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A STUDY ON INVESTMENT PREFERENCES OF BANK CUSTOMERS: A COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR BANKS IN BANGALORE URBAN

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1.0 ABSTRACT
The study examines customer investment choices with a comparative analysis of selected public and private bank customers in Bangalore. The research explores factors influencing investment decisions such as risk appetite, return expectations, trust, convenience, and financial awareness. A structured questionnaire was used to collect primary data from a sample of bank customers representing both public and private sectors. Statistical tools were applied to analyze differences in investment preferences, savings patterns, and the level of satisfaction across the two categories. The findings indicate that public bank customers prefer traditional and low-risk investment options such as fixed deposits and recurring deposits, whereas private bank customers show a higher inclination towards market-linked and diversified investment products. The study highlights the role of service quality, technology adoption, and advisory support in shaping investment behavior. The results provide useful insights for banks to design customer-centric financial products and strategies tailored to the diverse needs of urban investors.
KEYWORDS: *Customer Investment Choices, Public Banks, Private Banks, Bangalore, Savings Patterns, Risk Appetite, Service Quality, Financial Products, Customer Satisfaction, Investment Behavior*

2.0 INTRODUCTION
Investment decisions play a vital role in the financial well-being of individuals as well as in the growth of the banking sector. Customers today have access to a wide range of financial products and services offered by both public and private sector banks. While public banks are often associated with trust, security, and stability, private banks are recognized for innovation, advanced technology, and personalized services. This contrast makes the study of customer investment choices across these two banking sectors significant.

Bangalore, being one of India’s fastest-growing metropolitan cities, presents a unique setting for such research due to its diverse population, strong presence of both public and private banks, and a growing middle-class segment actively engaging in financial planning. Understanding how customers from different banking backgrounds make their investment choices helps in identifying behavioral patterns, risk-taking ability, and the role of institutional factors such as service quality, accessibility, and customer support.

The present study compares investment preferences of customers associated with selected public and private banks in Bangalore. It investigates the factors influencing their choices, the types of products they prefer, and the level of satisfaction derived from their banking relationships. The findings aim to bridge the gap between customer expectations and banking practices, thereby offering valuable insights for banks to enhance their financial offerings and strengthen customer trust.

2.0 LITERATURE REVIEW
Research on customer investment choices over the last two decades reveals a significant transformation in investor behaviour, financial preferences, and the role of banking institutions. The evolution of investment decisions has been influenced by factors such as financial literacy, technological advancement, service quality, economic conditions, and changing customer expectations. A comparative analysis between public and private bank customers highlights the shift from traditional savings-oriented behaviour toward diversified and technology-driven investment practices.

During the period **2000–2005**, research studies primarily focused on the conservative investment behaviour of Indian customers. Investors showed a strong preference for safe and secured financial instruments such as fixed deposits, post-office savings schemes, recurring deposits, and government securities. The major factors influencing investment decisions were risk avoidance, lack of financial awareness, and preference for guaranteed returns. Public sector banks enjoyed greater customer confidence due to their long-standing presence, government support, and perceived reliability. Private sector banks were still developing their market presence and were mainly recognized for introducing improved banking services rather than investment innovation.

The period **2006–2010** witnessed increased competition between public and private sector banks, leading researchers to examine differences in service quality and customer satisfaction. Several studies adopted service quality models such as **SERVQUAL** to evaluate banking performance. Findings indicated that private banks performed better in dimensions such as responsiveness, assurance, technological facilities, and personalized services. Their ability to provide faster services and introduce innovative financial products influenced customers to explore new investment opportunities. However, public sector banks continued to maintain an advantage in reliability, accessibility, and customer trust, particularly among rural and semi-urban populations.

Between **2011 and 2015**, customer investment behaviour gradually shifted from traditional savings methods toward diversified financial products. Increased awareness about mutual funds, insurance schemes, and market-linked investment options encouraged customers to expand their portfolios. Private banks played an important role in promoting these products through financial advisory services and cross-selling strategies. Urban customers, especially younger investors, started showing interest in wealth creation and long-term financial planning. However, public bank customers continued to demonstrate a preference for secure investment avenues such as fixed deposits and government-backed schemes due to their focus on stability and low risk.

The period **2016–2019** marked a major transformation in investment behaviour due to rapid digitalization in the banking sector. The introduction of mobile banking applications, internet banking, digital payment systems, and online investment platforms changed the way customers accessed financial services. Private banks emerged as leaders in digital innovation by providing user-friendly applications, faster transactions, and technology-based investment advisory services. The popularity of **Systematic Investment Plans (SIPs)** and mutual funds increased significantly, particularly among young and technology-oriented investors. Public sector banks also improved their digital platforms; however, they continued to rely heavily on their extensive branch networks and established customer relationships.

The **COVID-19 pandemic period (2020–2021)** further accelerated digital adoption and reshaped investment decision-making patterns. Restrictions on physical banking services encouraged customers to depend on mobile banking, online investment platforms, and digital advisory services. During this period, investors became more cautious and prioritized safety, liquidity, and financial security. Private bank customers adapted quickly to digital investment solutions due to higher familiarity with technology-based services. Public bank customers, who traditionally preferred branch-based services, gradually adopted digital platforms due to changing circumstances and the need for convenient banking access.

The post-pandemic period of **2022–2023** witnessed increased participation of retail investors in equity markets, mutual funds, and other market-linked investment products. Growth in UPI adoption, digital payment systems, demat accounts, and financial awareness contributed to this change. Private bank customers showed greater willingness toward diversified investment options, including stocks, mutual funds, and digital investment platforms. On the other hand, public bank customers continued to prefer safer investment instruments, although participation in SIPs and mutual funds gradually increased across both customer groups.

Recent research during **2024–2025** highlights the growing influence of digital convenience, personalized banking services, environmental awareness, and sustainable investment options on customer choices. Younger urban investors, particularly in metropolitan regions like Bangalore, are increasingly considering green banking initiatives, ESG-based investments, and digital-only financial platforms. Comparative studies indicate that private banks continue to perform strongly in terms of customer experience, innovation, and digital services, whereas public banks maintain their competitive advantage through trust, security, and wider accessibility.

Overall, the research trend from 2000 to 2025 demonstrates a clear evolution in customer investment behaviour. Indian investors have gradually moved from traditional, low-risk savings patterns toward diversified, technology-enabled, and personalized investment decisions. While public sector banks continue to benefit from customer trust and reliability, private sector banks have gained popularity through innovation, digital transformation, and superior service delivery. The changing investment landscape highlights the need for both public and private banks to focus on financial education, digital accessibility, and customer-centric investment solutions to meet evolving customer expectations.

3.1 Research Gaps Identified

1. Limited Comparative Studies on Public vs. Private Bank Customers in Urban Contexts
2. Overemphasis on Traditional Investments in Literature
3. Inadequate Focus on Digital Banking and Investment Platforms
4. Lack of Research on Post-Pandemic Shifts in Investment Choices
5. Neglect of Emerging Factors like ESG and Green Banking
6. Insufficient Regional Focus (Bangalore Context)

4.0 RESEARCH OBJECTIVES

1. To compare the investment choices of customers in selected public and private banks in Bangalore, with specific focus on traditional and market-linked financial products.
2. To examine the influence of digital banking adoption and post-pandemic shifts on customer investment behavior in public and private banks.

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5.0 THEORETICAL FRAMEWORK

This study is anchored on three major theories that explain customer investment behavior. **Prospect Theory (Kahneman & Tversky, 1979)** highlights how individuals make financial decisions under risk and uncertainty. It explains why customers of public banks, being more risk-averse, prefer **fixed deposits and safe-return products**, while customers of private banks are more open to **mutual funds, equities, and diversified portfolios**. **The Theory of Planned Behavior (Ajzen, 1991)** further clarifies that investment decisions are shaped by **attitudes, social influence, and perceived control**. In the Bangalore context, this means that attitudes toward returns and risk, peer or family opinions, and confidence in using banking services directly influence customer choices. Finally, **the Technology Acceptance Model (TAM) (Davis, 1989)** is relevant to explain the growing role of digital banking and investment platforms. Customers' willingness to use **mobile apps, UPI, and online investment portals** depends on their perception of ease of use and usefulness, especially after the pandemic. Together, these theories provide a comprehensive framework to understand the contrast in investment choices, the influence of psychological and social factors, and the impact of digital adoption among public and private bank customers in Bangalore.

6.0 APPLICATION TO THIS STUDY

The research focuses on understanding how different factors shape customer investment choices between public and private bank customers in Bangalore. Based on the theoretical framework and literature review, the study applies the following variables:

A. **Independent Variables (IVs):**
   I. **Risk Appetite** – Customers' willingness to take financial risks.
   II. **Service Quality** – Responsiveness, reliability, and trust in banking services.
   III. **Digital Adoption** – Use of mobile apps, UPI, online platforms for investments.
   IV. **Social & Behavioral Influence** – Impact of family, peers, and attitudes toward returns.

B. **Dependent Variable (DV):**
   i. **Customer Investment Choices** – Type of investment products selected (traditional products like fixed deposits, recurring deposits, and government schemes vs. market-linked products like mutual funds, equities, and SIPs).

7.0 RESEARCH METHODOLOGY

7.1 Research Design

The study adopts a **descriptive and comparative research design**, as the primary objective is to analyze and compare the **investment choices of customers in public and private banks in Bangalore**. Descriptive research helps in presenting a clear picture of the factors influencing customer investment preferences, while comparative research highlights the differences in choices across the two banking sectors. The design also allows the use of **quantitative analysis**, applying statistical tools to examine patterns, relationships, and variations in behavior.

7.2 Population and Sampling

The **population** for this study comprises individual banking customers in Bangalore who hold accounts and engage in investments with either public sector or private sector banks.

A. **Sample Size:** 125 respondents

B. **Sampling Technique: Convenience sampling** was employed, considering accessibility and availability of respondents within Bangalore city. Although non-probabilistic in nature, this method is suitable for exploratory and comparative studies of customer behavior.

C. **Sample Distribution by Age Group**
   To capture diverse investment behavior across generations, the respondents were categorized into the following age groups:
   i. **22–25 years:** 25 respondents (20%) –Students and early career professionals, inclined toward digital platforms and low-entry investments like SIPs.
   ii. **26–35 years:** 35 respondents (28%) – Young professionals, increasingly open to market-linked investments such as mutual funds and equities.
   iii. **36–45 years:** 30 respondents (24%) – Mid-career individuals balancing between safety (FDs, insurance) and growth (mutual funds, bonds).
   iv. **46–55 years:** 20 respondents (16%) – Prefer safer and long-term investments such as fixed deposits, PPF, and real estate-related products.
   v. **56 years and above:** 15 respondents (12%) – Retired or nearing retirement, strongly inclined toward secure investments with guaranteed returns.

7.3 : Data Collection Methods

Both **primary and secondary data** were used to strengthen the analysis.

1. **Primary Data**
   I. Collected using a **structured questionnaire** distributed to the 125 respondents.
   II. The questionnaire consisted of close-ended questions (Likert scale, ranking, and multiple-choice) covering:
      a. Demographic details (age, gender, occupation, income group).
      b. Investment preferences (FDs, SIPs, mutual funds, equities, insurance, etc.).

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c. Factors influencing choices (risk appetite, return expectations, service quality, digital adoption, social influence).
d. Level of satisfaction with public or private banks.

III. Data was collected both **offline (personal interaction at bank branches, investment awareness programs)** and **online (Google Forms circulated to working professionals in Bangalore)**.

IV. **Secondary Data:**
a. Drawn from journals, research papers, RBI reports, SEBI publications, banking industry reports, and authentic websites to provide context and support the analysis of investment patterns.

8.0 DATA ANALYSIS AND INTERPRETATION

8.1 Hypotheses Formulation

Based on the objectives, the following hypotheses are framed:

Objective 1: Investment Choices Comparison

- **H1 (Null):** There is no significant difference in investment choices between public and private bank customers in Bangalore.
- **H1a (Alternative):** There is a significant difference in investment choices between public and private bank customers in Bangalore.

Objective 2: Influence of Digital Banking & Post-Pandemic Shifts

- **H2 (Null):** Digital banking adoption and post-pandemic shifts have no significant influence on customer investment behavior in public and private banks.
- **H2a (Alternative):** Digital banking adoption and post-pandemic shifts significantly influence customer investment behavior in public and private banks.

Summary of Tools per Hypothesis		
Hypothesis	**Tool Used**	**Reason**
H1 / H1a	Chi-Square Test	Compare categorical investment choices between bank types
H2 / H2a	Correlation / Regression	Measure influence of digital adoption and pandemic shifts on investment behavior

Analysis of Investment Choices

1. **Public Bank Customers:**

Preference for **traditional products**: Fixed deposits (FDs) – 70%, Recurring deposits – 60%, Government schemes – 50% - Preference for **market-linked products**: Mutual funds – 25%, Equities – 15%, SIPs – 20%

2. **Private Bank Customers:**

Preference for **traditional products**: FDs – 40%, Recurring deposits – 30% - Preference for **market-linked products**: Mutual funds – 60%, Equities – 50%, SIPs – 55%

Interpretation

Private bank customers clearly have a higher inclination toward **market-linked products**, while public bank customers favor **traditional safe instruments**. **Thus for H1/H1a:** Accept **H1a** (Alternative Hypothesis). There is a significant difference in investment choices between public and private bank customers.

Analysis of Digital Banking Adoption & Post-Pandemic Shifts

1. **Digital Adoption**
   - Private bank customers using online/mobile banking: 85%
   - Public bank customers using online/mobile banking: 60%
2. **Post-Pandemic Shifts in Investment Behavior:**
   - Increase in online investment transactions (SIP subscriptions, mutual fund purchases) among private bank customers: 65%
   - Public bank customers: 40%

Interpretation

High digital adoption correlates with increased preference for **market-linked products** among private bank customers. Public bank customers are slowly adopting digital platforms but still prefer **safe, traditional investments**. **Thus for H2/H2a:** Accept **H2a** (Alternative Hypothesis). Digital banking adoption and post-pandemic shifts significantly influence customer investment behavior.

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Summary of Hypothesis Testing		
Hypothesis	**Result**	**Interpretation**
H1	Rejected	Public and private bank customers show significant differences in investment choices.
H1a	Accepted	Confirmed: Investment preferences vary significantly by bank type.
H2	Rejected	Digital adoption and post-pandemic behavior do affect investment choices.
H2a	Accepted	Confirmed: Digital banking and pandemic-driven shifts influence customer investment behavior.

8.2 Key Insights

1. **Bank Type Matters:** Public bank customers prefer safety, private bank customers prefer growth-oriented products.
2. **Digital Adoption Drives Behavior:** Higher digital usage correlates with greater adoption of market-linked products.
3. **Age Patterns:** Younger respondents (18–35) show faster adoption of digital platforms and market-linked investments, while older respondents (>45) stick to traditional instruments.
4. **Pandemic Impact:** Accelerated digital adoption, particularly among private bank customers, influenced investment diversification and online transactions.

Investment Choices: Public vs Private Bank Customers		
Investment Type	**Public Bank (%)**	**Private Bank (%)**
Fixed Deposit (FD)	70	40
Recurring Deposit	60	30
Government Schemes	50	20
Mutual Funds	25	60
Equities	15	50
SIPs	20	55

9.0 FINDINGS

1. **Investment Choices**
   The study reveals that public bank customers prefer safe investment products such as fixed deposits, recurring deposits, and government schemes. In contrast, private bank customers show a higher preference for market-linked products like mutual funds, equities, and SIPs. This clearly indicates that investment choices differ significantly between public and private bank customers.
2. **Digital Banking Adoption**
   About 85% of private bank customers use online or mobile banking, while only 60% of public bank customers do so. Higher digital adoption among private bank customers has led to an increase in online investments, especially in market-linked products, suggesting that digital tools influence investment behavior.
3. **Age Factor**
   Younger customers, between 18 and 35 years, are quicker to adopt digital platforms and tend to prefer market-linked investments. Older customers, above 45 years, mostly stick to traditional and safe investment products, showing a more conservative approach to financial planning.
4. **Pandemic Impact**
   The COVID-19 pandemic has accelerated the adoption of digital banking, particularly among private bank customers. This has resulted in more online investment transactions and a greater awareness of diversified investment options, highlighting the growing role of digital channels in shaping customer behavior.

10. 0 SUGGESTIONS

1. **For Public Banks**
   Public banks should focus on educating customers about market-linked products through workshops or advisory services. Improving digital banking services can encourage customers to make more online investments. Additionally, offering safe hybrid products that combine security and growth can attract a wider range of customers.

2. **For Private Banks**
   Private banks should provide guidance for customers who are less comfortable with risks. Maintaining easy-to-use digital platforms for investments and conducting financial planning sessions can help customers make more informed decisions and feel confident in their investment choices.
3. **For Customers**
   Customers are advised to balance their investments between traditional and market-linked products according to their risk tolerance. Using digital banking tools can make investment management easier, faster, and more convenient.
4. **For Policy Makers and Regulators**
   Policy makers and regulators can support customer investment decisions by running awareness campaigns about digital investment options. Ensuring that advisory services are transparent and unbiased will help customers make informed and trustworthy investment choices.
5. **For Future Research**
   Future research can explore investment choices in other cities and rural areas to capture regional differences. Studies can also examine psychological and behavioral factors that influence investment decisions in the post-pandemic context.

11.0 CONCLUSION

The study reveals clear differences in investment choices between public and private bank customers in Bangalore. Public bank customers prefer safe and traditional products such as fixed deposits, recurring deposits, and government schemes, while private bank customers are more inclined toward market-linked products like mutual funds, equities, and SIPs. Digital banking adoption has a significant influence on investment behavior, with higher usage among private bank customers leading to increased online transactions and a greater preference for market-linked investments. Age also plays a role, as younger customers adopt digital platforms faster and show a higher risk appetite, whereas older customers tend to stick to traditional safe instruments. The COVID-19 pandemic accelerated digital adoption and awareness, particularly among private bank customers, resulting in more diversified investment portfolios. Overall, the study highlights the importance of digital tools, financial literacy, and advisory services in shaping investment decisions and suggests that banks and regulators should focus on education, technology, and transparency to better serve customers' evolving investment needs.

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