



Asian Journal of Management and Commerce

E-ISSN: 2708-4523

P-ISSN: 2708-4515

AJMC 2022; 3(2): 115-117

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www.allcommercejournal.com

Received: 22-05-2022

Accepted: 27-07-2022

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Impact of current account and saving account on profitability of banking institutions

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DOI: <https://doi.org/10.22271/27084515.2022.v3.i2b.119>

Abstract

CASA means current and saving account banking deposits are virtual vault of bank. It is providential that only financial institutions registered under the Banking Regulation Act, 1939 are eligible to offer such banking deposits. These banking deposits called as low-cost liabilities of bank. Because these types of deposits are motion 3-4% interest to the banking depositors rather than other banking deposits like recurring and fixed deposits. These deposits are exploited for loan and advances by bank, bank is charging these facilities. This study is done to consider how much CASA deposits have grown over time and how it helps banks to increase their profitability. This study based on 5“years CASA deposit growth of SBI bank was taken for analysis. By the use of correlation technique, the relationship between CASA growth and profitability, CASA Deposit growth and operating profit growth were found out”.

Keywords: Casa, branches, growth, profitability

Introduction

As per the Banking Regulation Act, 1939, public and private sector banks should focus on attracting low cost current accounts and savings accounts (CASA deposits) to control their cost of funds. It will also enable them to maintain a soft interest rate dispensation. The CASA (current and savings account) is the ratio of deposits in the current and savings accounts of a bank to its total deposits. A high CASA indicates that a major part of the bank's deposits comes from current and savings accounts. This means the bank is getting money at a lower cost, as no interest is paid on current accounts and the interest paid on savings accounts is often lower. Current and savings accounts are demand deposits and hence pay lower interest rates than fixed deposits where the rates are higher. Thus a higher CASA means that more money deposited in the bank is in the demand deposit of the CASA, thus the bank is getting money at a lower cost.

“While banks had earlier focused on deposit growth, CASA deposits are gaining prominence. The move comes amid expectations of a tightening of interest rates. The government wants banks to increase their CASA deposits. These low-cost banking deposits will help us to contain costs, which means that a softer interest rate regime can be maintained,” an Economist said. According to the SBI Annual report 2020-21 the CASA deposits grew at a faster pace of 16.73%, compared to term deposits growth of 12.23%. Within CASA, the current account deposit grew by 27.36%, while Saving Bank Deposits grew by 14.79%, which has resulted in the CASA ratio improving by 97 bps to 46.13% in FY2021.”

Objectives of the study

1. Impact of CASA deposit growth on SBI bank Profitability.
2. The growth trend between CASA deposit and Number of Branches.
3. The CASA deposits of Low or high growth in SBI bank.
4. The relation between CASA deposit and Interest expansion.

Techniques used in study

1. Net Interest Margin
2. Account holders growth
3. Gross Profit
4. Operating Profit

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Research methodology**Research Problem**

Impact of Casa Deposits on Profitability of SBI Bank

Research Design

The present study is concern with the Role of State bank of India and its implementation of casa deposit provisions as part of financial development responsibility. An informal, descriptive and non-experimental design is develop for the present study

Population of the study

State Bank of India

Analysis of Techniques

Correlation Technique

Scope of the Study

This study based on secondary data for the period of 2015-16 to 2020-21. This study mentions only the Impact of CASA Deposits on the Profitability of the State Bank of India. This study is concerned, with financial techniques. This deposit growth leads to the profitability of the banks. The scope of the study is confined to current and savings account deposits growth only.”

Analysis and interpretation

Table 1: Showing the Financial Performance of SBI Bank in last Five Years Data.

S. No.	Year	Casa deposits	Investment	Net interest income	Branches	Opreting prfit
1.	2015-16	758749	575652	57195	16982	43258
2.	2016-17	931998	765990	61860	17365	50848
3.	2017-18	1236258	1060987	74854	22620	59511
4.	2018-19	1331668	967022	88349	22218	55436
5.	2019-20	1463916	1046954	98085	22374	68133

Interpretation

It is found from the above table, CASA deposits has been increased in last five years of state bank of India. As well as other financial tools like net interest income, investment, branches and operating profit also increased. All information shows that state bank of India bank profitability is regularly increased.

Table 2: Exposition correlate between cash deposit and investment

S. No.	Year	Casa deposits	Investment
1.	2015-16	758749	575652
2.	2016-17	931998	765990
3.	2017-18	1236258	1060987
4.	2018-19	1331668	967022
5.	2019-20	1463916	1046954

Interpretation

“It is found from the above table, the positive Correlation between CASA Deposits and Investment in the period of 2015-16 to 2020-21. The result is 0.938. It takes that the time's increase in CASA deposit is similar to the times increase in investment Therefore investment growth has to do with Current and saving account deposit growth. This result is covering 5 financial years data from 2015-16 to 2019-20.”

Table 3: Exposition correlate between casa deposit and investment

S. No.	Year	Casa deposits	Net interest income
1.	2015-16	758749	57195
2.	2016-17	931998	61860
3.	2017-18	1236258	74854
4.	2018-19	1331668	88349
5.	2019-20	1463916	98085

Interpretation

“It is found from the above table, the positive Correlation between CASA Deposits and Net Interest Income in the period of 2015-16 to 2020-21. The result is 0.969. It takes that the time's increase in CASA deposit is similar to the times increase in investment Therefore Net Interest Income growth has to do with Current and saving account deposit growth. This result is covering 5 financial years data from

2015-16 to 2019-20.”

Table 4: Exposition correlate between casa deposit and investment

S. No.	Year	Casa deposits	Branches
1.	2015-16	758749	16982
2.	2016-17	931998	17365
3.	2017-18	1236258	22620
4.	2018-19	1331668	22218
5.	2019-20	1463916	22374

Interpretation

“It is found from the above table, the positive Correlation between CASA Deposits and Branches in the period of 2015-16 to 2020-21. The result is 0.938. It takes that the time's increase in CASA deposit is similar to the times increase in investment Therefore Branches growth has to do with Current and saving account deposit growth. This result is covering 5 financial years data from 2015-16 to 2019-20.”

Table 5: Exposition correlate between casa deposit and investment

S. No.	Year	Casa deposits	Opreting prfit
1.	2015-16	758749	43258
2.	2016-17	931998	50848
3.	2017-18	1236258	59511
4.	2018-19	1331668	55436
5.	2019-20	1463916	68133

Interpretation

“It is found from the above table, the positive Correlation between CASA Deposits and Operating profit in the period of 2015-16 to 2020-21. The result is 0.931. It takes that the time's increase in CASA deposit is similar to the times increase in investment Therefore Operating profit growth has to do with Current and saving account deposit growth. This result is covering 5 financial years data from 2015-16 to 2019-20.”

Conclusion

“It is quite clear that demand and fixed deposits growth and credit demand will increase the profitability of the State bank of India. According to this assumption, the researcher has covered only the demand deposit section for the

financial performance study. CASA is a low-cost demand deposit as it offers only low-interest rates to the deposits, unlike fixed deposits. This kind of deposits increase will intimate positive growth in maintaining the number of sbi branches, increasing net interest income as a spread (Interest receipt –Interest payment) is increasing, and it will result in specific growth in operating profits. It is concluded in this study is these CASA demand deposits had created positive impacts on all four criterion variables in the case of Sbi bank. So profitability is increased because of financial techniques only, CASA had created all kinds of positive impacts on all variables namely Investment, Branch growth, Net Interest Income, and Operating Profits.”

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