

CHAPTER – IX

Findings, Suggestions
and
Conclusion

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FINDINGS, SUGGESTIONS AND CONCLUSION

In this chapter, major findings are presented, suggestions to improve the efforts of banks in deposit mobilization to enhance volume and growth of deposits with judicious mix for pragmatic portfolio management are stated and conclusion enumerated. Topics for further research are subsequently listed.

The chapter is organized in the following manner:

- 1) Major findings
- 2) Suggestions
- 3) Conclusion
- 4) Topics for further research.

9.1 Findings regarding analysis of volume and growth trend of total deposits of ASCBs: -

1. The overall volume of total deposits mobilized by ASCBs registered 4.03 fold increase over the period of study with mean growth rate of 16.77 per cent.
2. There is significant difference among various bank groups with regard to the volume of total deposits. Public sector banks are in the lead with a major share of 81.02 per cent and RRBs in last position with 3.15 per cent of industry's mean volume of total deposits.

9.2 Findings regarding analysis of volume and growth trend of total deposits of banks - group wise: -

SBI:

1: Overall volume of total deposits of SBI registered 4.03-fold increase during the period of study with mean growth rate of 16.90 per cent.

ABsSBI:

2: The volume of deposits mobilized by ABsSBI were on the increasing trend and registered 4.42 fold increase, a mean growth rate of 17.99 per cent and maintained a mean market share of 27.37 per cent over the period of study.

SBI group:

3: The volume of deposit mobilized by SBI group was on the increasing trend and registered 4.14 fold increase with a mean growth rate of 17.09 per cent and market share of 27.37 per cent over the study period.

Public Sector Banks Ex.SBI:

4: The banks' deposit mobilization was on the increasing trend all through the study period and registered an increase of 3.42 fold in volume with a mean growth rate of 14.66 per cent.

All Public Sector Banks:

5: The banks' deposit mobilization registered an overall increase of 3.64 fold in volume with a mean market share of 82.21 per cent over the study period.

OPrSBs:

6: The volume of deposits mobilized by these banks increased by 6 fold with a mean growth rate of 22.55 per cent over the period of study.

NGPrSBs:

7: The banks registered impressive growth rate of 111.02 per cent in 1996-97 and mean growth rate of 64.37 per cent. They maintained a stable market share of 3.41 per cent during the study period.

RRBs:

8: The volume of deposits mobilized by the RRBs increased by 6.49 fold with a mean growth rate of 23.15 per cent over the study period.

Foreign Banks:

9: The volume of deposits mobilized by these banks registered an increase of 3.43 fold and maintained a consistent market share of 6.34 per cent during the period of study.

10: There is significant difference among groups of banks with regard to total deposits. Public sector banks have higher volume of total deposits in the industry.

9.3: Findings regarding volume and growth of low cost deposits vis-à-vis current and savings; segment wise and bank wise:

9.3.1:Current Deposits

1: SBI registered an increase of 23.86 fold in volume, ABsSBI 3.86 fold, SBI group 2.58 fold, PSBsEx.SBI group 2.4 fold, PSBs 2.48 fold, OPrSBs

3.40 fold, NGPrSBs 8.31 fold, RRBs 4.61 fold and FBs 3.17 fold in volume over the study period.

2: There is significant difference among various banks groups with regard to volume of current deposits, and public sector banks have the highest volume in the industry.

9.3.2 Savings deposit

1: The overall volume of savings deposit mobilized by SBI registered an increase of 3.98 fold, SBI group 3.93 fold, PSBsEx.SBI group 3.63 fold, PSBs 3.73 fold, OPrSBs 3.71 fold, NGPrSBs 53.55 fold, All Private Sector Banks 58.03 fold, RRBs 5.15 fold and FBs 4.46 fold over the study period.

2: There is significant difference among various groups of banks with regard to savings deposit. Public sector banks have the highest volume of savings deposit with mean of Rs.49,703.3 crore.

9.4: Banks group-wise shares in deposit per branch.

There is significant difference among various groups of banks with regard to volume of deposit per branch. Foreign banks have higher volume of deposit per branch, private sector banks in second position, public sector banks in third position and RRBs in the forth position.

9.5: Banks group-wise shares in deposit per employee:

1: In comparison with the industry's mean volume of deposit per employee of Rs.60.09 crore, all bank groups have mean deposit per employee above the industry's mean of Rs.60.09 crore except SBI (Rs.53.36 crore), ABsSBI

(Rs.43.76 crore) and PSBsEx.SBI group (Rs.56.44 crore) which fall below the mark.

2: There is significant difference among groups of banks with regard to volume of deposit per employee and foreign banks have the highest deposit per employee while RRBs have the least.

9.6: Credit deposit ratio of ASCBs.

1: The mean of credit deposit ratios of ASCBs fall below the stipulated norm of 60 per cent except the foreign banks.

2: The overall Industry's CD ratio of 41.55 per cent falls below the prescribed norm of 60 per cent.

3: There is significant difference among various bank groups with regard to credit-deposit ratio. Foreign banks have higher credit-deposit ratio, private banks are in second position, RRBs third position and public sector banks in forth position.

9.7: Volume and growth of term deposits- bank wise:

1: The mobilization of term deposits by ASCBs recorded an increasing trend in volume, all through the study period.

2: There is significant difference among banks groups with regard to volume of term deposits. Public sector banks have higher volume while RRBs have the least.

3: The mean volume of term deposits mobilized by ASCBs during the period of deregulated interest rate mechanism is greater than the period of administered interest rate mechanism.

4: All banks groups registered highest mean deposits growth rates during the period of deregulated interest rate mechanism.

9.8: NRI Deposits

1: The NRI deposits registered a splendid growth rate of 369.55 per cent in 1992–93.

2: The mean volume of NRI deposits mobilized by ASCBs during the period of deregulated interest rate mechanism is greater than the period of administered interest rate mechanism with a mean growth rate of 65.32 per cent during the study period.

9.9: Deposit Mix: -

9.9.1: Bank Group wise

1: Foreign banks have the highest mean proportion of current deposits of 18.32 per cent with an overall of 26.64 per cent and the RRBs have the lowest mean proportion of 5.41 per cent with an overall of 7.87 per cent in the deposit mix portfolio.

2: RRBs have the highest mean proportion of savings deposit of 42.90 per cent with an overall volume of 39 per cent while foreign banks have the least proportion of 7.82 per cent with an overall volume of 7.11 per cent in the deposit mix

3: Foreign banks have the highest mean proportion of term deposits of 73.86 per cent with an overall volume of 23.28 per cent while RRBs have the lowest proportion of 51.69 per cent with an overall volume of 16.29 per cent in the deposit mix portfolio.

9.9. 2: Segment wise

1. In the deposit mix of ASCBs, term deposits have the highest proportion of 63.52 per cent whereas current deposits have the lowest proportion of 15.01 per cent.
2. Coefficient of variation reveals that term deposits registered the highest fluctuation of 47.68 per cent followed by savings deposit at 44.93 per cent and current deposits registered the least fluctuation of 34.06 per cent in the industry's deposit mix.
3. Term deposits have the highest proportion and variation of 71.86 per cent and 47.06 per cent respectively, whereas current deposits have the least proportion of 1.64 per cent in the deposit mix of public sector banks.
4. Current deposits have the highest proportion of 59.59 per cent whereas savings deposit has the least proportion of 5.70 per cent in the deposit mix of private sector banks.
5. Term deposits have the highest variation of 79.35 per cent while current deposits have the least of 29.76 per cent in the deposit mix of PrSBs.
6. Term deposits have higher proportion and variation of 53.43 per cent and 62.44 per cent respectively whereas current deposits have the least proportion and variation of 5.13 per cent and 49.47 per cent respectively in the deposit mix of RRBs.
7. Term deposits have the highest proportion of 71.45 per cent whereas savings deposit proportion is a dismal 7.91 per cent in the deposit portfolio of foreign banks.

8. Variation in savings deposit is highest at 66.68 per cent and lowest at 33.10 per cent in the deposit mix of foreign banks.

9. High cost funds dominate ASCBs' deposit portfolio.

9.10: Segment wise distribution of deposits in regions: -

9.10.1: Current deposits (volume)

1: There is significant difference among various regions with regard to mean volume of current deposits.

2: Western region has higher mean volume of current deposits than other regions.

9.10.2: Current deposits (growth)

Southern region has the highest mean growth rate of 21.41 per cent of current deposits while Central region has the least mean growth rate of 10.99 per cent.

9.10.3: Savings deposit (volume)

1: There is significant difference among various regions with regard to mean volume of savings deposit.

2: Northern region has higher mean volume of savings deposit than other regions.

9.10.4: Savings deposit (growth)

Central region occupies the first rank in the growth rate of savings deposit

with mean growth of 34.02 per cent while Western region is in the sixth rank.

9.10.5: Term deposits (volume)

There is significant difference among various regions with regard to volume of term deposits and the mean score brings to light that Western region has higher volume of term deposits.

9.10.6: Term deposits (growth)

Southern region has the highest mean growth rate of 63.32 per cent where as North Eastern region has below average growth rate of 49.87 per cent.

9.10.7: Total deposits-Region wise

1: There is significant disparity among various regions with regard to total deposits.

2: Western region has the highest mean volume of Rs.14,0,73,728 crore while North Eastern region has the least mean volume of Rs.8,31,860 crore of total deposits.

SUGGESTIONS

In the backdrop of findings of the study, the researcher presents the following suggestions.

1. Bank deposits are an important macro-economic variable. Banks have been and continue to remain the most powerful instrument for collection of savings. At the micro-level, deposits constitute an important profit center in a bank. Hence it should be the endeavour of banks in future that enhanced and sustained deposit mobilization holds the key for their viability.
2. The profitability of a bank in the new millennium largely depends on its ability to efficiently acquire new customers and retain the existing ones. The judicious management of these two categories of customers would ensure sustained volume and growth of deposit portfolio. Deposit must come from increased volume of business through better customer service. Banks should therefore develop core competencies in niche markets, introduce innovative products and adopt customer- delight techniques.
3. Since the banking sector reforms have been set in motion, the profitability became the buzzword, and the prime mover of the financial strength and performance of banks. Unlike in the past, all banking operations are measured in terms of their ability to generate profit. In the changed scenario, besides pursuing economic objective, banks should explore the possibilities of social

banking for their meaningful survival and growth. Therefore, there should be significant shift in the banks objectives from class banking to sustained mass banking.

4. To expand their business with consequential increase in volume of deposits and profitability there is need for banks to take advantage of deregulation of insurance industry. The corporate relationships formed by such bank insurance services would create a platform for cross-selling of their other products and services.
5. Information technology has emerged as a strategic tool for profit generation and increasing operational efficiency in banks. Introduction of cost-effective technology in banks especially at the branch level can pave the way for a higher profitability through cost reduction, better utility of manpower, streamlined branch functioning, increased productivity and achieving economies of scale. The banks making use of modern technology will pass on the benefit of lower cost to the customers. Higher customer satisfaction will attract new customers to the bank's fold leading to higher volumes of business, which in turn would further increase bank deposit base, profitability and business in general. It is to be noted that deriving a competitive advantage through the most modern delivery channels and the resultant increase in business, customer satisfaction and efficient marketing of products can further strengthen the bottom line of banks in general and widen deposit base in particular.

6. Information Technology can lead to improved mass information services, better corporate planning, and better-informed credit decision-making. The entire business of banking is becoming synonymous with information technology with slow progress made in establishing automatic teller machines, and adopting other electronic innovations, the public sector banks are already way behind their main competitors i.e. the private sector banks and foreign banks. Having to operate in a deregulated environment and in an economy that is increasingly opening itself to the world, the public sector banks in India can not afford to remain isolated from the on line changes to e-banking taking place world-wide.
7. To fulfill the expectations of the customers, technology can be gainfully employed. On-line real time banking, anytime / anywhere banking, single window banking, EFT, ATMs and Tele-banking are some such innovations which aim at providing the customers with convenience and flexibility. The banks will have to be on their toes all the time to understand the ever-changing needs of the public. They should offer varied and innovative services to suit the convenience of the customers.
8. Banks will have to formulate suitable human resource development strategies in the new liberalized, globalized and competitive environment. Quality of manpower employed in the banks will be a deciding factor for profit and growth in the future. Banks will have to

increase their business and make profits by their respective edge on the service excellence, as technology will be the same for all banks. "Total quality Management" (TQM) concept should be effectively used for enhancing the level of productivity in the banks.

9. Optimum capacity utilization of information technology, making the operations customer friendly, doing away with outdated procedures, red tapism and unnecessary delays and better housekeeping can go a long way in enhancing operational efficiency and betterment of the bottom line of banks. Branches should pay utmost importance to customer service. The hallmark of an efficient customer service regime can be summarized in speed, accuracy, efficiency and courtesy in dealing with the customers at branches.
10. With a view to face the competitive scenario effectively and to meet the customers' expectations, the bankers should draw up a strategic framework addressing the key issues concerning the quality aspects.
11. There is need to educate the customers on the various aspects of banking. Efforts should be made to encourage large number of households to avail of services provided by the banks. In order to identify the demands / need for banking services, for the changing preferences and emerging customers' expectations, banks should conduct customers' surveys / meets on a sustained manner. The

efforts made by the bank management cannot yield positive results unless the total involvement of the staff is forthcoming.

12. Credit deposit ratio will show the success of a bank in asset management and in particular its ability to manage the Non Performing Assets (NPAs) portfolio. Hence, the NPAs reduction policies of the banks must encompass the objectives of sound risk management, credit administration and staff motivation. Therefore, NPAs reduction as an organizational goal is important for the banks to survive global competition.
13. Asset securitisation too can help effectively in reducing the capital adequacy requirements and generating fresh funds for profitable lending.
14. Competition is always a one-upmanship game. In a competitive situation survival of the firm largely depends on how far its management is both forward looking and innovative. Each bank will therefore, have to assess its strengths and weaknesses and draw up plans for market segmentation and product differentiation. Banks should draw up a strategic plan based on futuristic vision for the purpose of:
 - i) Business diversification
 - ii) Product differentiation
 - iii) Market segmentation

iv) Technology upgradation. There is need for reorientation of the public sector banks' business policies. The public sector banks will have to be more business oriented if they have to survive in future. They will have to tap the business of MNCs, big corporate giants and other profitable avenues like foreign trade to remain commercially viable.

15. The various committees and studies have been advocating for a quick restructuring of banking institutions in India. The decision of the Government of India to merge banks aroused mixed response. The performance of the public sector banks has been greatly impaired and some radical steps are necessary to restore their health without much loss of time. In view of the emerging competition, it would be important that the country should witness a large number of mergers in banking in future, as many of the public sector banks would find themselves unequal to face the competition. Mergers may be between strong banks, and between strong and weak banks. Mergers between strong banks can be justified on social grounds. The policy of issuing license to the new domestic private sector banks and foreign banks should be continued to increase the competitive strength of the public sector banks. But at the same time, their area of operation too should be a major consideration before giving them permission to set up new branches.

16. The major objective of financial sector reforms is to make the banking sector both viable and efficient. In brief, the cardinal purpose of banking sector reforms should be to tone up the organizational efficiency of banks, so that they can meet the onerous demands of the national economy made by the increasing trend towards globalization along with the upliftment of the poor.

17. Deregulation of interest rate mechanism is a step in the right direction however the interest rate strategy for deposit mobilization should not be utilized liberally. It is feared, that it may, in the long run defeat the very purpose for which it was devised. A high deposit rate will mean a high lending rate, which will in turn raise the cost of capital. Investment assuming its interest elasticity will be discouraged. Less income will be generated as a result and so less bank deposits as a consequence. Another angle of argument is high rate of interest - more deposits - more credit generation possible even at lower lending rate - more investment as a result - more income and more deposits. In view of this, the banks have to adopt a cautious approach.

18. The objective of new deposit schemes should be to induce a higher rate of saving generally and saving in the form of bank deposits in particular. This implies that schemes should be attuned to the basic motives to save. This by itself is not enough. The savers should feel that the instrument of deposits is simple, convenient and intelligible instrument for saving. They should have enough

confidence in the banks so as to induce them to trust the bankers. And the bankers' attitude and approach must be such as to inspire trust and confidence and their services must be such as to offer maximum convenience to the savers.

19. Apart from the link of deposits with saving motives, some deposit schemes should also be linked with certain services. If the banks can offer these services, the savers would be inclined to keep a part of their savings in the form of deposits.
20. Deposit mobilization requires high skills of marshalling resources to provide strength and liquidity to the banks. There are various schemes or techniques developed by the banks not only to attract fresh deposits both in urban and rural areas, but also to reduce the cash drain from the banks. Whether the banks operate in suburb or in commercial or industrial centers or in urban residential or rural areas, no two branches are alike in their nature of business, in their composition of customer and in local conditions. In other words, the very outlook and method of business differ from place to place and from bank to bank. This means that methods and techniques to be employed to attract deposits and to lend would have to be different to suit the areas, types of clientele and other factors.
21. The growing prosperity of rural area still remains inadequately exploited by commercial banks for the purpose of deposit mobilization. Rural household income is still invested in an

unproductive manner. This shows that there is adequate scope for mobilizing savings in rural areas. It is essential that banks should post only such team of well trained staff in their rural branches as have an aptitude for serving in rural areas.

22. The deposit schemes of various banks are so stereotyped that there is very little room for innovativeness. The straightjacket growth of deposit schemes has slowly removed the attractiveness of bank deposits, to the interest conscious savers. It is high time therefore that commercial banks attempted to introduce innovative deposit schemes to wean away the depositors from the non-banking financial intermediaries who are able to introduce more deposit schemes. At this juncture, new schemes of deposits and incentives for depositors should be considered for attracting customers.

23. There is large scope to tap NRI deposits from non-resident Indians by developing personal contact through representative branch offices or through the references of Indian clientele and their friends. Pamphlets highlighting NRI schemes may be distributed at the airport when the NRI passengers arrive to join the near and dear in India. The branch managers may meet the postmen of the area periodically and get from them lists of addresses of non-resident Indians. This is an innovative approach worth implementing. Bankers may develop rapport with corporations

working for the benefit of non-resident Indians. They could be contacted for opening NRI accounts.

24. Frequent SWOT (Strength, Weakness, Opportunities and Threats)

analysis may boost up the position of the bank in the market. It should be undertaken scrupulously by the banks in order to study the:

- 1) Concentration in a particular region – Strength analysis.
- 2) Absence of national level network of branches – Weakness analysis.
- 3) Potential business and grab the same – Opportunity analysis.
- 4) Stiff competition posed by banks within the industry, by NBFCs and Post office savings banks- Threat analysis.

This sort of threadbare analysis would help the banks to set up the right marketing objectives in the short and long term targets in deposit mobilization.

25. Bankers should lay greater emphasis on reinvestment plans, recurring deposits, cash certificates and other forms of deposits, where interest is not paid but accumulated to significantly ensure broad deposit base, sustained growth and judicious mix for pragmatic portfolio management.

CONCLUSION

The various strategies devised by commercial banks for deposit mobilization revolve round the fundamental principles of mobility, flexibility, convenience to customers, reduction of cash drain and special inducements to depositors.

As part of the effort to mobilize deposits on a large scale, banks in India have introduced variety of new deposit schemes to suit the needs of different types of customers. Indian banks attract three types of deposits current, savings and term. It is in relation to fixed deposits that a number of versions have been introduced to satisfy the requirements of different classes of savers.

Deposit growth is a continuous process much more so in a developing economy where resource mobilization acts as a prime mover of the vehicle of development like that of India. Banks have been able to maintain their profitability despite a fall in interest rates. This is because deposit rates for banks have fallen faster than lending rates.

Whereas small private sector banks with lesser administrative and establishment costs and foreign banks with ability to better serve their selected customers may venture to offer higher interest rates for term deposits, it is a losing proposition for other traditional public sector banks.

Efforts have to be made to earn higher income through better services and in newer areas of advances, going effectively into it which apparently seems to be risky but fetches better interest income, deposits are the essential raw material of the banking industry and no bank can ignore to secure deposits.

The composition of bank deposits in India clearly shows the predominance of savings and term deposits, which are obviously wealth related. The Indian banking system has plunged into the explosive phase of globalization, liberalization and privatization coupled with the emerging concept of mergers, acquisitions and bancassurance, as such, bank deposits will face stiff competition from other financial instruments as the era of walk-in deposits is fast coming to an end. This is a matter of grave concern for planners, policy makers and bankers.

In sum, more than a century of commercial banking has not changed the fact that deposits are the basic building blocks of business for a bank.

SCOPE FOR FURTHER RESEARCH

In the light of the present study and of the awareness it has created in the researcher, bank deposits is still an unexhausted area of research in India. With banks being given autonomy and their emphasis on deposit mobilization is on the up-ward trend, the academic community, no doubt can

contribute its might through its research endeavours by exploring the following potential areas for further research and investigation.

1. Bank Deposits: Analysis of aggregate deposits and their determinants
2. The effect of National Income on Bank Deposits- An Analysis.
3. Development of Information Technology in banks and its effect on the level of deposit volume and growth.
4. Promotional strategies of Indian commercial banks with specific reference to deposit mobilization.
5. To analyze the impact of technology on the resources mobilization
6. Impact of interest rates on bank deposits- an analysis.
7. Resource Mobilisation in the period of deregulated interest rate mechanism with reference to term deposits.
8. A study on deposit mix of Scheduled Commercial Banks in India.