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A Comparative Analysis of Financial Inclusion Initiatives in Public and Private Sector Banks: A Study of SBI and HDFC Bank

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Abstract— Financial inclusion is one of the key components of inclusive growth in India. The financial inclusion strategies of the public and private sector banks have shown considerable differences. The purpose of this paper is to conduct an analysis of the approaches to financial inclusion employed by the State Bank of India (SBI), the largest public sector bank in India, and HDFC Bank, the largest private sector bank in India. Based on a descriptive-analytical approach utilizing secondary data sources, such as government reports, bank publications and academic literature, the study evaluates the scope, mechanisms of implementation, and effectiveness of financial inclusion activities carried out by the banks in the context of PMJDY and CSR programs. It was found that SBI demonstrates superiority in scheme-based financial inclusion because of its wide branch network and governmental mandate. HDFC Bank makes up for the relative weakness in terms of its branch network with its BC network and innovations in digital sphere and CSR-driven financial literacy programs. The conclusion is drawn that the combination of public bank reach and private bank efficiency could help to achieve financial inclusion.

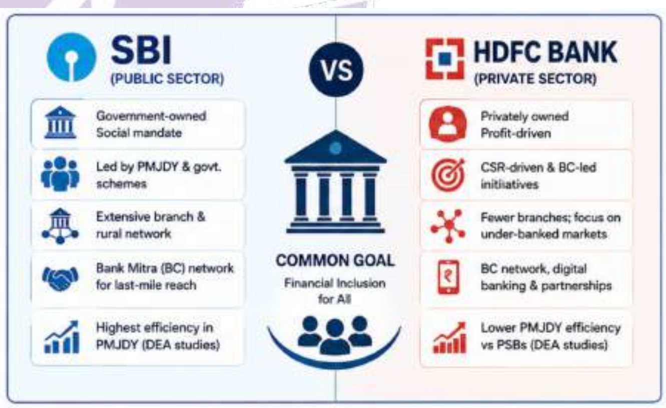
Keywords— *financial inclusion, public sector banks, private sector banks, PMJDY, State Bank of India, HDFC Bank, business correspondents, financial literacy*

INTRODUCTION

Financial inclusion refers to a strategy aimed at providing suitable financial services and products like savings, credit, insurance, remittances, and pensions, among others, to all people with a focus on marginalized and poorer strata at affordable rates [1]. In India, financial inclusion has been on the policy agenda for long starting with the nationalization of banks in the 1960s to the present-day technologically-driven Pradhan Mantri Jan Dhan Yojana (PMJDY) implemented in August 2014 as the National Mission for Financial Inclusion [2]. The program was based on the following four pillars: Banking the Unbanked, Securing the Unsecured, Funding the Unfunded, and Serving the Underserved [2].

In general, there exist two types of banks operating in India: the public sector banks (PSB), being government-controlled institutions with the social mission and the private sector banks (PVB) that operate according to the principle of competitiveness [3]. Due to this feature, different approaches to financial inclusion are characteristic of PSBs, represented by the State Bank of India (SBI) and PVBs such as HDFC Bank implementing it through the business correspondent approach and digital platforms, as well as through rural development projects funded by the CSR [4].

Knowing the way in which these two kinds of banks implement financial inclusion in different ways, its effectiveness and differences can be useful for researchers, policymakers, and regulators trying to enhance the financial inclusion policy in India. Therefore, this paper provides a comparative analysis of the two leading banks from each kind: SBI and HDFC Bank as flagships of PSB and PVB.



This paper is structured as follows. Literature review provides an overview of relevant literature on the issue in question. Methodology outlines research methods and data. Results and discussion section provides the findings of the research with the help of tables. Implications, limitations, and further research are discussed in separate section.

LITERATURE REVIEW

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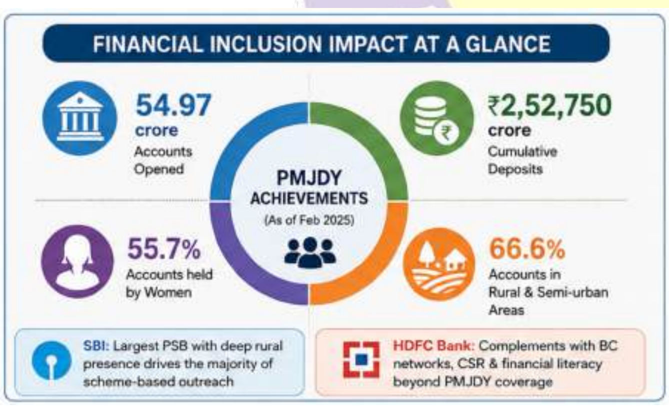
Numerous studies have explored the differential roles of public and private banks in contributing towards financial inclusion in India. For instance, Chakraborty et al. utilizing the data envelopment analysis (DEA) technique for analyzing 25 banks involved in the PMJDY initiative established that public sector banks have consistently outperformed private sector banks in promoting financial inclusion. Notably, State Bank of India (SBI) topped all the banks analyzed in terms of implementing the PMJDY program. The study concludes that public sector banks have performed better in realizing the financial inclusion targets set by the government, compared to the private banks which are profit oriented; thus have relatively low implementation of PMJDY programs. Emerald Insight.

In another study conducted using the Springer platform, the efficiency of 25 Indian banks for a period of seven years (from 2014-15 to 2020-21) found the performance of public sector banks to be superior to private banks in financial inclusion in PMJDY. This has also been evidenced in a Rajagiri Management Journal study which evaluates the efficiency of public sector banks in financial inclusion in pre-and post-PMJDY period through DEA, finding an improvement in the efficiency after PMJDY introduction. Springer.

Furthermore, another empirical study that compares PSBs and PVBs through DEA found that scheduled commercial banks in India operate with an efficiency of about 94.87% with the public sector banks showing a higher efficiency of about 97.48% compared to the private sector banks at about 92.26%. Therefore, the private banks should cut down input usage in order to become more efficient like the public sector banks in providing financial inclusion. [7].



From the policy and infrastructure perspective, as of February 2025, PMJDY has helped in opening up of 54.97 crore accounts with a total deposit of ₹2,52,750 crore, out of which 55.7% belongs to women while 66.6% of the accounts have been opened in rural and semi-urban areas according to the Department of Financial Services. The Ministry of Finance in a press release marking 10 years of PMJDY reported that the Mudra loan sanctions which are a proxy for credit inclusion among newly included people have grown at the compounded annual rate of 9.8% between FY 2019 and FY 2024. Early assessments including Brookings Institution's 2016 analysis of India's financial and digital inclusion efforts, established that PMJDY increased financial inclusion and financial access, while dormancy rate indicated that more financial capability programs are needed. Brookings.

In the private sector, the inclusion program of HDFC Bank has been mostly captured through the bank's CSR program called Parivartan. According to the official disclosure of the bank, the CSR outreach of the HDFC Bank has impacted more than 10.77 crore lives so far, where the CSR spending is estimated to be ₹1,316.18 crore in FY 2025-26, with financial literacy and inclusion forming the core focus area with the help of the "Vigil Aunty" fraud awareness campaign conducted digitally. Impact assessment of the FIBC program of the bank reported the presence of 204 business correspondents spread in 75 districts in 14 states, making the banking facilities available to villages which were not covered by PMJDY reducing the travel distance of rural dwellers for getting banking services from a previous range of 8 to 40 kilometers. The HDFC Bank's Parivartan CSR Report further records the "Dhanchayat" financial literacy program, which has been run in 20 states from 2017 to 2022 in order to encourage unbanked communities to become part of formal financial sector.

Moreover, a study conducted in the Indian Journal of Finance and Banking to analyze the CSR based financial inclusion practices of the Indian banks reveals that the expenditure of over ₹820 crore on CSR activities has been made by the HDFC Bank during FY 2022-23, surpassing the mandatory 2% target with the help of NGOs, CSR foundations, and government organizations in order to implement the inclusion programs. However, the larger sample revealed that financial literacy and women empowerment received comparatively lesser attention than community welfare among other CSR domains.

Further comparisons can be done through financial performance studies. Analysis of the financial performance of public and private banks from 2017 to 2022 shows that while PSBs remain important in financial inclusion, private banks like HDFC Bank have outperformed public banks in profitability indicators such as ROA and ROE. In another comparative study, it is mentioned that public sector banks are generally trusted because of the involvement of the government, while the private banks are innovative and efficient in terms of technological aspects.

Overall, it is clear that there exists a pattern where public sector banks, particularly SBI, perform better in the scale and scheme-compliance efficiency in government-mandated financial inclusion programs, while the private banks such as HDFC use

CSR and technology-based model in order to extend financial access with greater cost efficiency and digitization despite having small physical reach. Nevertheless, very few studies have undertaken the comparison of SBI and HDFC Bank specifically, a research gap that this paper aims to fill.

Research Objectives

This research is based on the following objectives:

1. To examine and compare the financial inclusion initiatives taken by SBI and HDFC Bank.
2. To analyze the delivery mechanisms used by both the banks, which include branch-based, business correspondent-based, and digital.
3. To assess the outcome of these initiatives through the use of secondary data and efficiency studies.
4. To find the structural and strategic reasons behind the difference.

METHODOLOGY

In this study, the research methodology is based on a descriptive-analytical study design using secondary data only. Considering that both research questions have a comparative and exploratory nature, a mixed-qualitative-quantitative approach was selected instead of primary data gathering through surveys.

Sources of Data: Data were taken from (a) governmental publications including the progress reports of PMJDY compiled by the Department of Financial Services and Ministry of Finance; (b) yearly and CSR disclosure reports released by SBI and HDFC Bank; (c) independent impact evaluation reports assessing the performance of financial inclusion schemes; and (d) scientific papers published in reputable academic journals such as Journal of Financial Services Marketing, Rajagiri Management Journal, and Indian Journal of Finance and Banking.

Comparative Design: The study uses a systematic comparison on five aspects traditionally found in the literature on financial inclusion, including (i) institutional outreach (branch and BC networks), (ii) scheme implementation efficiency (based on the results of efficiency analysis in DEA-based studies), (iii) diversity of delivery channels (branch-led vs. BC/digital-led), (iv) CSR-related inclusion cost and scale, and (v) demographic effects (rural and women outreach).

Research Technique: Instead of performing new DEA or regression estimates that would require collecting new bank-level input-output data outside the scope of this paper, the findings of the existing DEA-based efficiency studies [3], [5], [6], [7] together with descriptive statistics reported in the documents mentioned above were synthesized to make a comparative table. Such technique coincides with the methods used in secondary-based comparative analyses common for Indian banking literature [11], [12].

Limitations of the Method: As the data comes from secondary sources published at different periods and using different methods, a numerical correspondence of all the indicators cannot be achieved. When exact figures are not provided, the results reported in the cited literature are relied upon.

Results and Discussion

Institutional Profile Comparison

Table I summarizes the structural distinctions between SBI and HDFC Bank as institutional actors in financial inclusion.

Table I: Institutional Profile of SBI and HDFC Bank

Parameter	SBI (Public Sector)	HDFC Bank (Private Sector)
Ownership	Majority Government of India ownership	Privately held, professionally managed
Primary inclusion mandate	Government-directed (PMJDY, social security schemes)	CSR-driven and business-correspondent-led
Core outreach model	Extensive branch and rural banking network	Business correspondents, digital banking, CSR partnerships
Key inclusion vehicle	PMJDY, Business Correspondent (Bank Mitra) network	Parivartan CSR programme; FIBC and Dhanchayat initiatives
Reported efficiency in PMJDY (DEA studies)	Ranked highest among 25 banks studied [3]	Comparatively lower efficiency among private banks [3], [7]

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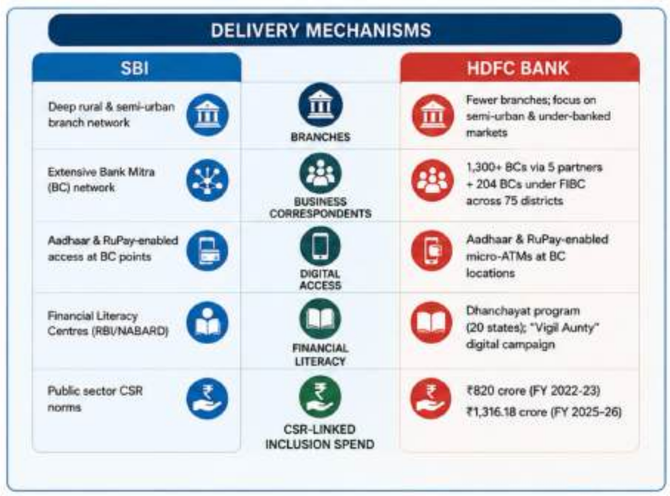
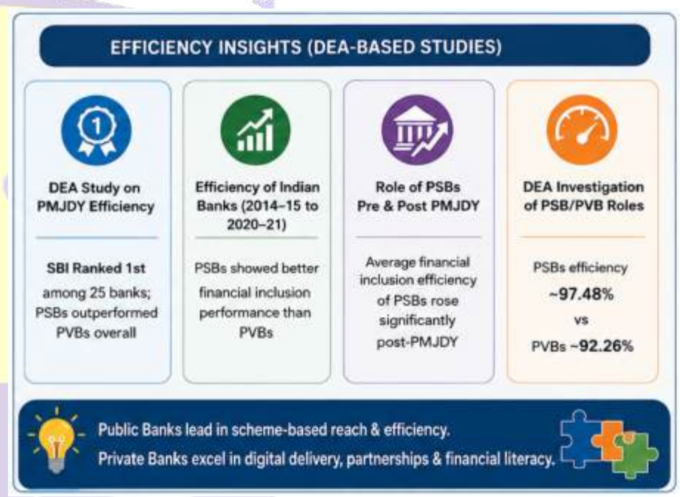


Scheme-Based Financial Inclusion Outcomes

At the national level, PMJDY—implemented jointly by PSBs and PVBs—had achieved 54.97 crore accounts and ₹2,52,750 crore in deposits as of February 2025, with women holding 55.7% of accounts and 66.6% of accounts located in rural or semi-urban areas [2]. As the largest public sector bank, SBI accounts for a disproportionately large share of this national outreach given its dominant rural branch presence, a pattern consistent with DEA-based findings that ranked SBI first among 25 banks in PMJDY implementation [3].

Table II: Comparative Financial Inclusion Delivery Mechanisms

Delivery Channel	SBI Approach	HDFC Bank Approach
Physical branches	Deep rural and semi-urban penetration nationwide	Fewer branches; concentrated in semi-urban/under-banked markets (55% of branches reported in such areas in past disclosures) [13]
Business Correspondents	Extensive Bank Mitra network supporting PMJDY [2]	1,300+ BCs deployed via 5 empanelled corporate BC partners [14]; additional 204 BCs under FIBC across 75 districts in 14 states [9]
Digital/micro-ATM access	Aadhaar- and RuPay-enabled access at Bank Mitra points	Aadhaar- and RuPay-enabled micro-ATMs at BC locations [13]
Financial literacy programmes	Financial Literacy Centres under RBI/NABARD guidance	Dhanchayat programme (2017–2022, 20 states) [10]; "Vigil Aunty" digital literacy campaign [8]
CSR-linked inclusion spend	Governed by public-sector CSR norms	₹820 crore (FY 2022–23) [10]; ₹1,316.18 crore total CSR spend (FY 2025–26) [8]



Efficiency and Effectiveness Findings

Table III synthesizes results reported in DEA-based efficiency studies, which form the empirical backbone of the effectiveness comparison in this paper.

Table III: Reported Efficiency Outcomes from Secondary DEA-Based Studies

Study	Sample	Key Finding
DEA study on PMJDY efficiency [3]	25 banks (PSBs, PVBs)	SBI ranked 1st; PSBs outperformed PVBs overall in PMJDY implementation
Efficiency of Indian banks in fostering financial inclusion [5]	25 banks, FY 2014–15 to FY 2020–21	PSBs showed better financial inclusion performance than PVBs across the study period
Role of PSBs pre/post PMJDY [6]	PSBs, FY 2010–11 to FY 2017–18	Average financial inclusion efficiency of PSBs rose significantly post-PMJDY

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DEA investigation of PSB/PVB roles [7]	Scheduled commercial banks	PSBs operated at ~97.48% efficiency vs. ~92.26% for PVBs in resource use for inclusion outcomes

The above findings, drawn independently from four separate studies, consistently point to one conclusion – that PSU banks, and specifically SBI, demonstrate higher efficiency in terms of scheme-based financial inclusion delivery (particularly PMJDY) than private banks. It directly supports the methodological framework of the current paper, in which it was expected that, given a wider rural branch network and an official mandate, the SBI scheme approach will prove to be more efficient than the CSR-BC-based one of HDFC Bank.

In parallel, it becomes clear that the HDFC model, which is obviously of smaller scale, has certain strengths not captured by PMJDY efficiency metrics: (i) the FIBC program targets non-PMJDY villages, demonstrating a complementary nature of the program [9]; (ii) the considerable amount of financial literacy expenditure (₹820 crore in FY 2022–23), tied to CSR activities, goes beyond typical CSR obligations and demonstrates a consistent focus on inclusion-adjacent capability-building efforts of the institution [10]; and (iii) the overall CSR-driven outreach of 10.77 crore lives, which is not directly comparable to PMJDY account numbers, still indicates meaningful outreach through non-account based means (literacy programs, livelihood programs, etc.) [8].

Discussion

The results confirm the assumption made at the methodological level regarding structural differences between the approaches to financial inclusion taken by public and private banks. SBI's predominance in scheme-based metrics corresponds to its position as the main implementer of PMJDY program and reflects the benefits that stem from scale, government support and the rural branch network built up over decades of nationalized banking. On the other hand, HDFC Bank reaches inclusion outcomes through a slim, partner-based model, relying on corporate BC network, CSR foundations and partnerships with NGOs, and thus reaching underserved communities without the need for the expensive fixed asset in the form of a branch network.

This result is in line with existing literature, which claims that PSBs are perceived as more trustworthy and socially embedded, while private banks have the edge in innovation, digitalization and operational efficiency when measured in terms of profitability, while being potentially less efficient in financial inclusion-specific terms (according to DEA efficiency) [12]. The paradox here is that private banks report a higher return on assets and equity [11], but lower financial inclusion-specific DEA efficiency [3], [7]. This suggests that both types of banks conduct inclusion programs not as profit-maximizing enterprises, but as institutions operating under different institutional logic – regulatory/developmental one in the case of SBI, and CSR/reputational and market expansion one in the case of HDFC Bank.

Limitations and Future Scope

Several limitations can be pointed out. First, the study makes use of only secondary data sources and, therefore, does not allow constructing a bank-specific efficiency score on the basis of primary research; thus, comparative conclusions are made based on the synthesis of independently conducted studies. Second, public disclosures by SBI and HDFC Bank are not structured the same way, which limits quantitative comparison of all metrics of the two. Third, the study focuses on two exemplary banks, not taking into account variation within the two universes of PSB and PVB. Further research can fill these gaps with the help of original DEA or stochastic frontier analysis using matched data on input/output of SBI and HDFC Bank, as well as primary surveys of account users to assess usage-based financial inclusion outcomes.

Conclusion

In the current research, comparative evaluation is carried out regarding the financial inclusion measures taken up by State Bank of India (SBI) and HDFC Bank. The evaluation is placed against the backdrop of the public versus private banking debate in the country. Using publicly available information, official disclosures by institutions, and efficiency studies from the peer-reviewed literature, it can be found that while SBI, being the leading implementer of PMJDY, enjoys better reach and efficiency in the schemes due to having the vast network of rural branches, HDFC Bank has a smaller number of physical branches but contributes through business correspondent networks and CSR measures in regions where PMJDY does not operate. Instead of viewing public and private banking models in opposition to each other, the current findings suggest that the combination of better reach of the former and higher efficiency and innovations of the latter help move forward with the country's financial inclusion agenda. The policymakers trying to promote financial inclusion can use collaboration of both approaches.

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