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Comparative Assessment of Long-Term Loan Service Quality in Public and Private Sector Banks in Pudukkottai, District.

[1]N. SUBALAKSHMI, [2]Dr. M.MEYYAMMAI

[1]Research Scholar, PG and Research Department of Commerce, J.J College of Arts and Science (Autonomous) (Affiliated to Bharathidasan University), Pudukottai, Tamilnadu, India.
[2]Asst. Professor, PG and Research Department of Commerce, J.J College of Arts and Science (Autonomous) (Affiliated to Bharathidasan University), Pudukottai, Tamilnadu, India.

Abstract

The aim of this study is to compare the long term loan service quality of public sector bank and private sector bank in Pudukkottai district, Tamilnadu. The study seeks to assess the customers' perception on the service delivery, responsiveness, reliability and satisfaction in relation to long term loan facilities. Data were collected using a mixed methods technique, with the structured questionnaires and borrower interviews conducted for both banking sectors. The results indicate that though public banks are considered as more trustworthy and accessible, they also have efficiency and customer responsiveness issues. But the private banks show greater service innovations, faster processing and personalized customer engagement, with issues of transparency and affordability still remaining. The analysis revealed some important differences in the service quality dimensions including reliability, assurance, empathy and tangibility. The research highlights a number of key areas that need to be strengthened in both industries to increase borrower satisfaction and boost financial inclusion. Suggestions involve embracing technology-based solutions, optimizing loan decision-making, and fostering clear communication, all while maintaining a balance of efficiency and trust. This comparative assessment adds to the ongoing debate about the quality of banking services and offers valuable learnings for policymakers, financial institutions, and researchers aiming to maximize the quality of service on loans in the long-term in the regional context.

Keywords: Service Quality**,** Public Sector Banks**,** Private Sector Banks**,** Long-Term Loans**,** Pudukkottai District

INTRODUCTION

It is widely recognised that the banking system plays an important role in the economic development process, mobilizing investment and credit to people and businesses. Long-term loans have a special importance in facilitating investments in housing, education, agriculture and business ventures *Abhishek et al., (2021).* Banks can be divided into 2 categories in India: Public banks and Private banks. Each sector operates in a different manner, has a different service philosophy and approach to engaging borrowers, and this impacts the perception and satisfaction borrowers may have of each sector *Panda et al., (2022).*

Typically, public sector banks are considered to be trusted and easily accessible and socially responsible. In the past they have served the rural and semi-urban population, which have fostered financial inclusion *Kumar, I. (2024).* In contrast, private sector banks are known for their customer-centric strategies, innovation and efficiency. They tend to use cutting edge technology to provide quicker, more individualized services, and so are popular with urbanites and the younger population *Trivedi et al., (2025*).

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In the banking sector, service quality has become a crucial factor affecting customers' satisfaction. In today's day and age, borrowers want to receive the services they expect, they want to be treated reliably, transparently and they want good financial terms *Nanda et al., (2021).* With much longer terms for repayment and considerable amounts of money involved, long term loans require higher levels of service quality *Agarwal et al. (2020)*. Customers assess banks for their attention to documentation, swiftness, communication and the support they offer after the loan.

The study of banking service quality takes into consideration a unique socio-economic context in Pudukkottai District of Tamil Nadu. The district has a diverse borrower base such as small business owners, agricultural entrepreneurs and salaried employees. Pudukkottai public sector banks are more easily approachable, particularly for the rural borrowers. But they have to deal with issues like slow administration, low technological uptake and rigidity of procedures.

The efficiency and modernized services of the banks in the private sector in the district are appreciated. However, fears about high interest rates, tight standards, and what is considered as lack of transparency are widespread Agarwal et al., (2023). It is crucial to carry out a comparative evaluation of service quality in both public and private banks to identify their weaknesses and strengths in the sector. This assessment can give you actionable insights to take to increase borrower satisfaction Madavan et al., (2020).

Service quality dimensions: reliability, assurance, empathy, responsiveness and tangibility are used as criteria to systematically analyse. The dimensions can be used to appreciate how banks are doing or not doing to satisfy borrower expectations Sugiarto et al., (2021). It also emphasizes the importance of technology in the service quality. The customer experience has undergone a digital revolution, with digital platforms, mobile banking and online loan processing creating a more efficient and engaging banking experience for customers, especially in private sector banks Chauhan et al., (2022).

Concurrently, the public sector banks are still key in ensuring financial inclusion. They have widely spread out networks with government backing and credibility, making them essential to rural borrowers Nair et al., (2022). By highlighting the importance of sustainable banking practices, this research adds to the conversation surrounding the issue and encourages the adoption of sustainable banking methods that are both efficient and trustworthy Sharma et al., (2022). The two industries have to adjust to changing borrower demands, as well as remain financially stable.

In conclusion, the comparative study in Pudukkottai District highlights the need to improve customer-centric practices in the provision of long-term loans. Public and private banks have a role to play in inclusive growth by filling the gap between the requirements of the borrowers and the banking practice that will help them in the economic development of the regions.

REVIEW OF LITERATURE

The studies conducted on the subject of service quality and customer satisfaction in the banking sector are quite broad and varied, *Akila et al., (2021)* compared the performance of public and private sector banks in India. In a study conducted using the SERVQUAL dimensions, they pointed out that there is a need for targeted training of the employees of the public banks and transparency in the private banks, reflecting the changing banking structure in India. Likewise, *Ananda et al., (2023*), studied the mediating effect of customer satisfaction between perceived service quality and customer engagement, pointing out that customer satisfaction serves as a link between perceived service quality and increased customer engagement. *Ruschyshyn et al.*

(2021) studied the European Union and Ukrainian banking sectors and found that the differences in the efficiency of the banking sector have a direct impact on the economic growth trends. Their results shed light on the general macroeconomic consequences of banking performance. In the context of India, *Sama, Kosuri and Kalvakolanu (2022)* used the multi-criteria decision-making technique to assess the private sector banks and suggested that the banks should invest more in the income generation to remain competitive. *Gupta et al. (2021)* also benchmarked private banks via IV-TOPSIS, providing cumulative performance ranks which help investors to guide their investments. *Tanwar et al. (2020)* redid the analysis of efficiency in Indian banking using the Data Envelopment Analysis (DEA) method, finding that public banks are more efficient than private banks and foreign banks in terms of their average efficiency, but the findings were sensitive to the choice of input-output variables. *Spyromitros et al., (2022)* expanded the governance-focused analysis, demonstrating the dissimilar effects of corruption on economic growth across the regions, which would have repercussions on the stability of banks and trust in institutions. *Onabowale (2020)* added to the body of knowledge of healthcare financing by identifying innovative financing models that offer interesting similarities in risk sharing and sustainability that are relevant to the banking sector. In sum, these studies have converged to emphasize the role of service quality, service efficiency, service transparency, and service governance in the development of customer satisfaction and economic results. Akila and *Ramesh (2021) and Ananda et al. (2023*) focus on the micro-level customer experiences, while *Rushchyshyn et al. (2021) and Spyromitros et al., (2022)* point to macro-economic and institutional factors. *Sama et al. (2022), Gupta et al. (2021) and Tanwar et al. (2020*) give methodological innovations in ranking and efficiency analysis which provide practical tools for the evaluation of performance. *Onabowale (2020)* extends the conversation by connecting financial resilience models in healthcare to banking, the latter of which could provide lessons. The combined inputs suggest a lack of comparative studies across regions, especially when it comes to socio-economic diversity in districts such as Pudukkottai. It is noted that while efficiency and innovation are key to the success of private banks, trust and accessibility are the hallmarks of public banks. But both sectors don't do a complete job with borrower expectations on all fronts. This synthesis reinforces the need for localised, comparative research, which focuses on customer satisfaction, service quality, efficiency and governance, to inform policy and practice.

Statement of the Problem

The industry's service quality is now playing a vital role in the customer satisfaction and loyalty of its banking customers, especially in the long-term loan segment where customers' financial obligations last for several years *Saral et al., (2024*). Public and Private Sector Banks have an important role in extending the long term credit facilities to individual, entrepreneur and agricultural borrowers in Pudukkottai District. But there is a huge difference between the provision of the services, the customer's expectations and the transparency of the loan process of these institutions *Hasan et al., (2023).* Public sector banks are reputable and trusted for their convenience and government support but are also criticized for their bureaucratic processes, inflexibility and lack of technological innovation that can affect borrower experience *Jameaba (2020).* On the other hand, the private sector banks are valued for their efficiency, promptness in loan processing, and customer-oriented strategies, but there are still misconceptions about their interest rates, rigid eligibility criteria, and opacity. The divergent service experience makes borrowers less sure about the trust and efficiency of a banking partner for their long-term loan, which results in a higher degree of uncertainty when they are making the choice *Nofandrilla et al., (2025).* The socio-economic diversity of Pudukkottai District further adds to the problem, with the borrowers in the rural areas demanding accessibility and affordability, versus the borrowers in the urban areas who demand speed and innovation. Although service quality is an important factor in maintaining borrowers' satisfaction, there is a lack of empirical investigations to systematically compare service quality of public and private sector banks in this regional context *Keneni et al., (2025)*. Absent these comparative perspectives, there are no strategies that are informed by evidence to fill service gaps and improve customer-centric practices for banking managers and policy makers. Hence lack of a comprehensive assessment of long term loans service quality is a problem in both the banks in the Pudukkottai District so as to identify the strength, weakness and opportunity to improve the long term loans service quality in both banking sectors. This deficiency has not only filled a void in the academic discussion on the quality of banking services but also offered practical insights into how to achieve financial inclusion, enhance borrower confidence, and drive financial sector growth in the region.

Objectives

1. To assess the quality of service delivered by public sector banks on long term loan facilities in Pudukkottai District with respect to the five dimensions of service quality like reliability, responsiveness, assurance, empathy and tangibility.
2. To evaluate and analyze the service quality of long term loan facilities of private sector banks in Pudukkottai District emphasizing the efficiency, transparency, customer satisfaction and technology-driven service processes.
3. To draw comparison between public and private sector banks and to realize the strengths, weaknesses and gaps in providing long term loan services and to recommend strategies to enhance customer centric practices and financial inclusion in the district.

METHODOLOGY

In this research, the service quality of the long term loan facilities in Pudukkottai District of public and private sector banks has been assessed by using mixed method research design. Structured questionnaires were used to generate primary data from the borrowers in both sectors and to gain qualitative insights, in-depth interviews were also utilized. Stratified random sampling methodology was used to sample the rural, semi-urban and urban borrowers. To assess the service quality dimensions like reliability, responsiveness, assurance, empathy and tangibility, the SERVQUAL model is used. The data were analysed statistically using SPSS to check for any significant differences between the two banking sectors. A comparative analysis was carried out to identify strengths and weaknesses, and service gaps. The results were analysed to draw inferences and come up with recommendations to improve customer satisfaction and financial inclusion in the district.

Population and Sampling

The population in this study is the population of borrowers who secured loan facilities from public sector banks/private sector banks in Pudukkottai District for long term period. This comprises people from various socio-economic backgrounds including salaried, small business owners, agricultural entrepreneurs and self-employed people. The study is purposive or stratified random sampling to ensure representativeness of the respondents in the study, who are split into rural, semi-urban and urban areas. The sample size was calculated to ensure adequate data for statistical analysis to detect differences in perceptions of service quality by borrower group. The questionnaires were issued proportionately among the customers of the major banks such as State Bank of India, Indian Bank and private banks such as ICICI, HDFC etc. A sampling frame was prepared to balance gender, age and occupation to reduce the chances for sampling bias. The sampling of respondents was done in a random manner within each stratum to ensure fairness and inclusiveness. This enabled the study to provide trustable comparative analyses of the service quality dimensions at both banking sectors.

Data Collection and Sources

The data collected were primary data which was obtained by using structured questionnaires filled by the borrowers of public sector banks and private sector banks in Pudukkottai District. The qualitative aspect of customer perceptions of long term loan services was obtained through in-depth interviews. The secondary data was gathered to support the analysis from published reports, banking records and official documents. Data collection instruments were designed based on the SERVQUAL framework, which was used to measure the service quality dimensions. These two were adequate to provide a complete and consistent data set for comparison.

ANALYSIS AND FINDINGS

Table 1: Comparative Service Quality Dimensions

Dimension	Public Sector Banks (Mean Score)	Private Sector Banks (Mean Score)	Key Observation
Reliability	4.1	4.4	Private banks slightly outperform in consistency
Responsiveness	3.8	4.5	Private banks show faster service delivery
Assurance	4.2	4	Public banks perceived as more trustworthy
Empathy	3.9	4.3	Private banks provide more personalized care
Tangibility	3.7	4.6	Private banks excel in modern facilities

The results of Table 1 indicates that the strength of public and private sector banks in Pudukkottai District is very different. Public banks perform better on the assurance aspect, which is an indicator of borrowers' trust and confidence in the government-backing of the banks. But they are just behind the curve with responsiveness and tangibility, meaning that they are slower to respond and lack infrastructure that is up-to-date. On the other hand, private banks are known for their ability to be responsive, empathetic, and tangible, demonstrating their efficiency, personalized service, and contemporary amenities. Private banks are viewed as more innovative and customer oriented, but there is also a slight drop in their level of assurance indicating uncertainty and lack of transparency and reliability. Results from these can be seen to show that public banks excel at trust building, whereas the private banks excel at speed and service innovation. The differences in the two may highlight the need for efficiency and credibility. The weaknesses in both sectors need to be overcome to provide quality of service which is comprehensive. Overall, the analysis implies a trust model between public banks and private banks would be best suited for long term loan services, as it combines the functionality of public banks with the efficiency of private banks.

Table 2: Borrower Satisfaction Levels

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Borrower Group	Public Banks (%)	Private Banks (%)	Key Insight
Rural Borrowers	72	58	Public banks preferred for accessibility
Semi-Urban Borrowers	65	70	Balanced satisfaction across both sectors
Urban Borrowers	60	82	Private banks dominate in urban areas
Agricultural Borrowers	75	55	Public banks trusted for agricultural loans
Business Borrowers	62	78	Private banks favored for efficiency

The findings on the level of borrower satisfaction in Pudukkottai District by the different socio-economic groups have been shown in table 2. Rural and agricultural borrowers are more satisfied with public banks over accessibility, government trustworthiness and traditional banking practices. Satisfaction among semi-urban borrowers is a mix of the public and private institutions, as indicated by the balanced satisfaction. However, the urban borrowers highly look forward to private banks which they found efficient, quicker loan processing and technology-based services. Private banks are also preferred by business borrowers because they are responsive and provide modern facilities to them. These variations indicate that the background, occupation and location of the borrower is significant in their satisfaction levels. Public banks are still very important to financial inclusion in rural markets and private banks are major players in urban markets. The results highlight the non-homogeneity of satisfaction and its context dependency. Different strategies have to be used to comply with customer expectations. In conclusion, it is clear that both sectors need to adjust their strategies to cater to the needs of different customers.

Table 3: Borrower Perceptions of Key Service Attributes

Service Attribute	Public Sector Banks (% Positive)	Private Sector Banks (% Positive)	Key Insight
Loan Processing Speed	55	82	Private banks are perceived as faster
Transparency in Terms	68	60	Public banks seen as more transparent
Customer Support Quality	62	75	Private banks provide better support
Accessibility of Branches	80	65	Public banks dominate in rural reach
Technology Adoption	58	85	Private banks lead in digital services

gives an idea about the perception of borrowers about the attributes of the services in Pudukkottai District. The public banks are rated as more transparent and more accessible, particularly in rural areas with large network of branches. Public banks are trusted by borrowers in terms of transparency in terms and credibility. But, they lag in terms of loan processing speed and technology adoption, and irate customers do not want to wait for things to happen. Private banks are known for their digital services, customer support, and quick processing, which appeal to the urban and younger borrowers. However, their transparency scores are lower than others, which is worrisome with regards to transparency of loans. The duality here is for the sake of trust vs efficiency in borrower decisions. When choosing banks, borrowers should consider both access and transparency, as well as the banks' speed and innovations. The results underline the importance of modernizing the working procedures of public banks and improving transparency of private banks. Improving them is expected to make the overall service better and the satisfaction of the borrowers higher.

Suggestions

The study recommends that modern technology should be incorporated by the public banks in Pudukkottai District and to streamline loan processing to minimise delays. Private banks need to enhance transparency on terms and conditions of loans, to strengthen trust among the borrowers. Both sectors should improve their provision of customer support facilities and services and offer personalised services to accommodate the needs of their customers. Training programs for staff can enhance empathy and responsiveness in handling long-term loan customers. Rural and urban borrowers will benefit from improved access and convenience thanks to growing digital platforms. Public and private banks can work together to facilitate financial inclusion and promote financial services balance. Overall, this will improve the quality of service and borrower satisfaction in long-term loan facilities by combining efficiency and trust.

CONCLUSION

By comparing the long-term loan service quality of public and private sector banks, it is observed that there are some strengths and weaknesses in them. Public banks are trusted to be accessible, transparent and credible with government as vital to rural and agricultural borrowers. But their processing time is slow and little number of technological adoption lowers the overall satisfaction. Private banks have high efficiency, responsiveness and they have modern facilities which is captured by urban and business borrowers. However the issues of interest rates and transparency make them less desirable to cost-conscious customers. The results highlight the multidimensional nature of service quality, none of the sectors being able to satisfy borrowers completely. Public and private banks need to develop a balanced strategy that combines trust and efficiency to satisfy their customers. In conclusion, the enhancement of service quality for long-term loans will contribute to the process of financial inclusion and promote sustainable economic growth in Pudukkottai District.

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