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A Comparative Study of Private and Public Sector Banks in Bihar: An Analysis of Overall Banking Performance during 2019–2025

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Abstract

The banking sector occupies a central position in the economic development of Bihar because it connects household savings with productive investment, provides credit to agriculture and small businesses, supports government welfare programmes, and increasingly delivers financial services through digital channels. Within this banking system, public sector banks and private sector banks operate under the same regulatory framework but differ considerably in ownership, organizational structure, business strategies, technology adoption, customer service practices and geographical expansion. The present study makes a comparative assessment of the performance of public sector banks and private sector banks operating in Bihar during the period 2019–2025. The study is based primarily on secondary data obtained from the Reserve Bank of India (RBI), State Level Bankers' Committee (SLBC), annual reports of banks, government publications and relevant academic and institutional literature. The comparison considers multiple dimensions of banking performance rather than relying on a single indicator. These dimensions include deposit mobilisation, advances and credit delivery, credit-deposit ratio, profitability, asset quality, priority-sector lending, agricultural and MSME credit, branch expansion, financial inclusion, digital banking, customer service and operational efficiency. The study also considers the effects of the COVID-19 period and the subsequent recovery of the banking sector. The evidence indicates that public sector banks continue to have a dominant institutional role in Bihar because of their extensive branch network, historical presence, government-linked programmes, prioritysector responsibilities and reach among rural and financially underserved populations. At the same time, private sector banks have demonstrated considerable strengths in technology-driven services, digital delivery, customer-oriented products, operational flexibility and expansion in commercially attractive locations. Data reported by the SLBC show that as of 31 March 2025, public sector banks accounted for approximately ₹1,83,215 crore of outstanding advances in Bihar, while private sector banks accounted for approximately ₹85,497 crore. Public sector banks also accounted for a substantial share of priority-sector advances, agricultural lending and MSME credit. The findings suggest that neither ownership model can be considered universally superior. Public sector banks remain particularly important for financial inclusion, rural outreach and developmental banking, whereas private sector banks show strong performance in technology, service innovation and selected efficiency dimensions. The paper concludes that the future of banking in Bihar depends less on choosing between public and private ownership and more on improving efficiency, digital accessibility, customer protection, credit quality and inclusive banking across both segments.

***Keywords**: Public Sector Banks, Private Sector Banks, Banking Performance, Bihar, Financial Inclusion, Credit-Deposit Ratio, Digital Banking, Priority Sector Lending, Agricultural Credit, MSME Finance, 2019–2025.*

Introduction

Banks are among the most important institutions in a modern economy. They mobilise savings from individuals, households, businesses and institutions and channel these funds into productive activities. Through this process, banks contribute to capital formation, employment generation, entrepreneurship, consumption, investment and economic growth. In developing regions, the role of banks is even broader because banking institutions also function as instruments of financial inclusion and public policy.

India has a large and diversified banking system consisting of public sector banks, private sector banks, foreign banks, regional rural banks, small finance banks, payments banks and cooperative institutions. Within this system, public and private sector banks have developed different institutional identities. Public sector banks have historically been associated with financial inclusion, rural banking, agricultural lending, priority-sector credit and implementation of government-sponsored schemes. Private sector banks, particularly after the financial-sector reforms, have increasingly competed through technology, product innovation, faster service delivery and customer-oriented business models.

The distinction between these two groups is particularly significant in Bihar. Bihar has a large rural population, substantial dependence on agriculture and allied activities, a growing micro, small and medium enterprise sector, and a continuing need for broader access to formal financial services. The state has also experienced rapid changes in digital payments, mobile banking, direct benefit transfers and financial inclusion. Consequently, the performance of banks in Bihar cannot be judged only by their profits. Their contribution to the state's economy also needs to be considered through their capacity to mobilise deposits, provide productive credit, reach rural households, support agriculture and MSMEs, maintain asset quality and provide reliable services.

The State Level Bankers' Committee maintains bank-wise and district-wise information on deposits, advances, credit-deposit ratios, branch networks and banking correspondents in Bihar. The availability of such information makes it possible to conduct a state-specific comparison rather than depending exclusively on national-level banking statistics.

The period 2019–2025 is particularly relevant for such an investigation. It includes the period immediately before the COVID-19 pandemic, the disruption caused by the pandemic, the subsequent economic recovery and the accelerated adoption of digital banking services. During these years, banks faced challenges relating to asset quality, credit growth, operational continuity and customer access while simultaneously adopting more technology-based channels.

At the national level, the banking system strengthened considerably during the later part of this period. RBI's Annual Report for 2024–25 notes continued expansion of credit to sectors such as MSMEs and continued efforts toward financial inclusion. The report also states that outstanding credit to MSMEs increased by 14.8 per cent year-on-year during 2024–25. These national developments provide an important background against which Bihar's banking performance can be examined.

Banking Development in Bihar

The development of banking in Bihar has been closely associated with the expansion of public sector banking and government-led financial inclusion initiatives. Large public sector banks established extensive branch networks across districts of the state and became important channels for agricultural credit, government payments, savings mobilisation and institutional lending.

The expansion of private sector banks has added a new dimension to the state's banking environment. Banks such as HDFC Bank, ICICI Bank, Axis Bank, Bandhan Bank and other private institutions have increased their presence, particularly in urban, semi-urban and commercially active areas. Their growth has introduced greater competition in areas such as retail banking, digital services, deposits, payments, personal loans and MSME finance.

The banking structure in Bihar therefore contains both cooperation and competition. Banks compete for deposits, customers and profitable lending opportunities, while at the same time participating in common developmental objectives such as financial inclusion, priority-sector lending and government programmes.

As of 31 March 2025, SLBC Bihar reported 8,304 bank branches in the state. Its lead-bank information also shows the extensive presence of public sector institutions, with SBI having 1,047 branches and Punjab National Bank 707 branches among the lead-bank institutions, while Central Bank of India had 428 branches.

This extensive institutional network explains why public sector banks remain important even as private banks expand.

Public Sector Banks

Public sector banks are banks in which the government has a controlling ownership interest. In Bihar, important public sector institutions include State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Central Bank of India, Union Bank of India, UCO Bank, Bank of India, Indian Bank and other public sector institutions.

Their role extends beyond commercial banking. Public sector banks are major participants in government-sponsored programmes and priority-sector lending. They also have significant responsibilities in agriculture, small businesses, weaker sections and rural areas.

The strength of public sector banking in Bihar is therefore closely related to geographical coverage and developmental responsibilities. A public sector bank may operate in locations where the immediate commercial return is relatively modest but where banking access is economically and socially important.

Private Sector Banks

Private sector banks operate under private ownership but are regulated by the RBI and other applicable authorities. In Bihar, important private banks include HDFC Bank, ICICI Bank, Axis Bank, Bandhan Bank, IndusInd Bank, Kotak Mahindra Bank, IDBI Bank and other institutions.

Private banks have generally competed through technology, faster decision-making, differentiated products and customer experience. Mobile banking, internet banking, digital onboarding, automated service channels and data-based product offerings have become important parts of their operating models.

Their presence in Bihar has increased competition and provided customers with alternatives to traditional banking. However, private banks may be more concentrated in commercially viable urban and semi-urban locations than public sector banks. Therefore, a comparison must consider not only efficiency but also the social and geographical functions of banking.

Statement of the Problem

Bihar’s banking sector has expanded significantly, but important challenges remain. The state requires a banking system capable of simultaneously achieving commercial efficiency and developmental objectives. Public and private banks approach these objectives differently.

Public sector banks have extensive networks and substantial involvement in priority-sector lending, but they have historically faced issues relating to operational efficiency, legacy infrastructure, asset quality and slower decision-making. Private banks often have stronger technology platforms and customer-oriented processes, but their business expansion may be influenced more strongly by profitability and commercial viability.

A simple comparison based only on profitability could therefore produce a misleading conclusion. A bank with higher profitability may not necessarily provide greater rural coverage or agricultural credit. Similarly, a bank with extensive rural branches may not necessarily achieve the highest operational efficiency.

The problem addressed in this study is therefore the absence of a broad, Bihar-specific comparison that examines the two banking groups across multiple dimensions during a common period.

Objectives of the Study

The major objectives are:

- To examine the development of public and private sector banking in Bihar during 2019–2025.
- To compare the deposit mobilisation performance of public and private sector banks.
- To compare their advances and credit-delivery performance.
- To examine differences in the credit-deposit ratio.
- To compare their contribution to priority-sector lending.

- To analyse their role in agricultural and MSME credit.
- To examine differences in branch expansion and geographical outreach.
- To compare the two sectors in terms of financial inclusion.
- To examine the growth of digital banking and technology-based services.
- To analyse profitability and asset-quality considerations using available banking-level evidence.
- To identify the major strengths and weaknesses of each banking group.
- To provide recommendations for improving banking performance in Bihar.

Research Questions

The study seeks to answer the following questions:

- How did public and private sector banks perform in Bihar between 2019 and 2025?
- Which sector demonstrated stronger deposit mobilisation?
- Which sector showed greater credit expansion?
- How did their credit-deposit ratios differ?
- Which sector made a greater contribution to priority-sector lending?
- What differences existed in agricultural and MSME credit?
- How important was the branch network in determining banking outreach?
- Which sector demonstrated stronger digital banking capabilities?
- Did private sector banks outperform public sector banks across all indicators?
- What model of banking development is most appropriate for Bihar?

Hypotheses

For analytical purposes, the study considers the following hypotheses:

H01: There is no significant difference between the overall performance of public sector and private sector banks in Bihar.

H02: There is no significant difference between public and private sector banks in deposit mobilisation.

H03: There is no significant difference between public and private sector banks in credit delivery.

H04: There is no significant difference between public and private sector banks in financial inclusion and priority-sector lending.

Because the present study is primarily based on secondary and descriptive comparative analysis, the hypotheses are interpreted through observed trends rather than through a primary survey-based statistical test.

Significance of the Study

This study is significant for several reasons.

First, Bihar's economic development depends substantially on the availability of formal finance. Agriculture, small enterprises, selfemployment and household consumption all require access to financial services.

Second, the study provides a regional perspective. Much banking research examines India as a whole, while state-level differences are often overlooked. Bihar's socioeconomic structure makes it inappropriate to assume that national banking trends automatically represent the state's banking experience.

Third, the comparison is useful for policymakers. Public sector banks have a major developmental role, while private banks bring competition and innovation. Understanding the relative contribution of both can assist in policy formulation.

Fourth, customers can benefit from understanding the differences between banking models. Service speed, digital access, branch availability, credit accessibility and product diversity are all relevant to customer choice.

Finally, the study is useful for future researchers because it brings together commercial and developmental indicators rather than treating banking performance as a single-dimensional concept.

Scope of the Study

The study focuses on scheduled commercial banks operating in Bihar, with particular emphasis on public sector and private sector banks.

The study period extends from 2019 to 2025. The analysis includes:

- deposits;
- advances;
- credit-deposit ratio;
- priority-sector lending;
- agricultural lending;
- MSME lending;
- branch network;
- financial inclusion;
- digital banking;
- operational efficiency;
- profitability and asset quality;
- customer service.

Regional rural banks and cooperative banks are not the primary focus because their institutional structure differs from that of public and private scheduled commercial banks. They may be discussed where necessary to provide contextual understanding.

Review of Literature

- **Studies on Banking Performance**

Banking performance has traditionally been assessed using financial ratios such as profitability, capital adequacy, liquidity and asset quality. However, modern research increasingly recognises that performance also includes customer service, technological capability, financial inclusion and social contribution.

The CAMELS framework provides a widely used approach for evaluating banks through Capital Adequacy, Asset Quality, Management Efficiency, Earnings, Liquidity and Sensitivity to market risk. Although the present study does not calculate a complete CAMELS score for every bank, its multidimensional approach is consistent with the idea that banking performance cannot be captured by profitability alone.

- **Public Sector Banking**

The literature on Indian public sector banks frequently highlights their contribution to financial inclusion and developmental banking. Public sector banks have historically operated through extensive branch networks and have played an important role in agricultural lending, prioritysector credit and government programmes.

At the same time, research has identified challenges such as organisational rigidity, legacy technology, operational costs and stressed assets. Banking reforms and consolidation have attempted to address some of these weaknesses.

- **Private Sector Banking**

Research on private sector banks often emphasises efficiency, technology adoption, customer service and product innovation. Private banks have been early adopters of digital channels and have generally invested heavily in mobile and internet banking.

However, the commercial orientation of private banks can influence their geographical expansion. Banks tend to concentrate where there is sufficient economic activity and customer demand. Therefore, privatesector efficiency should be considered alongside accessibility.

- **Financial Inclusion**

Financial inclusion involves providing individuals and businesses with affordable and useful financial services. In Bihar, inclusion is particularly important because a large number of households depend on agriculture, informal employment and small enterprises.

The RBI's financial inclusion framework has increasingly emphasised universal access, digital financial services and the availability of banking within reasonable geographical distance. RBI reported that universal banking access within a five-kilometre radius or through a suitable banking access point had been achieved in 27 states and eight Union Territories by March 2025.

- **Digital Banking**

The growth of UPI, mobile banking, internet banking and digital account services has changed the competitive structure of Indian banking. Private banks have generally developed strong digital interfaces, while public sector banks have also invested substantially in digital platforms.

The difference is therefore not simply that private banks are digital and public banks are traditional. Rather, the important question is how effectively each sector has integrated digital technology with its existing physical network.

- **Research Gap**

The existing literature provides extensive information on Indian banking performance, but a Bihar-specific comparison covering the period 2019– 2025 across both commercial and developmental dimensions remains valuable.

The present study addresses this gap by examining the two sectors simultaneously through deposit mobilisation, credit, priority-sector lending, financial inclusion, branch network, digital services and broader performance.

Research Methodology

- **Research Design**

The study follows a descriptive and comparative research design based primarily on secondary data.

The comparative method is appropriate because the objective is to identify similarities and differences between public and private sector banks rather than to study either group independently.

- **Study Period**

The study covers 2019–2025.

The period includes:

  - pre-pandemic banking conditions;
  - the COVID-19 disruption;
  - recovery after the pandemic;
  - acceleration of digital banking;
  - changes in credit demand;
  - improvements in banking-sector asset quality.

- **Sources of Data**

Major sources include:

  - Reserve Bank of India;
  - State Level Bankers' Committee, Bihar;
  - bank annual reports;
  - government publications;
  - banking statistics;
  - academic literature;
  - reports of financial institutions.

SLBC Bihar maintains historical bank-wise and district-wise datasets covering deposits, advances, credit-deposit ratios and banking outlets. Its current database includes observations from 2019 onward, which supports the selected study period.

- **Analytical Indicators**

  The major indicators are:
  - Deposit mobilisation
  - Advances
  - Credit-deposit ratio
  - Priority-sector lending
  - Agricultural credit
  - MSME credit
  - Branch network
  - Financial inclusion
  - Digital banking
  - Customer service
  - Profitability
  - Asset quality
  - Operational efficiency

- **Analytical Approach**

The study uses comparative tables, percentage comparisons, trend interpretation and qualitative assessment.

Where bank-wise figures are available, they are grouped according to public and private ownership. The interpretation does not treat higher absolute values as automatically superior because public banks have a larger historical footprint. Both scale and efficiency are considered.

Limitations

The study has several limitations.

First, it is based primarily on secondary data. Therefore, customer perceptions and employee experiences are not directly measured.

Second, data availability differs across banks and indicators.

Third, absolute size favours large public banks because of their longestablished branch networks. Therefore, absolute figures must be interpreted carefully.

Fourth, the study does not conduct a primary econometric test of profitability or efficiency.

Finally, banking performance can be influenced by national monetary policy, interest rates, economic conditions and regulatory changes that are outside the direct control of individual banks.

Overview of Banking in Bihar

Bihar's banking network has expanded substantially over time. The state's banking system serves urban centres such as Patna, Muzaffarpur, Gaya, Bhagalpur and Darbhanga as well as thousands of rural and semi-urban communities.

The branch structure remains important despite the growth of digital banking. Physical branches provide cash services, credit counselling, documentation support, account opening and assistance to customers who may not be comfortable with fully digital processes.

SLBC Bihar's banking-network records provide bank-wise and district-wise information on branches, ATMs and other banking infrastructure.

Public sector banks remain particularly important because their historical networks are extensive. SBI alone had 1,047 branches in Bihar as of 31 March 2025 according to SLBC's lead-bank information.

Private banks have nevertheless expanded their presence and increased competitive pressure on traditional banking institutions.

Comparative Analysis of Public and Private Sector Banks

- **Deposit Mobilisation**

Deposits are a fundamental source of bank funding. A bank that attracts deposits successfully obtains a relatively stable base for lending and investment.

Public sector banks have a strong advantage in Bihar because customers have historically trusted government-owned institutions for savings. Rural households, pensioners, government employees and small depositors frequently maintain relationships with public banks.

Private sector banks, however, have increased their deposit presence through competitive products, technology and customer-oriented services.

The appropriate conclusion is therefore not that one sector completely dominates the other. Public banks have greater structural depth, while private banks have been able to increase competition in urban and semiurban markets.

- **Credit and Advances**

Credit is central to economic development. Bihar needs institutional finance for agriculture, micro-enterprises, MSMEs, housing, education, transportation and other activities.

SLBC's 31 March 2025 data provide a particularly useful comparison. Public sector banks reported total outstanding advances of approximately **₹1,83,215 crore**, compared with approximately **₹85,497 crore** for private sector banks.

This difference reflects the larger overall scale and historical reach of public sector banking in Bihar.

However, the comparison should not stop at total credit. The composition of credit is equally important.

- **Priority-Sector Lending**

Priority-sector lending is one of the strongest areas of public sector banking.

According to SLBC data for 31 March 2025, public sector banks had approximately **₹86,301crore** in priority-sector advances, equal to about 47.10% of their total advances. Private sector banks had approximately **₹46,140 crore**, representing about 53.97% of their total advances.

This result is significant.

Public sector banks had a much larger absolute volume of priority-sector lending. However, private banks had a higher proportion of their own advances classified as priority-sector advances.

Thus, both sectors contributed substantially, but in different ways.

- **Agricultural Credit**

Agriculture remains extremely important to Bihar's economy.

As of 31 March 2025, public sector banks reported agricultural advances of approximately **₹35,245 crore**, while private sector banks reported approximately **₹20,600 crore**.

Public sector banks therefore remain central to agricultural finance in absolute terms.

The private sector's contribution is nevertheless substantial and demonstrates that private banking is not limited to urban retail finance.

- **MSME Credit**

MSMEs are important for employment and local entrepreneurship.

SLBC data for 31 March 2025 show public sector bank MSME advances of approximately **₹40,157 crore**, compared with approximately **₹22,600 crore** for private sector banks.

Again, public banks have a larger absolute contribution.

At the national level, MSME credit has also expanded strongly. RBI reported that scheduled commercial banks' outstanding MSME credit increased by 14.8% year-on-year during 2024–25.

This broader trend is relevant to Bihar because MSMEs need reliable institutional finance for working capital, machinery, expansion and formalisation.

- **Credit-Deposit Ratio**

The credit-deposit ratio indicates the extent to which deposits mobilised by banks are converted into credit.

A higher ratio can indicate stronger local credit deployment, although an excessively high ratio can create liquidity and risk concerns.

The SLBC maintains bank-wise and district-wise C:D ratio data for Bihar, including observations for 2019 through 2025.

Differences between public and private banks can arise because of their customer mix. Private banks may lend more aggressively in commercially attractive sectors, while public banks have broader responsibilities across rural and priority sectors.

Therefore, the C:D ratio should be interpreted together with asset quality, priority-sector obligations and local credit demand.

Branch Network and Geographical Outreach

- **Public Sector Banks**

Public sector banks have a clear structural advantage in branch coverage.

The historical branch presence of banks such as SBI, PNB, Central Bank of India, Canara Bank, Bank of Baroda and UCO Bank enables them to serve customers in locations that may be less attractive to purely commercial expansion.

As of 31 March 2025, SLBC reported thousands of branches across Bihar and a particularly extensive public-sector network.

This network is an important asset because banking access cannot be understood solely through mobile applications. Many customers continue to require face-to-face assistance.

- **Private Sector Banks**

Private banks have expanded their branch networks, but their expansion is more strongly associated with business opportunity, customer density and market potential.

Banks such as HDFC Bank, ICICI Bank and Axis Bank have established significant urban and semi-urban operations, while Bandhan Bank has developed a distinctive presence among underserved and small-borrower segments.

Private banks can therefore achieve considerable market impact without matching the total branch count of public banks.

Financial Inclusion

Financial inclusion is one of the most important criteria for Bihar.

The objective is not simply to open bank accounts but to ensure that customers can use savings, credit, payments, insurance, pensions and other financial services effectively.

Public sector banks have historically played the larger institutional role in inclusion because of their rural branches, government programme participation and lead-bank responsibilities.

RBI's financial inclusion framework continues to emphasise access to banking facilities. The RBI Annual Report for 2024–25 states that universal access to financial services within a five-kilometre radius or through an appropriate banking point had been fully achieved in 27 states and eight Union Territories as of March 2025.

Private banks also contribute to inclusion, particularly through digital banking, microfinance-oriented models and business correspondent arrangements.

SLBC Bihar separately tracks business correspondent and business correspondent agent networks, with historical data available for 2019– 2025.

The comparison therefore reveals complementary strengths: public banks provide physical and institutional depth, while private institutions can contribute technology and alternative delivery models.

Digital Banking and Technology

Digital banking represents one of the most visible areas of competition.

During 2019–2025, customers increasingly shifted toward:

- mobile banking;
- internet banking;
- UPI;
- digital payments;
- online account services;
- automated customer support;
- card-based transactions;
- digital lending processes.

Private banks have generally been strong in digital interface design and rapid adoption of new technologies.

Public sector banks have also undergone substantial digital transformation. The growth of platforms such as SBI's digital banking ecosystem demonstrates that technological innovation is no longer exclusive to private banks.

The difference lies increasingly in speed of implementation, user experience and integration rather than simple technology availability.

In Bihar, digital banking has considerable potential, but digital literacy and connectivity remain important considerations. A digital service is useful only when customers can access it, understand it and trust it.

Customer Service

Customer service is difficult to measure through a single financial ratio.

Private banks often compete on:

- faster processing;
- digital convenience;
- relationship management;
- product customisation;
- shorter turnaround time;
- modern branch design.

Public banks possess advantages in:

- customer familiarity;
- extensive local relationships;
- long institutional history;
- rural accessibility;
- government-linked banking services.

However, public banks may face greater pressure from large customer volumes and administrative procedures.

The increasing availability of digital services is gradually changing this difference.

Profitability

Profitability measures whether a bank is able to generate adequate earnings from its resources.

Private sector banks have often demonstrated strong profitability through focused business models, fee income, retail banking and technologyenabled operations.

Public sector banks, however, have significantly improved their financial condition in recent years following reforms, consolidation, recognition and resolution of stressed assets, improved provisioning and recovery efforts.

The 2019–2025 period should therefore not be viewed as one in which public sector banks remained permanently weaker. Rather, it represents a period of considerable transformation.

The national banking environment during 2024–25 showed stronger financial conditions, while RBI continued to report improvements in several banking-sector indicators.

For Bihar, bank profitability must be interpreted alongside developmental obligations. A bank that operates thousands of branches and supports agricultural lending may have a different cost structure from a bank concentrated in high-income urban markets.

Asset Quality and NPA Management

Non-performing assets have historically been one of the most important challenges for Indian public sector banks.

Large corporate exposures, agricultural stress, infrastructure lending and recognition of previously hidden stressed assets contributed to elevated NPAs during earlier periods.

However, the banking system experienced substantial improvement during the later years of the study period.

Private banks also face credit-quality risks. Rapid retail or MSME credit growth can create problems if underwriting standards weaken.

Therefore, the comparison should not assume that private banking automatically means low risk.

Good asset quality depends on:

- appropriate credit appraisal;
- monitoring;
- recovery systems;
- diversification;
- provisioning;
- risk management;
- governance.

Public Sector Banks: Major Strengths

The major strengths of public sector banks in Bihar are:

- **Extensive Branch Network**

  Public banks have deep geographical coverage.
- **Financial Inclusion**

  They serve large numbers of rural and semi-urban customers.
- **Agricultural Credit**

  Their agricultural lending remains significant.
- **Priority-Sector Lending**

  They make a substantial absolute contribution.
- **Government Programmes**

  They are major implementation channels for government financial schemes.
- **Customer Trust**

  Their government ownership creates a perception of institutional stability among many customers.
- **MSME Support**

  Their large credit portfolio provides financing to local enterprises.

Public Sector Banks: Major Weaknesses

Despite their strengths, public banks face several challenges.

- **Operational Complexity**

  Large organisational structures can slow decision-making.

- **Legacy Systems**
  Older infrastructure may require continuous upgrading.
- **High Operating Costs**
  Extensive branch networks create substantial fixed costs.
- **Customer Service Pressure**
  High customer volumes can place pressure on staff.
- **Historical Asset Quality Problems**
  Although conditions have improved, legacy stressed assets remain an important part of their institutional history.
- **Administrative Procedures**
  Some customers may experience longer processing times than in highly automated private institutions.

Private Sector Banks: Major Strengths

- **Technology**
  Private banks have been strong adopters of digital services.
- **Customer Orientation**
  Competitive pressure encourages attention to customer experience.
- **Faster Decision-Making**
  Private ownership can provide greater managerial flexibility.
- **Product Innovation**
  Private banks frequently introduce differentiated financial products.
- **Digital Convenience**
  Mobile and internet banking have become central to their service models.
- **Competitive Efficiency**
  Their business models often emphasise productivity and cost control.

Private Sector Banks: Major Weaknesses

- **Commercial Concentration**
  Private banks may prefer commercially attractive markets.
- **Rural Reach**
  Their rural branch network may remain smaller than that of public banks.
- **Customer Segmentation**
  Some products may be more accessible to customers with stronger formal income and documentation.
- **Profit Orientation**
  Commercial considerations can sometimes conflict with the needs of economically weaker customers.
- **Service Charges**
  Customers may perceive certain private-bank services as more expensive.

Comparative Table

Table 1: Overall Comparative Assessment

Indicator	Public Sector Banks	Private Sector Banks	Comparative Assessment
Branch network	Very strong	Growing	Public sector advantage
Rural reach	Strong	Moderate and expanding	Public sector advantage

Deposit mobilisation	Very strong	Strong	Public sector scale advantage
Total advances	Very strong	Strong	Public sector scale advantage
Priority-sector credit	Very strong	Strong	Both significant
Agricultural credit	Very strong	Significant	Public sector advantage in absolute volume
MSME credit	Very strong	Significant	Public sector advantage in absolute volume
Digital banking	Improving rapidly	Very strong	Private sector advantage
Service innovation	Moderate to strong	Very strong	Private sector advantage
Customer accessibility	Strong physical access	Strong digital access	Different forms of advantage
Financial inclusion	Very strong	Strong	Public sector advantage
Operational flexibility	Moderate	Strong	Private sector advantage
Historical NPA burden	Higher	Generally lower	Private sector advantage
Government scheme implementation	Very strong	Significant	Public sector advantage
Product innovation	Improving	Strong	Private sector advantage

Source: Compiled from RBI and SLBC Bihar information and comparative interpretation.

Bank-Wise Evidence from Bihar

The SLBC Bihar data for 31 March 2025 provide useful bank-level evidence.

Among public sector banks, SBI reported outstanding advances of **approximately ₹72,901 crore**, Punjab National Bank approximately **₹25,505 crore**, Canara Bank approximately **₹16,441 crore**, Bank of Baroda approximately ₹13,618 crore, and Central Bank of India approximately **₹12,533 crore**.

Among private banks, HDFC Bank reported approximately **₹24,502 crore**, ICICI Bank approximately **₹17,545 crore**, IndusInd Bank approximately **₹10,891 crore**, Bandhan Bank approximately **₹9,781 crore**, and Axis Bank approximately **₹12,427 crore**.

These figures demonstrate that private banks can achieve substantial credit volumes even with a smaller overall branch footprint.

They also show why ownership-based comparisons need to consider institutional scale.

Priority-Sector Comparison

The 31 March 2025 SLBC data provide a particularly informative picture.

Public sector banks:

- Total advances: approximately ₹1,83,215 crore
- Priority-sector advances: approximately ₹86,301 crore
- Agriculture: approximately ₹35,245 crore
- MSME: approximately ₹40,157 crore

Private sector banks:

- Total advances: approximately ₹85,497 crore
- Priority-sector advances: approximately ₹46,140 crore
- Agriculture: approximately ₹20,600 crore
- MSME: approximately ₹22,600 crore

Public sector banks therefore contributed substantially more in absolute terms to Bihar's developmental credit structure.

However, private sector banks' priority-sector share of total advances was approximately 53.97%, compared with 47.10% for public sector banks.

This is an important finding because it challenges a simplistic assumption that private banks focus exclusively on non-priority commercial customers.

Impact of Covid-19: 2019–2021

The COVID-19 pandemic disrupted economic activity and banking operations. \

During 2020–21, banks faced:

- reduced business activity;
- repayment difficulties;
- uncertainty regarding new lending;
- increased need for digital services;
- operational restrictions;
- greater dependence on remote transactions.

Public banks played an important stabilising role because of their large networks and government-programme responsibilities.

Private banks benefited from their digital capabilities but also faced risks associated with reduced economic activity.

The pandemic accelerated digital banking adoption. Customers who had previously relied primarily on branches increasingly used mobile applications, internet banking and digital payments.

This transformation continued after the pandemic.

Post-Pandemic Recovery

The period 2022–2025 witnessed a stronger recovery in banking activity.

Credit demand increased as economic activity improved. Retail credit, MSME finance and digital payments expanded.

RBI's banking statistics for 2025 show continued growth in aggregate deposits and bank credit. For example, RBI's February 2025 statistical supplement reported aggregate deposits of more than ₹2.23 crore crore and bank credit of about ₹1.80 crore crore for scheduled commercial banks, with year-on-year credit growth reported at 11.3% in that observation.

The precise national numbers should not be directly interpreted as Bihar numbers, but they illustrate the broader recovery environment in which Bihar's banks operated.

Digital Transformation after Covid-19

The pandemic changed customer expectations.

Customers increasingly expected:

- instant payments;
- 24-hour account access;
- mobile notifications;
- online statements;
- digital loan applications;
- ATM availability;
- UPI services;
- online customer support.

Private banks were well positioned because of earlier investments in technology.

Public banks responded through digital platforms, mobile applications and improved technology infrastructure.

Therefore, the private sector's early digital advantage has increasingly become a competitive benchmark for the entire banking industry.

Financial Inclusion and Rural Banking in Bihar

Bihar presents a special challenge because financial inclusion must reach customers beyond major cities.

A rural customer may require:

- a nearby branch; cash withdrawal facilities;
- agricultural credit;
- crop-related financial products;
- insurance;
- pension services;
- government benefit transfers;
- financial literacy.

Public banks have an advantage because their institutional model is deeply connected with these requirements.

Private banks can contribute through business correspondents, digital channels and specialised lending models.

SLBC maintains extensive information on BC/BCA networks and village-level banking access, reflecting the continuing importance of alternative banking channels in Bihar.

Agricultural Finance

Agriculture remains a critical sector in Bihar.

Bank credit can support:

- seeds;
- fertilisers;
- irrigation;
- farm machinery;
- livestock;
- fisheries;
- dairy;
- storage;
- agricultural processing.

Public banks have historically been major providers of agricultural finance.

The 2025 SLBC data show approximately ₹35,245 crore in agricultural advances from public sector banks and ₹20,600 crore from private sector banks.

This demonstrates the continuing importance of public banks in rural economic development.

At the same time, private banks can increase their role by expanding agricultural value-chain finance and technology-enabled rural credit.

MSME Finance

MSMEs are another major area for Bihar.

- Small enterprises often require:
- working capital;
- machinery finance;
- overdraft facilities;
- term loans;
- digital payment services;
- business accounts.

Public sector banks remain major lenders to MSMEs in Bihar. Their 2025 outstanding MSME advances were approximately ₹40,157 crore. Private sector banks had approximately ₹22,600 crore.

Nationally, RBI reported 14.8% year-on-year growth in outstanding MSME credit during 2024–25.

The expansion of MSME finance is important for Bihar because formal credit can help businesses move away from high-cost informal borrowing.

Technology Versus Accessibility

One of the central findings of this study is that technology and accessibility should not be treated as substitutes.

A highly advanced banking application does not fully solve the needs of a customer who has:

- limited digital literacy;
- poor internet connectivity;
- difficulty understanding financial products;
- limited smartphone access.

Similarly, a branch network alone is insufficient when customers expect instant digital payments and online services.

The strongest banking model for Bihar is therefore likely to combine:

Physical accessibility + digital accessibility + financial literacy + affordable credit.

Public banks possess greater physical depth, while private banks have demonstrated strong digital competitiveness. The future should combine these strengths.

Overall Performance Scorecard

A qualitative scorecard can be used to summarise the findings.

Performance Dimension	Better Positioned Sector
Overall branch reach	Public
Rural banking	Public
Absolute priority-sector credit	Public
Agricultural credit	Public
Absolute MSME credit	Public
Government programme implementation	Public
Digital interface	Private
Product innovation	Private
Operational flexibility	Private
Customer experience innovation	Private
Competitive service delivery	Private
Financial inclusion through physical network	Public
Technology-led inclusion	Private
Overall developmental role	Public
Overall commercial agility	Private

The scorecard indicates that private banks cannot be declared superior overall simply because they are technologically advanced. Likewise, public banks cannot be considered superior simply because their balance sheets and branch networks are larger.

The sectors perform differently because they have different institutional structures and objectives.

Major Findings of the Study

The major findings are as follows:

Finding 1: Public banks have greater overall scale in Bihar.

The 2025 SLBC data show substantially higher aggregate advances for public sector banks than private sector banks.

Finding 2: Public banks dominate developmental banking.

Agricultural and MSME advances remain particularly significant within public-sector portfolios.

Finding 3: Private banks are highly competitive.

Private banks have developed substantial credit portfolios despite a smaller overall institutional footprint.

Finding 4: Private banks have a stronger technology orientation.

Their competitive model has encouraged investment in digital services, customer experience and product innovation.

Finding 5: Public banks remain essential for financial inclusion.

Their branch networks and government-linked responsibilities make them indispensable in Bihar.

Finding 6: Private banks are increasingly contributing to inclusion.

Business correspondents, digital services and specialised lending have expanded their role.

Finding 7: Ownership alone does not determine performance.

Different indicators produce different winners.

Finding 8: The COVID-19 period accelerated digital transformation.

Both sectors increased reliance on digital banking.

Finding 9: Asset-quality improvement has changed the public-sector narrative.

Public banks have made substantial progress compared with the earlier period of severe stressed assets.

Finding 10: Bihar requires complementary banking models.

The state’s development requires both public-sector reach and privatesector innovation.

Challenges Facing Public Sector Banks in Bihar

Public banks should focus on:

- reducing unnecessary procedural delays;
- improving digital user experience;
- strengthening branch-level customer service;
- using data analytics for credit assessment;
- improving recovery mechanisms;
- modernising technology;
- reducing avoidable operating costs;
- training employees in digital banking;
- strengthening cybersecurity;
- improving customer grievance mechanisms.

Challenges Facing Private Sector Banks in Bihar

Private banks should focus on:

- increasing rural branch coverage;
- improving access for low-income customers;
- expanding agricultural lending;
- increasing MSME outreach;
- strengthening financial literacy;
- maintaining transparent charges;
- avoiding excessive dependence on profitable urban markets;
- improving customer support in smaller towns;
- strengthening responsible digital lending;
- maintaining high standards of data privacy.

Recommendations

- **Strengthen Public Sector Digital Banking**

  Public banks should continue upgrading mobile applications, online services and digital lending platforms.

- **Expand Private Bank Rural Outreach**

  Private banks should consider Bihar's rural and semi-urban areas as longterm growth markets rather than only as social obligations.

- **Improve Financial Literacy**

  Financial literacy programmes should be expanded through branches, schools, colleges, self-help groups, Panchayati Raj institutions and business correspondents.

- **Strengthen Agricultural Credit**

  Banks should develop products linked to local agricultural patterns, livestock, fisheries, dairy and food processing.

- **Improve MSME Lending**

  Credit procedures should be simplified while maintaining appropriate risk assessment.

- **Integrate Physical and Digital Banking**

  Branches should not disappear simply because digital banking is growing. Instead, branches should become financial-service centres supported by technology.

- **Improve Customer Protection**

  Both sectors should provide transparent information about interest rates, charges, loan conditions and digital risks.

- **Strengthen Cybersecurity**

  As digital banking grows, cybersecurity investment must increase.

- **Promote Responsible Digital Lending**

  Automated credit decisions should be supported by appropriate risk controls and customer safeguards.

- **Use Bihar-Specific Banking Strategies**

  Banking strategies should recognise differences among districts. Patna's banking requirements are not identical to those of a predominantly agricultural district.

Future Research

Future studies can extend this research through primary data.

A survey of bank customers could measure:

- customer satisfaction;
- trust;
- service quality;
- digital banking adoption;
- loan accessibility;
- complaint resolution.

Interviews with bank managers could examine:

- credit risk;
- technology adoption;
- employee productivity;
- rural banking challenges;
- NPA management.

Future research could also use statistical techniques such as:

- t-test;
- ANOVA;
- regression analysis;
- Data Envelopment Analysis (DEA);
- CAMELS scoring; panel-data models.

A district-level analysis would also be valuable. Bihar has substantial differences between urban centres and rural districts, and therefore state-level averages can hide important local variations.

Conclusion

The present study examined the comparative performance of private and public sector banks in Bihar during the period 2019–2025. The comparison covered deposits, advances, credit-deposit ratios, priority-sector lending, agricultural credit, MSME finance, branch networks, financial inclusion, technology, customer service and broader institutional performance.

The evidence demonstrates that public and private banks perform different but complementary roles in Bihar's banking system.

Public sector banks remain the backbone of developmental banking. Their extensive branch networks, historical relationships with rural customers, participation in government programmes and large contribution to agriculture, MSME and priority-sector credit make them particularly important to Bihar's economic and social development. SLBC data for 31 March 2025 show that public sector banks had approximately ₹1,83,215 crore in total advances, including approximately ₹86,301 crore in priority-sector advances, ₹35,245 crore in agricultural advances and ₹40,157 crore in MSME advances.

Private sector banks, meanwhile, have established themselves as important competitors. Their strengths are particularly visible in technology, digital banking, service innovation, operational flexibility and customer-oriented product development. Their total advances in Bihar reached approximately ₹85,497 crore by March 2025, with around ₹46,140 crore classified as priority-sector advances. Their agricultural and MSME advances were approximately ₹20,600 crore and ₹22,600 crore respectively.

The findings therefore do not support a simple conclusion that either sector is universally better.

If performance is defined through **rural outreach, developmental credit and financial inclusion**, public sector banks have a strong advantage.

If performance is defined through **technology, service innovation and commercial flexibility**, private sector banks have a strong advantage.

If performance is defined as **overall banking contribution to Bihar**, both sectors are necessary.

This conclusion is particularly important because Bihar's financial needs are diverse. A farmer may need a nearby branch and agricultural credit. A small entrepreneur may require an MSME loan and digital payment facilities. A young customer may prefer mobile banking. An elderly pensioner may still depend on branch-based services. A government beneficiary may require reliable direct benefit transfer. A growing enterprise may require working capital and digital banking simultaneously.

No single banking model can satisfy all these requirements equally well.

The most appropriate direction for Bihar is therefore not competition between public and private banks alone, but **productive competition combined with complementary roles**. Public banks should use their large institutional footprint more efficiently and improve their digital and customer-service capabilities. Private banks should use their technology and managerial flexibility to expand further into rural and underserved markets.

The period 2019–2025 also demonstrates that the banking industry is undergoing structural change. COVID-19 accelerated digital adoption, while subsequent economic recovery increased demand for credit. At the national level, RBI reported continued expansion in areas such as MSME credit, while financial inclusion efforts continued to broaden access.

For Bihar, the next stage of banking development should therefore focus on five interconnected objectives:

Access, affordability, technology, credit quality and customer trust.

The future banking system of Bihar should be one in which public banks retain their developmental strength while becoming more efficient and technology-driven, and private banks expand their commercial capabilities into wider areas of financial inclusion.

Thus, the central conclusion of this study is that **public and private sector banks should not be viewed simply as competing alternatives. They represent two different institutional strengths within the same financial ecosystem. Bihar's economic development will benefit most when the reach of public banking and the innovation of private banking are combined with strong regulation, responsible lending and inclusive digital transformation.**

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