

PSU Banks may arrest decline in market share

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After a steady decline in market share in both advances and credits since June 2020, things might be looking up for public sector banks (PSBs) in the coming quarters.

Advances have already started showing a small rise since the June quarter. In March-end 2022, the market share of PSU advances stood at 62.1%. In the June quarter, it improved marginally to 62.4%. And it is expected to do better, say analysts.

The reason: Sharp improvement in asset quality and robust credit growth. “Public Banks were losing market share to private banks because of capital constraints and asset quality pressure. Since these two reasons are behind them, they are better placed to push the loan growth and regain their market share,” Anil Gupta, senior vice-president & co-group head, Financial Sector Ratings, Icra, said.

To put things in perspective, public sector behemoth [State Bank of India](#)’s gross advances rose 19.9% year-on-year (y-o-y) and nearly 5% on a sequential basis as on September 30. Deposits rose nearly 10% y-o-y and 3.6% quarter-on-quarter (q-o-q). Its gross non-performing asset ratio also halved to 0.4% as on September 30.

Similarly, [Bank of Baroda](#)’s gross advances rose 15% the n year and 3.1% q-o-q. Deposits rose 11% y-o-y and 5.5% q-o-q. The bank’s gross non-performing asset ratio improved to 5.31% as on September 30, from 8.11% a year ago.

The total advances market share of public sector banks fell to 62.4% as on June 30 from 63.1% a year ago, data from credit rating agency Icra showed. At the same time, the total deposit market share of these banks also fell to 67.7% as on June 30 from 69% a year ago.

“PSU banks have arrested a bit of a decline in market share. They are in a strong position right now. Their asset growth rate is still lower than the private sector banks but PSU banks are still growing,” Sanjay Kumar Agarwal, senior director, CareEdge, said.

In addition, private sector banks score over PSUs due to their superior adoption of technology and stronger retail franchise. This makes it difficult to determine the extent to which state-owned banks will be able to regain their market share, say analysts.

However, PSUs have also improved their loan processing systems, which will help them, going forward.