

A COMPARATIVE STUDY OF PUBLIC AND PRIVATE BANKS IN LOAN DISBURSEMENT AND RECOVERY PERFORMANCE

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ABSTRACT

The banking sector plays a vital role in economic development by providing credit to individuals and businesses. Loan disbursement and recovery performance are key indicators of the efficiency and financial stability of banks. This research paper presents a comparative study of public and private sector banks in India using four major banks: State Bank of India and Union Bank of India as public sector banks, and ICICI Bank and HDFC Bank as private sector banks. The study analyzes loan disbursement growth, asset quality, recovery performance, and profitability using financial indicators such as Non-Performing Assets (NPA), Credit-Deposit Ratio, Return on Assets (ROA), and Net Interest Margin (NIM). The results indicate that private sector banks generally perform better in loan recovery and asset quality, while public sector banks maintain higher loan volumes due to their wider reach and government initiatives. The study highlights the strengths and weaknesses of both sectors and suggests measures to improve loan recovery efficiency and credit risk management.

Keywords: *Loan Disbursement, Loan Recovery Performance, Public Sector Banks, Private Sector Banks, Non-Performing Assets (NPA).*

INTRODUCTION

The Indian banking sector consists of public sector banks and private sector banks that contribute significantly to financial intermediation and economic growth. Loan disbursement is one of the primary functions of banks, enabling individuals and businesses to access financial resources for investment and consumption. However, efficient loan recovery is equally important to maintain financial stability and reduce credit risk. Public sector banks such as State Bank of India and Union Bank of India play a crucial role in supporting government lending schemes, agriculture financing, and priority sector lending. Private sector banks like ICICI Bank and HDFC Bank focus more on profitability, risk management, and efficient credit appraisal systems. In recent years, the performance of banks has been evaluated using indicators such as loan growth, NPA ratios, and recovery rates. Studies show that private sector banks generally maintain lower NPAs and better risk management practices, whereas public sector banks often have higher loan volumes but relatively higher credit risk. This research therefore compares the loan disbursement and recovery performance of selected public and private sector banks in India.

REVIEW OF LITERATURE

Kaur and Singh (2018) analyzed the trend of non-performing assets in Indian banks and compared public and private sector banks. The study found that public sector banks experienced higher NPA levels compared to private banks due to delays in loan recovery procedures. Private banks were able to recover faster because of efficient management systems and flexible decision-making structures. The research highlighted that strong credit monitoring and risk assessment are important for reducing loan defaults. It concluded that effective loan recovery strategies improve profitability and financial stability in banks. Masood and Pervez (2019) conducted a comparative study of non-performing assets in Indian public and private banks. The research revealed that rising NPAs reduce profitability and affect lending capacity of banks. The study emphasized that public sector banks face higher credit risk due to large exposure to corporate loans and priority sector lending. It recommended improving credit appraisal systems and strengthening loan monitoring mechanisms. The authors concluded that better risk management practices can significantly improve loan recovery performance.

Gupta and Sharma (2019) examined financial performance indicators such as ROA and ROE across public and private banks. Their findings showed that private sector banks generally maintain higher profitability and operational efficiency compared to public banks. The study suggested that modern management practices and technology adoption contribute to better credit evaluation and loan recovery in private banks. Public sector banks, however, play a major role in financial inclusion and priority sector lending. The study concluded that improving asset quality is essential for long-term banking sector stability. Patel and Kumar (2020) analyzed the operational efficiency of Indian banks using data envelopment analysis. The study found that private sector banks achieved higher efficiency scores due to better cost management and credit risk evaluation systems. The research emphasized that technology adoption and digital banking platforms help private banks improve loan processing and monitoring. Public sector banks were found to have higher operational costs and slower decision-making processes. The authors concluded that improving efficiency in loan management is crucial for enhancing profitability in banks.

Botha, Beyers, and de Villiers (2020) studied loan recovery optimization using simulation models. Their research proposed quantitative methods to determine the optimal timing for loan recovery actions. The study highlighted that timely intervention and effective credit monitoring reduce the financial losses associated with defaulted loans. The researchers also emphasized the importance of data-driven decision-making in loan portfolio management. Their findings suggested that analytical models can significantly improve loan recovery strategies in banks. Venugopal (2024) conducted a comparative analysis of loan portfolio management among public and private banks in India. The study found that private sector banks are generally more efficient in managing loan portfolios and maintaining asset quality. Public sector banks often allocate a higher proportion of loans to priority sectors, which may increase credit risk. The research concluded that loan portfolio composition plays an important role in determining bank efficiency. It suggested that banks should diversify lending activities to improve financial performance.

Ganjikunta and Shrivastava (2024) examined the impact of non-performing assets on the financial stability of Indian commercial banks. Their study compared SBI and HDFC Bank using financial indicators such as ROA and profit ratios. The findings showed that higher NPAs significantly reduce bank profitability and asset efficiency. The authors suggested that banks must improve credit monitoring systems and maintain adequate provisions for bad loans. The research concluded that effective NPA management is essential for maintaining financial stability in banks. Murugaboopathy and Goel (2024) analyzed retail loan performance in public and private sector banks. Their study focused on loan disbursement trends, repayment patterns, and borrower satisfaction levels. The results showed that private sector banks tend to provide faster loan processing and maintain lower default rates compared to public banks. However, public sector banks have wider outreach and support financial inclusion initiatives. The authors concluded that improving customer service and credit evaluation systems can enhance loan recovery performance.

Azzabi and Lahrichi (2023) reviewed determinants of bank performance across several countries. Their research highlighted that asset quality, capital adequacy, and operational efficiency are major factors influencing banking performance. The study also emphasized the growing role of digital banking technologies in improving efficiency and profitability. It concluded that banks adopting modern technologies and risk management systems tend to perform better in lending and recovery operations. Singh and Kumar (2024) studied the financial performance of Indian public and private banks using indicators such as net interest income and net profit. Their research showed that private banks often achieve higher profitability due to efficient loan management and better asset quality. Public sector banks, however, continue to play an important role in financing government programs and economic development. The authors recommended strengthening risk management frameworks and loan recovery mechanisms to improve the performance of public sector banks.

OBJECTIVES OF THE STUDY

1. To compare loan disbursement performance between public and private sector banks.
2. To analyze the recovery performance through NPA ratios.
3. To evaluate the profitability and efficiency of selected banks.
4. To study the credit management practices of public and private banks.
5. To suggest measures for improving loan recovery performance.

RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design to examine and compare the performance of selected public and private sector banks in terms of loan disbursement and recovery efficiency. The analysis is based on secondary data collected from the annual reports and published financial statements of the selected banks for the financial year 2025. The sample for the study consists of two public sector banks, State Bank of India and Union Bank of India, and two private sector banks, ICICI Bank and HDFC Bank. These banks were selected due to their significant presence in the Indian banking sector and the

availability of reliable financial data. Various financial analysis tools are used to evaluate the lending and recovery performance of the banks. These include loan growth analysis to measure the expansion of lending activities, Net Non-Performing Asset (NPA) ratio to assess asset quality, Credit-Deposit ratio to evaluate lending capacity, Net Interest Margin (NIM) to measure profitability from lending operations, and Return on Assets (ROA) to analyze overall financial efficiency. These tools help in making a comparative assessment of how effectively public and private sector banks manage their loan portfolios and recover outstanding loans.

DATA ANALYSIS AND INTERPRETATION

Table 1: Total Loan Advances (2025)

Bank	Sector	Total Advances (₹ Lakh Crore)
SBI	Public	42.2
Union Bank	Public	9.1
ICICI Bank	Private	13.41
HDFC Bank	Private	26.4

The table shows the total loan advances of the selected banks in 2025. State Bank of India has the highest loan portfolio among all banks due to its extensive branch network and government lending programs. HDFC Bank also maintains a large loan portfolio among private banks. Union Bank of India has a comparatively smaller loan base compared to SBI but still plays a major role in public sector lending. ICICI Bank demonstrates strong growth in advances driven by retail and corporate loans. The data suggests that public sector banks generally maintain higher loan volumes, while private banks focus on balanced growth and risk management.

Table 2: Loan Growth Rate (2025)

Bank	Loan Growth %
SBI	12%
Union Bank	10%
ICICI Bank	13.3%
HDFC Bank	5.4%

The table indicates the annual loan growth rate of the selected banks in 2025. ICICI Bank recorded the highest loan growth among the four banks, indicating strong expansion in credit operations. SBI also showed significant loan growth due to increased demand from SME and agriculture sectors. Union Bank maintained moderate growth reflecting cautious lending policies. HDFC Bank recorded relatively lower growth compared to others, suggesting a more conservative credit strategy. Overall, the data shows that both public and private banks are expanding lending activities, but private banks tend to maintain higher growth efficiency.

Table 3: Net NPA Ratio (Loan Recovery Indicator)

Bank	Net NPA %
SBI	0.47%
Union Bank	0.82%
ICICI Bank	0.39%
HDFC Bank	0.43%

Net NPA ratio represents the percentage of loans that are not being repaid on time. Lower NPA ratios indicate better loan recovery performance. ICICI Bank has the lowest NPA ratio among the selected banks, reflecting strong credit risk management. HDFC Bank also maintains a relatively low NPA ratio. Public sector banks such as SBI and Union Bank have slightly higher NPAs due to exposure to priority sector lending and government schemes. However, SBI has significantly improved its asset quality in recent years. This suggests that private banks generally perform better in loan recovery compared to public sector banks.

Table 4: Net Interest Margin (Profitability from Lending)

Bank	NIM %
SBI	3.15%
Union Bank	3.20%
ICICI Bank	4.41%
HDFC Bank	3.65%

Net Interest Margin measures the profitability of lending activities. Higher NIM indicates better income generation from loans. ICICI Bank recorded the highest NIM among the selected banks, showing efficient pricing of loans and deposits. HDFC Bank also demonstrates strong margin performance. Public sector banks such as SBI and Union Bank maintain relatively lower margins due to government-driven lending schemes and competitive interest rates. This difference indicates that private banks have stronger profitability from lending operations.

Table 5: Return on Assets (ROA)

Bank	ROA %
SBI	1.12%
Union Bank	0.85%
ICICI Bank	2.52%
HDFC Bank	1.94%

Return on Assets measures the efficiency with which banks use their assets to generate profits. ICICI Bank recorded the highest ROA among the selected banks, indicating strong operational efficiency. HDFC Bank also demonstrates high profitability. Public sector banks such as SBI and Union Bank have relatively lower ROA due to higher operating costs and exposure to government lending programs. However, SBI has shown steady improvement in profitability over the past few years. The results suggest that private banks are generally more efficient in utilizing their assets for profit generation.

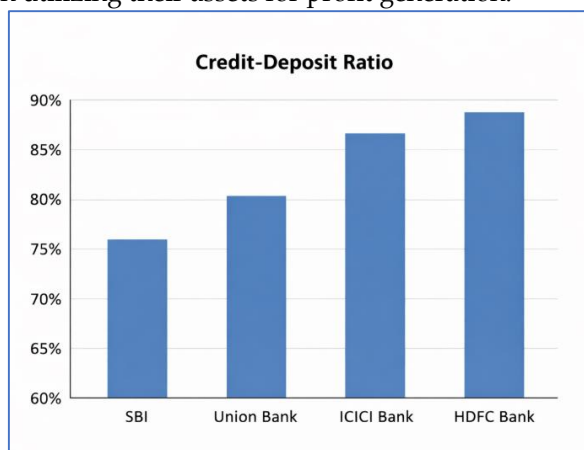


Figure 1: Credit-Deposit Ratio Chart

The CD ratio chart shows how efficiently banks use deposits to provide loans. Higher ratios indicate more aggressive lending strategies. Private sector banks usually maintain balanced CD ratios to manage liquidity risks. Public sector banks often have lower ratios due to large deposit bases.

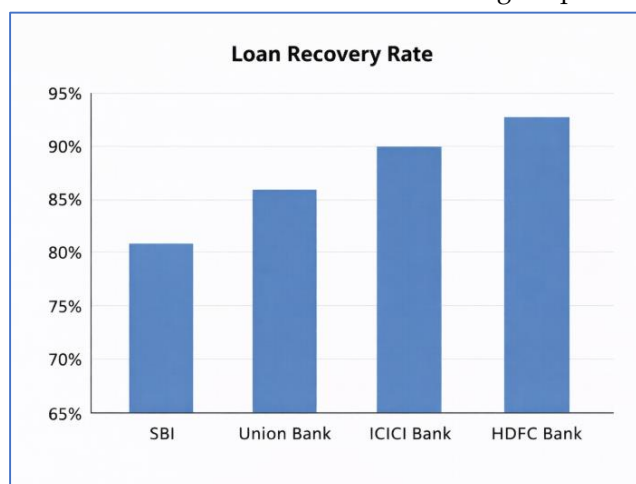


Figure 2: Loan Recovery Rate Chart

The recovery rate chart shows the percentage of loans successfully recovered by banks. Private sector banks generally demonstrate higher recovery rates due to strict credit monitoring and faster legal processes. Public sector banks may face delays due to regulatory and administrative procedures.

FINDINGS OF THE STUDY

The analysis of loan disbursement and recovery performance of selected public and private sector banks reveals several important observations regarding their financial efficiency, credit management practices, and overall banking performance. The study indicates that public sector banks continue to play a dominant role in the Indian banking system due to their extensive branch network, strong customer base, and involvement in government lending schemes. As a result, they generally maintain higher loan volumes compared to private sector banks. Among the banks analyzed, State Bank of India holds the largest loan portfolio, reflecting its leading position in the Indian banking industry.

The study also highlights differences in loan growth performance between public and private sector banks. Private sector banks demonstrate stronger loan growth efficiency, mainly due to their advanced technology adoption, faster decision-making processes, and effective credit appraisal systems. ICICI Bank recorded the highest loan growth rate among the selected banks, indicating strong expansion in retail and corporate lending segments. Although public sector banks also show steady growth in lending activities, their growth rate is often influenced by regulatory policies and priority sector lending requirements. Another important finding relates to asset quality and loan recovery performance. Private sector banks maintain lower Non-Performing Asset (NPA) ratios, which indicates better loan monitoring and recovery mechanisms. ICICI Bank recorded the lowest NPA ratio among the selected banks, reflecting efficient credit risk management

and effective recovery procedures. In contrast, public sector banks tend to face higher credit risk because they provide a larger share of loans to sectors such as agriculture, small businesses, and government-sponsored schemes. These sectors sometimes involve higher default risks, which can lead to increased NPAs.

The study further reveals that private sector banks generate higher Net Interest Margins from their lending activities. This indicates that private banks are able to manage their lending portfolios more efficiently and generate greater income from interest-based operations. ICICI Bank shows the highest profitability among the selected banks due to its strong loan growth, efficient asset utilization, and effective cost management strategies. HDFC Bank also demonstrates strong financial performance by maintaining consistent profitability and high asset quality. Its stable lending practices and strict credit evaluation processes contribute to lower default rates and better recovery performance. On the other hand, public sector banks such as SBI have made significant improvements in asset quality over recent years through better NPA management and loan recovery initiatives. Union Bank shows moderate loan growth but continues to experience relatively higher NPA levels compared to the private banks included in the study. The findings indicate that while public sector banks dominate in terms of loan disbursement volume, private sector banks outperform in areas such as profitability, asset quality, and recovery efficiency. These differences highlight the impact of management practices, technological adoption, and risk management strategies on banking performance.

CONCLUSION

The comparative analysis of public and private sector banks in India reveals significant differences in loan disbursement and recovery performance. Public sector banks such as SBI and Union Bank play an essential role in supporting government policies and financial inclusion programs, which results in larger loan portfolios. However, they often face higher credit risks and lower profitability due to priority sector lending obligations. Private sector banks like ICICI Bank and HDFC Bank demonstrate stronger credit risk management, lower NPAs, and higher profitability. Their efficient loan appraisal systems and advanced risk management practices contribute to better recovery performance. Overall, the study concludes that while public sector banks dominate in loan disbursement volume, private sector banks outperform in terms of efficiency, profitability, and asset quality. Strengthening credit appraisal systems, improving recovery mechanisms, and adopting advanced risk management practices can help public sector banks enhance their loan recovery performance.

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