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Private banks continue to chip away on PSU market share

BY PTI | MAR 07, 2019, 07.18 PM IST

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Private sector banks have continued to wrest away both deposit and credit market share away from public sector banks. A report by Kotak Institutional Equities based on RBI data said these lenders have increased their deposit market share by 240 basis points (bps) year-on-year while continuing to grow their loan books at a faster pace than their public sector counterparts. One basis point is 0.01 percentage point.

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Market share gains were highest in urban areas at around 300 bps compared to 125 bps gains in semi-urban areas and 70 bps market share gains in rural areas in fiscal ended March 2018.

“On the asset side also, private banks continued to gain market share across all geographies. Private banks reported robust growth in credit of 40% yoy in rural areas against overall industry growth of 8% while they reported a growth of around 20% against industry growth of around 10% in urban markets.

Historically, private banks have been more successful in building their asset side and are now increasingly focusing on their liability franchise,” Kotak said.

Private sector banks have gained even as public sector banks are focussed on stabilizing the balance sheet, which has been impacted sharply due to higher credit cost. “PSU banks have lost 770 bps market share in deposits since FY2011, with the loss gradually picking pace in the past few years.

PSU banks lost 250 bps market share in FY2018 alone. However, the loss in branch share is far less at around 450 bps since FY2011 and 200 bps in FY2018. This demonstrates superior performance by private banks and partly reflects strong growth in loans for private banks, which requires them to focus more on deposits,” Kotak said.

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