

What is the Difference Between Public Sector and Private Sector Banks

Posted By: [Sneha B K](#) Updated: Monday, January 25, 2016, 10:28 [IST]

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Public sector banks are those where majority of the stake in the bank is held by government. Where as in private sector bank, majority is held by share holders of the bank.

Individuals get a fair idea, if we say SBI is a public sector bank and ICICI is a private sector bank.

Both type of bank offer same services, however charges differ and so as the quality and time duration for the services provided. One can also see the difference between interest rates.

Also read: [Difference Between Salary Account and Savings Account \(SB Account\) In A Bank.](#)



Public Sector banks

A bank in which the government holds a major portion of the shares. Say for example, SBI is public sector bank, the government holding in this bank is 58.60%. Similarly PNB is a public sector bank, the government holds a stake of 58.87%.

Usually, in public sector banks, government holdings are more than 50 per cent.

Nationalized banks are public sector banks. In nationalized banks the government controls the bank.

Some examples are SBI, PNB, etc

Private sector banks are owned by private bodies. These banks management and controlled by private promoters.

After the liberalization in the 1990s, the new private sector banks are those who got their licenses.

Difference between public and private sector bank

• Shareholders

In a public sector bank more than fifty percentage of the stake is held by the Government.

In a private sector majority of the stake owned to private shareholders.

• Interest Rate

Interest Rates offered by public sector bank are slightly higher.

In case of loans, interest rates are marginally lower.

• Fees & Service

Private Sector Banks have made names in providing better service, however, they charge for the extra services provided by them.

Public sector banks fees and charges are less such as on balance maintenance . A lot of public sector banks are still picking up in the service.

• Customer Base:

Mostly public sector accounts are opened for government employees for their salaries, fixed deposits, lockers etc.

whereas private sector bank in India target company employees,for their salary accounts, credit cards and net banking.

*** Financial performance**

In terms of financial performance, PSU banks lag behind. In terms of most of the parameters like non performing assets and net interest margins, private sector banks tend to be much better placed. The share prices of these banks are also significantly higher. Another important factor is that in terms of capital adequacy as well, as public sector banks are lagging behind, their private sector banking peers.

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