

Comparative Analysis of Public and Private Sector Banks in India: Profitability, Asset Quality, and Digital Transformation (2021–2025)

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ABSTRACT

The Indian banking sector has undergone significant changes during the period 2021–2025. These changes were pushed by post-pandemic economic recovery, the rapid growth of digital payment systems, regulatory reforms, and financial inclusion initiatives undertaken by the Government of India. This study examines the performance of selected public and private sector banks in India by analysing key factors such as profitability, asset quality, financial stability, digital transformation, and financial inclusion. The research is based on secondary data collected from the annual reports of selected banks, publications of the Reserve Bank of India (RBI), the National Payments Corporation of India (NPCI), the Ministry of Finance, and other authentic sources. Six major commercial banks—State Bank of India, Bank of Baroda, Punjab National Bank, HDFC Bank, ICICI Bank, and Axis Bank—were selected for the study. To measure the performance of the selected banks, the study uses various profitability indicators, Asset quality indicators, Capital Adequacy Ratio, Unified Payments Interface (UPI) transaction volume, and Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts. The findings of the study, during the study period indicates that the private sector banks recorded higher profitability, stronger asset quality, and better capital adequacy ratio than public sector banks. However, public sector banks also demonstrated considerable improvement in profitability and achieved a substantial reduction in non-performing assets. The study also highlights that during this period there is expansion of digital banking and PMJDY accounts. Findings concluded that, Indian Banking Sector, has become more stable, technologically advance and resilient during the post pandemic period.

Keywords: Indian Banking Sector, Public Sector Banks, Private Sector Banks, Profitability, Asset Quality, Capital Adequacy, Digital Transformation, Financial Inclusion, UPI, PMJDY.

Introduction

The banking sector is the backbone of the financial system. It drives economic growth through saving, provide loans and advances to businesses and households, facilitates investment, helps people save money, and facilitates investments. A strong banking system enhances financial stability by distributing resources effectively and efficiently and building public trust in the economy. Banks also provide financial services in rural and semi-urban areas by promoting financial inclusion. A strong banking system enhances financial stability by distributing resources effectively and building public trust in the economy. The Indian banking sector has changed significantly in recent decades from 2015 to 2025. After 1991, the economic reform was introduced, which invites competition, technological improvements, and better regulatory oversight. Banking sector adopted modern practices to enhance operational efficiency, better customer service and increase profitability. Basel III norms, consolidation of public sector banks, IBC code 2016 boosted the stability in banking sector.

The years 2021-2025 are considered as pandemic recovery phase. During this period, digital banking, online banking, UPI based payments improved access to financial services in India. Initiative such as *Pradhan Mantri Jan Dhan Yojana (PMJDY)* enhanced the access to banking services for many people across the country. To strengthen the financial stability across the country, banks also focus on Capital Adequacy ratio, improving asset quality by reducing Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA).

There are still disparities among Public and private sector banks in terms of profitability, efficiency, asset quality, and the use of digital technologies. This study compares selected public and private sector banks from 2021 to 2025, focusing on profitability, asset quality, capital adequacy, digital transformation, and financial inclusion. The results will offer valuable insights for policymakers, banking professionals, researchers, and investors about the changing landscape of the Indian banking sector.

Review of Literature

Kumbirai and Webb (2010): Kumbirai and Webb studied the financial performance of commercial banks examining Return on Assets (ROA), Return on Equity (ROE), and liquidity ratios. The study concluded that, higher ROA and ROE indicating better operational efficiency and financial stability in banks.

Gupta and Kaur (2011): Gupta and Kaur compare public and private sector banks in India. The research suggested that, Private Banks are better at making profits, running operations efficiently, and serving customers better.

Goyal and Joshi (2012): Goyal and Joshi (2012) concluded that, liberalization, technological growth, and regulations have improved banks' competitiveness and profitability.

Bansal (2014): Bansal (2014) examined non-performing assets, and found that high Gross non performing Assets negatively impact bank profits and overall financial health.

Kumar and Gulati (2015): Kumar and Gulati (2015) assessed bank efficiency, and found that the private sector banks utilises the resources better than public sector banks, leading to higher profits.

Singh (2016): Singh (2016) discovered, how the financial inclusion can enhance economic development by promoting access to banking, savings, and financial literacy.

Reserve Bank of India (2018): The Reserve Bank of India (2018) highlighted the importance of capital adequacy and risk management for banking stability and improvements from regulatory reforms.

National Payments Corporation of India (2021): The National Payments Corporation of India (2021), reported the increase in UPI transactions.

Ministry of Finance (2022): The Ministry of Finance (2022) reviewed the Pradhan Mantri Jan Dhan Yojana (PMJDY) and reported an increase in bank account ownership, thereby supporting financial inclusion.

Reserve Bank of India (2023) (2024): The Reserve Bank of India (2023) reported improvements in profitability and asset quality among banks, along with a decline in GNPA ratios, attributable to better risk management.

Statement of the Problem

During the years 2021 to 2025, recognised as the post-pandemic period, the banking sector underwent a significant transformation driven by digitalisation, regulatory reforms, and financial inclusion. These transformations have made banking services more efficient, created new opportunities for growth and innovation and included all the people in the financial sector. However, the banking sector continues to face challenges related to Asset Quality, Profitability, operational efficiency and competition from fintech companies.

Public and Private sector banks have responded differently to the changes due to differences in their management practices, technology adoption, risk management systems, and business strategies. Private sector banks have increased their profitability through digital transformation and effective management of non-performing assets. However, Public sector banks were struggling with financial and operational challenges.

In this context, the study will analyse how digital transformation, banking reforms, financial inclusion, and asset quality affect banks' profitability and performance. The study will compare public and private-sector banks. Therefore, the present study will analyse the relationships among these variables and their impact on banking performance from 2021 to 2025.

Research Gap

A review of existing studies has examined the financial performance of Indian banks using various profitability metrics (Return on Assets (ROA), Return on Equity (ROE)), asset quality metrics (Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA)). Recent research also explores digital transformation through Unified Payments Interface (UPI) and financial inclusion via the Pradhan Mantri Jan Dhan Yojana (PMJDY). Some studies assess the role of the Capital Adequacy Ratio (CAR) in ensuring bank stability. Most studies have analysed these dimensions independently, focusing only on public-sector or private-sector banks. The period 2021 -2025 is the post-pandemic period, characterised by recovery, a rise in digital payments, financial inclusion initiatives, improvements in asset quality and capital adequacy, etc. The present study addresses this research gap by comparing selected private and public-sector banks using various metrics such as ROA, ROE, GNPA, NNPA, CAR, UPI transactions, and PMJDY accounts. This study contributes to understanding the financial performance and resilience of the banking sector.

Research Objectives

The primary objective of this study is to analyse selected private and public-sector banks by comparing their financial performance, asset quality, digital transformation, and financial inclusion during the period 2021–2025.

The other objectives of the study are as below:

- To evaluate and compare the profitability of public and private sector banks by using profitability metrics (Return on Assets (ROA) and Return on Equity (ROE)) during the period 2021–2025.
- To assess and compare the non-performing assets of public and private sector banks by using Asset quality metrics (Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA)).
- To examine the financial strength and stability of the selected banks by using the Capital Adequacy Ratio (CAR).
- To analyse the growth of digital transformation in the Indian banking sector through Unified Payments Interface (UPI) transactions during the study period.
- To evaluate the progress of financial inclusion in India through the growth of Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts.
- To provide recommendations for improving the profitability, asset quality, financial stability, digital banking, and financial inclusion of the Indian banking sector.

Research Hypotheses

To achieve the objectives of the study, the following hypotheses have been formulated:

Hypothesis 1: Profitability

H₀1: There is no significant difference in the profitability of selected public and private sector banks during the period 2021–2025 as measured by Return on Assets (ROA) and Return on Equity (ROE).

H₁1: There is a significant difference in the profitability of selected public and private sector banks during the period 2021–2025 as measured by Return on Assets (ROA) and Return on Equity (ROE).

Hypothesis 2: Asset Quality

H₀2: There is no significant difference in the asset quality of selected public and private sector banks during the period 2021–2025 as measured by Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA).

H₁2: There is a significant difference in the asset quality of selected public and private sector banks during the period 2021–2025 as measured by Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA).

Hypothesis 3: Digital Transformation

H₀3: Digital transformation has no significant impact on the performance of the Indian banking sector during the period 2021–2025.

H₁3: Digital transformation has a significant positive impact on the performance of the Indian banking sector during the period 2021–2025.

Hypothesis 4: Financial Inclusion

H₀4: Financial inclusion initiatives have no significant contribution to the growth and development of the Indian banking sector during the period 2021–2025.

H₁4: Financial inclusion initiatives have significantly contributed to the growth and development of the Indian banking sector during the period 2021–2025.

Data Analysis and Interpretation

- Analysis of Profitability Performance of Selected Banks**

Table 1: Comparative Profitability Metrics (ROA & ROE (%))

Bank	2021	2022	2023	2024	2025
	(ROA / ROE)	(ROA / ROE)	(ROA / ROE)	(ROA / ROE)	(ROA / ROE)
SBI	0.48 / 9.94	0.67 / 13.92	0.96 / 19.43	1.04 / 20.32	1.10 / 19.87
Bank of Baroda	0.12 / 1.50	0.60 / 7.50	1.03 / 13.20	1.17 / 15.50	1.25 / 16.20
Punjab National Bank	0.18 / 2.30	0.26 / 3.40	0.19 / 2.50	0.61 / 7.80	0.90 / 11.50
HDFC Bank	1.90 / 16.60	1.94 / 16.70	1.95 / 17.20	1.98 / 16.10	1.90 / 15.80
ICICI Bank	1.30 / 12.30	1.70 / 14.70	2.10 / 17.20	2.30 / 18.60	2.20 / 16.30
Axis Bank	0.70 / 7.20	1.20 / 12.40	0.80 / 8.50	1.80 / 16.50	1.75 / 15.90

Average ROA & ROE**Table 2 : Average Profitability of Public and Private Sector Banks (2021–2025)**

Bank	ROA	ROE
SBI	0.85%	16.70%
Bank of Baroda	0.83%	10.78%
Punjab National Bank	0.43%	5.50%
HDFC Bank	1.93%	16.48%
ICICI Bank	1.92%	15.82%
Axis Bank	1.25%	12.10%

Table 3: Average ROA and ROE public and private sector bank

Banking Sector	Average ROA (%)	Average ROE (%)
Public Sector Banks (SBI, BOB, PNB)	0.7	10.99
Private Sector Banks (HDFC, ICICI, Axis)	1.7	14.8

Analysis

Table 1, presents the data on profitability metrics - Return on Assets (ROA) and Return on Equity (ROE) of selected public and private sector banks during the post-pandemic period 2021–2025. The data in the above table show that both public and private sector banks have improved their Profitability during the study period 2021-2025.

The Public sector banks, State Bank of India (SBI), increased its return on assets (ROA) from 0.48% in 2021 to 1.10% in 2025 and raised its return on equity (ROE) from 9.94% to 19.87%. Bank of Baroda also saw impressive growth, with ROA rising from 0.12% to 1.25% and ROE increasing from 1.50% to 16.20% in the same time. Punjab National Bank (PNB) showed gradual improvement in Profitability, especially after 2023.

The private sector banks: HDFC Bank, ICICI Bank and Axis Bank reported high Profitability in terms of Return on Assets and Return on Equity (ROE). For HDFC Bank, ROA is above 1.90% from 2021 to 2025, and Return on Equity remains above 16% (average 16.48%) over the period. ICICI Bank was the best in Profitability, with ROA increasing from 1.30% (2021) to 2.20% in 2025, increase in Return on Equity from 12.30% to 16.30% in 2025. Axis Bank also recorded improvements in profitability metrics- Return on Asset (0.70% to 1.75%) and ROE (7.20% to 15.90%), during the study period 2021 to 2025.

A comparison of Profitability between Public and private sector banks shows that Private sector banks consistently reported higher Return on Assets and Return on Equity as compare to Public sector banks. However, public sector banks also improved more over the 5-year period. Private sector banks have an average return between 1.25% and 1.93%, while public sector banks shows the values between 0.43% and 0.85%. Private-sector banks also have higher Return on Equity, provide better returns to their shareholders,

Interpretation

The findings indicate that the Profitability in the Indian banking sector improved substantially between 2021 and 2025. Private sector banks show greater Profitability in terms of asset utilisation and shareholder returns, as reflected in their higher ROA and ROE values during the period 2021 to 2025. Their strong performance was attributed to operational efficiency, the use of advanced technology, risk management, and credit quality. Public sector banks, starting (2021) from lower profitability levels, have made significant improvements (2025) in their financial performance. Among Public sector banks, comparatively less profitable showed significant improvement during the study period. The state Bank of India recorded the highest average return on equity to its shareholders (16.70%), while HDFC Bank recorded the highest average ROA.

Table 3 presents the average Profitability of selected public- and private-sector banks during the post-pandemic period 2021 to 2025. The results indicate that private banks outperformed public banks in terms of Return on Assets (ROA) and Return on Equity (ROE).

The Private banks had an average ROA of 1.70% and an average ROE of 14.80%, while the public banks had an average ROA of 0.70% and an average ROE of 10.99%.

The higher ROA of private-sector banks (1.70%) indicates they used their assets more efficiently to generate profits. The higher ROE of private-sector banks (10.99%) suggests better returns to shareholders and stronger overall financial performance.

Although public sector banks reported lower average Profitability, they improved significantly during the period. This improvement comes from banking reforms, improved asset quality, and improved governance practices.

Decision on Hypothesis 1

Based on the comparison of selected Private sector and Public sector banks in terms of the Profitability (Return on Asset (ROA) and Return on Equity (ROE), the Null hypothesis is not supported by the finding of the study. The results indicate that that private sector banks performed better than public sector banks in terms of profitability during the period 2021–2025. Table 3, figures indicates that private sector banks maintained higher average ROA (1.70%) and ROE (14.80%) than public sector banks, which recorded an average ROA of 0.70% and ROE of 10.99%.

Therefore, the findings support the alternative hypothesis (H₁): “There is a significant difference in the profitability of selected public and private sector banks during the period 2021–2025 as measured by Return on Assets (ROA) and Return on Equity (ROE).”

- **Analysis of Asset Quality performance of Selected Banks**

Table 4: Asset Quality & Capital Adequacy (GNPA / NNPA / CAR %)

Bank	2021 (GNPA / NNPA / CAR)	2022 (GNPA / NNPA / CAR)	2023 (GNPA / NNPA / CAR)	2024 (GNPA / NNPA / CAR)	2025 (GNPA / NNPA / CAR)
SBI	4.98 / 1.50 / 13.74	3.97 / 1.02 / 13.83	2.78 / 0.67 / 14.68	2.24 / 0.57 / 14.28	1.81 / 0.43 / 14.85
Bank of Baroda	8.87 / 3.09 / 14.99	6.61 / 1.72 / 15.68	3.79 / 0.89 / 16.24	2.92 / 0.68 / 16.31	2.40 / 0.55 / 16.55
Punjab National Bank	14.12 / 5.73 / 14.32	11.78 / 4.80 / 14.50	8.74 / 2.72 / 15.50	5.73 / 0.73 / 15.97	4.32 / 0.60 / 16.20
HDFC Bank	1.32 / 0.40 / 18.80	1.17 / 0.32 / 18.90	1.12 / 0.27 / 19.30	1.24 / 0.33 / 18.80	1.36 / 0.38 / 18.20
ICICI Bank	4.96 / 1.14 / 19.12	3.60 / 0.76 / 19.16	2.81 / 0.48 / 18.34	2.30 / 0.50 / 16.20	1.70 / 0.40 / 16.90
Axis Bank	3.70 / 1.05 / 15.40	2.82 / 0.73 / 18.50	2.02 / 0.39 / 17.60	1.43 / 0.31 / 17.80	1.35 / 0.28 / 18.25

Table 5: Average Gross and Net Non-performing Asset, Capital adequacy ratio

Bank	Average GNPA	Average NNPA	CAR
SBI	3.16%	0.84%	14.28%
Bank of Baroda	4.92%	1.39%	15.95%
Punjab National Bank	8.94%	2.92%	15.30%
HDFC Bank	1.24%	0.34%	18.80%
ICICI Bank	3.07%	0.66%	17.94%
Axis Bank	2.26%	0.55%	17.51%

Table 6: Comparative Asset Quality and Capital Adequacy of Public and Private Sector Banks (2021–2025)

Banking Sector	Average GNPA (%)	Average NNPA (%)	Average CAR (%)
Public Sector Banks (SBI, BOB, PNB)	5.67	1.72	15.18
Private Sector Banks (HDFC, ICICI, Axis)	2.19	0.52	18.08

Analysis

Table 4 and Table 5 presents the asset quality and capital adequacy position of the selected public and private sector banks during the post-pandemic period 2021–2025. Asset quality has been evaluated using Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA), while the bank's financial stability has been analyzed using the Capital Adequacy Ratio (CAR). The figures from tables 4 and 5 shows that the selected banks have improved their asset quality during the study period.

Among the selected public sector banks, State Bank of India reduced its Gross NPA from 4.98% (2021) to 1.81%(2025) and net NPA declined from 1.50% to 0.43%; Bank of Baroda also made significant improvement, by reducing Gross NPA from 8.87% to 2.40% and Net NPA from 3.09% to 0.55%; Punjab National Bank had the highest NPA levels among these banks, it successfully lowered its GNPA from 14.12% to 4.32% and its NNPA from 5.73% to 0.60% during the study period.

Among private-sector banks, HDFC Bank demonstrated the best asset quality, with the lowest average Gross NPA (1.24%) and Net NPA (0.34%); ICICI Bank also reduces its GNPA from 4.96% (2021) and net NPA from 1.14 % (2021) to GNPA 1.70%(2025) and NNPA 0.40%(2025). , Axis Bank also reported Lower GNPA and NNPA levels to 1.35 and 0.28, respectively, in the year 2025, indicating effective credit risk management .

Capital Adequacy Ratio (CAR) is the regulatory requirement prescribed by Reserve Bank of India and Basel III norms. It is the indicator to assess the financial stability and resilience of the selected banks.

Private sector banks like HDFC Bank, ICICI Bank, and Axis Bank demonstrated the highest average CAR of 18.80%, 17.94%, 17.51% respectively. Among public sector banks, Bank of Baroda maintained the highest average CAR of 15.95%, followed by Punjab National Bank (15.30%) and SBI (14.28%)

Interpretation

There is decline in the ratio of GNPA and NNPA, shows an improvement in asset quality and credit risk management in the Indian banking sector. Reduction in non performing assets reveals the effectiveness of banking reforms, improvement in recovery of loans, stringent regulatory supervision, and monitoring of loan portfolios are working effectively.

The high Capital Adequacy Ratio levels demonstrate that all selected banks had enough capital to handle potential financial shocks and support future growth. Private sector banks were stronger in capital and had better asset quality than public sector banks. However, public sector banks made significant improvements during the study period due to recapitalization efforts, governance reforms, and better risk management.

Decision on Hypothesis 2

The comparative analysis of asset quality of public and private sector bank, Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) metrics reveals that private sector

banks exhibited significantly lower average GNPA (2.19%) and NNPA (0.52%) compared to public sector banks, which had average GNPA and NNPA of 5.67% and 1.72%, respectively. This finding supports the alternative hypothesis "There is a significant difference in the asset quality of selected public and private sector banks during the period 2021–2025".

- **Analysis of Digital transformation and financial inclusion**

Table 7: UPI transactions, PMJDY accounts and GNPA

Year	UPI Transactions	PMJDY Accounts	Overall Banking Sector
	(Volume in Crore)	(In Crore)	GNPA (%)
2021	2,200	43	7.30%
2022	7,404	47	5.80%
2023	11,768	50.1	3.90%
2024	13,996	53.1	2.80%
2025	20,881	56.2	2.30%

Analysis

Table 7 presents the growth in UPI transactions, PMJDY accounts, and the overall Gross Non-Performing Asset (GNPA) ratio of the Indian banking sector during 2021–2025.

The data in the table above show the growth of the digital payment system during the study period. The volume of UPI transactions rose from 2,200 crore (2021) to 20,881 crore (2025).

The table also shows the effectiveness of financial inclusion and the expansion of access to formal banking services among the previously unbanked population, as evidenced by the increase in Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts from 43.0 crore (2021) to 56.2 crore (2025). The total Gross Non-Performing Asset of the banks decreases from 7.3% (2021) to 2.3% (2025).

Interpretation

Digital transformation through UPI transactions and financial inclusion through Pradhan Mantri Jan Dhan Yojana, strengthened the Indian banking sector. The rise in UPI transactions shows that customers prefer digital payment systems and digital banking services. The expansion of PMJDY accounts reflects greater financial inclusion and increased participation in the formal financial system. The collective impact of digital transformation, financial inclusion initiatives, and banking reforms has played a significant role in bringing stability in the Indian banking sector during the period 2021–2025.

Decision on Hypothesis 3

There is a rise in UPI transactions from 2,200 crore (2021) to 20,881 crore (2025). More people are using UPI-based payments through various mobile apps, indicating the successful implementation of digital banking initiatives. The findings support the alternative hypothesis "Digital transformation has significantly influenced the growth and performance of the Indian banking sector during the period 2021–2025"

Decision on Hypothesis 4

The analysis of Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts shows a steady increase from 43.0 crore accounts (2021) to 56.2 crore accounts (2025). It demonstrates the expansion of formal banking services and greater financial inclusion in the country. These findings indicate that financial inclusion initiatives have strengthened access to banking services and supported the development of the Indian banking sector.

The findings support the alternative hypothesis (H₄), which states that financial inclusion initiatives have contributed to the development of the Indian banking sector during the study period.

Findings of the Study

- The profitability of all selected banks increased over the period 2021–2025, as measured by the profitability metrics Return on Assets (ROA) and Return on Equity (ROE).
- Private sector banks reported higher average profitability than public sector banks, with an average ROA of 1.70% and ROE of 14.80%.
- Among all the selected HDFC Bank reported the highest average Return on Assets (ROA) of 1.93%, indicating that the Bank uses its assets effectively to generate profit.

- ICICI Bank recorded the 2nd-highest average Return on Assets at 1.92%, indicating strong operational efficiency and financial performance during the study period.
- Axis Bank also reported substantial profitability during the study period.
- State Bank of India (SBI) has achieved the highest average Return on Equity (ROE) of 16.70%, reflecting effective utilisation of shareholders' funds.
- Bank of Baroda has also recorded significant growth in both profitability metrics, Return on Assets (ROA) and Return on Equity (ROE).
- Punjab National Bank (PNB) has improved its profitability since 2024, recorded the lowest profitability among the selected banks. It shows an average Return on Asset of 0.43% and Return on Equity of 5.50%. The Bank has improved profitability since 2024.
- Private sector banks consistently performed in terms of profitability, generated an average Return on Asset approximately 2.4 times higher and a significantly higher average Return on Equity as compare to public-sector banks.
- Banking reforms and digital transformation of the banking sector help to contribute to profitability of the banking sector.
- Private sector banks maintained better asset quality (metrics GNPA and NNPA) and capital adequacy showing average GNPA, NNPA, and CAR values of 2.19%, 0.52%, and 18.08%, respectively, compared to 5.67%, 1.72%, and 15.18% for public sector banks.
- A comparison of private- and public-sector banks from 2021 to 2025 showed that private sector banks performed better in asset quality (GNPA 2.19% and NNPA 0.72%)than public-sector banks(GNPA 5.67% and NNPA 1.72%), suggests that private banks are more performing in assessing credit and recovering loans.
- When comparing two sector banks, assessing the financial stability of the bank, Private-sector banks maintained a higher capital adequacy ratio (18.8%), while Public-sector banks maintained a lower capital adequacy ratio (15.8%). f
- There has been increase in UPI transactions during the post-COVID period, indicating more people are using digital banking platforms. It is the success of the Digital India initiative taken by the Government of India.
- UPI transactions increased from 2,200 crore (2021) to 20,881 crore (2025).
- PMJDY accounts increased from 43.0 crore to 56.2 crore, indicating improved financial inclusion and expanded the reach of formal banking services.
- The Gross Performing Assets decreased from 7.3% to 2.3%, indicating that there is improvement in asset quality.
- The Indian banking sector became more resilient, efficient, and technology-driven during the study period.

Suggestions

- Public sector banks should continue to strengthen loan monitoring systems to reduce further increases in Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA).
- The private and Public sector Banks should improve their digital banking system and cybersecurity measures to handle the growing volume of digital transactions via the Unified Payments Interface (UPI) and other digital payment platforms.
- The banking sector should continue to support financial inclusion through the initiative Pradhan Mantri Jan Dhan Yojana (PMJDY) in rural and semi-urban areas.
- To maintain the financial stability and resilience, the banks should maintain adequate Capital Adequacy Ratios.
- To improve the operational efficiency of the employee, training on digital banking, cybersecurity, and risk management to be provided.
- The Reserve Bank of India should encourage banks to maintain corporate governance and maintain transparency in their banking transactions.

Conclusion

The Indian banking sector plays a vital role in fostering economic growth and ensuring stability. It also promotes financial inclusion. This Study examined selected public and private banks in India between 2021 and 2025. It used various metrics such as Return on Assets (ROA), Return on Equity (ROE), gross non-performing assets (GNPA), net non-performing assets (NNPA), capital adequacy ratio (CAR), Unified Payments Interface (UPI) transactions, and Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to conclude the performance of public and private sector banks, digital transformation and financial inclusion. The findings of the study indicate that “*Private sector banks performed better than public sector banks*”, in Profitability, asset quality, and Capital strength during the post pandemic period 2021 to 2025. The Public banks improved their profits and greatly reduced their non-performing assets also.

The Study also showed that in the post pandemic period, there is increase in digital banking transactions through UPI transactions. More people from urban, rural and semi urban areas are included in the financial system and they can access financial services through like PMJDY. All banking institutions maintained capital adequacy ratios above the Reserve Bank of India's requirements and Basel III norms, indicating a sustainable banking environment. The research study concluded that since the pandemic, the Indian banking sector has become more profitable and technologically advanced. Maintaining a focus on digital transformation and sound risk management will be key to long-term and sustainable growth of banking sector.

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