

# Deposit Mobilization of Commercial Banks: A Comparative Study of BOB and Axis Bank in Bhubaneswar City

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## ABSTRACT

*Deposit mobilization is an integral part of banking activity. Mobilization of savings through intensive deposit collection has been regarded as the major task of banking in India. Acceptance of deposits is the primary function of commercial banks. As such, deposit mobilization is one of the basic innovations in current Indian banking activity. Hence, in this paper, an attempt is made to evaluate the trend and growth in deposit mobilization of scheduled commercial banks in Bhubaneswar in the period from 2008-09 to 2013-14. Three different types of deposits, namely demand deposit, savings deposit and term deposit is considered for the study taking BOB and Axis Bank. The total number of deposits accounts and total amount of deposits mobilized during the year from 2008-09 to 2013-14 in all scheduled commercial banks in India is gathered from RBI bulletin. The collected time series data are subjected descriptive statistics. Analysis is done taking primary data through a questionnaire to present different factors responsible for deposit mobilization of BOB and Axis Bank in Bhubaneswar city.*

**Keywords:** Deposit Mobilization, Commercial Banks, Descriptive Statistics.

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## INTRODUCTION

Commercial banks are one of the important components of organized financial system in India. The organized financial system in India comprises a network of banks, other financial and investment institutions offering a range of financial products. Commercial banks mainly mobilize funds for short term and medium term purposes. Of course, in recent times the commercial banks are also facilitating long term investment, which is called as “universal banking”.

According to classical economist, one of the main factors which helped the capital formation was the accumulation of capital. Profit made by the business community constituted the major part of savings of the community and the saved funds are

assumed to be invested. They thought capital formation indeed plays a role in determining the level of growth of national income and economic development. Banking system is the integral part of investment system productive sector. It involves the Sacrifice Of current value of rupees for future value of rupees. It is concerned with the collection of present fund for later reward, which is uncertain. When people deposit money in banks for example; it must invest the money in new ventures that increase their production.

## REVIEW OF LITERATURE

Junarsin (2010) serviced innovation is the key to gain a competitive advantage in service industry like banking sector. However, there are often

gaps in carrying the implementation of innovations by service companies, for instance, in introducing innovative ideas, companies do not always match and offer what the customer wants. Service innovation it is very easy to be imitated because it is simple and it does not use a sophisticated Technology. This opinion was first revealed by Sundho in (1997).

Yuan Lu and Tseng (2010) Proposed that applying the innovation would do increase an enormous customer involvement in product development process. In this respect, the implementation of product innovation or service innovation requires the involvement of customers. The behaviour and the needs of the depositors determine the shape, size and system of the services.

According to Sebastiani and Payola (2010) successful innovation often comes from things that are not technological. Sophisticated technology is not a guarantee to provide excellence in performance. Therefore direct interaction with the customers is one of the privileges in service innovation activities. In the past, service innovation perceived to be unimportant because of its intangible nature. However, due to the fact that service industry is growing rapidly, service innovation is forced to be developed.

Kuusisto and Reiepula (2010) and Sundbo (2006), Express the opinion that the problems of service innovation are difficult to be standardized. This is because services are intangible. Many small and medium enterprises have implemented the service innovation on an ad-hoc basis. That means the service innovation is not offered formally because not all customers need it.

Bittner et. al. (2007) Conclude that to service innovation is less disciplined and less creative than manufacturing and technology sector. They further endorse the fact that the innovation of one service firm like bank is replicated by other forms by which its innovative nature lives for short period. In other words, innovation involving human behaviour in its process is still rarely studied because of the nature of services that are easily replicated so that the

development of innovation in service is really done

This is in line with the observation of Oke (2007) who agreed that service innovation is considered as a source of competitive advantage. Some researchers are not interested in studying service innovation because the implementation of service innovation is easy to imitate. Customers are directly involved in the process of delivering companies services. Unlike the manufacturing, customers are not directly involved in the production process, making it is relatively difficult to replicate.

Sunbo and Gallouj (2000) suggest that service innovation activity generally begins with concrete problems between the companies and customers. They confirm the situation that companies and customers work together in finding new solutions, which will later be formerly developed into services offered to the market.

Service quality has been viewed as a significant issue in the banking industry by the study of Stafford (1994). Since banking services characterized do with undifferentiated products, it becomes imperative for banks to service strive for improved service quality if they want to distinguish themselves from the competition. Positive relationship between high level of service quality and improved financial performance has been established by Roth et. al (1991).

Bowen & Hedges (1993) is documented that improvement in quality of service is related to expansion of market share. In the current marketing literature, much attention on the issue of service quality is related to customers attitude towards service is focused on the relationship between customer expectations of a service and perceptions of the quality of provision. This relationship known as perceived service quality.

### **Objective of the study:**

The main objective of the study is to survey the method Strategies and the trends in deposit mobilization of commercial banks in India. The following are the sub-objectives that help in

elaborating and analyzing the trend in deposit mobilization by the public and private sector banks.

To analyse the deposit mobilized by the public and private sector commercial banks for a period of 5 years. To throw light upon the broad typology of deposit products offered by the commercial banks in private and public sector banks.

To find out the relative importance between time deposit and demand deposits mobilized by commercial banks aggregate terms over a period.

To ascertain the primary factors that attract the depositors to prefer for a particular bank over others for staking their services and to carry different deposit related transactions.

To draw briefly appropriate conclusions and make suitable recommendations for improving the performance of commercial banks in the area of deposit mobilization.

### **Hypothesis of the Study:**

Keeping in view the broad objectives of the study the following null hypothesis are formulated they are statistically tested to develop a precise picture of the status of banks in respect of deposit mobilization functions.

**H0:** Behavioural style of bank staffs has no relation with the growth in deposit mobilization of commercial banks.

**H1:** There is no relationship between the abundance of service provided and growth of deposit mobilization of commercial banks.

**H2:** Frequency of operation of account has no relation with the growth in deposit mobilization of commercial banks.

**H3:** Depositors profile in a particular area has no impact on the growth in the kind of deposit of commercial banks.

### **Research Methodology:**

The study is based upon secondary as well as primary data. For analyzing and understanding difference in sector wise and state wise deposit mobilization secondary data is employed profusely.

The relevant secondary data collected from the annual reports of RBI viz. statistical tables relating to banks in India and the monthly Bulletins. Further various reports of different committees on deposit mobilization and academic monographs prepared by researchers have been consulted. However while using the tables, reports and monographs of various Agencies, the definitions and concepts employed by them in their works have been examined so as to know the extent of compatibility and reliability.

For the purpose of ascertaining the performance of depositors and to know the effectiveness of various strategies of commercial banks in deposit mobilization, primary data are used. Canvassing appropriate questionnaire among the selected depositors of select banks collects such data. Hence, a suitable questionnaire is developed and served among the selected branch / Bank depositors in select locations.

### **Limitation of the study:**

The main limitations of the study are as follows.

The sampling technique used is one of the non-probability methods. As the results are to be read in the context of sampling error.

As a matter of fact, deposit mobilization function is not an independent and exclusive variable and related to many other macroeconomic factors. This Study doesn't consider all the other related forces that influence the deposit mobilization efforts of commercial banks.

The quality of services extended by the commercial banks depending upon the status of the depositors in terms of their deposits quantum and political and social position in the society. As such, the results of the study are subject to certain special treatment which is not measured.

There are different Financial Institutions in deposit mobilization such as corporate enterprise, chit funds, Nidhis, non-scheduled commercial banks and many other non-banking Financial Institutions. So it is to be considered as a competitive market whose influence is not taken into scope of the study. The

time frame preferred for different analysis may vary from subject to subject of deposit mobilization.

### Date Analysis and Interpretation:

**Table 1: Deposit mobilization by commercial banks in India- Type Wise Analysis**

Year	Deposits mobilization			Rate of growth (%)		
	Demand deposit (in Rs.)	Time deposit (in Rs.)	Term deposit (in Rs.)	Growth of Demand deposits	Growth of Time deposits	Growth of Total deposits
2008-09	472579	874540	2716085	-	-	-
2009-10	571367	1109915	3065638	20.90	26.91	12.87
2010-11	641939	1351782	3622712	12.35	21.79	18.17
2011-12	630337	1528857	4294471	-1.81	13.10	18.54
2012-13	714201	1758062	4957270	13.30	14.99	15.43
2013-14	754325	2012620	5766192	5.62	14.48	16.32
MEAN	630791	1439296	4070395			
SD	100900.55	417955.32	1162462.65			
VARIANCE	317.65	646.49	1078.18			
CAGR	12.40%	23.17%	20.71%			

An examination of the table-1 shows that the number of current deposit accounts in 2008-09 was 472579/- it has a growth of 21% in 2009-10 but has shown a gradual wide fluctuation in growth in the following years and shows a CAGR of 12.40% and variance of 317.65 which is the lowest. At the same time 'time deposit' and 'term deposit' shown a gradual decrease in growth rate but the CAGR of time deposit is the highest 23.17% followed by term deposit 20.71%. one more thing can be noticed here that the growth of demand deposits has a negative figure (-1.81%) during the period 2011-12 shows that the current deposit in banks decreased drastically in that period showing an unfavourable environment for the banks.

**Table 2: Deposit mobilization by commercial banks in India- Sector Wise Analysis**

Year	SBI and associate banks	Growth in %	Nationalized banks	Growth in %	Foreign banks	Growth in %	Private banks	Growth in %	All scheduled banks	Total Growth in %
2008-09	1007043		2105705		214077		736379		4063204	
2009-10	1108086	10.03	2583934	22.71	232099	8.42	822801	11.74	4746920	16.83
2010-11	1245862	12.43	3127122	21.02	240689	3.70	1002759	21.87	5616432	18.32
2011-12	1405024	12.78	3596989	15.03	276948	15.06	1174587	17.14	6453549	14.90
2012-13	1618445	15.19	4127252	14.74	288000	3.99	1395836	18.84	7429532	15.12
2013-14	1828363	12.97	4760657	15.35	352424	22.37	1591693	14.03	8533138	14.85
MEAN	1368804		3383610		267373		1120676		6140463	
SD	312662		983169		50095		331902		1674287	
VAR	559.16		991.55		223.82		576.11		1293.94	
CAGR	16.08%		22.62%		13.27%		21.25%		20.38%	

An analysis of table-2 reveals that the Compound annual growth rate of total deposits of SBI and its associate banks is 16% whereas CAGR is highest for the nationalized banks followed by private banks and has a lowest figure of 13.27% in case of foreign banks. If we look at the variance in deposits it also follows the same trend as the CAGR. Foreign banks particularly show a very less variance in its growth i.e. 223.82, which means the deposit mobilization, is varying less rapidly than other banks.

**Table 3: Deposit mobilization by BOB- A Trend Analysis**

Year	Demand deposits (Rs. In Cr)	Savings deposits (Rs. In Cr)	Term deposits (Rs. In Cr)	Total deposits (Rs. In Cr)	(Rs. In Cr)	% of deposits to total liabilities
2010-11	23134.67	64454.03	217850.78	305439.48	358397.18	85.22
2011-12	28944.36	74579.53	281347.23	384871.12	447321.47	86.04
2012-13	35678.31	84302.61	353902.42	473883.34	547135.44	86.61
2013-14	50050.39	96437.44	422406.56	568894.39	659504.54	86.26
2014-15	52796.65	110172.20	454590.67	617559.52	714988.55	86.37
CAGR(%)	22.91	14.34	20.19	19.24	18.85	

Table-3 shows the deposit mobilization of bank of Baroda from 2011 to 2015. A keen analysis of the data reveals that there is a nearly constant ratio of total deposits to total liability. As far as growth in different deposits is concerned the CAGR for current deposit is 23% followed by term deposit 20.19%. Savings deposit shows a very compound average growth rate of 14.34%. This reveals that the bank is unable to attract customers for saving deposits. There is a significant increase in current deposit and term deposit over the period under study. Therefore there is a well mobilization of demand deposit and term deposits by bank of Baroda over the period.

**Table 4: Deposit mobilization by Axis Bank- A Trend Analysis**

Year	Demand deposits (Rs. In Cr)	Savings deposits (Rs. In Cr)	Term deposits (Rs. In Cr)	Total deposits (Rs. In Cr)	Total liability (Rs. In Cr)	% of deposits to total liabilities
2010-11	36917.10	40850.30	111470.40	189237.80	242713.37	77.97
2011-12	39754.07	51667.96	128682.27	220104.30	285627.79	77.06
2012-13	48322.10	63777.74	140513.76	252613.60	340560.66	74.18
2013-14	48686.40	77775.94	145924.50	272386.84	383244.87	71.07
2014-15	56108.22	88292.09	178041.63	322441.94	461932.39	69.80
CAGR (%)	11.03	21.25	12.42	14.25	17.45	

(CAGR: Compounded Annual Growth Rate)

The above table shows the deposit mobilization trend for the period 2010-11 to 2014-15. As far as the total deposits to total liability ratio is concerned it shows a fluctuating trend over the period under study. The ratio is lowest (70%) for the period 2014-15. Moreover it shows a continuous decrease in the ratio for the period of five years. If we look at the CAGR we can see the figure is lowest for current deposit for axis bank where as for BOB it is the highest 23%. In case of savings deposit the CAGR is 21.25% the highest in the category compared to BOB

which shows a lowest CAGR for savings deposits. We can say that Axis bank is more capable of attracting customers for savings deposit to current deposit. Both the table shows that the CAGR of total deposits of BOB is higher than Axis Bank.

**Table 5: Professional Profile of Depositors**

Professional status	Bank of Baroda			Axis Bank Ltd.		
	Male	Female	Total	Male	Female	Total
Employees	63	22	85 (55.19)	36	16	52 (49.52)
Business	22	09	31 (20.13)	21	03	24 (22.86)
Unemployed/ Retired	03	07	10 (06.49)	06	03	08 (08.57)
Student	19	09	28 (18.18)	15	06	19 (19.05)
Total	107 (69.48%)	47 (30.52%)	154 (100.00)	78 (74.29%)	29 (26.67%)	105 (100.00)

The analysis of the data reveals that the female respondents 30.52 % and the 26.67% in BOB and Axis Bank respectively. Though there is a marginal difference between BOB and Axis Bank in respect of women customers, Axis Bank has depositors from business sector. It means that the potential of Axis Bank depositors is not much as Employee depositors. Further, the percentage of unemployed / retired is 18.18% in BOB and 19.05 % in Axis Bank which reveals that the possibility of mobilizing term deposits is more for Axis Bank than BOB. All these analysis indicates that their responses can be considered as reliable and dependable. This results in rejection of null hypothesis H3.

**Table 6: Frequency of Operations of the Deposit Accounts**

Deposit account	Bank of Baroda		Axis Bank Ltd.		Total	
	Frequency	Average	Frequency	Average	Frequency	Average
Current deposit a/c	204	2.56	115	3.31	319	2.76
Savings deposit a/c	81	0.97	30	0.78	110	0.89
Recurring deposits	15	1.20	10	1.20	25	1.20
Fixed deposit a/c	75	0.78	25	0.61	100	0.67
NRE a/c	02	0.34	03	1.09	5	0.53
Safe deposit Vault	23	0.87	14	0.79	37	0.80

The average operation of each type of account by the respective depositor is very much high in case of current deposit account because they are used by which Businessman and administrative Agencies. They often issue checks in settlement of the Year accounts every day and large number. Hands, the "average operations" of current deposit account deposit per month is 2.56 in BOB and it is 3.31 in Axis bank which is far higher than any other account of course the recurring deposit account is operated once in a month per account holder. Hence, it is to be concluded that cost of servicing of current deposit account is likely to be more than the operation of any other deposit account. So such accounts are charged with service charges at a particular rate to the current deposit account concerned. The above analysis results in rejection of hypothesis H2.

**Table 7: Behavioural Style of Bank Staff**

Style	Bank of Baroda (154)				Axis Bank Ltd. (105)			
	Very good (2)	Good (1)	Not good (0)	Average weight	Very good (2)	Good (1)	Not good (0)	Average weight
Courteous	59 (118)	51 (51)	44 (0)	[1.09]	33 (66)	27 (27)	45 (0)	[0.88]
Responsiveness	14 (28)	114 (144)	26 (0)	[1.11]	27 (34)	27 (27)	51 (0)	[0.58]
Knowledge about banking and schemes	66 (132)	76 (76)	12 (0)	[1.35]	24 (48)	49 (49)	32 (0)	[0.92]
Guidance about deposit a/c	89 (178)	23 (23)	42 (0)	[1.30]	44 (88)	32 (32)	29 (0)	[1.14]
Indifference to enquiries	44 (88)	95 (95)	16 (0)	[1.18]	24 (48)	39 (39)	42 (0)	[0.82]
Conveying information about schemes	96 (192)	18 (18)	40 (0)	[1.36]	43 (85)	26 (26)	36 (0)	[1.05]

The behavioral styles of the staff maybe is a 'very good' or 'good' or 'not good' which are assigned weight like '2', '1' and '0' respectively. For determining the dominant style the product of all the weight are averaged interest out the strong style. All this exercise helps to identify the important style in BOB and Axis bank. It can be seen that in BOB most experienced behaviour of the employees is the nature of conveying information about the new schemes to the customer because its average is weight is 1.36 followed by the employees' knowledge about the banking and schemes as its average weight is 1.35 and both the style have almost similar score. In Axis Bank, the observations of the customers are almost similar to that of experiences of customers of a b except the order of the styles. In other words the customers of Axis Bank revel that the employees of Axis Bank is in the habit of 'guiding the account holders about the banking schemes' 1.14 and the second style is conveying the information about the deposit schemes 1.05. Always success of these two banks is dependent upon the knowledge of the new schemes and willingness to share with the customers so as to convince them to reach them for the banking services. Based on the above findings we can reject null hypothesis H0.

**Table 8: Electronic Banking Services Accessed By the Customers**

e-banking services	Bank of Baroda (154)				Axis Bank Ltd. (105)			
	Most often (2)	Often (1)	Never (0)	Average weight	Most often (2)	Often (1)	Never (0)	Average weight
ATM	121 (242)	15 (15)	18 (0)	[1.66]	59 (118)	27 (27)	19 (0)	[1.38]
Internet Banking	18 (36)	13 (13)	123 (0)	[0.31]	17 (34)	20 (20)	68 (0)	[0.51]
Mobile Banking	7	3	144	[0.11]	17	15	73	[0.46]

	(14)	(3)	(0)		(34)	(15)	(0)	
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Providing the facilities may help the customers to transact with their bank without moving from their offices and homes. It is a facility that encourages the customers to refer such banks who provide the Computer Based services. Of course, it is a service that is available to elite class and it is not good for people with Limited means Table-9 presents The E-Banking services availed by the customers and the frequency of their use is indicated by the average weightage calculated as per the Likert scale. The rate of use of the e-banking system is normally multi focused because of which average uses it is calculated by assigning '2' weight to 'very often' and '1' to 'often' and '0' to 'never' use. The analysis of both the banks shows that ATM is used more frequently than any other electronic devices. The uses of ATM customer is 1.66 in BOB where as it is 1.38 by the depositors of Axis Bank, so one can conclude that among all the electronic devices ATM is Highly popular. Next to this electronic device, Internet banking rank in both the banks with an average weight of a 0.31 and 0.51 in BOB and Axis Bank respectively it means that the customers of Axis Bank are using the Internet banking more frequently than by the depositors of BOB. The reason for this might be an account of Axis Bank staff guiding and motivating the customers to use Internet banking. It can also be seen that uses mobile banking is showing same trend as internet banking if we compare both the banks showing the usage of mobile banking in case of Axis Bank is marginally higher than BOB. The above analysis allows rejection of the null hypothesis H2.

### SUGGESTIONS

Following are the suggestions to the selected banks for improvement of their service quality towards deposit mobilization system in their respective banks.

Staff is inadequate and newly recruited are to be given intensive coaching before placing them on the front line and in the back-office work.

It is necessary to organize depositors meeting at least once in a year to know their problems. Bankers are to be discouraged to undertake corporate agency for insurance business of their own subsidiary or of other independent company. Security arrangements in 80% of Bank branches are to be beefed up so that to build confidence among the visiting depositors and new customers.

ATM rooms security arrangements are very poor and to be strengthen and regulated. The pay-ins-slips and withdrawal slips can be made available in vernacular language. The PIN of the Debit Card and Credit cards are to be revised at least once in 5 years or at the request of the card holder.

### CONCLUSION

It is concluded that there was a significant up trend and growth in current deposits but in terms of growth of deposit year by year is fluctuating. There is significant decline in deposits in scheduled commercial banks in Bhubaneswar during the period from 2009-10 to 2012-13. As there is a significant increase in current deposit and term deposit over the period under study the mobilization of demand deposit and term deposits by bank of Baroda is more than Axis bank over the period. On the whole, it is concluded that Bank of Baroda in Bhubaneswar city has performed well in deposit mobilization in five years from 2010-11 to 2014-15.

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