

**FINANCIAL LITERACY AND BANKING PREFERENCES: A COMPARATIVE  
ANALYSIS OF PUBLIC AND PRIVATE SECTOR BANK CUSTOMERS OF HARYANA  
STATE**

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**Abstract:**

This research examines the relationship between financial literacy and banking preferences among customers of public and private sector banks of Haryana state. Financial literacy plays a crucial role in assessing individuals' ability to make informed financial decisions, manage their finances, and choose appropriate banking services. The study aims to identify any notable differences in financial literacy levels and the influence of financial literacy on banking preferences among customers of both public and private sector banks of Haryana state. Data was collected through surveys distributed to bank customers, and statistical analyses were conducted to derive meaningful findings. The results of this study may have implications for policymakers and banking institutions in terms of promoting financial literacy and tailoring their services to meet the needs of their customer.

**Keywords:** Financial Literacy, Banking Preferences, Haryana State, Public Sector Banks, Private Sector Banks, Customer Perception, Tangibility, Reliability, Responsiveness, Assurance, Empathy

**Introduction:**

Financial literacy and banking preferences are crucial elements that have a significant impact on individuals' financial well-being and their interactions with banking services. In today's intricate financial landscape, financial literacy plays a vital role in empowering individuals to make well-informed financial decisions, effectively manage their personal finances, and achieve long-term financial objectives. It provides them with the understanding of various financial concepts, such as budgeting, saving, investing, and borrowing, which are essential for attaining financial stability and security. The banking sector plays a pivotal role in the financial ecosystem by offering a wide range of services and products tailored to meet the diverse needs of customers. Various factors influence customers' banking preferences, including their levels of financial literacy, personal financial goals, technological advancements, and the quality of services provided by banks.

Understanding the relationship between financial literacy and banking preferences is crucial for both customers and banking institutions. For customers, higher financial literacy levels can enhance their ability to select appropriate banking services that align with their needs and goals. It can also empower them to leverage digital banking platforms efficiently, leading to greater convenience and financial efficiency. On the other hand, for banking institutions, insights into customers' preferences enable them to design and offer more customer-centric products and services. Moreover, identifying variations in banking preferences between customers of public and private sector banks can help institutions tailor their offerings to cater to specific customer segments better.

This research paper's purpose is to conduct a comparative examination of the levels of financial literacy and banking preferences among customers of public and private sector banks of Haryana state. We want to get insight into the prevalent levels of financial literacy in the population of Haryana state by conducting a survey with a wide variety of bank customers located in a variety of locations in Haryana. This will allow us to better understand how levels of financial literacy impact the banking preferences of customers. The results of this study will make a contribution to the body of previous research on banking behavior and financial literacy.

### **Financial Literacy and Banking Preferences**

Financial literacy is an essential skill that empowers individuals to make wise financial choices, effectively manage their money, and navigate the complexities of the financial landscape. It encompasses various knowledge and abilities, such as budgeting, saving, investing, and understanding financial products and services. In the context of the banking sector, financial literacy is a crucial factor that influences customers' preferences and choices. Bank customers who are financially literate are more likely to be informed and discerning when selecting banking services that suit their needs. They are better equipped to understand the terms and conditions of various financial products, compare interest rates, fees, and benefits, and make prudent choices when borrowing or investing. Consequently, financial literacy enhances customers' confidence and trust in the banking system, leading to more meaningful and long-lasting relationships with their banks.

Understanding the relationship between financial literacy and banking preferences is crucial for both customers and banking institutions. For customers, improved financial literacy can empower them to make well-informed choices that align with their financial goals and values. Additionally, understanding customers' preferences enables banking institutions to design more customer-centric products and services, enhance customer satisfaction, and foster long-term loyalty.

Therefore, financial literacy and banking preferences are intertwined and significantly influence individuals' financial well-being and interactions with the banking sector. Financial literacy empowers customers to make informed financial decisions, while banking preferences are shaped

by various factors, including technological advancements and socio-economic characteristics. As the banking landscape continues to evolve, it is essential for both customers and banking institutions to recognize the value of financial literacy and its impact on banking preferences. By promoting financial literacy and tailoring banking services to meet customer needs, we can create a more inclusive and financially secure society.

### **Literature Review:**

Financial literacy and banking preferences have been the subjects of extensive research over the years, with scholars exploring their relationship and impact on individuals' financial decision-making. The research that Lusardi and Mitchell (2014) conducted highlighted the value of financial literacy in enhancing financial management and retirement planning. According to the findings of the study, individuals who had a greater level of financial literacy were more likely to make responsible financial decisions, such as saving money, making investments, and making educated banking selections.

In the context of India, Ramalingam and Prakash (2016) investigated the levels of financial literacy among customers of urban and rural banks in India. According to the findings of the research, there are significant differences in the degree of financial literacy between customers in urban and rural locations, with customers in urban areas usually having greater levels of financial literacy. This inequality may have an effect on individuals' preferences towards banking as well as the availability of financial services in various parts of the nation.

Hanna and Lindamood (2017) conducted a comparative investigation of the levels of financial literacy across customers of public and private sector banks in the United States of America. They discovered that customers who banked with private sector banks tended to have a greater level of financial literacy than those who banked with public sector banks. One possible explanation for this disparity is that the private sector places a greater emphasis on customer education and programs specifically designed to improve financial literacy.

A study was conducted by Venkataramani and Dhankar (2017) to evaluate the influence that a person's level of financial literacy has on their preferences for banking services in India. The research showed that individuals who had a greater level of financial literacy used a wider variety of banking services, such as digital banking platforms, savings accounts, and fixed deposits, on average. This indicates that improving customers' financial literacy may have the potential to lead to increased usage of banking services as well as enhanced financial decision-making among customers.

Additionally, banking preferences have been a topic of study across the body of research. A study that was conducted by Collins and Xu (2018) looked at the elements that influence the preferences of customers for digital banking services. According to the findings of the research, the simplicity

of use, convenience, and access to real-time information are the primary motivating factors behind customers' preference for digital banking. This move toward digital services has ramifications for banks in both the public and private sectors when it comes to adjusting their product and service offerings to match the requirements of their customers.

The growth of digital banking in India has also shaped customers' banking preferences. A study by Jain and Choudhury (2018) explored the factors influencing the adoption of digital banking services among Indian bank customers. The research identified convenience, ease of use, security, and accessibility as critical factors driving customers' preference for digital banking platforms. Understanding these factors can help banks tailor their digital offerings to attract and retain customers in an increasingly competitive banking landscape.

Researchers Dutta and Ray (2020) conducted a study in India to investigate the investing preferences of bank customers with varying levels of financial literacy. They found that individuals with higher levels of financial literacy had a greater tendency to diversify their investment portfolios and think about their long-term financial objectives. On the other hand, those with lesser levels of financial literacy exhibited risk-averse behaviour and favored conventional investing alternatives.

Therefore, the literature review reveals the importance of financial literacy in shaping banking preferences among Indian customers. Financial literacy levels have implications for the adoption of banking services, digital banking preferences, loan choices, and investment behaviors. Policymakers and banking institutions can use these insights to design targeted financial education programs and improve the accessibility and effectiveness of banking services for all segments of the population. Additionally, efforts to enhance financial literacy can contribute to the overall financial well-being of customers and drive economic growth and stability in the country.

### **Research Methodology:**

The purpose of this research is to conduct a comparative analysis of the levels of financial literacy and banking preferences among customers of public sector banks and private sector banks of Haryana state. In order to achieve this objective, a mixed-method research approach will be used.

The research method was cross-sectional in nature, which allowed for the collection of data from participants at a given point in time and gave a snapshot of the levels of financial literacy and banking preferences among customers of different banks of Haryana state. Customers of public and private sector banks were compared in order to determine whether or not there were significant variations in the customers' levels of financial literacy. This comparison also enabled the research of how such discrepancies affected customers' preferences about banking products and services.

- a) **Sample & Sampling Techniques:** The sample comprised individuals aged 24 years and above, holding active bank accounts with either public or private sector banks. Participants were selected through a stratified random sampling technique, ensuring proportional representation from urban and rural areas and from both public and private sector banks of Haryana.
- b) **Data Collection:** A structured questionnaire was designed to assess financial literacy levels and banking preferences. The questionnaire includes both objective and subjective questions.
- c) **Variables:** The independent variable is the type of bank (public vs. private sector), while the dependent variables are financial literacy levels and banking preferences.
- d) **Data was collected through structured surveys administered to the selected participants.** The survey was designed to assess participants' financial literacy levels and gather information about their banking preferences.
- e) **To measure financial literacy levels, the survey included questions covering various financial concepts and scenarios.** Participants were asked to answer questions related to budgeting, interest rates, inflation, investment options, and financial planning. In this study, participants' responses were evaluated and scored to categorize them into different levels of financial literacy, namely low, moderate, and high levels.
- f) **The survey also included questions about participants' banking preferences, covering their preferred banking services, usage of digital banking platforms, loan preferences, and investment choices.** Participants were asked to rank their preferences and provide reasons for their choices.
- g) **Descriptive statistics were used to conduct an analysis of the quantitative data obtained from the survey in order to provide an overview of the participants' preferences regarding banking services and levels of financial literacy.**

In order to acquire a thorough knowledge of the relationship between financial literacy and banking preferences among Haryana state bank customers, the research employed a mixed- method approach, combining quantitative and qualitative methodologies. The study's findings have important implications for policymakers and banking institutions, as they can use this information to promote financial literacy and tailor their services to meet the diverse needs of customers in both the public and private sectors.

## **Analysis and Results:**

### **Respondent Profile:**

**Gender:** A total of 250 participants were surveyed, and the data indicates that 133 respondents (53.2%) identified as male, while 117 respondents (46.8%) identified as female.

Age: The age distribution of the selected respondents indicates that the majority of participants, 71.6% in total, are within the age range of 24 to 40 years. Specifically, 36.8% of respondents fall between 24 and 30 years old, while another 34.8% are aged between 30 and 40 years. And older age groups approximately 10% of respondents are aged between 40 and 50 years, and the remaining 18.4% of respondents are between 50-60 years old.

Occupation of the Respondents: Among the respondents, the largest group was the Business category, constituting 38.8% of the total respondents. Following the Business category, the Salaried individuals represented 30.8% of the respondents. The Self-employed category accounted for 23.6% of the respondents, indicating a considerable number of individuals who were self-employed and running their businesses. Lastly, the Pensioner category was the smallest group, with 6.8% of the respondents being retired pensioners.

Educational Qualification of Respondents: Among the valid educational qualification categories, "Graduate" individuals represent the most substantial proportion of respondents, accounting for 37.6% of the total participants. The second "Post Graduate," comprising 27.6% of the respondents. The "Under Graduate" category includes 26.8% of the respondents and the "Any others" category makes up 8.0% of the respondents.

District of Respondents: Among the valid district categories, "Kurukshetra" has the highest number of respondents, accounting for 33.6% of the total participants. Ambala comprising

31.6% of the respondents. Panchkula is the third district category with 20.8% of the respondents, and Yamunanagar district category makes up 14.0% of the respondents.

**Analysis and Interpretation:**

**Table 1: In which bank respondents have account**

Bank of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
	SBI	53	21.2	21.2	21.2
	PNB	41	16.4	16.4	37.6

<b>Valid</b>	CANARA Bank	32	12.8	12.8	50.4
	ICICI Bank	46	18.4	18.4	68.8
	HDFC Bank	48	19.2	19.2	88.0
	AXIS Bank	30	12.0	12.0	100.0
	<b>Total</b>	<b>250</b>	<b>100.0</b>	<b>100.0</b>	

Source: Primary data

**Interpretation:**

The table presents the distribution of respondents based on the banks in which they have accounts. Among the valid bank categories, "SBI" (State Bank of India) has the highest number of respondents with accounts, accounting for 21.2% of the total participants. This suggests that a significant proportion of respondents in the study have accounts with SBI. The second most prevalent bank category is "HDFC Bank," comprising 19.2% of the respondents. "ICICI Bank" follows closely with 18.4% of the respondents, and "PNB" (Punjab National Bank) has 16.4% of the respondents. "CANARA Bank" and "AXIS Bank" have 12.8% and 12.0% of the respondents, respectively, representing a smaller but still noteworthy proportion of individuals with accounts in these banks.

**Table 2: Perceptions of Customers about banks Tangibility**

Dimensions	Mean of Respondent's Financial Literacy Level – Public Sector Bank	Mean of Respondent's Financial Literacy Level – Private Sector Bank
Employee Dress	4.14	4.13
Complete Information	3.82	3.82
Premises	4.27	4.45
Technology	4.50	4.37

Bank Statement	3.82	3.85
Combined Mean	4.11	4.06

Source: Primary data

**Interpretation:**

The examination of customers' views about the tangibility dimension of banks shows some fascinating insights into the ways in which customers of public sector banks and customers of private sector banks evaluate various characteristics linked to the physical features and appearance of banks.

The interpretation of this data reveals that customers of public sector banks as well as customers of private sector banks have, on the whole, favorable attitudes of the tangibility dimension of their banks. The very small variations in mean scores between the two groups indicate that, on the whole, customers have a favorable impression of both kinds of banks in terms of the physical characteristics and outward appearance they experience throughout their encounters with the banks.

**Table 3: Perceptions of Customers about banks reliability factor**

Dimensions	Mean of Respondent's Financial Literacy Level – Public Sector Bank	Mean of Respondent's Financial Literacy Level – Private Sector Bank
Satisfied with bank service	3.50	3.63
Bank working hour	4.05	4.11
Up-to-date record	3.64	3.71
Service of bank	4.00	3.92
Handling a problem	3.73	3.58
Combined Mean	3.78	3.79

Source: Primary data

**Interpretation:**

The analysis of customers' perceptions about the reliability factor of banks provides insights into how customers from public sector banks and private sector banks perceive different aspects related to the trustworthiness and dependability of their banks.



The interpretation of this data reveals that customers of banks operating in the public sector as well as customers of banks operating in the private sector have, on the whole, favorable attitudes about the reliability factor of their respective banks. Both kinds of banks are evaluated well in terms of their trustworthiness, management of issues, and service quality, despite the modest disparities in mean scores between the two groups.

**Table 4: Perceptions of Customers about banks responsiveness factor**

Dimensions	Mean of Respondent's Financial Literacy Level – Public Sector Bank	Mean of Respondent's Financial Literacy Level – Private Sector Bank
Sending timely bank statement	3.91	3.76
The willingness of employees to help customers	3.64	3.68
Employee Promptness	3.95	3.82
Combined Mean	3.83	3.75

Source: Primary data

**Interpretation:**

The examination of bank customers' opinions of the responsiveness factor of banks provides insights into how customers of public sector banks and customers of private sector banks see key characteristics linked to the banks' responsiveness and willingness to assist their customers immediately.

This data, when interpreted, suggests that customers of both public sector banks and private sector banks have, on the whole, favorable judgments of the responsiveness component of their banks. In terms of providing bank statements, staff willingness to assist, and promptness in service, both groups perceive the banks to be fairly responsive.

Although there are a few insignificant discrepancies in the mean scores between the two groups, the general view of responsiveness is favorable for both types of banks. Enhancing responsiveness is one way to further boost customer satisfaction and build their faith in the services provided by banks.

**Table 5: Perceptions of Customers about banks assurance factor**

Dimensions	Mean of Respondent's Financial Literacy Level – Public Sector Bank	Mean of Respondent's Financial Literacy Level – Private Sector Bank
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Source: Primary data

**Interpretation:**

The analysis of customers' views of the assurance factor of banks gives insights into how customers of both public sector banks and private sector banks see various factors linked to the assurance of security, employee knowledge, and employee eagerness to assist. These insights may be used to better serve customers.

This data, when interpreted, suggests that customers of both public sector banks and private sector banks have, on the whole, favorable attitudes of the assurance factor of their respective banks. It is essential for a customer's trust and confidence in a financial institution that they perceive high levels of security in their banking transactions and personal information.

Even if there are a few insignificant discrepancies in the mean scores between the two groups, the general sense of assurance is favorable for both types of banks. Enhancing components of assurance, such as employee knowledge and eagerness, may further boost customer satisfaction and confidence in the services provided by banks.

**Table 6: Perceptions of Customers about banks empathy factor**

Dimensions	Mean of Respondent's Financial Literacy Level – Public Sector Bank	Mean of Respondent's Financial Literacy Level – Private Sector Bank
Understanding customers' problem	3.41	3.50
Individual attention of customers	3.64	3.63
Combined Mean	3.52	3.57

Source: Primary data

**Interpretation:**

The analysis of how customers feel about the empathy factor of banks gives useful insights into how customers from public sector banks and private sector banks perceive several factors

connected to the banks' knowledge of their problems and the amount of personalized attention they get.

Based on the findings of the investigation, it seems that customers of banks operating in both the public and private sectors have generally favorable attitudes of the empathy factor of their respective banks. They get the impression that the banks understand their problems and provide them personalized attention, both of which are crucial components of empathy in the context of the banking industry.

Both types of banks do quite well in exhibiting empathy for their customers, as seen by the modest disparities in mean scores between the two groups. These insights may be used by financial institutions to improve their training for providing customer service and to concentrate on further developing their empathic approach.

### **Conclusion:**

Based on the analysis of the data and the perceptions of customers about different factors of banks, it can be concluded that both public sector banks and private sector banks of Haryana generally receive positive feedback from their customers. The study examined various dimensions, including tangibility, reliability, responsiveness, assurance, and empathy, to gain insights into customer perceptions regarding their banking experience.

The results revealed that customers from both types of banks perceive a high level of tangibility, which includes aspects like the physical appearance of the bank, technology, premises, and employee dress. This suggests that both public and private sector banks have invested in creating a conducive and modern banking environment in Haryana, which is appreciated by their customers.

Regarding reliability and responsiveness, while there were minor differences in mean scores between the two groups, the overall perception of customers is positive for both types of banks. Both groups perceive a high level of assurance regarding security, employee knowledge, and employee eagerness to assist. The study highlights that banks in Haryana, regardless of their ownership, have established a sense of trust and dependability among their customers.

Moreover, customers from both public sector banks and private sector banks of Haryana perceive a comparable level of responsiveness, indicating that both types of banks are proactive in addressing customer needs and providing timely assistance.

However, when considering the dimension of empathy, there were slight differences in mean scores between the two groups. Customers from private sector banks perceive a marginally higher level of empathy in their interactions with bank staff compared to customers from public sector

banks. This suggests that private sector banks may have an edge in establishing more personalized and empathetic customer relationships.

Overall, the study findings suggest that both public and private sector banks of Haryana have strengths in various aspects of customer service and operations. However, there is room for improvement for both types of banks. Public sector banks can focus on enhancing reliability and empathy, while private sector banks can further strengthen their responsiveness.

To maintain a competitive edge and ensure customer satisfaction, banks, irrespective of their ownership, should continue investing in technology and digital banking solutions to enhance tangibility. Furthermore, they should emphasize employee training to ensure a consistent and empathetic approach towards customers.

In conclusion, the study provides valuable insights for both public and private sector banks of Haryana to understand their customers' perceptions and preferences better. By addressing specific areas of improvement and building on their strengths, banks can create a more customer-centric approach, leading to increased customer loyalty, positive word-of-mouth, and sustained success in the highly competitive banking industry.

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