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*Structural Shifts in  
Indian Banking*

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While Private Banks Lead, Public Banks are showing better growth on almost all parameters.

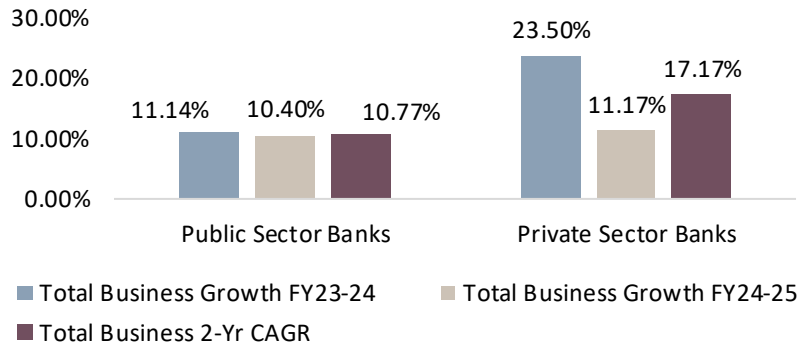
Are we on the cusp of leadership overhaul in the \$1 Trillion Indian BFSI Sector?



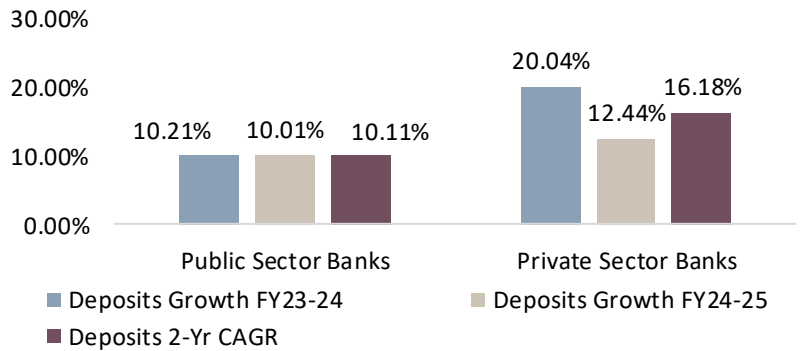
# Private Sector Banks Accelerate While PSBs Maintain Steady Pace

The FY23-FY25 data shows a clear growth divergence between PSBs and private banks, with PVBs expanding far faster across nearly every balance sheet metric. Private banks delivered a strong 17.17% business CAGR versus 10.77% for PSBs, driven by superior retail penetration, sharper credit appetite and stronger deposit mobilization reflected in their 16.18% deposit CAGR against PSBs 10.11%. Credit growth widened the gap further, with PVBs posting a 27.85% surge in FY23-24 before normalizing, yet still maintaining a higher 18.03% 2yr loan CAGR versus 13.92% for PSBs. Even in investments and total assets, private banks grew nearly 1.7x faster, underscoring their structural advantages in agility, customer acquisition and balance sheet scaling. Overall, business growth metrics show that private banks are expanding faster across all fronts business, deposits, advances, investments and assets while PSBs show stable but slower growth driven by deeper rural and government linked segments

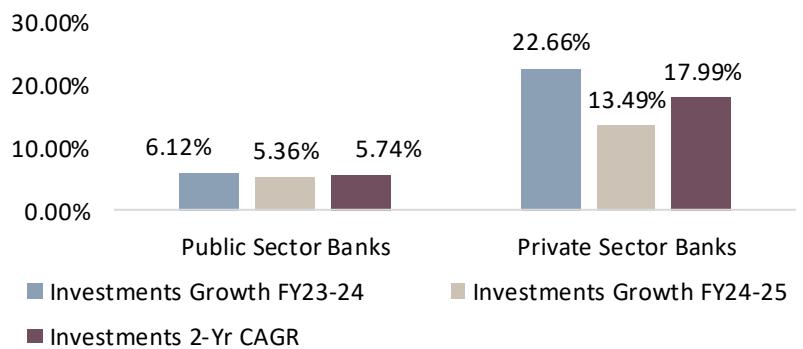
## Total Business



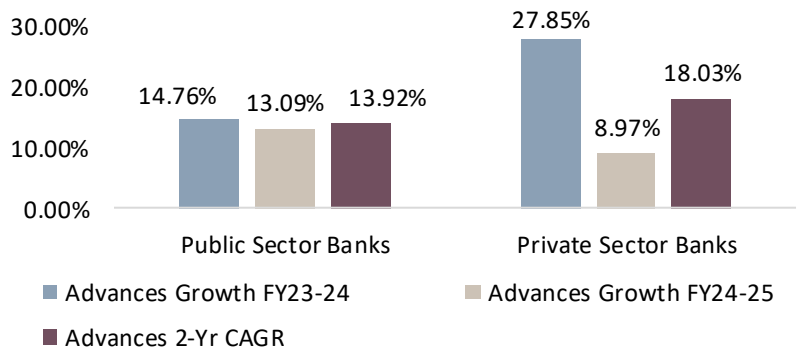
## Deposits



## Investments



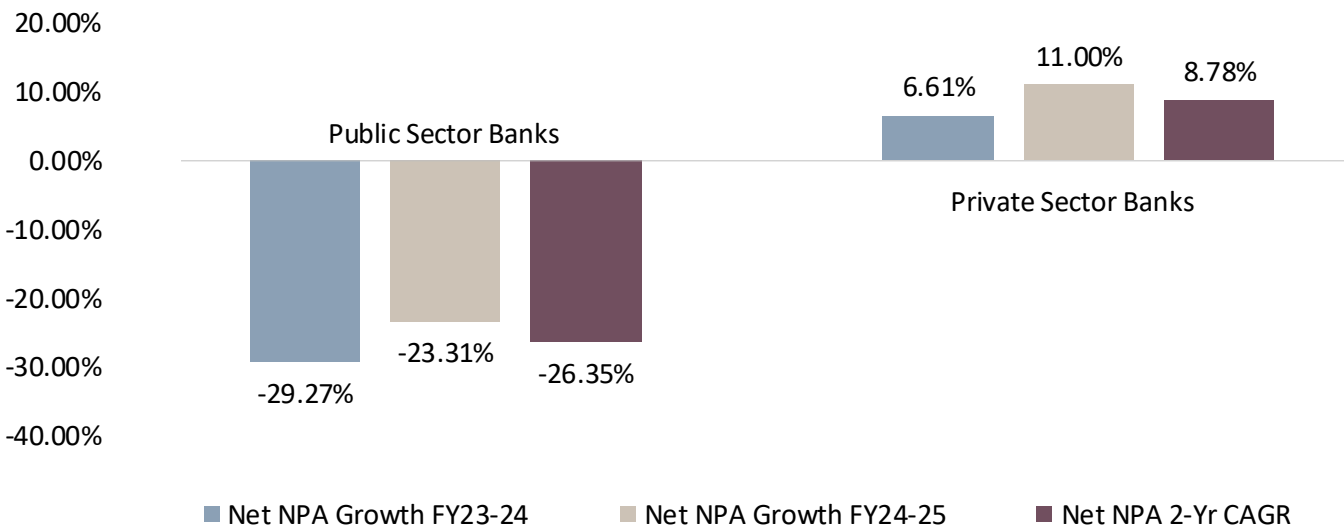
## Advances



# Business Quality Divergence: Rapid Cleanup in PSBs, Sustained Superiority in PVBs

Business quality trends show a sharp structural improvement in PSBs, with asset quality strengthening significantly as Gross NPAs fell at -18.61% CAGR and Net NPAs at -26.35% CAGR, bringing NNPA levels down to 0.52%, nearly matching private banks. In contrast, PVBs saw mild increases in NPAs, though their absolute levels remain low. CD ratios highlight differing strategies: private banks continue operating at high credit intensity (~88-91%), while PSBs are gradually increasing deployment as legacy stress eases. PSBs have also reduced reliance on investment books, while PVBs maintain stable liquidity buffers. Despite these improvements, PVBs continue to hold structural advantages in pricing power, reflected in consistently higher spreads (~3.5% vs PSBs ~2.5%) and stronger capital adequacy levels. Overall, PSBs demonstrate extraordinary improvement in business quality, while PVBs maintain superior but stable quality with strong capital and spreads.

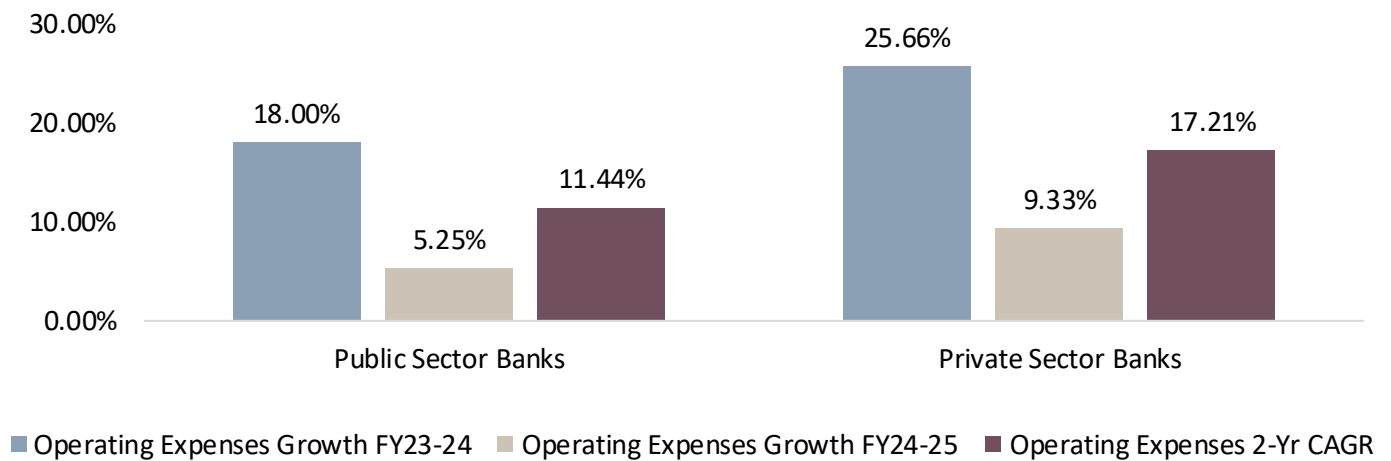
## Net NPA



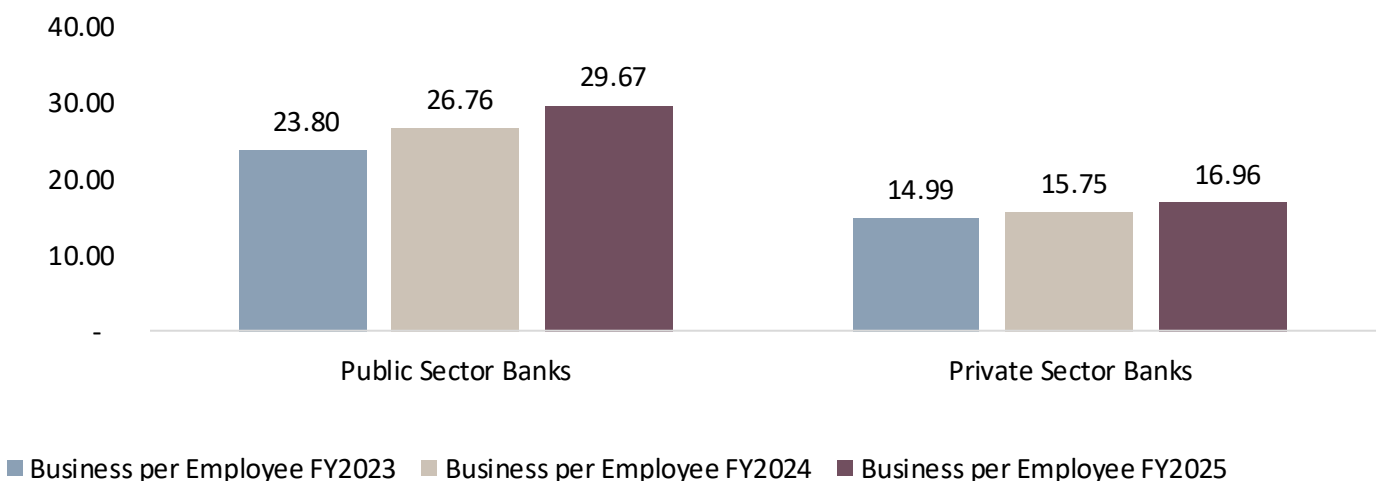
# Operational Efficiency Surges in PSBs, Outpacing Private Banks in Productivity

Efficiency has become a major strength for PSBs, with operating expenses falling sharply from 34.29% to 28.55%, reflecting digital adoption, cost discipline and branch optimization. Private banks also improved their cost ratios, but remain structurally higher due to heavier investments in technology and rapid network expansion. Productivity gains further highlight PSBs progress: business per employee and profit per employee rose far more sharply than in private banks, indicating better manpower utilization and the positive impact of reduced legacy stress. Though private banks maintain superior spreads and margins, PSBs show the most meaningful improvement in structural efficiency, eliminating legacy drags and transitioning toward a modernized, technology enabled operating model.

## Operating Expenses



## Business Per Employee (in lakhs)

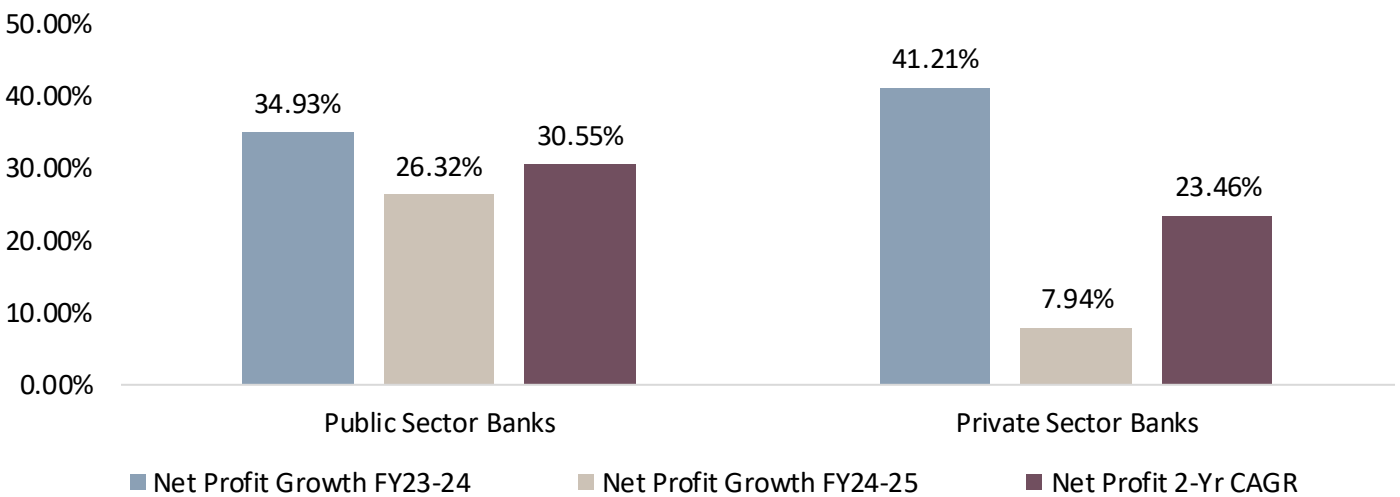


## Profitability Dynamics:

### PVBs Lead on Revenue, PSBs Outperform on Net Profit Growth

Profitability shows a split narrative: private banks lead on revenue growth, supported by stronger loan momentum and better yields, with total income growing at 24.32% CAGR versus 18.55% for PSBs. However, their interest costs jumped sharply due to aggressive deposit mobilization in a high rate environment and operating expenses also rose faster. In contrast, PSBs delivered much stronger net profit growth, achieving a 30.55% CAGR compared to 23.46% for PVBs, driven primarily by a steep decline in provisions and improved operating leverage. Private banks lead on revenue and operating profitability, but public banks have delivered stronger net profit growth due to balance sheet repair and declining credit costs.

#### Net Profit



## Our Analysis

Comparative trends between PSBs and private banks over FY23-FY25 reveal a sector undergoing a structural realignment. Private banks continue to dominate in growth, balance sheet scale, pricing power and capital strength, reaffirming their position as the primary engines of India's credit expansion. Their superior digital capabilities, stronger customer acquisition funnels and diversified retail portfolios have enabled them to compound faster and more consistently.

However, the most notable story of this period is the remarkable transformation of PSBs. After years of stress, public sector banks have delivered some of the strongest improvements in asset quality, efficiency and bottom line profitability. Their sharp reduction in NPAs, rising productivity, improving CD ratios and stronger provisioning cycles indicate that PSBs have entered a structurally healthier phase. Importantly, PSBs are now converting stability into profitability, outpacing private banks in net profit growth, something that was unthinkable a few years ago.

Broadly, the divergence between the two groups reflects differences in business models: private banks lead on growth and premium profitability, while PSBs are benefiting from the tailwinds of cleanup, capital strengthening and operating discipline. If PSBs sustain these improvements, accelerate digital adoption and penetrate more in corporate business, the sector gap may narrow ; otherwise, private banks structural advantages will continue to widen.



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