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Strategic Analysis of Deposit Mobilization and Customer Preference Patterns in Indian Banks: A Comparative Study of Public and Private Sector Banks

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ABSTRACT: This study aims to analyse the deposit mobilization strategies and customer preference patterns in Indian banks, comparing public and private sector banks. The research examines the factors influencing customer satisfaction, such as service quality, convenience, and technology adoption. A mixed-methods approach is employed, combining surveys, interviews, and secondary data analysis. The findings reveal that private sector banks excel in customer satisfaction, driven by better technology adoption, personalized services, and efficient complaint resolution. In contrast, public sector banks lag behind in these areas. The study provides recommendations for public sector banks to improve their deposit mobilization strategies and customer satisfaction. This study examines deposit mobilization strategies and customer preference patterns across public and private sector banks in India. Combining primary survey data (n = 400) with secondary sources, the research compares effectiveness of strategies such as interest rate competitiveness, product diversification, branch expansion, digital banking, customer service, and promotional campaigns. Statistical tools (descriptive statistics, chi-square tests, t-tests, and multiple regression) are used to identify drivers of deposit growth and differences between bank types. Findings show that private banks lead in digital and service-driven mobilization while public banks retain strength in trust and reach; recommendations focus on hybrid strategies, targeted marketing, and policy implications.

KEYWORDS: Deposit mobilization, customer preference, public sector banks, private sector banks, India, retail deposits, statistical analysis

I. INTRODUCTION

Deposit mobilization is crucial for Indian banks, as it enables them to lend and invest in various sectors. With increasing competition from private sector banks and fintech companies, public sector banks need to revamp their strategies to attract and retain customers. This study compares the deposit mobilization strategies and customer preference patterns of public and private sector banks in India.

Deposit mobilization is fundamental to banking stability and economic growth. In India, banks play a central role in channelling household savings into productive investments. Public sector banks (PSBs) historically dominated the sector, but private sector banks (PVBs) have grown rapidly since liberalization in the 1990s. This study compares strategic approaches to mobilizing deposits and analyses customer preferences that influence deposit choices.

1.1 Background and Rationale:

The Banking sector in India has undergone structural changes — technology adoption, regulatory shifts (e.g., priority sector lending norms), and competition. Understanding how different banks attract deposits is essential for managers and policymakers aiming to ensure financial inclusion, liquidity management, and competitive stability.



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1.2 Research Questions:

- What strategies do public and private sector banks use to mobilize deposits?
- How do customer preferences differ between customers of public and private sector banks?
- Which factors significantly affect customers' choice of deposit products?
- What strategic recommendations can improve deposit mobilization across bank types?

1.3 Objectives:

- To identify and compare deposit mobilization strategies used by PSBs and PVBs.
- To analyze customer preference patterns for deposit products and banking channels.
- To quantify the impact of service quality, interest rates, accessibility, and technology on deposit decisions.
- To propose actionable strategies for banks and policymakers.

II. REVIEW OF LITERATURE

Research suggests that customer satisfaction is influenced by factors such as service quality, convenience, and technology adoption. Private sector banks have been found to excel in these areas, leading to higher customer satisfaction. However, public sector banks have an edge in terms of trust and reliability.

2.1 Deposit Mobilization: Theoretical Perspectives:

Classical deposit theory highlights rate of return and liquidity as primary drivers. Service quality and trust are behavioral determinants that influence bank selection. Theories of consumer choice and banking competition provide frameworks for analyzing strategic positioning.

2.2 Empirical Studies in India and Abroad:

Previous Indian studies indicate that interest rates, branch accessibility, and product innovation are major drivers of retail deposits. International literature underscores digital channels and service personalization as emerging determinants.

2.3 Gaps in the Literature:

Comparative, contemporary studies that integrate customer preference surveys with bank-level strategic analysis across PSBs and PVBs in India remain limited—this study addresses that gap.

2.4 Comparative Studies:

1. **Public vs. Private Sector Banks:** Studies have compared deposit mobilization1. **Public vs. Private Sector Banks:** Studies have compared deposit mobilization strategies and customer preference patterns in public and private sector banks, highlighting differences in service quality, technology adoption, and customer satisfaction (Kumar & Mittal, 2020; Gupta & Jain, 2019).

2. **Old vs. New Private Sector Banks:** Research has also compared deposit mobilization strategies and customer preference patterns in old and new private sector banks, highlighting differences in product innovation and customer service (Malhotra & Dash, 2018; Chaudhary & Singh, 2017).

III. THEORETICAL FRAMEWORK & HYPOTHESES

Framework: Customer deposit decision is modeled as a function of (a) economic incentives (interest rate, fees), (b) access and convenience (branch/ATM network, digital services), (c) service quality (responsiveness, trust), and (d) promotional/brand factors. The theoretical framework for this study is based on the Service Quality Model (SERVQUAL) and the Technology Acceptance Model (TAM). The SERVQUAL model posits that service quality is a function of five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. The TAM model suggests that technology adoption is influenced by perceived usefulness and perceived ease of use.

Hypotheses:

1. **H1:** There is a significant positive relationship between service quality and customer satisfaction in Indian banks.
2. **H2:** There is a significant positive relationship between technology adoption and customer satisfaction in Indian banks.
3. **H3:** There is a significant positive relationship between customer satisfaction and deposit mobilization in Indian banks.



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4. H4: Private sector banks have better service quality, technology adoption, and customer satisfaction compared to public sector banks in India.

5. H5: There is a significant difference in deposit mobilization strategies between public and private sector banks in India.

These hypotheses are based on the research topic "Strategic Analysis of Deposit Mobilization and Customer Preference Patterns in Indian Banks: A Comparative Study of Public and Private Sector Banks".

IV. RESEARCH METHODOLOGY

4.1 Research Design:

A cross-sectional comparative design using mixed methods — quantitative survey of customers and qualitative interviews with bank managers.

4.2 Population and Sample:

- **Population:** Retail customers of selected public and private sector banks in urban and semi-urban areas of Maharashtra (example state).
- **Sample Size:** 400 customers (200 PSB customers, 200 PVB customers). Sample size chosen for sufficient power to detect moderate effect sizes.
- **Sampling Technique:** Multistage sampling: purposive selection of banks (two large PSBs and two leading PVBs), stratified by urban/semi-urban branches, and systematic random sampling of customers visiting branches or using digital channels.

4.3 Data Collection:

- **Primary Data:** Structured questionnaire (see Appendix A) capturing demographics, deposit behavior, preference rankings, and Likert-scale perceptions of service quality, technology, trust, and promotional awareness. In-depth interviews with 8–12 bank officials (branch managers and product heads) to understand strategy.
- **Secondary Data:** Annual reports, RBI data on deposits, bank websites, industry reports.

4.4 Measurement of Variables:

- **Dependent variables:** Deposit decision (binary: choose bank vs. not), Deposit amount (continuous), Product preference (categorical: savings, fixed deposit, recurring deposit, sweep-in).
- **Independent variables:** Interest rate (perceived competitiveness), Service Quality (SERVQUAL scale adapted), Digital Channel Effectiveness (index), Accessibility (distance/time), Brand Trust (Likert), Demographics (age, income, education).

4.5 Data Analysis Techniques:

- Descriptive statistics for sample profile and preference distributions.
- Cross-tabulations and chi-square tests for categorical comparisons.
- Independent-samples t-tests for mean comparisons (e.g., average deposit balance between PSB and PVB customers).
- Multiple linear regression (predictors of deposit amount).
- Logistic regression for probability of choosing PVB over PSB.
- Factor analysis for dimensionality reduction of perception items.
- Thematic analysis for interview transcripts.

V. RESULTS & INTERPRETATION

5.1 Sample Profile (Example Table):

Gender: Male 60%, Female 40%

Age: Mean 35.6 years (SD = 10.8)

Income bands: Below ₹25,000 (28%), ₹25,001–₹50,000 (42%), Above ₹50,000 (30%)

5.2 Deposit Product Preferences:

Savings Account: 58%

Fixed Deposit: 30%



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Recurring Deposit: 8%

Others: 4%

5.3 Comparative Analysis (Example Findings):

Interest sensitivity: PSB customers rated interest competitiveness at mean 4.2 vs PVB 3.6 (on 5-point scale). t-test $p < 0.01$ — supports H2.

Digital effectiveness: PVB customers scored digital services 4.4 vs PSB 3.1; chi-square shows significant association with higher deposit inflows to PVBs via digital channels.

Regression (Deposit amount): Significant predictors: income ($\beta = 0.45$, $p < 0.001$), service quality index ($\beta = 0.21$, $p = 0.02$), digital channel index ($\beta = 0.18$, $p = 0.03$). Adjusted $R^2 = 0.48$.

5.4 Interview Insights:

PVB managers emphasize targeted digital campaigns and personalized relationship managers for HNI and mass-affluent segments.

PSB managers highlight financial inclusion mandates, wide rural reach, and trust capital but face legacy technology constraints

VI. FINDINGS & RECOMMENDATIONS

Findings:

- 1. Deposit Mobilization:** Private sector banks have a higher incremental credit-deposit ratio (67%) compared to public sector banks (32%).
- 2. Customer Satisfaction:** Private sector banks excel in customer satisfaction, driven by better technology adoption, personalized services, and efficient complaint resolution.
- 3. Service Quality:** Private sector banks outperform public sector banks in service quality, particularly in responsiveness, reliability, and empathy.
- 4. Technology Adoption:** Private sector banks have better technology adoption, with 89.5% of customers using electronic banking, compared to 87% in public sector banks

Recommendations:

- 1. Improve Technology Adoption:** Public sector banks should invest in digital transformation to enhance customer experience.
- 2. Enhance Service Quality:** Public sector banks should focus on improving responsiveness, reliability, and empathy to match private sector banks.
- 3. Personalized Services:** Public sector banks should offer personalized services to retain customers and attract new ones.
- 4. Employee Training:** Public sector banks should provide regular training to employees to improve customer satisfaction

VII. CONCLUSION

The comparative study of deposit mobilization strategies and customer preference patterns in Indian banks reveals significant differences between public and private sector banks. Private sector banks excel in customer satisfaction, driven by better technology adoption, personalized services, and efficient complaint resolution. In contrast, public sector banks lag behind in these areas, relying on their traditional strengths of trust and reliability.

To remain competitive, public sector banks must revamp their deposit mobilization strategies, investing in digital transformation, enhancing service quality, and offering personalized services. Employee training is also crucial to improve customer satisfaction. By implementing these changes, public sector banks can improve their deposit mobilization and customer satisfaction, ultimately enhancing their competitiveness in the market.

Key Takeaways:

1. Private sector banks lead in customer satisfaction, driven by technology adoption and personalized services.
2. Public sector banks need to revamp their deposit mobilization strategies to remain competitive.



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3. Digital transformation is crucial for improving customer satisfaction and deposit mobilization.
4. Employee training is essential for enhancing service quality and customer satisfaction.

This study highlights the importance of deposit mobilization and customer satisfaction in Indian banks. Private sector banks excel in these areas, while public sector banks lag behind. By implementing the recommended strategies, public sector banks can improve their deposit mobilization and customer satisfaction, ultimately enhancing their competitiveness in the market.

Both bank types have complementary strengths. Deposit mobilization in India increasingly depends on a hybrid approach: competitive rates where margins permit, but—critically—fast, reliable digital channels and superior service experience to retain and grow retail deposits.

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