

“A Comparative Study of Private Sector Bank and Public Sector Bank with Reference to HDFC and Bank of Maharashtra”

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Abstract

The banking sector in India is divided into public sector banks (PSBs) and private sector banks (PVBs), each playing a crucial role in the country's economic development. This study aims to provide a comparative analysis of a leading private sector bank, HDFC Bank, and a public sector bank, Bank of Maharashtra, focusing on financial performance, operational efficiency, customer service, and technological advancements. The research explores key differences in ownership structure, decision-making processes, customer satisfaction, loan processing speed, digital banking adoption, and risk management strategies. Financial parameters such as revenue, net profit, total assets, and Non-Performing Assets (NPAs) are analyzed to assess their financial stability and growth potential.

Keywords: Private Sector Banks, Public Sector Banks, HDFC Bank, Bank of Maharashtra, Financial Performance, Customer Service, Digital Banking, NPAs.

I. INTRODUCTION

The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of universality. In general, banking may be classified as retail and corporate banking. Retail banking, which is designed to meet the requirement of individual customers and encourage their savings, includes payment of utility bills, consumer loans, credit cards, checking account and the like. Corporate banking, on the other hand, caters to the need of corporate customers like bills discounting, opening letters of credit, managing cash, etc.

Metamorphic changes took place in the Indian financial system during the eighties and nineties consequent upon deregulation and liberalization of economic policies of the government. India began shaping up its economy and earmarked ambitious plan for economic growth. Consequently, a sea change in money and capital markets took place.

Application of marketing concept in the banking sector was introduced to enhance the customer satisfaction the policy of privatization of banking services aims at encouraging the competition in banking sector and introduction of financial

services. Consequently, services such as Demat, Internet banking, Portfolio Management, Venture capital, etc, came into existence to cater to the needs of public.

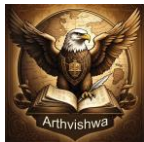
II. ROLE OF PRIVATE SECTOR AND PUBLIC SECTOR BANK

Private Sector Bank

Private banking includes common financial services like checking and savings accounts, but with a more personalized approach: A "relationship manager" or "private banker" is assigned to each customer to handle all matters. The private banker handles everything from involved tasks, like arranging a jumbo mortgage, to the mundane like paying bills. However, private banking goes beyond CDs and safe deposit boxes to address a client's entire financial situation. Specialized services include investment strategy and financial planning advice, portfolio management, customized financing options, retirement planning, and passing wealth on to future generations.

Public Sector Bank

Though their ownership is different from that of commercial banks, public banks still facilitate the flow of money throughout the economy. Instead of a city, county, or state placing funds into a commercial bank and



paying fees and interest, the government manages funds in its own bank. It can then theoretically loan money at reduced interest rates for community investment.

EVALUATION OF HDFC AND BANK OF MAHARASHTRA

HDFC BANK

The Housing Development Finance Corporation Limited or HDFC Ltd was among the first financial institutions in India to receive an "in principle" approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. This was done as part of RBI's policy for liberalisation of the Indian banking industry in 1994.

HDFC Bank was incorporated in August 1994 in the name of HDFC Bank Limited, with its registered office in Mumbai, India. The bank commenced operations as a Scheduled Commercial Bank in January 1995.

BANK OF MAHARASHTRA

Bank of Maharashtra is an Indian public sector bank headquartered in Pune. The bank had 30 million customers across the country with 2263 branches as of June 2023. It has the largest network of branches of any nationalised bank in the state of Maharashtra. State-owned Bank of Maharashtra (BoM) has emerged as the top performer among public sector lenders in terms of loan and deposit growth in percentage terms during 2022-23.

The Pune-headquartered lender also recorded highest growth in profitability with bottom line growing almost 126 per cent to Rs 2,602 crore during the year. The bank was founded by V.G. Kale and D. K. Sathe in Pune.

VI. PERFORMANCED OF PUBLIC SECTOR BANK AND PRIVATE SECTOR BANK

Private Sector Bank

Private sector banks in India have showcased robust performance in recent years, marked by strong profitability, asset quality, and operational efficiency. Here's an overview of their recent performance:

Profitability HDFC Bank: As India's largest private sector bank, HDFC Bank reported a net profit of ₹12,259 crore for the quarter ending December 2024, marking a 20% year-on-year increase. ICICI Bank: The bank posted a net profit of ₹8,312 crore for the same quarter, reflecting a 19% rise compared to the previous year. Axis Bank: Axis Bank recorded a net profit of ₹5,853 crore, up by 25% year-on-year, demonstrating strong growth among private sector banks.

Asset Quality Gross Non-Performing Assets (GNPA): Private sector banks have maintained healthy asset quality, with GNPA ratios averaging around 2.5% as of December 2024, indicating effective risk management practices. Net Non-Performing Assets (NNPA): The NNPA ratios stood at approximately 0.7%, reflecting prudent lending and recovery mechanisms.

Public Sector Bank

Public Sector Banks (PSBs) in India have demonstrated a significant turnaround in recent years, showcasing improved profitability, enhanced asset quality, and robust growth. Here's an overview of their recent performance:

Profitability Aggregate Net Profit: In the financial year 2023-24 (FY24), PSBs collectively achieved a record net profit of ₹1.41 lakh crore, marking a 35% increase from the previous year's ₹1.04 lakh crore. State Bank of India (SBI): As the largest public sector bank, SBI contributed over 40% of the total PSB earnings, with a net profit of ₹61,077 crore in FY24, reflecting a 22% year-on-year growth.

V. NEED OF PRIVATE SECTOR BANK AND PUBLIC SECTOR BANK

Private Sector Bank

Private sector banks are essential for a well-functioning economy as they bring competition, efficiency, and innovation to the banking sector. They enhance financial inclusion by reaching urban and semi-urban populations through digital banking and microfinance initiatives. Their focus on strict credit assessment and risk



management helps maintain lower Non-Performing Assets (NPAs), ensuring better financial stability. Private banks also attract foreign investments, contributing to capital formation and economic growth.

Public Sector Bank

Public sector banks (PSBs) are essential for ensuring financial stability, economic development, and social welfare. They play a crucial role in financial inclusion by providing banking services to rural and underserved areas where private banks may not operate due to profitability concerns. PSBs support government initiatives like priority sector lending, agricultural loans, and small business financing, helping boost key sectors of the economy. They also act as a stabilizing force during financial crises, ensuring public trust and preventing economic disruptions.

VI. BRIDGING THE GAP BETWEEN PRIVATE SECTOR AND PUBLIC SECTOR BANK

Bridging the gap between private and public sector banks is crucial for creating a balanced and efficient banking ecosystem that serves both economic growth and social welfare. While private banks are known for their efficiency, innovation, and customer service, public sector banks focus on financial inclusion, stability, and social banking initiatives. To bridge this gap, PSBs need to adopt modern technology, improve customer service, and enhance operational efficiency, similar to private banks. On the other hand, private banks can contribute to financial inclusion by expanding their reach in rural areas and supporting government-led initiatives.

VII. IMPACT ON PRIVATE AND PUBLIC SECTOR BANK ON CONSUMER

The presence of both private and public sector banks significantly impacts consumers by providing a diverse range of banking services, accessibility, and financial security.

Impact of Private Sector Banks on Consumers

1. Faster Services and Innovation:

Private banks offer quick loan approvals, digital banking, and better customer service through advanced technology.

2. Higher Costs: Consumers may face higher fees, charges, and stricter eligibility criteria for loans.

Impact of Public Sector Banks on Consumers

1. Financial Inclusion: PSBs ensure banking services reach rural and economically weaker sections through government schemes and priority sector lending.

2. Trust and Stability: Consumers feel secure as PSBs are government-backed, reducing risks of bank failures.

VIII. IMPLEMENTING PRIVATE SECTOR BANK AND PUBLIC SECTOR BANK

Challenges:

1. Regulatory Compliance: Strict regulations by the Reserve Bank of India (RBI) on lending norms, capital adequacy, and risk management can limit operational flexibility.

2. High Competition: Intense competition from public sector banks, fintech companies, and foreign banks puts pressure on profitability and market share.

Opportunities:

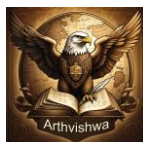
1. Digital Transformation: Expanding AI-driven banking, mobile apps, and blockchain technology can improve efficiency and customer experience.

2. Financial Inclusion: Expanding services to rural and semi-urban areas through digital banking and partnerships with fintech firms.

IX. FUTURE DIRECTION AND IMPLICATIONS ON HDFC AND BANK OF MAHARASHTRA.

HDFC Bank and Bank of Maharashtra, representing India's private and public banking sectors respectively, are navigating distinct strategic paths to bolster their market positions and ensure sustainable growth.

HDFC Bank: Post-Merger Expansion and Strategic Adjustments Following



its merger with Housing Development Finance Corporation (HDFC) in July 2023, HDFC Bank has embarked on several initiatives:

Branch Network Expansion: The bank plans to open 1,400 to 1,500 branches in the fiscal year 2023-24, aiming to increase its total branch count to between 13,000 and 14,000 in the medium term. This expansion focuses on regions with high liability potential where the bank currently has limited presence.

X. CONCLUSION

Based on the comprehensive analysis of respondents' perspectives on banking preferences and experiences, several key insights emerge. Firstly, there is a clear trend towards a younger demographic engaging with banking services, with males showing higher participation rates compared to females. This underscores the importance of understanding and catering to the preferences of this demographic segment.

Secondly, accessibility to bank branches remains a critical factor for most respondents, emphasizing the significance of branch location in the bank selection process.

Thirdly, the reputation of a bank emerges as a significant influencer in decision-making, suggesting the need for banks to prioritize and uphold their reputation through exemplary service delivery.

Furthermore, while there is a perception of comprehensive service offerings by banks, there are notable areas for improvement, particularly

in addressing challenges faced by respondents when selecting between public and private sector banks.

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