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Difference Between Nationalised, Public And Private Sector Bank

It is important to understand the difference between nationalised bank, public and private sector. This is one of the favourite topics of paper setters and interviewers in many banking exams and interviews.

Let us take a look at some important points which will help you understand the basic differences among these.

Difference Between Public Sector Bank And Private Sector Bank

Let us first understand the difference between Public sector bank and Private sector bank. Banks are classified as public sector or private sector, depending on who holds the majority shares in the bank.

Those banks where the Government holds the majority stake (more than 50% of the shares) are known as public sector banks. And those where private institutions/individuals hold more than 50% of the shares are known as private sector banks.

Let us take a few examples to clarify this further.

State Bank of India is public sector bank as the government holding in this bank is 58.60%. Similarly, PNB is a public sector bank as the government holds a stake of 58.87%.

ICICI is a private sector bank as private institutions and individuals own majority of its shares. Check [this link](#) for more information.

Another interesting example is the Axis Bank. It is classified as a private sector bank. However, about 29% of its shares ([as of writing](#)) are held by institutions which themselves are owned and controlled by the Government of India.

Difference Between Public Sector Bank And Nationalised Banks

The term “nationalised banks” refers to those banks which were “nationalised” under the “Banking Companies (Acquisition and Transfer of Undertaking) Bill”. Read our other post to know all about [Nationalised Banks in India](#) – we have covered it in detail over there.

Let us see if you understand what nationalised banks are, answer the following question.

Question – Which of the following statements are correct?

1. All public sector banks in India are nationalised banks
2. All nationalised banks are public sector banks in India.

+ Click For Answer

Public Sector Banks - Some More Information

So as we read earlier

- A public sector bank is a bank in which the government holds a major portion of the shares.
- Government holdings are more than 50% in public sector banks.

Let us go through some more information about public sector banks.

There are a total of 27 public sector banks in India. These can further be classified into three groups

1. SBI and its associate banks – total six banks – State Bank of India, State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Patiala, State Bank of Mysore, and State Bank of Travancore
2. Nationalised banks – total 19 banks – Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India
Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab & Sind Bank, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of India, United Bank of India, Vijaya Bank, and The Karur Vysya bank
3. IDBI bank and Bhartiya Mahila Bank

Private Sector Banks - Some More Information

By now you understand that

- Private sector banks are owned by private lenders.
- The private banks are managed and controlled by private promoters.

As mentioned in our other post, only the largest 14 private banks were nationalised through the act of Parliament in 1969. So another interesting question, why were some private banks left out from the nationalisation process?

Some banks were left out because they were either very small, too specialist in their functioning or have a very regional focus to be included in nationalised Banks. On this basis, the private sector banks are sometimes classified as old private sector banks and new private sector banks.

The old private sector banks are those which existed before the nationalisation in 1969 and kept their independence. The new private sector banks are those that got their banking licence after the liberalisation of the Indian economy in the early 1990s.

As per the information available from the [Ministry of Finance](#), there are 20 Private Sector Banks operational in India. These include 13 old private sector banks and 7 new private sector banks. The list follows.

Old private sector banks – Catholic Syrian Bank, City Union Bank, Dhanalakshmi Bank, Federal Bank, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Karur Vysya Bank, Lakshmi Vilas Bank, Nainital Bank, Ratnakar Bank, South Indian Bank, Tamilnad Mercantile Bank

New private sector banks – Axis Bank, Development Credit Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank, Yes Bank.

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