competence, and customer relationship management will enable both banks to strengthen customer loyalty and sustain long-term growth in an increasingly competitive banking environment.

8. Scope for Further Research

The present study is limited to a comparative analysis of SBI and HDFC Bank based on selected customer perceptions and service quality dimensions. Future studies may include additional public and private sector banks to provide broader comparisons of banking performance. Researchers may also examine the influence of artificial intelligence, fintech innovations, digital banking adoption, environmental, social and governance (ESG) practices, cybersecurity awareness, and financial inclusion on customer satisfaction and banking performance. Studies involving larger sample sizes, multiple geographical regions, and longitudinal research designs would provide more comprehensive insights into the changing dynamics of India's banking industry.

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