



DEPOSITS TRENDS OF PRIVATE SECTOR BANKS IN INDIA DURING POST - REFORM PERIOD

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Abstract

Indian financial services industry is dominated by the banking sector that contributes significantly to the revenues of this industry. Acceptance of deposits is the primary function of commercial banks. Deposit mobilization is an integral part of banking activity. Hence, in this paper, an attempt is made to empirically evaluate the trend and growth in deposits of private banks in India. The study mainly based on secondary data and statistical tool has been based like mean, co-efficient of variation (CV), standard deviation (S.D) percentage, compound growth rate (GGR) and Trend Analysis. The study covers a period of 15 financial years from 1998 to 2012. The findings revealed that the private banks recorded increasing trend in mobilizing deposits but growth rate is fluctuating trend during the study period.

Keywords: Deposits, Growth Rate, Post Reform, Private Banks, Trend Value.

Introduction

The success of economic development depends essentially on the extent of mobilization of resources (both internal and external) and investment and on the operational efficiency and Economic Discipline displayed by the various segments of the Economy. At a time when the prospects of foreign aid and assistance are dim one has to rely upon the internal resources for Economic Development. It is there for rightly emphasized that the rate of investment to put in the productive manner, so that the Economy is on the move. Indian financial service industry is dominated by the banking sector that contributes significantly to the revenues of this industry. Acceptance of deposits is the primary function of commercial banks and also Deposit mobilization is an integral part of it.

The commercial banks are of two types namely the scheduled banks and non-scheduled banks. The Scheduled Banks are broadly classified into nationalized banks or public sector banks and non-nationalized banks or private sector banks. Commercial banks play a positive role in Economic Development of a country as repositories of community's saving as purveyors of credit the banking sectors has should remarkable responsiveness to the needs of planned Economy. It has brought about a considerable progress in its efforts at deposit mobilization and has a number of measures in the recent for accelerating the rate of growth of deposits. As a resource to this, the commercial banks opened a number of branches in urban, semi urban and rural areas and have introduced a number of attractive schemes to foster economic development. According to RBI publication (2012-13), there are 89 Scheduled Commercial Banks (SCBs) in India. These include 26 public Sector Banks(State Bank of India and its associates, 19 Nationalized Banks and IDBI Bank Ltd.) 7 New Private Sector Banks,13 Old Private Sector Banks and 43 Foreign Banks.

Public Sector Banks

The public sector banks are the banks owned by the Government. The majority stake is held by the Government of India. The present position of public sector banks has been reached in a phased manner as follows:

- Starting of the State Bank of India in 1956 by taking over the business of Imperial Bank of India.



- Constitution of the eight state owned banks as subsidiaries of State Bank of India in 1959 called associate banks. As a result of the merger of two of these banks in 1963, now there are seven associate banks.
- Nationalization of fourteen major commercial banks in 1969,
- Setting up of the Regional Rural Banks in 1976,
- Nationalization of another six commercial banks in 1980.

On the basis of the above development, the public sector banks can be classified as follows:

1. State Bank and its subsidiaries
2. Nationalized banks
3. Regional Rural banks

Private-Sector Banks in India

The private-sector banks in India represent part of the Indian banking sector that is made up of both private and public sector banks. The "private-sector banks" are banks where greater parts of stake or equity are held by the private shareholders and not by government. Banking in India has been dominated by private sector banks since the 1969 when all major banks were nationalized by the Indian Government. However, liberalization in government banking policy in 1990s, old and new private sector banks have re-emerged. They have grown faster and bigger over the two decades since liberalization using the latest technology, providing contemporary innovations and monetary tools and techniques. The private sector banks are split into two groups by financial regulators in India, old and new. The old private sector banks existed prior to the nationalization in 1969 and kept their independence because they were either too small or specialist to be included in nationalization. The new private sector banks are those that have gained their banking license since the liberalization in the 1990s.

Old Private-Sector Banks

The old banks which were not nationalized at the time of bank nationalization that took place during 1969 and 1980 are known to be the old private-sector banks. These were not nationalized, because of their small size and regional focus. Most of the old private-sector banks are closely held by certain communities their operations are mostly restricted to the areas in and around their place of origin. Their Board of directors mainly consists of locally prominent personalities from trade and business circles. One of the positive points of these banks is that, they lean heavily on service and technology and as such, they are likely to attract more business in days to come with the restructuring of the industry round the corner.

New Private-Sector Banks

In India the reforms in banking sector, though the nature of Indian economy in underdeveloped are being implemented. Till reforms the Public Sector Banks (PSBs) functioned like a sole entrepreneur in saving and deposits mobilization credit deployment and creation of employment directly and indirectly. The large and haste branch expansion without planning and proper supervision banks failed to pay sufficient attention to their performance. As a result, their performance severally affected. Hence crisis was bound to take place in banking sector and the Government was forced to introduce reforms based on the recommendation made by "M.Narismham Committee".

To remedy the growing deficiencies of the Indian banking sector, the Government of India has set up the Narasimham committee on Financial system in 1991. It recommended deregulation and liberalization of the banking sector. This was followed by the recommendations of Narasimham Committee (II) of 1998. In this regard, the new banks and products introduced in India.

The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called "new private-sector banks". Banking Regulation Act was then amended in 1993, which permitted the entry of new private-sector banks in the Indian banking sector. However, there were certain criteria set for the establishment of the new private-sector banks, some of those criteria being:



1. The bank should have a minimum net worth of Rs. 200 crore.
2. The promoters holding should be a minimum of 25% of the paid-up capital.
3. Within 3 years of the starting of the operations, the bank should offer shares to public and their net worth must increase to 300 crore.

Mobilization of resources forms an integral part of the development process in India. In this process of mobilization deposit is one of the main functioning of banking business and so an important source of working fund for the bank. It is an indispensable factor to increase by sources of the Banks serve effectively. Deposits are the basis of raw materials for a banking industry and deposit mobilization is one of the basic innovations of attracting deposits from investors, due by making finances and by investing in various financial markets. Basically deposit mobilization is related to the creation of credits. It implies tapping of potential savings and putting them into the banking sector for productive uses. Further deposit mobilization by banks in India acquired greater significance in their new role in Economic development. Acceleration the deposit mobilization is one of the yardsticks to measure the performance and progress of banks. The present study makes an attempt to evolve the Deposit mobilization of private sector banks in India.

Review of Literature

Rao (2002) analyzed the impact of new technology on banking sector. The technology is changing the way the business is done and opened new vistas for doing the same work differently in most cost-effective manner. Tele-banking and internet-banking are making forays such that branch banking may give to home banking.

Bhattacharya and Bhowmik (2005) analyzed the pattern of credits and deposits of commercial banks for the state of west Bengal and associated districts under it. The findings have shown that the credit-deposit ratio for West Bengal has been falling sharply relative to the all India level. The average credit-deposit ratios in the state for all the population groups, urban, rural and semi-urban are lower than the corresponding ratios in all India level.

Davies *et. al.*, (2007) found the household savings, form a potential pool of resources for intermediation by banks, the evolving dynamics in determinants of house hold savings have a critical bearing on banks in their management of resource mobilization. While the banks' accessibility of resources is expected to grow in tandem with the increasing level of house hold savings, the actual recourse of the same would depend upon the households' decisions on their portfolio composition of savings. The level and composition of household savings, in turn, are influenced by macroeconomic conditions, financial market development and regulation. Alternative income sources, demographics and preferences of the household sector.

Rosen, R. J.,(2007) revealed that banks compete more intensively against other of similar size, the growing presence of multimarket mega-banks instills more aggressive competition among them leading to higher deposit rates.

Bhagirathi Nayak and Nahak (2011) have used various accounting ratios pertaining to profitability, financial efficiency, operational efficiency and financial soundness to build performance index for banks. Principal component analysis method has been used to construct index and rank performance of banks over the last 10 years. Twenty two parameters pertaining to operational and financial efficiency of banks have been considered to construct the performance index for public sector banks. Logit model is to construct the Altman 2 score for public sector banks in India. It was found that reform measures have impacted positively in enhancing the stability and soundness of the public sector banks in India. The study found that State Bank of India continues to be the number one bank in India.

Objectives of the Study

The following are the main objectives of the present study

1. To study the Trend and Growth of deposits private sector banks in India.



2. To analyze the pattern of deposits of private sector banks in India.

Methodology

The present study is mainly based on secondary data the study on analytical in nature. The data were collected from RBI publications, reports and journal. The relevant websites were also visited for collection of necessary literature and data from journal and books. Statistical tools have been used like Mean, Standard Deviation (SD), Covariance (CV) Percentage trend analysis the study covers a period of 15 financial year from 1998-2012.

Analysis and Discussion

The volume of deposits collected by private banks in relation to deposit potential of its area is considered to be a reliable index of the performance of the bank in the respect. The trend analysis techniques are used for evaluation of the performance of the private banks under “deposit mobilization”. The following important indicators are used to evaluate the performance of the private banks in deposit mobilization.

- Structure and trend of total deposits
- Pattern wise deposits
- Compound Growth Rate
- Trend Analysis

Trend Analysis becomes imperative to evaluate the overall growth of Private Sector banks in India. It clearly indicates the magnitude and direction of operations observe a period of time. It shows the trend pattern in order to identify the historical development.

Table 1, Growth of Total Deposits of Private Banks in India during Post Reform Period
(As on 31st March) (Amount in Crore)

Year	No of Accounts	Total Deposits	% of Total Deposits	Increase / Decrease	Annual Growth Rate	Trend Value
1998	25822	61272.33	1.07	Nil	nil	-93612.55
1999	27083	74561.39	1.30	0.23	21.69	-17446.41
2000	29083	97001.24	1.70	0.39	30.10	58719.729
2001	33017	116825.01	2.04	0.35	20.44	134885.87
2002	42321	180129.59	3.15	1.11	54.19	211052.01
2003	45066	216221.21	3.78	0.63	20.04	287218.15
2004	48269	267409.14	4.68	0.90	23.67	363384.29
2005	48488	312855.58	5.47	0.79	17.00	439550.43
2006	52331	406126.26	7.10	1.63	29.81	515716.57
2007	54798	535769.63	9.37	2.27	31.92	591882.71
2008	63916	657298.72	11.49	2.13	22.68	668048.85
2009	70921	714478.75	12.49	1.00	8.70	744214.99
2010	74236	806569.14	14.11	1.61	12.89	820381.13
2011	87823	972151.45	17.00	2.90	20.53	896547.27
2012	91062	1174587	20.54	3.54	20.82	972713.41
Mean	794236	6595256.44				
SD	20972.25	353755				
CV	3787.08	1864.36				

Source: Banking Statistics, Basic Statistical Returns, RBI (Various issues)

From Table 1, it is clear that total deposits of private sector banks constitute 77 to 88 per cent to total deposits. The Mean and Standard Deviation of private sector banks total deposits is 27563122.07 and 1396908.20. The Co-efficient of variation is 1973.15.



The total deposits of private sector banks show an increasing trend. The annual growth rate indicated a fluctuating trend. The trend values of total deposits show an increasing trend in the years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2012-13. The trend values of total deposits show a decreasing trend in the years 1998-99, 1999-00, 2000-01 and 2011-12.

The Mean and Standard Deviation of private sector banks total deposits is 6595256.44 and 353755.16. Co-efficient of variation is 1864.36 and the Compound Growth Rate 13.18 per cent. The mean and standard deviation of number of accounts of private sector banks is 794236 and 20972.25. Co-efficient of variation is 3787.08 and the Compound Growth Rate 19.67 per cent.

Table 2 shows the details of compound growth rate of total deposits mobilized by private sector banks.

Table 2, Compound Growth Rate of Total Deposits of Private Banks

Particulars	Trend Values
a	439550.43
b	76166.14
Semi log trend	10.52
Compound Growth Rate	13.18

Source: Calculated value from table 1

The **a** and **b** values of private sector banks regarding total deposits are 439550.43 and 76166.14 respectively. The semi log trend value is 10.52. The compound growth rate is 13.18 per cent.

Table 3, Growth of Current Deposits of Private Banks in India during Post Reform Period

(As on 31st March) (Amount in Crore)

Year	No Accounts	Of Current Deposits	% Of Current Deposits	Increase / Decrease	Annual Growth Rate	Trend Value
1998	2048	7544.95	0.78	Nil	Nil	-467864.81
1999	2035	8896.23	0.92	1351.28	17.91	-391857.88
2000	2206	14438.85	1.50	5542.62	62.30	-315850.95
2001	2247	14830.54	1.54	391.69	2.71	-239844.02
2002	2161	18688.84	1.94	3858.30	26.02	-163837.09
2003	2230	25384.72	2.64	6695.88	35.83	-87830.16
2004	2507	42623.16	4.43	17238.44	67.91	-11823.23
2005	2924	51049.94	5.30	8426.78	19.77	64183.70
2006	4083	57128.69	5.93	6078.75	11.91	140190.63
2007	4004	77892.8	8.09	20764.11	36.35	216197.56
2008	4504	97823.04	10.16	19930.24	25.59	292204.49
2009	4720	98015.66	10.18	192.62	0.20	368211.42
2010	4967	130553.2	13.56	32537.54	33.20	444218.35
2011	11555	152014.83	15.79	21461.63	16.44	520225.28
2012	14215	165870	17.23	13855.17	9.11	596232.21
Mean	66406	962755.45				
SD	3627.94	53692.69				
CV	1830.40	1793.08				

Source: Banking Statistics, Basic Statistical Returns, RBI (Various issues)



From Table 3, it is clear that current deposits of private sector banks constitute 69 to 89 per cent to total current deposits. The mean and standard deviation of private sector banks current deposits are 2918615.09 and 132287.12. Co-efficient of variation is 2206.27.

The current deposits of private sector banks showed an increasing trend. The annual growth rate indicated a fluctuating trend. The trend values of current deposits showed an increasing trend in the years 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13. The trend values of current deposits showed a decreasing trend in the years 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05. The mean and standard deviation of private sector banks current deposits is 962755.45 and 53692.69. Co-efficient of variation is 1793.0 and the Compound Growth Rate 15.02 per cent.

The mean and standard deviation of number of current accounts of private sector banks are 66406 and 3627.94. Co-efficient of variation is 1830.40 and the Compound Growth Rate is 21.49 per cent.

Table 4 shows the details of compound growth rate of current deposits mobilized by private sector banks.

Table 4, Compound Growth Rate of current Deposits of Private Banks

Particulars	Trend Values
a	64183.70
b	76006.93
Semi log trend	9.69
Compound Growth Rate	15.02

Source: Calculated Value

The **a** and **b** values of private sector banks regarding current deposits is 64183.70 and 76006.93 respectively. The semi log trend value is 9.69. The compound growth rate is 15.02 per cent.

Table 5, Growth of Savings Deposits of Private Banks in India during Post Reform Period
(as on 31st March) (Amount in Crore)

Year	Number Of Accounts	Savings Deposits	% of Savings Deposits	Increase / Decrease	Annual Growth Rate	Trend Value
1998	14760	7315.83	0.46	Nil	Nil	-6712.28
1999	15341	9305.54	0.59	1989.71	27.20	9388.56
2000	15803	12375.74	0.78	3070.20	32.99	25489.40
2001	17610	16067.11	1.01	3691.37	29.83	41590.24
2002	19408	20284.04	1.28	4216.93	26.25	57691.08
2003	21383	26049.07	1.64	5765.03	28.42	73791.92
2004	25090	40169.33	2.53	14120.26	54.21	89892.76
2005	31999	50733.64	29.61	430559.48	1071.86	105993.60
2006	32012	73391.99	4.62	-397336.82	-84.41	122094.44
2007	34540	88269.81	5.55	14877.82	20.27	138195.28
2008	43459	122977.12	7.73	34707.31	39.32	154296.12
2009	47582	140192.33	0.89	-108884.79	-88.54	170396.96
2010	50997	186887.35	11.75	172795.02	1226.16	186497.80
2011	57583	229051.59	14.41	42164.24	22.56	202598.64
2012	59083	272938.00	17.17	43886.41	19.16	218699.48
Mean	486650	1296928.29				



SD	15788.01	86092.83
CV	3082.40	1506.43

Source: Banking Statistics, Basic Statistical Returns, RBI (Various issues)

From Table 5 it is clear that savings deposits of private sector banks constitute 81 to 94 per cent to total savings deposits. The mean and standard deviation of private sector banks savings deposits is 7379272.5 and 358510.44. Co-efficient of variation is 2069.86. The savings deposits of private sector banks showed an increasing trend except in the year 2006-07 and 2009-10. The annual growth rate indicated a fluctuating trend. The trend values of savings deposits showed an increasing trend in the years 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2006-07, 2007-08, 2008-09, 2009-10, The trend values of savings deposits showed a decreasing trend in the years 1998-99, 2005-06, 2010-11, 2011-12 and 2012-13.

The Mean and Standard Deviation of private sector banks savings deposits is 1296928.29 and 86092.83. Co-efficient of variation is 1506.43 and the Compound Growth Rate 6.21 per cent.

The mean and standard deviation of number of savings accounts of private sector banks is 486650 and 15788.01. Co-efficient of variation is 3082.40 and the Compound Growth Rate 12.88 per cent.

Table 6 shows the details of compound growth rate of savings deposits mobilized by private sector banks.

Table 6, Compound Growth Rate of Savings Deposits of Private Banks

Particulars	Trend Values
a	105993.58
b	16100.835
Semi log trend	9.23
Compound Growth Rate	6.21

Source: Calculated Value

The **a** and **b** values of private sector banks regarding savings deposits is 105993.58 and 16100.835 respectively. The semi log trend value is 9.23. The compound growth rate is 6.21 per cent.

Table 7, Growth of Term Deposits of Private Banks in India during Post Reform Period

(as on 31st March) (Amount in Crore)

Year	Public Sector Bank Term deposits	Number Of Term Accounts	% of Term Deposits	Increase / Decrease	Annual Growth rate	Trend Value
1998	4013	46411.55	0.80	Nil	Nil	124943.63
1999	4707	56359.62	0.98	9948.07	21.43	162034.28
2000	11066	10186.66	0.18	-46172.96	-81.93	199124.93
2001	13159	85927.36	1.49	75740.70	743.53	236215.58
2002	20753	141156.71	2.45	55229.35	64.27	273306.23
2003	21454	165788.742	28.74	1516730.71	1074.50	310396.88
2004	20672	186616.65	3.24	1471270.77	-88.74	347487.53
2005	18201	211072	3.66	24455.35	13.10	384578.18
2006	16235	275405.78	4.77	64333.78	30.48	421668.83
2007	16253	369607.02	6.41	94201.24	34.20	458759.48
2008	15953	436498.56	7.57	66891.54	18.10	495850.13
2009	18619	475550.75	8.24	39052.19	8.95	532940.78
2010	18273	489128.58	8.48	13577.83	2.86	570031.43
2011	18430	591085.04	10.25	101956.46	20.84	607122.08



2012	24741	735779.00	12.75	144693.96	24.48	644212.73
Mean		1543128.00				
SD	891229.36	7591.65				
CV	1882.37	20326.66				

Source: Banking Statistics, Basic Statistical Returns, RBI (Various issues)

From Table 6 it is clear that term deposits of private sector banks constitute 76 to 86 per cent to total term deposits. The mean and standard deviation of private sector banks term deposits is 16776237.48 and 891229.36. Co-efficient of variation is 1882.37 and the Compound Growth Rate 5.62 per cent.

The term deposits of private sector banks showed an increasing trend except in the year 2004-05. The annual growth rate indicated a fluctuating trend. In the year 2004-05, there is a negative trend. The trend values of term deposits showed an increasing trend in the years 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12. The trend values of term deposits showed a decreasing trend in the years 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 and 2012-13.

The mean and standard deviation of private sector banks term deposits is 5828672.70 and 410554.89. Co-efficient of variation is 1419.71 and the Compound Growth Rate 2.69 per cent.

The mean and standard deviation of number of term accounts of private sector banks is 242529 and 5835.09. Co-efficient of variation is 4156.39 and the Compound Growth Rate 14.66 per cent.

Table 8 shows the details of compound growth rate of term deposits mobilized by public and private sector banks

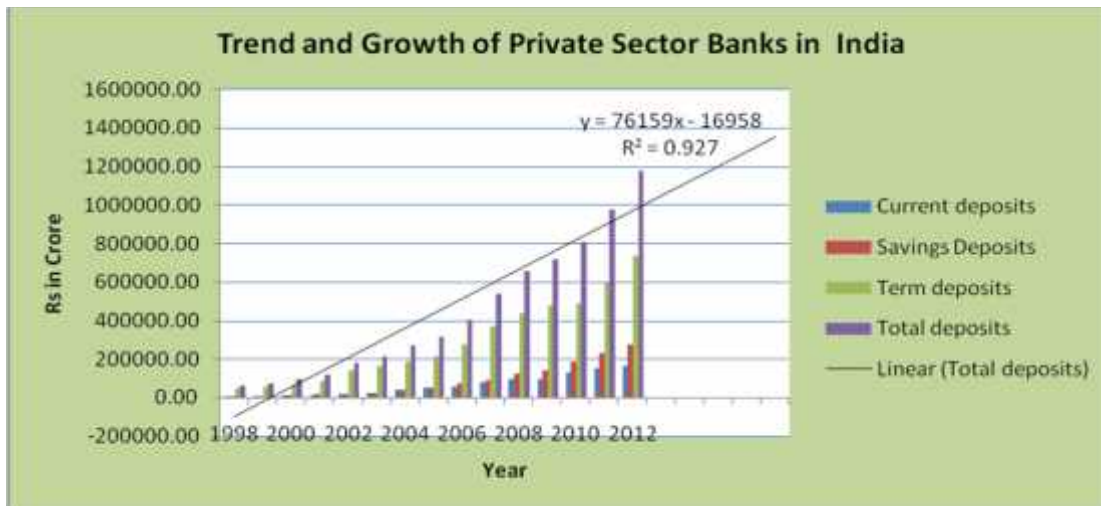
Table 8, Compound Growth Rate of Term Deposits of Private Banks

Particulars	Trend Values
a	384578.18
b	37090.65
Semi log trend	11.15
Compound Growth Rate	2.69

Source: Calculated Value

The **a** and **b** values of private sector banks regarding term deposits is 384578.18 and 37090.65 respectively. The semi log trend value is 11.15. The compound growth rate is 2.69 per cent.

Figure 1





Conclusion

The present study considered the deposit mobilization by Public Bank in India during the period of 15 years from 1998-2012. The results indicate that the increasing trend for deposit mobilization total deposits, but the growth rate remains in fluctuating trend. Finally the study concludes the most successful banks will be those that can truly strengthen their relationship with their customers. Hence the banks focus strengthens the customers while it leads to growing deposits and while increasing the efficiency of business.

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