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## Original Research Article

# Customer behaviour on investment in deposit schemes in Kerala: A case study

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### ABSTRACT

Financial Analysis is a powerful mechanism of determining financial strengths and weakness of a firm. The financial statements are mirror which reflects the financial position and operating strength or weakness. Customer behaviours in relation to their income helped to know the trend of investment in various deposit schemes. The comparative statement, common size balance sheet and ratio analysis shows that the bank has a good financial position. Bank Surplus is increasing and liquidity position is fair but invests more in current asset than liquid asset.

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## 1. Introduction

Finance is considered to be the lifeblood of the business. Without finance a business enterprise cannot be started or operated. It is needed for starting the business, for continuing it and also for expanding in future. Finance is scarce resource also. It is also the most important aspect of business. Structure of bank is varying from country to country. The banking sector is one of the most important sectors for national development and occupies the unique place of nation's economy. The last decade has witnessed many positive developments in the Indian banking sector. Finance and related government and financial sector regulatory entities had made several notable regulations in this sector.<sup>1</sup> It includes strengthening prudential norms, enhancing the payments system and integrating regulations between commercial and co-operative banks.

The Indian financial system comprises of a large number of commercial banks and co-operative banks, specialized development banks for industry, agriculture, external trade and housing. Indian banks have favorably on growth,

asset quality and profitability with other regional banks. Economic development of the country is evident through the soundness of the banking system.<sup>2,3</sup> Deregulation in the financial market, market liberalization, economic reforms have witnessed important changes in banking industry leading to incredible competitiveness and technological sophistication leading to a new era in banking.

Today large section of people, who have minimal financial literacy, is needed to know the financial performance status of the banks where their deposits are vested.<sup>4</sup> Financial performance is not available from the records and files in any organization. It has to be derived by the usage of financial statement analysis techniques. Some of the important commonly used techniques are ratio analysis, comparative statement analysis, common size analysis, and time series analysis.

Financial information is needed to predict, compare and evaluate the earnings ability. It is also required to aid an economic decision making investment and finance decision making. Financial ratios are used in the evaluation of the financial condition and profitability of a company.<sup>5</sup> The ratios are calculated from the financial information provided

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in the balance sheet and income statement. While analyzing the financial statements one should keep in mind the principles and practices that accountant's use in preparing statements to examine the financial condition and preference of a company.<sup>6</sup> Ratio analysis is one of the techniques of financial analysis where ratios are used to evaluate the financial conditions and performance of a firm.

The health of the banking system underpins that of the economy as a whole. Any destabilization in financial markets affects even those who are not in financial markets.<sup>7</sup> The solvency or insolvency situations of a bank have been catching a greater attention of the public. Financial ratios are often used to measure the overall financial soundness of a bank and the quality of its management. Hence many of the banks failed to keep their financial stability and this study was undertaken to analyse the financial efficiency, profitability and the structural health of the organization.

## 2. Objectives

The main objectives are

1. To analyze the financial statement of bank through the calculation of ratios, and to understand the overall financial position, and
2. To know customers behavior towards various deposit schemes.

## 3. Review of Literature

Anita Makkar and Shveta Singh (2013) analysed the financial performance of Indian commercial banks. Rohit Bansal (2014) conducted a comparative analysis of the financial ratios of selected banks in India for the period of 2011-2014. Samir Thakkar, et. al (2020) have conducted financial performance analysis of banking sector in India for the period of 2016-2020. Karunakaran N (2020) analysed the role and challenge of rural banks in the financial inclusive growth of India. Thimmaiah Bayavanda Chinnappa and Karunakaran N (2021), and Chinnappa T B and Karunakaran N (2022) studied the consolidation in the banking industry and opinion of customers on satisfaction in the selected bank branches in India.

## 4. Materials and Methods

The data were collected through primary and secondary sources. Primary data were collected from Kerala State Co-operative Bank, Kasaragod using questionnaire, 50 samples were taken for analyzing the customer behaviour towards deposit scheme and five year income statement and balance sheet were used for financial analysis. Analysis of the study is done using common size balance sheet, comparative balance sheet, ratio analysis, and chi-square test.

## 5. Results, Analysis and Discussion

### 5.1. Comparative balance sheet of bank

In 2020-21, other asset showing a decreasing trend. The fixed assets, investment, current assets, other deposit, shares and advances are showing increasing trend (Table 1); for investment there is a high growth rate.

### 5.2. Common size balance sheet

In the year 2021, the advances constituted major share in assets that is more than 60%. Investment in shares was only about 0.00093%. Among liabilities, deposits constitute major share. There is only 2.95% in share capital (Table 2).

### 5.3. Liquidity ratios

#### 5.3.1. Current ratio

The current ratio of bank increased in 2017-2018 and decreased in 2018-2019. By analyzing the current ratio, the organization has a satisfactory level of liquidity (Table 3).

#### 5.3.2. Proprietary ratio

Proprietary ratio shows a decreasing trend in the first 4 years but it was somewhat high in the year 2020-2021 (Table 4).

#### 5.3.3. Debt equity ratio

The ideal debt-equity ratio is 1:1. The debt-equity ratio of 2018-2019 year was 1.11%. Later it started to increase. For the other four years it was less than one percentage; which shows, comparing to the other years debt equity ratio for the year 2018-2019 is good (Table 5).

#### 5.3.4. Credit deposit ratio

Shows that, in the year 2016-17 credit deposit ratio was 84.74%, increased to 86.52%. Later years it was decreased. It is clear that in all years above 50% of the deposit are given by the bank as loan.

#### 5.3.5. Investment deposit ratio

Shows the investment- deposit ratio for the year 2018-19 is higher than compared to other years.

#### 5.3.6. Net investment to total asset ratio

Net investment to total asset is 24.69 in 2016-17 and then three years it was a decreasing trend and in the year 2020-21 the ratio increased and it was 34.26 (Table 8).

#### 5.3.7. Investment in shares to net investment ratio

It is seen that in each year there is an increase in investment in shares (table. 9).

**Table 1:** Comparative balance sheet of 2020-2021

Particulars	2020	2021	Absolute change	Percentage Change
<b>Assets</b>				
Fixed Asset Investment	15423374.38	17970066.36	2546692.00	16.51
Current assets Other Deposits	386605541.00	480858365.00	94252824.00	24.38
Shares Advances Other Asset	22238825.89 650592.00	30571992.62 1169158.00	8333166.7 518566.00	37.47
	13000.00 851376840.00	13000.00 863934785.00	0 12557945.00	79.71 0
	9978758.70	8863801.64	(-)111495.7	1.48 -1.12
<b>Total</b>	<b>1286286931.95</b>	<b>1403381168.95</b>	<b>117094237.00</b>	<b>9.103</b>
<b>Liabilities and capital</b>				
Share capital Reserve fund	26578900.00	34401700.00	7822800.00	29.43
Deposits and other deposits	101685349.47	123174448.58	21489099.11	21.13 7.78
Liabilities and other liabilities	1097819867.19	1183224160.61	85404293.42	11.12 1.92
Provisions and surplus	2988313.00 21379945.77	3320715.00 21789688.84	332402.00 409743.07	5.78 4.17
	8821614.69 27012941.83	9331453.69 28139002.23	509839 1126060.40	
<b>Total</b>	<b>1286286931.95</b>	<b>1403381168.95</b>	<b>117094237.00</b>	<b>9.103</b>

Source: Annual Report of KSCB

**Table 2:** Common size balance sheet of 2020-2021

Particulars	Amount (Rs)	Percentage
<b>Assets</b>		
Fixed Asset Investment Current assets	17970066.36 480858365.00 30571992.62	1.28 34.26 2.1785 0.0833
Other Deposits Shares Advances Other Asset	1169158.00 13000.00 863934785.00 8863801.64	0.00093 61.51 0.631
<b>Total</b>	<b>1403381168.95</b>	<b>100</b>
<b>Liabilities and capital</b>		
Share capital Reserve fund Deposits and other deposits Liabilities other liabilities	34401700.00 123174448.58 1183224160.61	2.45 8.785 84.31 0.24 1.55
Provisions Surplus	3320715.00 21789688.84 9331453.69 28139002.23	0.665 2.005
<b>Total</b>	<b>1403381168.95</b>	<b>100</b>

Source: Annual Report of KSCB

**Table 3:** Current ratio of bank

Year	Current Assets	Current Liabilities	Current Ratio
2016-2017	10804228.68	14096877.00	0.76
2017-2018	18258860.37	17925183.00	1.01
2018-2019	24802569.02	26324784.62	0.94
2019-2020	22238825.89	21379945.77	1.04
2020-2021	30571992.62	21789688.84	1.40

Source: Annual Report of KSCB

**Table 4:** Proprietary ratio of bank

Year	Shareholder's fund	Total assets	Proprietary ratio
2016-2017	16353800.00	689085400.67	0.023
2017-2018	18838600.00	891951017.39	0.021
2018-2019	23576800.00	1159300471.53	0.020
2019-2020	26578900.00	1286286931.95	0.020
2020-2021	34401700.00	1403381168.95	0.024

Source: Annual Report of KSCB

**Table 5:** Debt equity ratio of bank

Year	Total debt	Shareholder's fund	Debt Equity Ratio
2016-2017	14096877.00	16353800.00	0.86
2017-2018	17925183.00	18838600.00	0.95
2018-2019	26324784.62	23576800.00	1.11
2019-2020	21379945.77	26578900.00	0.80
2020-2021	21789688.64	34401700.00	0.63

Source: Annual Report of KSCB

**Table 6:** Credit deposit ratio of bank

Year	Advances / Loan	Deposits	Credit to deposit ratio
2016-2017	489403860.00	577476933.51	84.74
2017-2018	656373870.00	758589925.64	86.52
2018-2019	842417837.00	992702506.84	84.86
2019-2020	851376840.00	1097819867.19	77.55
2020-2021	863934785.00	1183224160.61	73.01

Source: Annual Report of KSCB

**Table 7:** Investment deposit ratio of bank

Year	Investment	Deposits	Investment-Deposit Ratio
2016-2017	170165432.00	577476933.51	0.29
2017-2018	197696297.00	758589925.64	0.26
2018-2019	2663755310.00	992702506.84	2.68
2019-2020	386605541.00	1097819867.19	0.35
2020-2021	480858365.00	1183224160.61	0.40

Source: Annual Report of KSCB

**Table 8:** Net Investment tototal asset ratio of bank

Year	Investment	Total assets	Ratio
2016-2017	170165432	689085400.67	24.69
2017-2018	197696297	891951017.39	22.16
2018-2019	266375310	1159300471	22.97
2019-2020	386605541	1286286931.95	30.05
2020-2021	480858365	1403381168.95	34.26

Source: Annual Report of KSCB

**Table 9:** Investment in shares to net investment ratio of bank

Year	Investment in shares	Net investment	Ratio
2016-2017	7000.00	170165432	4.11
2017-2018	7000.00	386605541	3.54
2018-2019	10000.00	266375310	3.75
2019-2020	13000.00	386605541	3.36
2020-2021	13000.00	480858365	2.70

Source: Annual Report of KSCB

**Table 10:** Cash position ratio of bank

Year	Cash	Current liabilities	Cash position ratio
2016-2017	10804228.68	14096877.00	0.76
2017-2018	18258860.37	17925183.00	1.01
2018-2019	24802569.02	26324784.62	0.94
2019-2020	22238825.89	21379945.77	1.04
2020-2021	30571992.62	21789688.84	1.40

Source: Annual Report of KSCB

**Table 11:** Solvencyratio of bank

Year	Total Debt	Total Asset	Ratio
2016-2017	14096877.00	689085400.67	0.020
2017-2018	17925183.00	891951017.39	0.020
2018-2019	26324784.62	1159300471	0.022
2019-2020	21379945.77	1286286931.95	0.016
2020-2021	21789688.84	1403381168.95	0.015

Source: Annual Report of KSCB

**Table 12:** Profitabilityratio of bank

Year	Net Income	Total Assets	ROA
2016-2017	7603251.41	689085400.67	1.10
2017-2018	11787256	891951017.39	1.32
2018-2019	16300550.47	1159300471.53	1.40
2019-2020	11401187.07	1286286931.95	0.88
2020-2021	12925887.2	1403381168.95	0.92

Source: Annual Report of KSCB

**Table 13:** Customers behaviour on deposit scheme of bank

Type of deposit scheme		Monthly salary of customers				Total
		<15000	15000-30000	30000-50000	50000-80000	
Short term deposit Long term deposit Total	Short term deposit	5	8	2	4	20
	Long term deposit	3	7	13	4	30
	Total	8	15	15	8	50

$X^2=22.53$

### 5.3.8. Cash position ratio

From table.10, it is clear that the cash position ratio is in satisfactory level.

### 5.4. Profitability ratio

hows that the profitability ratio on asset has above 1%. But in the years 2019-20 and 2020-21, is less than 1 %.

### 5.5. Customers behaviour on deposit scheme

Chi-square test is used to analyze any significant relationship between monthly salary of customers and type of deposits. Here, there is significant relationship between monthly income of the customers and type of deposit scheme (table. 13).

## 6. Conclusion

If properly analyzed and interpreted financial statement can provide valuable insight into a firm's performance analysis. Customers are the king of any business, and customer behaviour in relation to their income knows, the trend of investment in various deposit schemes. The comparative statement, common size balance sheet, and ratio analysis shows that the bank has a good financial position. Bank Surplus is increasing except one year and was not high in rate. Bank's liquidity position is fair and invests more in current asset than the liquid asset.

## 7. Source of Funding

None.

## 8. Conflict of Interest

None.

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