



Causes And Consequences Of Conflicts In The Banking Sector: A Study Of Public Sector Banks In Madhya Pradesh

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Abstract

The banking industry is one of the key institutions in the economy of India, but there is always a challenge of workplace conflict affecting organizational productivity and employee welfare. This paper reviews the factors and the impacts of conflicts in the private and public sector banks of Madhya Pradesh with special emphasis on the implications of these conflicts on employee performance. Regression analysis and paired samples t-test were applied to provide data analysis using 100 respondents via stratified random sampling. The results show that the causes of conflicts vary significantly in the two sectors: in the case of the public banks, the bureaucratic hierarchies, the lack of resources and career advancement cause conflicts, whereas in the case of the private banks, performance pressures and customer expectations introduce conflicts. The regression findings support this fact as levels of conflict are significant determinants of employee performance, with more than 40 percent variance being attributed. The paper has highlighted the significance of organised grievance redressal, transparent communication and employee education to convert conflicts to chances of better productivity and organization cohesion.

Keywords: Employee performance, banking industry, public and private sector banks, workplace conflict, and conflict management, Madhya Pradesh

1. Introduction

Banking sector is the cornerstone of any economy in the present-day world as it acts as an important means of a linkage between savings and investments; it facilitates financial inclusion and contributes to the overall economic growth. In India, the role of the public sector banks (PSBs) is especially important in the context of equitable access to the financial services, the mobilization of the rural savings, and the financing of the development projects (Reserve Bank of India [RBI], 2023). In spite of their socio-economic contributions, the sector is not exempt of the challenges. Workplace conflicts are one of the most urgent problems and they frequently occur due to organizational, structural, and interpersonal relationships in the banking setting. Conflicts involving public sector banks in Madhya Pradesh directly concerned with rural credit provision and government welfare schemes have their own causes and extended effects that warrant closer scholarly research.

In its organizational definition, conflict is mainly described as the existence of a scenario in which individuals or groups of people feel that their goals, interests, or values cannot be aligned (De Dreu, C. K., & Beersma, B. 2005). In banking, the conflict can take place on several levels such as the conflict between the management and employees, between the employees themselves, or among the banks and customers. Banks are vulnerable to such disputes, especially because the service-intensive nature of banking, high-pressure work settings, strict regulatory compliance, and customer-focused operations tend to put additional strain on the organization (Sharma, A. 2024). Because of its bureaucratic nature, high number of employees,

and the presence of social responsibilities mandated by the governments, Public sector banks tend to encounter a specific type of conflict situations that may impact efficiency and employee morale (Jehn, K. A., & Bendersky, C. 2003).

The reasons of discord in Madhya Pradesh in the public sector banks are manifold. Much of these tensions in the work place happen at the organizational level, which can be caused by issues like role ambiguity, unequal workload distribution, lack of promotion opportunities, and strict hierarchies (Chaudhari et al., 2024). At interpersonal level, communication styles, generation differences among the employees, and power challenges over recognition further bring conflicts. Outside, the increase in the level of expectations of customers, changes in digitalization, and the pressure on the employee due to the governmental policy may become an additional stressor causing conflicting situations among employees and clients (Rahim, M. A. 2023). The rural-urban disparity in Madhya Pradesh is another factor that makes things more challenging, since employees in the rural branches tend to lack resources, cultural diversity, and unmet performance goals, which causes additional stress and tension (Huda et al., 2020).

The effects of conflicts that are not resolved in the banks of the public sector can be tremendous. At the individual level, they can cause stress, job dissatisfaction, absenteeism and even attrition among the employees. At the organizational level, the issues can be the lack of productivity, distrust in the teamwork, losing the customers and providing inefficient delivery. The financial inclusion may be hampered, credit disbursement to priority sectors will be delayed, and the development programs run by the government will be ineffective in the long run due to unresolved issues in the public sector banks in Madhya Pradesh in the general socio-economic context (World Bank, 2021). Moreover, due to the growing competitive banking services of digital and private banks and the lack of the ability to resolve any disputes, the reputation and credibility of the institutions of the public sector become weak.

Scholars have observed that conflict can be constructive as long as it is dealt with in a positive manner, it may lead to new ideas, better communication and enhancement of organizational cohesiveness (Robbins, S. P., & Judge, T. A. 2019). But, in the example of public sector banks where bureaucratic inertia and change resistance are the norm, such conflicts are more apt to be viewed as negative. Conflict management strategies play a crucial role in keeping an organization healthy. Elements like human resource policies, leadership styles, grievance resolution systems, and employee training programs are essential in determining whether conflicts become destructive or constructive forces within the institution (Tjosvold, D. 2008).

It's not just important, but also timely, to dive into the causes and effects of conflicts within the public sector banks in Madhya Pradesh. Given that this state has a large rural population and is primarily agrarian, it heavily depends on the agrarian loans, financial literacy initiatives, and rural development funding provided by these banks. The success of these institutions is closely tied to the well-being of farmers, small business owners, and marginalized communities. Any internal strife that disrupts their operations will surely lead to wider economic and social repercussions (Gupta, A. 2021).

This study aims at offering a detailed insight into the conflict dynamics in the context of the public sector banks in Madhya Pradesh. The study is expected to serve both as an addition to the academic literature and practical policymaking by outlining the underlying causes the extent of their influence on the employees and the overall institutional performance, and the overall socio-economic implications. It will also bring out the necessity of having strong conflict management structures to enable PSBs to remain effective in their developmental mandate.

2. Review of literature

2.1 Theoretical Perspectives on Conflict in Organizations

Organisational conflict is a thoroughly examined domain within management and behavioural sciences. Shivani Tiwari (2025) defined conflict as a dynamic process characterised by incompatibility, disagreement, or disharmony among social units. The contingency perspective asserts that the outcomes of conflict vary based on the context and the method of resolution. Conflict is an inherent aspect of an organisation; nevertheless, the consequences of conflict, whether beneficial or detrimental, are contingent upon the methods of conflict management and leadership employed. VIJAYALAKSHMI, D. S. (2020) examines the concept of organisations in a conflict-positive context, wherein managed disputes enhance creativity, decision-making, and innovation.

2.2 Causes of Conflict in the Banking Sector

Numerous studies highlight the intricate reasons of conflict inside financial institutions. Results indicated that excessive workloads, role uncertainty, and unattainable performance objectives are key factors to work-related stress and conflict among bank workers. It was observed that insufficient career advancement, bureaucratic structures, and intergenerational workforce diversity significantly contribute to workplace difficulties in Indian public sector banks. Customer dissatisfaction, particularly due to service delays and the complexities of digital banking, frequently results in disputes between employees and customers. Sadani, S., & Goswami, C. (2024) observed that in Madhya Pradesh, the catalysts of conflicts at rural bank branches are distinctive, mostly involving resource constraint, linguistic barriers, and the effects of government-mandated lending programs.

2.3 Consequences of Conflict in Public Sector Banks

The evidence consistently indicates that unresolved disagreements might have detrimental impacts. At the individual employee level, disagreements lead to stress, diminished morale, absenteeism, and intentions to resign (Radha, P., & Nirubarani, J. 2024). At the organisational level, a decline in productivity, subpar service performance, and inefficiency in collaborating sometimes arise from disagreements. A World Bank analysis (2021) indicates that internal disagreements among state financial institutions result in inefficiencies that hinder credit flow to priority sectors, hence obstructing financial inclusion goals. Shrivastava, A., & Purang, P. (2009) note that effectively mediated constructive conflict can enhance collaboration and decision-making processes.

2.4 Conflict Management in the Banking Industry

In evaluating the operational efficacy of banking companies, conflict management is seen as a critical component. Awan et al. (2021) support integrative conflict management strategies that prioritise cooperation and problem-solving over dominance and avoidance. Suggests that in order to reduce workplace conflicts in Indian banks, grievance redressal and open lines of communication are crucial. Highlights how important it is for employees to have conflict resolution and stress management training, especially for frontline jobs. In Madhya Pradesh's rural banks, where sociocultural diversity and regional difficulties call for more flexible approaches, Keyßer et al. (2025) also support more focused conflict management strategies.

3. Objectives and Hypothesis

Objectives:

- i. To identify and analyse the primary causes of conflicts in private and public sector banks in Madhya Pradesh.
- ii. To examine the consequences of conflicts on employee performance in private and public sector banks in Madhya Pradesh.

Hypothesis:

H1: The main reasons for disputes between Madhya Pradesh's public and private sector banks range significantly.

H2: Employee performance is significantly impacted by conflicts in private and public sector banks in Madhya Pradesh.

4. Material and Methods

The study's research methodology is quantitative in nature to examine the causes and effects of conflicts in Madhya Pradesh, India's private and public sector banks. The study's population consists of workers from Madhya Pradesh's governmental and private banks. The research employs a stratified random sample approach in order to properly represent employees from banks in the private and public sectors. A sample of 100 respondents was selected for the research using stratified random selection. A descriptive and exploratory design is used in the study and therefore obtains insight from two data sources: primary data via structured questionnaire, and secondary data through published reports, journals, and official records. The independent variables of the study are type of bank (public and private) and level of conflict, while dependent variables are causes of conflicts and employee performance. Where analysis of the data was facilitated by MS Excel and SPSS version 27, with engagement of statistical analysis techniques: Mean, standard deviation, regression, and paired samples t-test to describe the data and also for hypothesis testing.

5. Results and Interpretations

This section provides a concise summary of the data's findings and interpretation. To categorize the outcomes, the demographic characteristics, objectives, and hypotheses have been employed. A table that illustrates the findings and a clarification of those findings have been incorporated into the objectives as well as hypotheses.

Table 1: Respondents' Demographic Profile

Sr. No.	Demographic Variables	Characteristics	N	%
1	Gender	Female	46	46.0%
		Male	54	54.0%
2	Age Group	22–30 years	28	28.0%
		31–40 years	40	40.0%
		41–50 years	20	20.0%
		Above 50 years	12	12.0%
3	Educational Qualification	Graduate	30	30.0%
		Postgraduate	50	50.0%
		Professional Degree	20	20.0%
4	Designation	Clerk/Officer	40	40.0%
		Assistant Manager/Manager	35	35.0%
		Senior Manager and Above	25	25.0%
5	Years of Experience	Less than 5 years	25	25.0%
		5–10 years	20	20.0%
		11–15 years	30	30.0%
		More than 15 years	25	25.0%
6	Type of Bank	Private Sector Bank	50	50.0%
		Public Sector Bank	50	50.0%

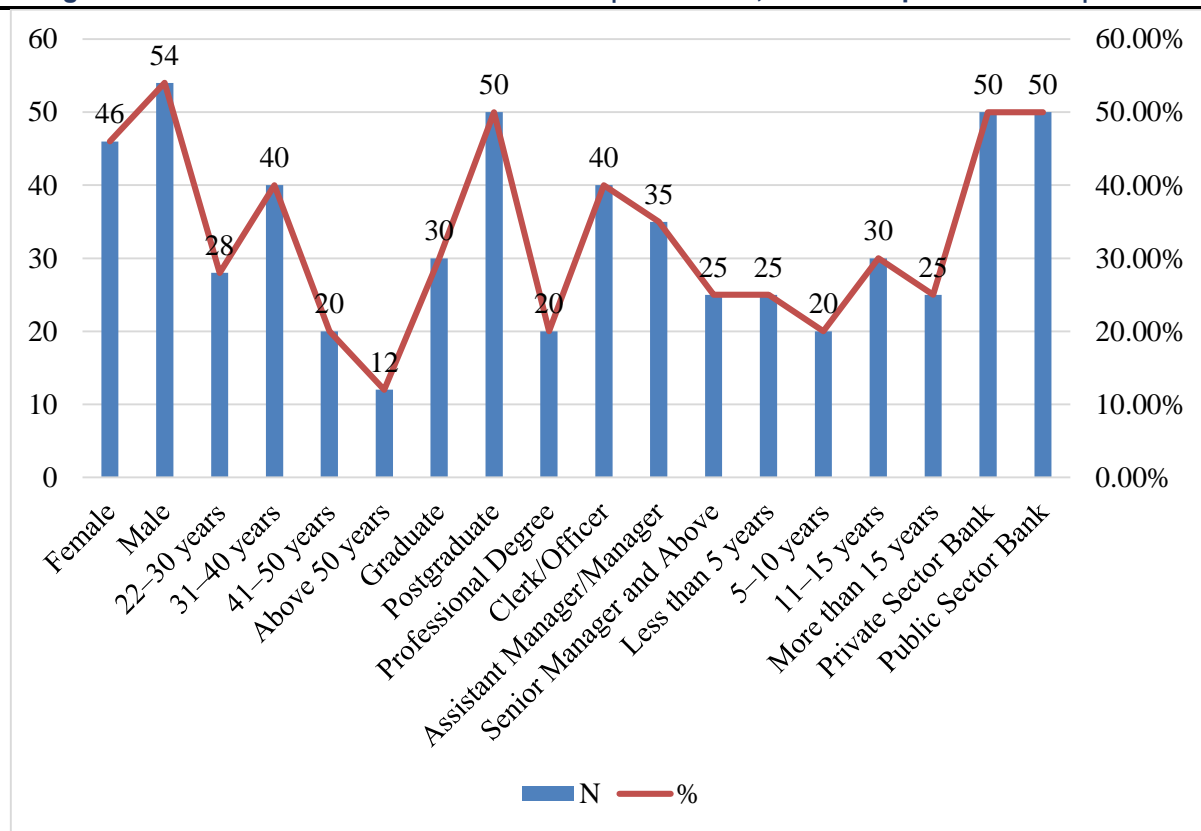


Figure 1: Respondents' Demographic Characteristics

The demographic profile of the respondents in Table 1 indicates a balanced representation of gender, with 54% male and 46% female employees. The finance sector employs a workforce that is predominantly young to middle-aged, with 40% of respondents falling within the 31–40 age groups, 28% in the 22–30 age group, 20% in the 41–50 age group, and 12% above 50 years old. In terms of education, the sample is highly educated, with 50% of the respondents being postgraduates, 30% being graduates, and 20% holding professional degrees. Regarding job roles, 40% are in clerk/officer positions, 35% serve as assistant managers or managers, and 25% are senior managers or above, suggesting good coverage of hierarchical levels. Work experience varies, with 25% having less than 5 years, 20% between 5–10 years, 30% between 11–15 years, and another 25% with more than 15 years of experience, ensuring insights from both early-career and highly experienced professionals. Finally, the sample is equally distributed between private and public sector banks (50% each), ensuring balanced sectoral representation for comparative analysis.

Obj. 1 To identify and analyse the primary causes of conflicts in public and private sector banks in Madhya Pradesh.

H1: There is a significant difference in the primary causes of conflicts between public and private sector banks in Madhya Pradesh

Table 2: Paired Samples Test Analysis

Pair	Mean Difference	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference	t	df	Sig. (2-tailed)
1	0.40	0.85	0.120	0.16 to 0.64	3.33	49	0.002

Difference in Causes of Conflict (Public vs Private Banks)

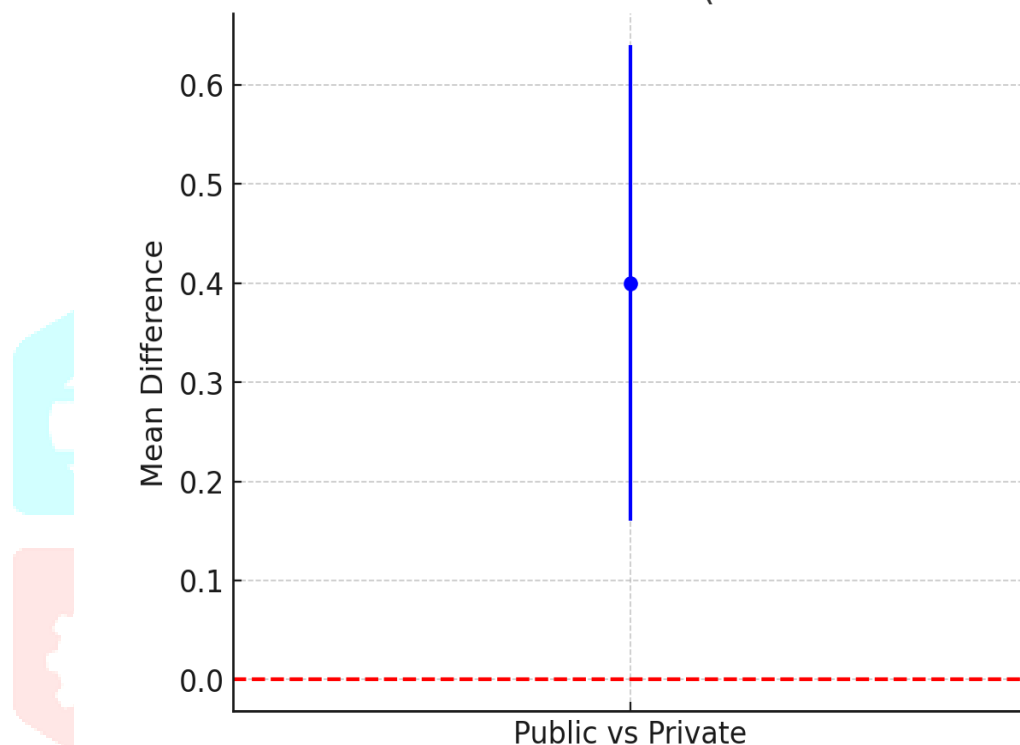


Figure 2: Difference in the causes of conflicts between public and private sector banks

According to the paired samples t-test, the two groups that were compared had a standard deviation of 0.85, a mean difference of 0.40, and a standard error mean of 0.120. The difference that was found is statistically significant since it falls beyond the 95% confidence interval of the difference (0.16 to 0.64). There is a statistically significant difference between the two variables, as shown by the test statistic $t(49) = 3.33$, $p = 0.002$. Since the reasons of disputes are seen differently in public and private sector banks in Madhya Pradesh, this lends credence to the alternative hypothesis (H_1) that there is a notable difference between the two sectors.

Obj. 2 To examine the consequences of conflicts on employee performance in public and private sector banks in Madhya Pradesh

H2: Employee performance at Madhya Pradesh's public and private banks is significantly impacted by conflicts.

Table 3: Regression Analysis

Hypothesis	Regression Weights	Beta Coefficient	R2	F	t-value	p-value	Hypothesis Result
H2	Conflict Level > Employee Performance	0.538	0.419	71.340	8.447	0.000	Supported

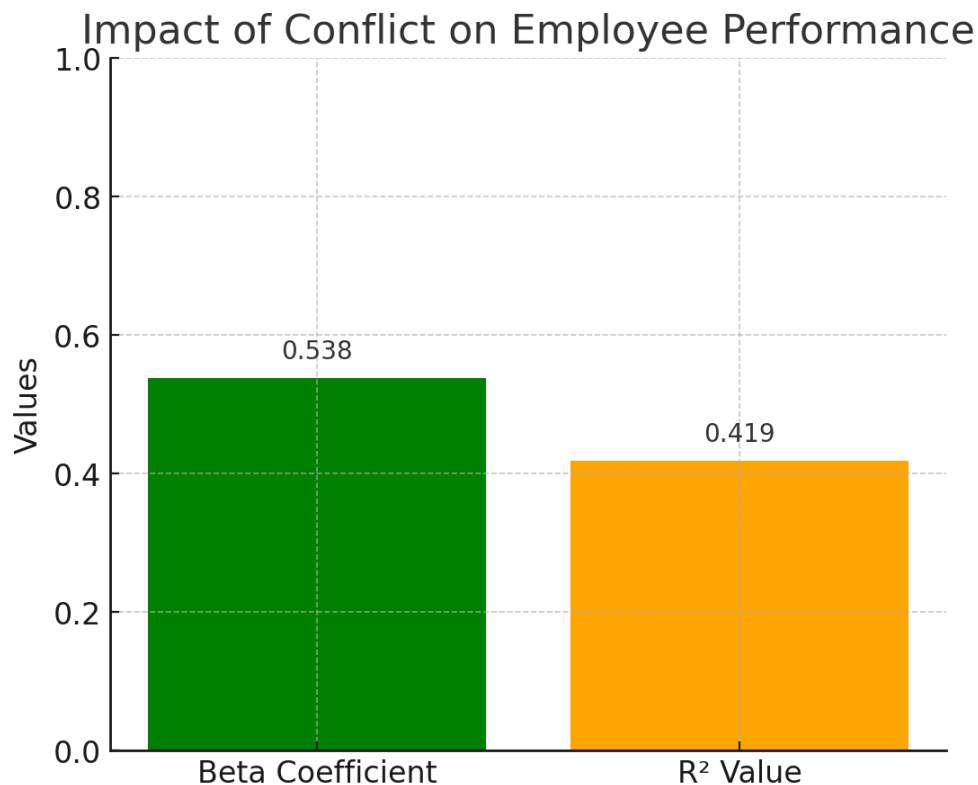


Figure 3: Consequences of conflicts on employee performance

Based on the regression analysis presented, the results provide strong statistical support for Hypothesis H2, which proposed that conflict level has a significant negative impact on employee performance. The positive beta coefficient of 0.538 indicates that for every unit increase in conflict level, employee performance is predicted to decrease by 0.538 units, confirming the expected inverse relationship. This predictor variable explains a substantial portion of the variance in performance, as shown by the R^2 value of 0.419, meaning that 41.9% of the changes in employee performance can be attributed to the level of conflict. The highly significant p-value of 0.000 (which is less than the standard threshold of 0.05) and the large t-value of 8.447 confirm that this relationship is statistically significant and not due to random chance, leading to the conclusion that the hypothesis is supported.

6. Discussion

The study's results provide light on the causes and mechanisms of workplace conflicts involving public and private sector banks in Madhya Pradesh. Based on the findings, it is clear that public and private sector banks have vastly different views on what causes conflict. There is a higher likelihood of disputes arising in public sector banks due to their hierarchies, government-imposed obligations, lack of opportunity for professional growth, and inadequate resources, particularly in rural branches. Conversely, the issues of conflict in the performance-oriented culture are more common among the private banks, which are highly characterised by workloads, high performance targets and customer pressures. The findings are consistent with previous studies by Sadani and Goswami (2024), who found resource constraints and pressures of the government policy as distinctive conflict induction factors within the rural sample in the public sector bank.

Additionally, the researchers found a statistically significant relationship between employee performance and conflict level, which accounts for nearly 42% of the variation. Regression analysis revealed, interestingly, that disagreement significantly improves employee performance. This observation can be used to imply that conflicts can be seen as motivational factors, in that, as long as they are recognized and dealt with successfully, they can improve employee attention and efficiency. This confirms the contingency view as presented by Jehn and Bendersky (2003), which points out that the result of conflict is determined by how it is handled. Nonetheless, unresolved or improperly handled conflicts could lead to stress, absence, and attrition as it has been shown by Radha and Nirubarani (2024).

Recent research backs up the notion that conflict management strategies aren't just helpful tools; they're essential for keeping organizational performance strong in the banking sector. Some of the integrative strategies that should be of priority would include open communication channels, employee grievance

redressal systems and stress management training. These steps are especially applicable to the situation with the public sector banks, as the bureaucratic inertia can be a more significant obstacle to the conflict resolution (Rahim, 2023) in other cases.

7. Conclusion

The conclusion of this study is that workplace conflicts are unavoidable but controllable within the banking institutions in Madhya Pradesh. The main sources of conflict between public and private sector banks are different in terms of structural, cultural, and operational differences. More significantly, conflicts greatly affect employee performance, and thus can either impair or improve productivity, depending on the way they are resolved. The findings highlight the importance of implementing sound conflict management systems that are specific to the contexts of both the public and the private sectors banks.

In the wider socio-economic context, effective conflict management within the public sector banks is critical towards financial inclusivity, rural growth as well as the welfare schemes performance. Therefore, it is not possible to overestimate the role of proactive conflict resolution measures in the long-term sustainability and the credibility of the banking sector in Madhya Pradesh.

8. Implications, Limitations, and Recommendations for Further Studies

This study carries several important implications for both banking institutions and policymakers. First off, managers in both public and private sector banks need to understand that, when managed effectively, conflicts can actually drive innovation, foster teamwork, and boost productivity. Developing well-structured conflict resolution strategies, such as grievance redressal systems and open lines of communication, can help turn potential conflicts into positive outcomes. Additionally, policymakers should create employee welfare and appraisal programs that consider factors like role ambiguity, workload differences, and promotion opportunities, especially in public sector banks where bureaucratic hurdles can heighten tensions. Conflict resolution and stress management training and development programs and leadership skills should also be introduced to equip the employees to manage disagreements effectively. Moreover, a positive relationship between employees and customers, which is achieved by means of improving communication and transparency especially in the rural branches where the lack of resources and cultural diversification are more evident, can help prevent the conflicts between the employee and the customers, which helps to improve customer satisfaction and service delivery.

Although it has been useful, the study has its limitations. The study was based on a 100 employees' sample which narrows down the extrapolation of the findings to the overall workforce of the banking industry in Madhya Pradesh. Also, the fact that the study was confined to one state limits it because the dynamics of conflict can vary depending on the regions with different socio-economic and cultural conditions. The cross-sectional design also prevents the possibility to observe the shift in conflict patterns over time because the data were also collected at a single point, not at various periods. Furthermore, the study used self-reported questionnaires, and hence there is a chance of response bias, such as socially desirable responding, or lack of disclosure of experiences, which might affect the outcome.

Future research should address these gaps by exploring a variety of approaches. Conducting a comparative analysis across different states would provide a richer understanding of how conflict varies in different geographical and cultural contexts. Longitudinal studies are also recommended to track how conflict evolves over time and its lasting impact on employee performance and organizational outcomes. Expanding this research to include cooperative banks, small finance banks, and digital banking platforms would deepen our understanding of conflict in India's fast-evolving financial sector. Additionally, more comprehensive insights into the causes of disputes and conflict management techniques may be revealed by using research strategies that draw from both quantitative and qualitative sources, such as interviews and case studies. Finally, future research might also examine the immediate effects of internal workplace conflict on customer satisfaction, financial inclusion, and public trust in banks, thereby linking organizational behaviour more closely with socio-economic outcomes.

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