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**THE STUDY OF COSTUMERS PREFERENCE  
AND MANAGERIAL EFFECTIVENESS OF  
NATIONALIZED AND PRIVATE SECTOR BANKS**

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# The Study of Customers Preference and Managerial Effectiveness of Nationalized and Private Sector Banks

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**Abstract – A Banking Sector performs three primary function in economy, the operation of the payment system, the mobilization of savings and the allocation of saving to investment products (Ahluvaliya Montek., S). “Bank as institutions which collects money from those who it to spare or who are saving it out of their income and lends out to those who required it. [Dr. P. Karthikeyan, 2014]”**

**Keyword:- Customers, Bank, Net Banking, Private Sector**

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## INTRODUCTION

The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

A high level Committee under chairmanship of Dr. K.C. Chakrabarty and members from IIT, IIM, IDRBT, Banks and the Reserve Bank prepared the „IT Vision Document- 2011-17“, for the Reserve Bank and banks which provides an indicative road map for enhanced usage of IT in the banking sector. Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer to their customers following e-banking products and services [P. Vimal Kumar and V. Mekala, 2015].

## REVIEW OF LITERATURE:

Noman et al. (2007) in a study on banking behavior of Islamic customers in Bangladesh found that, the important bank selection criteria according to mean

scores among Islamic bank customers in Bangladesh are Islamic principles, convenient location, recommendation of friends and family, and rates of return.

Hafeezur and Saima (2008) investigated in 358 customers of private, privatized and nationalized banks in Pakistan to find out the determinants of bank selection. The findings of their study revealed that the most important variables influencing customer choice are customer services, convenience, online banking facilities and overall bank environment.

Zineldin (1996) conducted a survey of 19 potential factors which customers consider as important in the selection of a bank in Sweden. These factors include reputation, recommendation by others, interesting advertisement, convenience of location, opening hours and high technological services. A review of literature indicates that studies related to bank selection criteria have been mainly conducted in case of more developed countries (Denton and Chan, 1991). Such studies have contributed significantly to the literature on bank selection but their findings may not be useful to developing countries like Bangladesh on account of different cultural, political, and economic arrangement. As a set of determinant factors that have a significant role in bank selection in one region may prove to be insignificant in another (Almossawi, 2001). Most of the studies in the context of banking in Bangladesh have so far focused on comparative financial performance of banks and legal issues (e.g., Lalarukh & Hossain, 2008; Ahmed, & Hassan, 2007; Ahmed & Ahmed, 2006; Alam, 2000; Hassan, 1999; Sarkar, 1999). In case of Bangladesh, the current literature on banking lacks studies on

bank selection criteria especially selection of PCBs and NCBs and this study aims to bridge this gap.

## ROLE OF CUSTOMER RELATIONSHIP MANAGEMENT:

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

CRM is a comprehensive approach for creating, maintaining and expanding customer relationship. It provides seamless co-ordination between customer service, marketing, information technology and other customer related functions. It integrates people, process and technology to maximize relationships with all the customers. It does not aim to build closer relationship with all customers, but it recommends that organizations take initiative to identify the most valuable customers by looking for their life time value. CRM means building an interdependent relationship with the customer in whom each relies on the other for business solutions and successes. From the Bank's point of view, it is the management process or approach of acquiring, retaining and growing [shodhganga].

## CUSTOMER'S PREFERENCE FOR BANKS BY AGE-GROUP

The Table shows that younger persons prefer to have an account either exclusively with a private bank or both in the private and nationalized banks. This phenomenon is most probably due to the late entry of private-sector banks in the Indian banking industry and the existence of nationalized banks for a long time.

**Table 1: Customers Preference for Banks by Age**

Age Group (in Years)	Private Bank
20-30	36
30-40	20
40-50	26
Above 50	5
Total	87

This might be due to the general human behavior of not frequently changing their account from one bank to the other.

## CONCLUSION:

The findings of the study reveal that "effective and efficient customer services", "speed and quality services", "image of the bank", "online banking", and "bank is well managed" are some of the important bank selection factors for customers'. These findings provide some messages to Private Commercial Bank officials that they should place more emphasis on quality ensuring through adopting new technology such as internet banking that facilitates image of the bank and also increases customer satisfaction.

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