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A Comparative Study of Customer Relationship Management of Public and Private Sector Banks in Amravati District

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ABSTRACT: Customer Relationship Management (CRM) plays a vital role in the banking industry by fostering long-term customer engagement, improving service quality, and driving business expansion. This research provides a comparative analysis of CRM strategies employed by public and private sector banks, examining their differences, challenges, and impact on customer satisfaction.

The study explores key CRM components such as customer acquisition, retention strategies, service personalization, and technological advancements. Public sector banks, often operating within rigid administrative structures, focus on trust, reliability, and government-backed security. In contrast, private sector banks prioritize technology-driven services, tailored banking experiences, and customer-centric innovations. By utilizing primary data collection and secondary literature review, this research assesses factors including service efficiency, digital banking adoption, complaint resolution, and loyalty programs. The findings suggest that private banks demonstrate greater responsiveness and innovation, whereas public banks enjoy stronger customer trust and a broader presence in rural areas. The study concludes with strategic recommendations aimed at enhancing CRM effectiveness across both banking sectors, improving customer satisfaction, and ensuring sustainable growth in an increasingly competitive market.

KEYWORDS: Customer Relationship Management, Public Banks, Private Banks, Customer Satisfaction, Digital Banking, Service Quality.

I. INTRODUCTION

Customer Relationship Management (CRM) has significantly influenced the banking sector over the years. For more than 200 years, commercial banks operated through traditional branch networks. However, since the 1980s, this landscape began to shift due to various technological advancements. This transformation has impacted many industries, with banking being no exception. The technology revolution introduced remote delivery channels and payment systems. As a result, cashiers were replaced by ATMs, traditional cash transactions were supplanted by credit and debit cards, online banking, and electronic payments, and face-to face interactions were often replaced by digital communications. In contemporary marketing, CRM has introduced the notion of customer delight, applicable across all sectors, including banking.

The relationship between customers and bankers is particularly crucial, as the banking industry faces significant challenges in retaining both new and existing clients. The Indian banking system boasts the largest network of branches across a vast territory. In this competitive environment, a bank's survival hinges on maintaining satisfied customers. Customer loyalty reflects how engaged customers are with their banks, which is achieved by meeting or exceeding their expectations over time. Every bank aims to strengthen its relationships with customers and maximize returns on their investments in customer relations.



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CRM represents an automated approach to managing customer relationships, facilitating seamless interaction between customers and support services, as well as managing communications and client-related information. It integrates people, systems, and software to enhance consumer interactions. The ultimate goal of CRM is to improve customer relationships while encouraging organizations to create value for their most valued customers. CRM also involves managing data effectively. The primary objectives of CRM and knowledge management are to deliver quality services tailored to consumer needs while ensuring that customers recognize their value. To foster understanding of customer relationships, it is essential to grasp the significance of customers themselves. To maintain regular contact and effectively manage the data of valued customers, an analysis has been conducted to assess CRM practices aimed at enhancing customer satisfaction within selected commercial banks, taking into account both customer and employee perspectives. This study encompasses both public and private sector banks that align their strategies with the goal of increasing customer satisfaction and, consequently, fostering customer loyalty through improved service. Nearly all commercial banks strive for higher productivity standards and continuously adapt to changing environmental conditions with an emphasis on customer relationship management.

Market Share Trends of Public and Private Sector Banks in India

Market Share Patterns in Loan Disbursements

Over the years, the market share of public sector banks (PSBs) in total loan disbursements has witnessed a continuous decline, while private sector banks have expanded their share.

March 2014: Public sector banks accounted for 73.2% of the total credit distributed by scheduled commercial banks.

December 2017: Their share reduced to 65%, reflecting growing competition from private sector banks.

December 2020: The downward trend continued, with PSBs holding 59% of the loan market.

March 2022: Their market share further dropped to 54.8%, marking a decline of more than 20% since 2014. This decline highlights the increasing presence of private banks in India's banking sector, as they continue to expand their customer base and offer competitive financial products.

Private Sector Banks in India

Private sector banks have been gaining ground in the Indian banking industry. Some of the major private banks in India include:

HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank, IndusInd Bank, Yes Bank, IDFC FIRST Bank

Public Sector Banks in India

Despite the declining market share, public sector banks continue to play a crucial role in the Indian banking system. The major PSBs in India are:

State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BOB), Canara Bank, Union Bank of India, Bank of India (BOI), Indian Bank, Central Bank of India, Indian Overseas Bank (IOB), UCO Bank, Bank of Maharashtra (BOM), Punjab & Sind Bank (PSB)

II. LITERATURE REVIEW

Nair and George, 2020- Describe how data analytics is used in the implementation of CRM with private banks leading in data-driven services. Nair and George talk about how analytics has been adopted in CRM, where private banks have been using data to come up with insights of what their customers do and need. The authors proved that such data-driven decision making propels the service capabilities of a private bank into realms greater than that of the public ones. Data regarding the customers allows private banks to anticipate and predict their needs; make customized services for selected groups; and, adjust the marketing plans to formulate the best customer experiences and satisfaction.

Agarwal, (2021)- Discuss the extent to which CRM leads to competitive advantage that has found private banks' dynamic CRM strategy gives them significant advantages over public banks. demographic aspects to analyze CRM satisfaction. They found that the younger customers tend to be more likely to go for private banking because of their innovative CRM strategies. Their demographic is mainly driven by the kind of technology-based solutions, private



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banks possessing an advantage over commercial banks. The study suggests that customer demographics can only be effectively used by banks to design effective CRM efforts.

Mehta, 2022 - The Effects of Mobile Banking on CRM In this, It has also been noted that mobile applications of private banks are the most effective in enhancing customer engagement and satisfaction. Paper is concerned with the relationship between mobile banking and CRM strategy. For Mehta, Private Banks have incorporated their mobile application to more effectively interact with the customer so that the application will be intuitive in use and services. provided are personalized, and that interaction happens in real time. Such an app works well only when measurements in the form of customer satisfaction metrics reveal that a smooth mobile banking experience has a correlation with higher loyalty by the customer. This study identifies the importance of the mobile technology application 15 in CRM in terms of the need to fulfill the expectations of techno-friendly customers towards quick and easy access to banking solutions.

Awasthi & Gupta (2023) - Reviewed the impact of cyber security on CRM practice; private banks bear more cost in secure communication with customers. Customer Interaction Effect: According to the study, cyber threats are a big threat to private banks and that creates an insecure customer interaction. Vulnerability in CRM: It shows that weaknesses in cybersecurity can make the customer lose their trust, which will make the effectiveness of 18 the Customer Relationship Management strategy of the organization weak. Recommendations: There may be some refreshing about the security measures on customers' data according to the authors to enhance the effectiveness of CRM. Private banks should treat cybersecurity as the core of the CRM approach for the development of safe and secure relationships with customers. Employees may need training in the best practices of cybersecurity and other areas with which the relationship developed with customers should be safe and secure.

III. RESEARCH METHODOLOGY

Objective

- To determine effective CRM Practices.
- To understand the impact of technological adoption and innovation.
- To identify drawback and suggest solution to rectify

Data Collection Method

Primary Data Collection Methods

- Primary data was collected using questionnaires and personal interviews.
- Discussions were also conducted.
- Questionnaires were distributed and completed via Google Forms (online methods).

Secondary Data Collection Methods

Secondary data was sourced from statistical bulletins published by various organizations, along with journals, magazines, newspapers, and annual reports from relevant nationalized banks. The primary sources include statistical bulletins from various agencies, annual reports from the Reserve Bank of India (RBI), RBI Bulletins, and the RBI's publication Trend and Progress of Banking. Additionally, reports and bulletins from banks such as the State Bank of India, Bank of Maharashtra, Bank of Baroda, Bank of India, Axis Bank, ICICI Bank, and HDFC Bank are also considered.

SAMPLE SIZE

Total 100 individuals of public and private sector bank will be selected for the study in Amravati District.



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Data Analysis

Sr. no	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	I am satisfied with the overall banking services provided by my bank	20	37	17	22	4	100
2	My bank provides a hassle-free and smooth banking experience	10	21	43	22	4	100
3	The staff at my bank is courteous and helpful in resolving my concerns	9	20	53	15	3	100
4	My bank offers quick and efficient banking services	10	24	48	10	8	100
5	My bank regularly informs me about new services, offers, and schemes	12	24	45	15	4	100
6	I receive personalized services based on my banking needs	9	19	46	21	5	100
7	My bank provides loyalty benefits and rewards for long-term customers	10	18	39	28	5	100
8	My bank provides efficient digital banking services (mobile banking, Internet banking, UPI, etc)	10.1	24.2	47.5	15.2	3	100
9	I feel secure while using my bank's online and mobile banking services.	9	23	40	20	8	100
10	My bank is continuously upgrading its technology to provide better banking services	11.1	33.3	39.4	6.1	10.1	100

Research Hypotheses (H_0 & H_1)

- Hypothesis 1: Customer Satisfaction

Null Hypothesis (H_0): There is no significant difference in customer satisfaction between public and private sector banks.

Alternative Hypothesis (H_1): There is a significant difference in customer satisfaction between public and private sector banks.

- Hypothesis 2: Service Quality

Null Hypothesis (H_0): The perceived service quality does not significantly differ between public and private sector banks.

Alternative Hypothesis (H_1): There is a significant difference in perceived service quality between public and private sector banks.

- Hypothesis 3: CRM Effectiveness

Null Hypothesis (H_0): The effectiveness of Customer Relationship Management (CRM) strategies is the same in both public and private sector banks.



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Alternative Hypothesis (H_1): The effectiveness of Customer Relationship Management (CRM) strategies differs between public and private sector banks.

Interpretation of Results

If $p\text{-value} < 0.05$: Reject $H_0 \rightarrow$ Significant difference exists between public and private banks.

If $p\text{-value} > 0.05$: Fail to reject $H_0 \rightarrow$ No significant difference exists.

Chi- square test results for all Aspects

Aspect	Chi- Square statistic (χ^2)	p-value	Interpretation
I am satisfied with the overall banking services provided by my bank	27.9	1.31e-05	Significant difference in Satisfaction level
My bank provides a hassle-free and smooth banking experience	44.5	5.05e-09	Strongly significant difference in response
The staff at my bank is courteous and helpful in resolving my concerns	76.2	1.11e-15	Extremely significant difference
My bank offers quick and efficient banking services	57.2	1.12e-11	Highly significant difference
My bank regularly informs me about new services, offers, and schemes	49.3	5.06e-10	Strongly significant difference
I receive personalized services based on my banking needs	51.2	2.03e-10	Highly significant difference
My bank provides loyalty benefits and rewards for long-term customers	37.7	1.29e-07	Significant difference in response
My bank provides efficient digital banking services (mobile banking, Internet banking, UPI, etc)	56.4	2.03e-11	Highly significant difference
I feel secure while using my bank's online and mobile banking services.	42.1	2.05e-08	Strongly significant difference
My bank is continuously upgrading its technology to provide better banking services	48.7	6.01e-10	Strongly significant difference

IV. FINDING

- I am satisfied with the overall banking services provided by my bank

Chi-Square : 27.9

p-value: 1.31e-05

Interpretation: Significant difference in satisfaction level

- My bank provides a hassle-free and smooth banking experience

Chi-Square Statistic: 44.5



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p-value: 5.05e-09

Interpretation: Strongly significant difference in response

- The staff at my bank is courteous and helpful in resolving my concerns

Chi-Square Statistic: 76.2

p-value: 1.11e-15

Interpretation: Extremely significant difference

- My bank offers quick and efficient banking services

Chi-Square Statistic: 57.2

p-value: 1.12e-11

Interpretation: Significant difference in response

- My bank regularly informs me about new services, offers, and schemes

Chi-Square Statistic: 49.3

p-value: 5.06e-10

Interpretation: Strongly significant difference in response

- I receive personalized services based on my banking needs

Chi-Square Statistic: 51.2

p-value: 2.03e-10

Interpretation: Highly significant difference

- My bank provides loyalty benefits and rewards for long-term customers

Chi-Square Statistic: 37.7

p-value: 1.29e-07

Interpretation: Significant difference in response

- My bank provides efficient digital banking services (mobile banking, Internet banking, UPI, etc.)

Chi-Square Statistic: 56.4

p-value: 2.03e-11

Interpretation: Highly significant difference in response

- I feel secure while using my bank's online and mobile banking services

Chi-Square Statistic: 42.1

p-value: 2.05e-08

Interpretation: Strongly significant difference in responses

- My bank is continuously upgrading its technology to provide better banking services

Chi-Square Statistic: 48.7

p-value: 6.01e-10

Interpretation: Strongly significant difference in responses

V. CONCLUSION

Public sector banks are widely regarded as more reliable and transparent in addressing customer concerns. The professionalism and efficiency of their staff play a vital role in enhancing customer satisfaction. Employees in these banks are known for their courteous behavior, responsiveness, and commitment to assisting customers. Compared to private sector banks, public sector bank staff tend to be more prompt in handling customer needs, which contributes to a positive banking experience. The quality of service in public sector banks is significantly influenced by the experience and supportive nature of their employees. Additionally, traditional banking services such as demand drafts and cheque books play a crucial role in shaping customer perceptions. In contrast, private sector banks place greater



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emphasis on digital banking solutions, including ATM cards, internet banking, and cheque book services, to enhance customer satisfaction.

Moreover, research indicates that customers of public sector banks report higher satisfaction levels with account and deposit services. This suggests that while private sector banks focus on technological advancements and accessibility, public sector banks continue to gain customer trust by offering smooth and user-friendly banking experiences.

VI. SUGGESTIONS

- **Enhancing Digital Services in Public Sector Banks :** To compete with private banks' convenience, public sector banks should invest more in digital banking infrastructure. Developing advanced mobile banking applications, user-friendly internet banking platforms, and efficient digital customer support can significantly enhance the customer experience.
- **Improving Customer Service Training in Private Sector Banks :** Private banks should focus on enhancing customer service by training employees to be more courteous, responsive, and efficient. Implementing feedback mechanisms can help in identifying and resolving customer concerns more effectively.
- **Balancing Traditional and Digital Banking :** While modernizing services, public sector banks must continue to improve traditional banking options like demand drafts and cheque book services. Similarly, private banks should cater to customers who prefer in-person interactions by offering personalized and efficient service.
- **Increasing Transparency and Grievance Resolution :** Public sector banks should strengthen their transparency and grievance redressal systems to boost customer confidence. On the other hand, private sector banks need to enhance their complaint resolution mechanisms to match the efficiency of public banks.
- **Personalized Banking Services :** Banks should segment their customers and offer tailored services to meet their specific needs. Public sector banks can introduce customer-friendly initiatives, such as priority banking for senior citizens and expanding services in rural areas.
- **Employee Training and Incentives :** Both public and private banks should conduct regular training programs to improve employees' problem-solving abilities and technical skills. Offering incentives for exceptional customer service can encourage staff to be more proactive and effective.

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