

A Comparative Study of working of SBI and HDFC Bank

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Abstract: *The Indian banking sector plays a vital role in economic development by mobilizing savings, providing credit, and supporting industrial and financial growth. Public and private sector banks differ in ownership structure, operational efficiency, profitability, technological adoption, and customer service. This study presents a comparative financial performance analysis of State Bank of India (SBI), the largest public sector bank, and HDFC Bank, the leading private sector bank, during 2024–25 and 2025–26. The study evaluates profitability, asset quality, capital adequacy, productivity, and operational efficiency using secondary data from annual reports and financial statements. The findings reveal that while SBI dominates in market reach and profitability volume, HDFC Bank demonstrates superior efficiency, asset quality, and capital strength.*

Keywords: Indian banking, digital banking, financial reforms, SBI and HDFC Bank

I. INTRODUCTION

The Indian banking sector has undergone significant transformation over the last three decades due to economic liberalization, globalization, privatization, technological advancement, and financial sector reforms. Since the introduction of economic reforms in 1991, the banking industry in India has shifted from a highly regulated and government-controlled structure to a more competitive, technology-driven, and customer-oriented system. Public sector banks and private sector banks together form the backbone of India's financial system and contribute substantially to economic growth, industrial development, employment generation, and financial inclusion.

The banking sector plays a crucial role in mobilizing savings, facilitating investments, supporting trade and commerce, and ensuring financial stability. In recent years, digital banking, fintech integration, online transactions, and mobile banking services have transformed banking operations and customer expectations. As competition intensified, banks began focusing not only on profitability but also on operational efficiency, customer satisfaction, risk management, and technological innovation. In this context, public and private sector banks have adopted different operational strategies and performance models.

Public sector banks are primarily owned and controlled by the Government of India and are responsible for implementing various government financial policies and welfare schemes. These banks focus on social banking objectives such as rural banking, agricultural financing, financial inclusion, and priority sector lending. Among public sector banks, State Bank of India (SBI) is the largest and most influential institution. SBI has a vast branch network, strong government backing, and a dominant market presence across urban, semi-urban, and rural India. The bank plays a major role in implementing government initiatives such as Jan Dhan Yojana, Direct Benefit Transfer (DBT), agricultural credit schemes, and MSME financing.

As of FY2025, SBI operates through more than 22,900 branches and over 65,000 ATMs across India, serving millions of customers daily. The bank reported a record net profit of approximately ₹70,901 crore during FY2024–25, compared to ₹61,077 crore in FY2023–24, showing a growth of over 16%. SBI's total business crossed ₹85 lakh crore, reflecting its dominant position in the Indian banking sector. The bank also improved its asset quality significantly, reducing Gross Non-Performing Assets (GNPA) from 2.24% in FY2024 to 1.82% in FY2025. These improvements indicate better credit management, recovery performance, and operational efficiency.





On the other hand, private sector banks in India operate with greater managerial flexibility, technological orientation, and profitability focus. Private banks emphasize customer-centric services, digital innovation, efficient operations, and profitability maximization. Among private sector banks, HDFC Bank has emerged as the leading private banking institution and one of the strongest financial organizations in India. HDFC Bank is widely recognized for its superior asset quality, technological innovation, digital banking leadership, and consistent financial performance.

HDFC Bank has achieved rapid growth due to its focus on retail banking, digital payment systems, customer relationship management, and risk control mechanisms. Following its merger with Housing Development Finance Corporation (HDFC Ltd.), the bank significantly expanded its balance sheet, customer base, and market capitalization. As of FY2025, HDFC Bank operates more than 9,400 branches and serves millions of customers through advanced digital banking platforms. The bank reported a net profit of approximately ₹67,350 crore during FY2024–25 compared to ₹60,812 crore in FY2023–24, recording a growth rate of nearly 11%.

In terms of operational efficiency, HDFC Bank continues to outperform many public sector banks. The bank maintained a Return on Assets (ROA) of 1.94% during FY2025 compared to SBI's 1.10%, indicating better utilization of assets and stronger profitability management. HDFC Bank also maintained superior asset quality with a GNPA ratio of only 1.24% in FY2025, lower than SBI's 1.82%. Similarly, the Capital Adequacy Ratio (CAR) of HDFC Bank stood at 19.6%, significantly higher than SBI's 14.25%, reflecting stronger financial stability and risk-bearing capacity.

The increasing competition between public and private sector banks has become one of the most important aspects of India's banking industry. While SBI dominates in terms of branch network, customer outreach, deposits, and implementation of social banking objectives, HDFC Bank leads in profitability ratios, customer service quality, operational efficiency, and technological innovation. This difference in strategic orientation makes comparative financial analysis essential for understanding the strengths and weaknesses of both banking models.

The Indian banking sector has also experienced major structural changes due to rapid digitalization. Online banking, Unified Payments Interface (UPI), artificial intelligence, data analytics, and mobile banking applications have transformed customer interaction and operational processes. Private sector banks, especially HDFC Bank, adapted quickly to these technological developments and invested heavily in digital infrastructure. Public sector banks such as SBI also made substantial progress in digital banking through platforms like YONO SBI, which significantly increased online transactions and customer engagement.

Another important factor influencing banking performance is asset quality management. Non-Performing Assets (NPAs) remain one of the biggest challenges for Indian banks, particularly public sector banks. High NPAs affect profitability, liquidity, and investor confidence. However, SBI has shown remarkable improvement in reducing bad loans through recovery mechanisms, stricter lending policies, and improved credit monitoring systems. HDFC Bank, due to its conservative lending practices and strong risk management framework, consistently maintains lower NPA levels.

Profitability and capital adequacy are also crucial indicators of banking performance. Profitability reflects the bank's ability to generate income from its operations, while capital adequacy measures the bank's financial strength and ability to absorb risks. Both SBI and HDFC Bank have demonstrated strong financial growth in recent years, though HDFC Bank generally maintains higher efficiency ratios and stronger capital reserves. In the context of India's rapidly evolving financial environment, comparative analysis of public and private sector banks becomes highly relevant for policymakers, investors, researchers, academicians, and banking professionals. Understanding the differences in profitability, operational efficiency, asset quality, digital performance, and customer orientation helps evaluate the effectiveness of different banking models.

Therefore, the present study focuses on a comparative financial performance analysis of SBI and HDFC Bank during FY2024–25 and FY2025–26. The study examines major financial indicators such as net profit, Return on Assets (ROA), Gross Non-Performing Assets (GNPA), Capital Adequacy Ratio (CAR), branch network, and operational efficiency. The research aims to identify the strengths, weaknesses, growth trends, and strategic differences between India's largest public sector bank and leading private sector bank in the contemporary banking environment.



2. Objectives of the Study

1. To compare the financial performance of SBI and HDFC Bank.
2. To analyze profitability and operational efficiency.
3. To evaluate asset quality and capital adequacy.
4. To study growth trends in banking performance.

3. Research Methodology

The present study is descriptive and analytical in nature and is based entirely on secondary data sources. Relevant data were collected from annual reports of State Bank of India and HDFC Bank, RBI publications, financial statements, business newspapers, and banking reports. The study focused on major financial indicators such as profitability, Return on Assets (ROA), Non-Performing Assets (NPAs), deposits, and Capital Adequacy Ratio (CAR) for the years 2024–25 and 2025–26. The collected data were systematically analysed using comparative tables, percentage analysis, and interpretative techniques to evaluate the financial performance of both banks.

4. Literature Review

M. Y. Khan: Khan emphasized that private banks generally demonstrate higher operational efficiency and profitability compared to public sector banks due to better technological adoption and customer-focused strategies.

M. Pandey: Pandey highlighted that financial performance indicators such as ROA, CAR, and NPA ratios are essential in evaluating banking efficiency and sustainability.

R. K. Uppal: Uppal concluded that public sector banks have wider social responsibilities, whereas private banks achieve stronger financial efficiency and profitability.

Prasanna Chandra: Prasanna Chandra observed that asset quality and risk management significantly influence banking profitability and investor confidence.

T. T. Ram Mohan: Ram Mohan noted that public sector banks possess greater financial outreach, but private banks outperform in productivity, digital innovation, and customer satisfaction.

5. Data Analysis and Interpretation

Table 1: Comparative Net Profit (Crore)

Year	SBI	HDFC Bank
2023–24	61,077	60,812
2024–25	70,901	67,350
Growth Rate	16.08%	10.70%

Interpretation

The comparative analysis of net profit indicates that both State Bank of India and HDFC Bank demonstrated strong financial performance during FY2024–25. However, SBI recorded a higher growth rate in net profit compared to HDFC Bank. SBI's net profit increased from ₹61,077 crore in FY2023–24 to ₹70,901 crore in FY2024–25, reflecting a significant growth rate of 16.08%. In comparison, HDFC Bank's net profit increased from ₹60,812 crore to ₹67,350 crore, showing a comparatively lower growth rate of 10.70%. The higher growth in SBI's profitability indicates substantial improvement in operational efficiency, recovery management, and overall banking performance. The improvement was largely supported by reduced Non-Performing Assets (NPAs), higher operating income, growth in



interest earnings, and expansion of digital banking services such as YONO SBI. Increased credit growth and better asset quality management also contributed to higher profitability levels. Although HDFC Bank continued to maintain strong profitability and stable financial performance, its comparatively lower growth rate may be attributed to integration costs, market competition, and higher operational expenditures following business expansion. Nevertheless, both banks remained highly profitable and financially strong institutions within the Indian banking sector.

Table 2: Return on Assets (ROA)

Bank	FY2024	FY2025
SBI	1.04%	1.10%
HDFC Bank	1.80%	1.94%

Interpretation

The Return on Assets (ROA) analysis indicates that HDFC Bank maintained significantly better operational efficiency and asset utilization compared to State Bank of India during FY2024 and FY2025. HDFC Bank's ROA increased from 1.80% in FY2024 to 1.94% in FY2025, demonstrating strong profitability management, efficient utilization of resources, and effective cost control measures. A higher ROA reflects the bank's ability to generate greater profit from its total assets.

In comparison, SBI's ROA improved moderately from 1.04% to 1.10%, indicating gradual improvement in profitability and operational performance. The increase in SBI's ROA may be attributed to reduced NPAs, higher interest income, and improved operational efficiency. However, HDFC Bank continued to outperform SBI due to its stronger risk management practices, higher productivity, and customer-focused banking operations. Overall, the findings suggest that private sector banks maintain greater efficiency in utilizing assets for profit generation.

Table 3: Gross Non-Performing Assets (GNPA)

Bank	FY2024	FY2025
SBI	2.24%	1.82%
HDFC Bank	1.36%	1.24%

Interpretation

Both banks showed improvement in asset quality during FY2025. SBI significantly reduced its gross NPA ratio from 2.24% to 1.82%, while HDFC Bank improved from 1.36% to 1.24%. However, HDFC Bank maintained comparatively lower NPAs, demonstrating stronger credit risk management and loan recovery performance.

Table 4: Capital Adequacy Ratio (CAR)

Bank	FY2024	FY2025
SBI	13.10%	14.25%
HDFC Bank	18.80%	19.60%

Interpretation

HDFC Bank maintained a much stronger capital adequacy position than SBI. The CAR of HDFC Bank increased to 19.6% in FY2025, significantly above regulatory requirements, reflecting stronger financial stability and risk-bearing capacity. SBI also improved its CAR to 14.25%, indicating better capital management and financial resilience.



Table 5: Branch Network Comparison (2025)

Bank	Number of Branches
SBI	22,937
HDFC Bank	9,455

Interpretation

SBI possesses a much larger branch network than HDFC Bank, highlighting its dominant presence in rural, semi-urban, and urban India. The extensive network allows SBI to support financial inclusion and government banking initiatives effectively. HDFC Bank, despite having fewer branches, focuses heavily on digital banking and high operational efficiency.

6. Discussion

The comparative analysis reveals significant differences between public and private sector banking models in India. SBI demonstrates strong profitability growth, extensive branch coverage, and large-scale customer outreach, making it a dominant player in financial inclusion and public banking services. The bank achieved a record net profit of ₹70,901 crore in FY2025, supported by improved operating profit and lower NPAs. On the other hand, HDFC Bank exhibited superior operational efficiency, asset quality, and capital adequacy. The bank maintained lower NPAs and higher ROA, indicating effective risk management and stronger utilization of assets. HDFC Bank also reported strong profitability growth and maintained high capital adequacy levels, reflecting financial stability and investor confidence. The study further indicates that private sector banks prioritize efficiency, profitability, and digital innovation, whereas public sector banks focus more on social banking responsibilities and nationwide accessibility. Both banking models contribute significantly to India’s financial system but differ in strategic priorities and operational approaches.

7. Major Findings

1. SBI recorded higher net profit growth during FY2025.
2. HDFC Bank maintained superior ROA and operational efficiency.
3. HDFC Bank reported lower NPAs, indicating stronger asset quality.
4. SBI has a significantly larger branch network and market reach.
5. HDFC Bank demonstrated stronger capital adequacy and financial stability.
6. Public sector banks focus more on financial inclusion, while private banks emphasize efficiency and profitability.

II. CONCLUSION

The study concludes that both SBI and HDFC Bank have demonstrated strong financial performance during FY2025–26, though their operational models differ considerably. SBI, as a public sector bank, excels in market outreach, financial inclusion, and profitability volume, supported by government backing and a vast branch network. HDFC Bank, as a private sector bank, performs better in operational efficiency, capital adequacy, asset quality, and profitability ratios. The findings suggest that public sector banks play a crucial role in inclusive economic development, while private sector banks lead in innovation, efficiency, and customer-oriented services. Both institutions remain vital pillars of India’s banking industry and contribute significantly to economic growth, financial stability, and digital banking transformation.

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