

## **PUBLIC VS PRIVATE SECTOR BANKS IN INDIA: AN OVERVIEW**

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### **ABSTRACT:**

*The financial sector of our nation has been anchored by the banking industry. The nation's overall economic growth is significantly influenced by banks. Because they offer financial services to both consumers and corporations, banks are vital to the economy. When the government owns at least 51% of a corporation, it is referred to as a public sector bank. These banks are government-owned and run, with the goal of offering vital financial services to people, companies, and other economic sectors. A bank owned by a specific person, business, or group of people or businesses is referred to as a private sector bank. To be more precise, the government does not have any ownership or dependency on the company.*

**KEYWORDS:** *Financial Sector, Commercial Banks, Private Banks, Government owned Banks*

### **INTRODUCTION:**

Banks are the institutional organizations that take deposits, give credit to organizations, and are essential to preserving a nation's economic standing. Cash and credit are handled by the banking sector of a nation. In most nations, banks are subject to stringent regulations due to their significant economic role. The Reserve Bank of India (RBI) is the apex banking body in India and is responsible for overseeing monetary policy.

There are four types for banks:

- Commercial Banks
- Co-operative Banks
- Small Finance Banks
- Payment Banks

Commercial banks are governed by the Banking Regulation Act of 1949, and making money is their main goal. Their principal responsibilities include accepting deposits and disbursing loans to the general population, companies, and the government. Foreign banks, public sector banks, private sector banks, and regional rural banks (RRBs) are the four types of commercial banks. Conversely, there are two categories for cooperative banks: urban and rural. A small finance and payments bank is another relatively recent addition to the framework, in addition to these.

### **OBJECTIVE**

- To understand private sector and public sector banking.
- To discuss advantage and disadvantage of private and public banks.
- To comprehend the distinctions between private and public banks.

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## RESEARCH METHODOLOGY

Secondary data was used for the study from a variety of sources, including websites, articles, journals, research papers, etc.

## PUBLIC SECTOR BANK

A public bank is a financial institution that is owned by a state, municipality, or other public players. When the government owns at least 51% of a corporation, it is referred to as a public sector bank.

More than 75% of all banking activity in the nation is conducted by these nationalized banks. These government-owned banks have their shares listed on stock markets. The government owns the majority of stake of these banks. SBI is the largest public sector bank in India.

The welfare of society is their primary goal. These banks provide banking services to individuals, businesses, and government agencies, which has a substantial positive economic impact. Mobilizing funds, enabling credit, encouraging financial inclusion, and bolstering economic development are the responsibilities of public banks.

## LIST OF PUBLIC SECTOR BANK

<b>Punjab National Bank</b>	<ul style="list-style-type: none"> <li>• Establishment- 1894</li> <li>• Headquarter- Dwarka, NCT of Delhi</li> <li>• Government Shareholding- 73.15%</li> </ul>
<b>Bank of India</b>	<ul style="list-style-type: none"> <li>• Establishment- 1906</li> <li>• Headquarter- Mumbai, Maharashtra</li> <li>• Government Shareholding- 81.41%</li> </ul>
<b>Canara Bank</b>	<ul style="list-style-type: none"> <li>• Establishment- 1906</li> <li>• Headquarter- Bengaluru, Karnataka</li> <li>• Government Shareholding- 62.93%</li> </ul>
<b>Indian Bank</b>	<ul style="list-style-type: none"> <li>• Establishment- 1907</li> <li>• Headquarter- Chennai, Tamil Nadu</li> <li>• Government Shareholding- 79.86%</li> </ul>
<b>Bank of Baroda</b>	<ul style="list-style-type: none"> <li>• Establishment- 1908</li> <li>• Headquarter- Vadodara, Gujarat</li> <li>• Government Shareholding- 63.97%</li> </ul>
<b>Punjab and Sind Bank</b>	<ul style="list-style-type: none"> <li>• Establishment- 1908</li> <li>• Headquarter- New Delhi, NCT of Delhi</li> <li>• Government Shareholding- 97.07%</li> </ul>
<b>Central Bank of India</b>	<ul style="list-style-type: none"> <li>• Establishment- 1911</li> <li>• Headquarter- Mumbai, Maharashtra</li> <li>• Government Shareholding- 93.08%</li> </ul>
<b>Union Bank of India</b>	<ul style="list-style-type: none"> <li>• Establishment- 1919</li> <li>• Headquarter- Mumbai, Maharashtra</li> <li>• Government Shareholding- 83.49%</li> </ul>
<b>Bank of Maharashtra</b>	<ul style="list-style-type: none"> <li>• Establishment- 1935</li> <li>• Headquarter- Pune, Maharashtra</li> <li>• Government Shareholding- 90.97%</li> </ul>
<b>Indian Overseas Bank</b>	<ul style="list-style-type: none"> <li>• Establishment- 1937</li> <li>• Headquarter- Chennai, Tamil Nadu</li> <li>• Government Shareholding- 96.38%</li> </ul>
<b>UCO Bank</b>	<ul style="list-style-type: none"> <li>• Establishment- 1943</li> <li>• Headquarter- Kolkata, West Bengal</li> <li>• Government Shareholding- 95.39%</li> </ul>
<b>State Bank of India</b>	<ul style="list-style-type: none"> <li>• Establishment- 1955</li> <li>• Headquarter- Mumbai, Maharashtra</li> <li>• Government Shareholding- 57.62%</li> </ul>

### **ADVANTAGE OF PUBLIC SECTOR BANK**

- **Banking Integration:** By extending banking services to outlying locations, public sector banks help underprivileged communities become more financially integrated.
- **Client Support:** Public sector banks place a high priority on accessibility and client service. By serving a wide spectrum of clients, they hope to provide effective and fulfilling banking experiences.
- **Competitive interest rates:** In order to make credit more accessible and cheaper, public sector banks frequently offer loans at competitive interest rates.
- **Employment Generation:** Banks operating in the public sector create a lot of jobs and are major employers. Just State Bank of India alone has about 2.4 lakh workers, which helps to create jobs.
- **Government Support:** The government supports public sector banks, which gives investors and depositors stability and confidence.
- **Long-Term Loans:** Infrastructure projects can receive long-term financing from public sector banks.
- **Social Services:** These banks take an active interest in lending to the priority sector and other social welfare programs. Micro, small, and medium-sized firms (MSMEs) and agriculture receive over 40% of public sector bank loans, which boosts the economy.

### **DISADVANTAGE OF PUBLIC SECTOR BANK**

- **Capital Restrictions:** The reliance of public banks on government capital infusion might lead to capital restrictions at times. Their ability to meet regulatory standards and extend credit may be hampered by insufficient capital.
- **Competition:** Offering competitive goods and services in comparison to commercial banks may provide difficulties for public sector banks.
- **Governmental Intervention:** Public sector banks may experience political meddling in their operations because of government control. Their independence and ability to make decisions may be impacted by this.
- **Low Level of Flexibility:** Comparatively speaking to their private sector counterparts, public sector banks may not be as flexible and agile. This may have an impact on their capacity to apply creative tactics and adjust to shifting market circumstances.
- **Non-performing assets:** Managing non-performing assets—loans that are in default or at danger of failure—has proven difficult for public banks.
- **Productivity and Efficiency:** Comparing public banks to private banks, the former frequently exhibit higher operating expenses and lesser efficiency.  
**Regulatory Procedures:** Public sector banks frequently face criticism for their excessive bureaucracy, which is said to slow down decision-making.

### **PRIVATE SECTOR BANK**

Private sector banks are financial institutions that are run and owned by private companies or people as opposed to the government. Private banks do not have corporate status. Banks that have a significant amount of equity controlled by private shareholders are among them.

Profits for shareholders are the primary motivation behind these institutions' operations. Private sector banks play a crucial role in the banking system since they offer a broad variety of banking and financial services and compete with both public sector banks and other private banks. Although the nation's private sector banks were founded with different goals in mind, their main goal is to maximize profits while offering financial solutions to the public. Private sector banks are distinguished by their special offerings. It is projected that the Indian private sector bank industry will grow livelier as each bank offers a range of innovative products and services that are tailored to meet the needs of its customers.

## LIST OF PRIVATE SECTOR BANK

City Union Bank	<ul style="list-style-type: none"> <li>• Establishment- 1904</li> <li>• Headquarter- Kumbakonam, Tamil Nadu</li> </ul>
Karur Vysya Bank	<ul style="list-style-type: none"> <li>• Establishment- 1916</li> <li>• Headquarter- Karur, Tamil Nadu</li> </ul>
CSB Bank	<ul style="list-style-type: none"> <li>• Establishment-1920</li> <li>• Headquarter- Thrissur, Kerala</li> </ul>
Tamilnad Mercantile Bank	<ul style="list-style-type: none"> <li>• Establishment-1921</li> <li>• Headquarter- Thoothukkudi, Tamil Nadu</li> </ul>
Nainital Bank	<ul style="list-style-type: none"> <li>• Establishment-1922</li> <li>• Headquarter- Nainital, Uttarakhand</li> </ul>
Karnataka Bank	<ul style="list-style-type: none"> <li>• Establishment-1924</li> <li>• Headquarter- Mangaluru, Karnataka</li> </ul>
Dhanlaxmi Bank	<ul style="list-style-type: none"> <li>• Establishment-1927</li> <li>• Headquarter- Thrissur, Kerala</li> </ul>
South Indian Bank	<ul style="list-style-type: none"> <li>• Establishment-1929</li> <li>• Headquarter- Thrissur, Kerala</li> </ul>
DCB Bank	<ul style="list-style-type: none"> <li>• Establishment-1930</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
Federal Bank	<ul style="list-style-type: none"> <li>• Establishment-1931</li> <li>• Headquarter- Kochi, Kerala</li> </ul>
Jammu & Kashmir Bank	<ul style="list-style-type: none"> <li>• Establishment-1938</li> <li>• Headquarter- Srinagar, Jammu and Kashmir</li> </ul>
RBL Bank	<ul style="list-style-type: none"> <li>• Establishment-1943</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
IDBI Bank	<ul style="list-style-type: none"> <li>• Establishment-1964</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
Axis Bank	<ul style="list-style-type: none"> <li>• Establishment-1993</li> <li>• Headquarter- Ahmedabad, Gujarat</li> </ul>
IndusInd Bank	<ul style="list-style-type: none"> <li>• Establishment-1994</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
HDFC Bank	<ul style="list-style-type: none"> <li>• Establishment-1994</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
ICICI Bank	<ul style="list-style-type: none"> <li>• Establishment-1994</li> <li>• Headquarter- Vadodara, Gujarat</li> </ul>
Kotak Mahindra Bank	<ul style="list-style-type: none"> <li>• Establishment- 2003</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
Yes Bank	<ul style="list-style-type: none"> <li>• Establishment-2004</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>
Bandhan Bank	<ul style="list-style-type: none"> <li>• Establishment- 2015</li> <li>• Headquarter- Kolkata, West Bengal</li> </ul>
IDFC First Bank	<ul style="list-style-type: none"> <li>• Establishment- 2015</li> <li>• Headquarter- Mumbai, Maharashtra</li> </ul>

### **ADVANTAGE OF PRIVATE SECTOR BANK**

- **Client Support:** Personalized banking experiences and top-notch customer service are the main priorities of private sector banks. They try to comprehend client demands and provide individualized solutions, which increases client happiness.
- **Digital Banking and Technology:** When it comes to technology and digital banking services, private sector banks are leading the way. To provide clients with easy and convenient banking experiences, they have made significant investments in digital platforms, internet services, and mobile banking apps.
- **Effectiveness and Creativity:** When compared to public banks, private banks frequently operate more quickly and efficiently.
- **Innovation in Product Design:** Banks in the private sector are renowned for their capacity for innovation and the launch of fresh financial goods and services. They frequently deliver cutting-edge products and services, like wealth management programs, personalized loan products, and specialized banking services for different clientele.
- **Risk management:** Banks in the private sector usually have strong risk management procedures in place to guarantee the stability of their business and reduce hazards. Their emphasis on risk assessment and mitigation lowers non-performing assets (NPAs) and contributes to the maintenance of a healthy loan portfolio.

### **DISADVANTAGE OF PRIVATE SECTOR BANK**

- **Concentration of Authority:** Private sector banks could take the lead in the market in certain situations, raising worries about power concentration and possible anti-competitive behavior.
- **Lower Governmental Assistance:** The government does not assist private sector banks, in contrast to public sector banks. When there is a financial crisis, they can have trouble getting government assistance and bailouts.
- **Profit-Oriented Method:** Profitability and shareholder interests are given priority by private sector banks, which occasionally results in a concentration on high-net-worth individuals and corporate clients. Serving small enterprises and low-income groups may become less important as a result.
- **Rate of Interest:** When it comes to loans and credit products, private sector banks usually charge higher interest rates than public sector banks. This might make borrowing more expensive for both individuals and businesses.
- **Restricted Access in Rural Areas:** Rural and isolated communities have restricted access to financial services because private sector banks often concentrate in metropolitan and semi-urban areas. This may make it more difficult for rural residents to get banking services and become financially included.

### **DISTINCTION BETWEEN PUBLIC AND PRIVATE SECTOR BANK**

- **Accountability:** Public banks are answerable to the people and the government. Private sector banks are liable to their stockholders.
- **Branch Network:** Public sector banks have extensive branch network, especially in rural regions. Private banks maybe have fewer branches and focuses on metropolitan regions.

- **Clientele:** Public banks have a sizable clientele. Private banks have a relatively small clientele.
- **Controlling Authority:** The government exercises authority over public banks. Banks in the private sector are governed by businesses or individuals.
- **Financial Support:** In times of need, the government infuses capital into public sector banks. Banks in the private sector depend on their own funds and marketing initiatives.
- **Foreign Direct Investment:** Up to 20% of FDI is permitted by public sector banks. Banks in the private sector allow 74% FDI.
- **Goal:** Public welfare and social goals are given top priority by public banks. The main goal of banks in the private sector is to maximize profits.
- **Governing Act:** A parliament-passed act creates public banks. The Indian Companies Act governs the registration of banks in the private banks.
- **Innovation and operations:** Public banks take a more bureaucratic stance and are thought to be sluggish to accept new technologies. Private sector banks more effective and creative in presenting their clients with new goods and services.
- **Job Security:** Public sector banks have very high levels of job security. In banks in the private sector, job security is lower.
- **Management:** Public sector banks overseen by representatives chosen by the government. Private sector banks hired by the bank's board of directors and recruiter officers, and run by experienced bankers.
- **Meaning:** Public banks are those in which the state or central government owns the majority of the shares. Private sector banks are those that have ownership holdings from either individuals or private enterprises.
- **Number of Banks:** India has twelve public sector banks. In India, there are twenty-one private sector banks.
- **Profitability:** Private banks are more profitable than public banks.
- **Rate of Interest:** Savings interest rates are high and lending interest rates are low in public sector banks. Private sector banks provide lower interest rates on savings and charge higher interest rates on loans.
- **Reliability:** Because public banks are overseen by the government, they are more reliable than private sector ones. Banks in the private sector are not as reliable.
- **Shareholding Pattern:** The government owns more than 50% of the shares in public sector banks. Banks in the private sector are mostly owned by private enterprises or individuals.
- **Technology Adoption:** Using contemporary technology may provide difficulties for public sector banks. When it comes to client experience and efficiency, private sector banks are at the forefront of technological use.

## CONCLUSION

In conclusion, there are differences between banks in the public and private sectors regarding ownership, management, governance, services, financial support, shareholding pattern, governing authority, operation, branches, reliability, accountability, job security, interest rates, and clientele. Whereas private sector banks concentrate on profitability and innovation, public sector banks place a higher priority on the public welfare and financial inclusion. In the economy, both kinds of banks play important roles since they can offer a variety of financial services to match the requirements of both public and corporate.

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