A COMPARATIVE STUDY OF DIFFERENCE IN THE GROWTH RATE OF DEPOSITS OF PUBLIC VS PRIVATE BANKS

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ABSTRACT

The banking sector is very important for the economic development of any country and hence it is regarded as the lifeline of any modern economy and also as an important financial pillar of the economy. Banking industry assumes a crucial role in the functioning of an economy. Banking industry supports and fulfils all the financing requirements of export/import, industry and agriculture, construction, business etc. with a high level of commitment. Any country's overall development is directly related with efficient working of its banking industry. Today's world economy is considering banks not merely as an organization to deal with money but as a pioneer of country's development. Banks are significant in terms of transferring deposits and credits to different fields of the economy. A country's economic wellbeing is reflected by its banking industry's wellbeing. Any economy's potential is reflected in the strength of its financial system, which largely depends on a good banking system. If banking system of a country is efficient it can successfully mobilize all the savings in fruitful sectors of the economy. An efficient banking system ensures the capability of banks to meet all the responsibility towards the depositors. In today's scenario, the banking sector is one of the fastest growing sectors and a lot of funds are invested in Banks. Also, today's banking system is becoming more complex. So, there is a strong need to evaluate the performance of the banks. In this study, we will discuss about the difference in the growth rate of Demand Deposits of public vs private banks, difference in the growth rate of Savings Bank Deposits of public vs private banks, difference in the growth rate of Term Deposits of public vs private banks and the difference in the growth rate of Total Deposits of public vs private banks. The study consists of Six banks namely State Bank of India, Punjab

National Bank, Axis Bank, HDFC Bank, ICICI Bank and Kotak Mahindra Bank for five years starting from 2014-2018.

Key Words: **Demand Deposits, Savings Bank Deposits, Term Deposits, Total Deposits.**

INTRODUCTION

Research generally refers to a search for knowledge. One can likewise characterize research as a scientific and systematic search for relevant data on a particular subject or topic. Dictionary definition of research is a cautious investigation or request particularly through look for new actualities in any branch of knowledge.

Indian banking industry is extremely developed at both macro and micro level. The present study is carried out on the macro through micro level. Researcher will be selecting the Financial Performance of Selected banks of the banking Industry of India, with reference to public and private banking industry in India.

The performance of banks in India has been assessed by considering variables, viz. branches, deposits (Total Deposits, Term Deposit, Saving Bank Deposit, Demand Deposit), advances, investments, spread, burden, business, operating profits, NPA, cost of deposits, cost of borrowings, cost of funds, return on advances, return on investments, return on funds, Gross Profit, Net Profit, Debt to asset Ratio, Combined Net Interest Margin, Return on Equity, Return on Asset and operating expenses and sectorial deployment of credit.

For the present study financial performance of banks is assessed by picking financial performance elements which is deposits.

MEANING OF DEPOSITS

1. Demand Deposit:

As the name suggested, you can withdraw this deposit on demand. Such funds are held in accounts where it is easier to withdraw money either by going to the bank or an ATM. Savings and Current accounts are the two types of commonly used Demand Deposits account.

In such type of deposits, the risk is low but so is the return. However, there is one more factor that this type of deposit has and that is liquidity since money can be withdrawn at a moment's notice.

The reason for the existence of such accounts is to provide the customer convenience of meeting his daily requirement of funds. It does not serve the purpose of 'investment' or 'wealth creation'.

2. Term Deposit:

A deposit at a bank or other financial institution that has a fixed return (usually via an interest rate) and a set maturity. That is, the depositor does not have access to the funds until maturity; in exchange, he/she is usually entitled to a higher interest rate. One of the most common examples of a term deposit is a certificate of deposit. It is also called a time deposit.

3. Savings Bank Deposit:

A savings account is a deposit account in a bank or credit union that pays interest on your balance -- though some institutions require that you have at least a minimum amount in the account to qualify for earnings.

While savings accounts typically pay interest at a lower rate than other bank accounts, that may not always be the case. Savings accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund.

4. Total Deposits

The sum total of Demand Deposit, Term Deposit and Saving Bank Deposit is called Total Deposits.

PROFILE OF SELECTED BANKS

Public Sector Banks

State Bank of India

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2 June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint-stock bank of British India sponsored by the Government of Bengal. The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921. The three presidency banks came into existence either as a result by the felt needs of local European commerce and were not imposed from outside in an arbitrary manner to modernize India's economy. (www.sbi.co.in).

Punjab National Bank

PNB comes into existence on May 19, 1894 and commenced its operations on 12th of April 1895 from Lahore with an authorized share capital of Rs. 2,00,000. The first directors of PNB comprised of Lala Lajpat Rai, Mr. E.C. Jessawala, Babu Kali Prasono Roy, Lala Harkishan Lal and Sardar Dyal Singh Majithia. PNB is the first bank purely managed by Indians. During the long history of the bank, 7 banks have merged with PNB.

Punjab National Bank was registered on 19 May 1894 under the Indian Companies Act, with its office in Anarkali Bazaar, Lahore, in present-day Pakistan. The Government of India (GOI) nationalized PNB and 13 other major commercial banks, on 19 July 1969. In 1976 or 1978, PNB opened a branch in London.

- Punjab National Bank was ranked #717 in the **Forbes Global 2000 in May 2013. (IBFA awards the best in banking, insurance cos**)
- Punjab National Bank was ranked #26 in the **Fortune India 500** ranking of 2011 Kerala, p.6.(**PNB Awards** *2014*).

The Bank has the largest domestic network of 4997 offices, counting 46 extension counters among Nationalized Banks. All their branches provide Core/ Centralized Banking Solution (CBS) along with an assortment of financial products catering to different market segments.

Private Sector Banks
HDFC Bank

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. HDFC Bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. As of March 31, 2018, the Bank had a nationwide distribution network 4,787 branches and 12,635 ATM's in 2,691 cities/towns.HDFC Bank's Corporate Governance Policy has been adopted keeping in mind the importance of attaining fairness for all stakeholders, as well as achieving organizational efficiency.The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. (www.hdfcbank.com).

AXIS BANK

Axis Bank is the third largest private sector bank in India. The Bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSME, Agriculture and Retail Businesses.

Axis Bank is one of the first new generation private sector banks to have begun operations in 1994. The Bank was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI) (then known as Unit Trust of India), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The shareholding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003.

Vision of the Bank

To be the preferred financial solutions provider excelling in customer delivery through insight, empowered employees and smart use of technology

Core Values

Customer Centricity

Ethics

Transparency

Teamwork

Ownership

(**www.axisbank.com**).

ICICI Bank

ICICI Bank is India's largest private sector bank with total consolidated assets of Rs. 11,242.81 billion (US$ 172.5 billion) as on March 31, 2018 and profit after tax of Rs. 67.77 billion (US$ 1.0 billion) for the year ended March 31, 2018. ICICI Bank currently has a network of 4,867 Branches and 14,367 ATMs across India. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was shaped in 1955 at the activity of the World Bank, the Government of India and agents of Indian industry. The important target was to make an advancement budgetary establishment for giving medium-term and long haul investment financing to Indian organizations.

Kotak Mahindra Bank

Kotak Mahindra Finance Ltd. in 1985 to becoming one of the country's most trusted financial institutions today. In 1985, as a young 26-year old entrepreneur, Uday Kotak started Kotak

Capital Management Finance Ltd. (which later became Kotak Mahindra Finance Ltd). The vision was to eventually become a banking company. Private Indian banks were not even a speck on the horizon at that time. On 22nd March 2003, Kotak Mahindra Finance Ltd. became the first non-banking financial company (NBFC) in India's corporate history to be converted into a bank. Kotak Mahindra Bank Ltd. (KMBL) is regarded as one of the most efficient and high-performing banks in India, built on the principles of simplicity and prudence. A culture of empowerment and a spirit of enterprise attracts bright minds with an entrepreneurial streak to join us and build long-term careers with us. Working with a home grown professionally managed company, which has benefited from partnerships with international leaders, gives our people a perspective that is universal as well as unique.(**www.kotak.com).**

REVIEW OF LITERATURE

Sharma and Sharma (2018) analyzed the financial performance of three selected Indian commercial banks, namely, Punjab National Bank, Canara Bank and State Bank of India;   for the period 2016-17. Using financial ratio analysis, the study concluded that State Bank of India dominates the banking scenario, and has outperformed Punjab National Bank and Canara Bank for majority of the indicators.

Jaiswal and Jain (2016), A Comparative Study of Financial Performance of SBI and ICICI, The investigation is an endeavor to break down the money related performance of SBI and ICICI banks. The State Bank of India, prominently known as SBI is one of the main bank of public segment in India. SBI has 14 Local Head Offices and 57 Zonal Offices situated at significant urban areas all through the nation. ICICI bank is the second biggest, driving bank of private segment in India The Bank has 2,533 branches and 6,800 ATMs in India. The examination is spellbinding and explanatory in nature. The gathered information was optional in nature and gathered from different reports gave by these banks through web. The examination of budgetary performance of these two banks was made based on ratio investigation. The outcomes demonstrated that the SBI is performing admirably and monetarily strong than ICICI Bank. Additionally the market position of SBI is superior to ICICI in earning per share, price ratio per share and dividend payout ratio, yet then again ICICI bank is performing great as far as NPA and arrangement for NPA in comparison of SBI bank.

Verma et al. (2011) in their study entitled Performance of Scheduled commercial banks in India: An application of DEA examine the effectiveness of 88 Scheduled commercial banks with the data of the period starting from 1998-99 to 2007-08. The study concluded that foreign and public sector banks need to control the expenses they are incurring and improve the output at the given input level as they had failed to acquire full efficiency score in 6 and 5 years respectively, out of the 10 years under study.

RESEARCH OBJECTIVE

1. To study the financial performance of sampled units.
2. To study the factors influencing financial performance in sampled units.
3. To review the effect of various external and internal factors on financial performance.
4. To access the level of financial performance with reference to stakeholders.

RESEARCH METHODOLOGY

Data collection: This study is only dependent on secondary data collection. The data for the study has been collected from the RBI Bulletins, Reports on Trend and Progress of Banking in India, Schedule of Commercial Banks in India, Report on Currency and Finance, Statistical Tables relating to Banks in India which were published by the Statistical Department of RBI. Further, for the purpose of analysis, detailed information is collected from books relating to Commercial Banks, Journals, Magazines, and Unpublished Reports.

"Period of the Study: This research study covers a period of 5 years i.e. from the financial year 2014 to 2018".

Sample: The scope of this study shall be restricted to Six banks i.e. State Bank of India, Punjab National Bank, Axis Bank, HDFC Bank, ICICI Bank and Kotak Mahindra Bank

Statistical tools used: Kruskal-Wallis test is used for this study.

Hypothesis:

H_{01a}: There is a statistically significant difference in the growth rate of Demand Deposits of public vs private banks

H_{11a}: There is no statistically significant difference in the growth rate of Demand Deposits of public vs private banks.

b.

H_{01b}: There is a statistically significant difference in the growth rates of Savings Bank Deposits of Public Vs Private Banks

H_{11b}: There is no statistically significant difference in the growth rates of Savings Bank Deposits of Public Vs Private Banks.

c.

H_{01c}: There is a statistically significant difference in the growth rate of term deposits of public vs private banks

H_{11c}: There is no statistically significant difference in the growth rate of term deposits of public vs private banks.

d.

H_{01d}: There is a statistically significant difference in the growth rate of total deposits of public vs private banks

H_{11d}: There is no statistically significant difference in the growth rate of total deposits of public vs private banks.
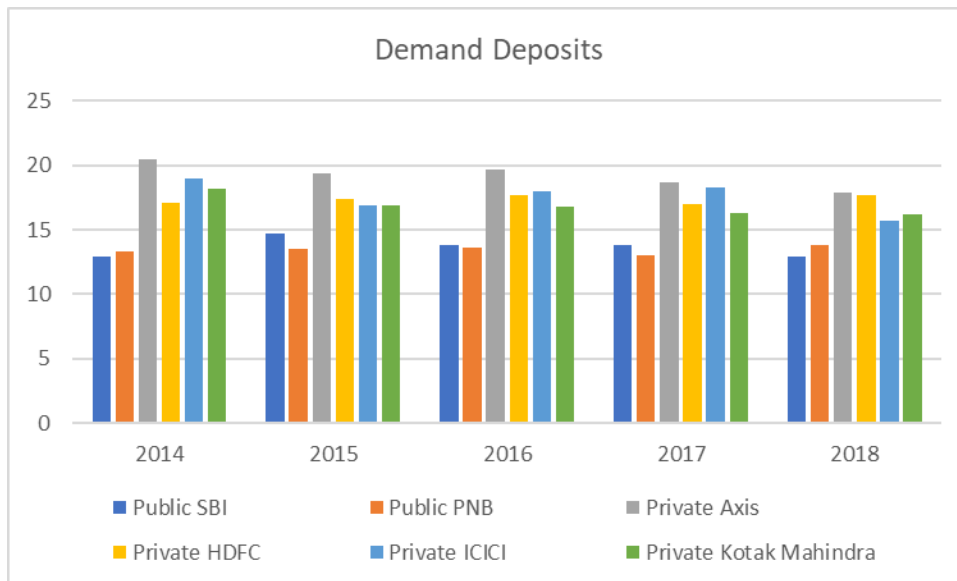
COMPARISON STUDY

Table 1:   Growth Rates of Demand Deposits of Public Vs Private Banks corrected for the yearly dynamics

Year	Public		Private				W
	SBI	PNB	Axis	HDFC	ICICI	Kotak Mahindra	
2014	12.87	13.31	20.43	17.11	18.92	18.20	9.34

2015	14.75	13.52	19.41	17.41	16.93	16.92	
2016	13.81	13.61	19.63	17.69	17.99	16.79	
2017	13.85	13.00	18.69	16.96	18.25	16.24	
2018	12.89	13.78	17.91	17.68	15.73	16.19	

There is a statistically significant difference in the growth rate of demand deposits of public vs private banks after being corrected for the yearly dynamics based on value of W through Kruskal -Wallis Test where critical value at 5% is 9.48; hence it was documented that $p < 0.05$.

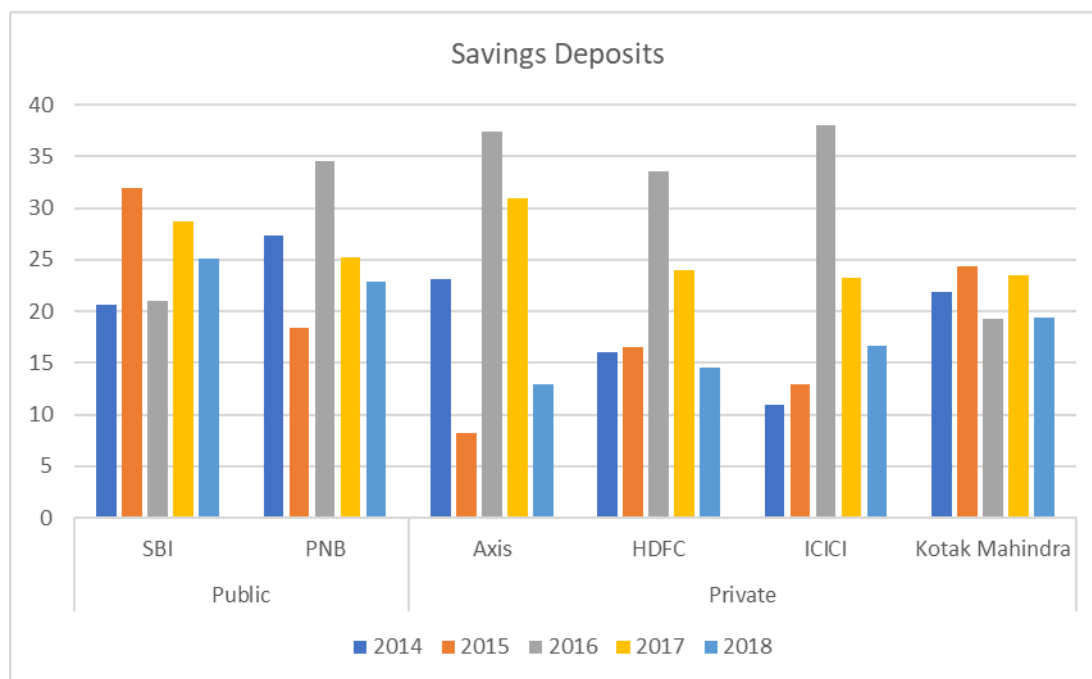**Graph 1:   Growth Rates of Demand Deposits of Public Vs Private Banks corrected for the yearly dynamics**

There is a statistically significant difference in the growth rate of Demand Deposits of public vs private banks", hence we reject the null hypothesis, and the trends show that demand deposits were higher for the private banks as shown in the graph 1.

**Table 2: Growth Rates of Savings Bank Deposits of Public Vs Private Banks corrected for
the yearly dynamics**

Year	Public		Private				W
	SBI	PNB	Axis	HDFC	ICICI	Kotak Mahindra	
2014	20.60	27.32	23.08	16.05	11.00	21.90	
2015	31.93	18.41	8.20	16.52	12.93	24.31	
2016	21.06	34.55	37.43	33.55	37.99	19.29	9.88
2017	28.77	25.22	31.00	23.99	23.19	23.44	
2018	25.08	22.82	12.99	14.56	16.70	19.40	

There is a statistically significant difference in the growth rate of savings bank deposits of public vs private banks after being corrected for the yearly dynamics based on value of W through Kruskal -Wallis Test where critical value at 5% is 9.48; hence it was documented that $p < 0.05$.

**Graph 2: Growth Rates of Savings Bank Deposits of Public Vs Private Banks corrected for
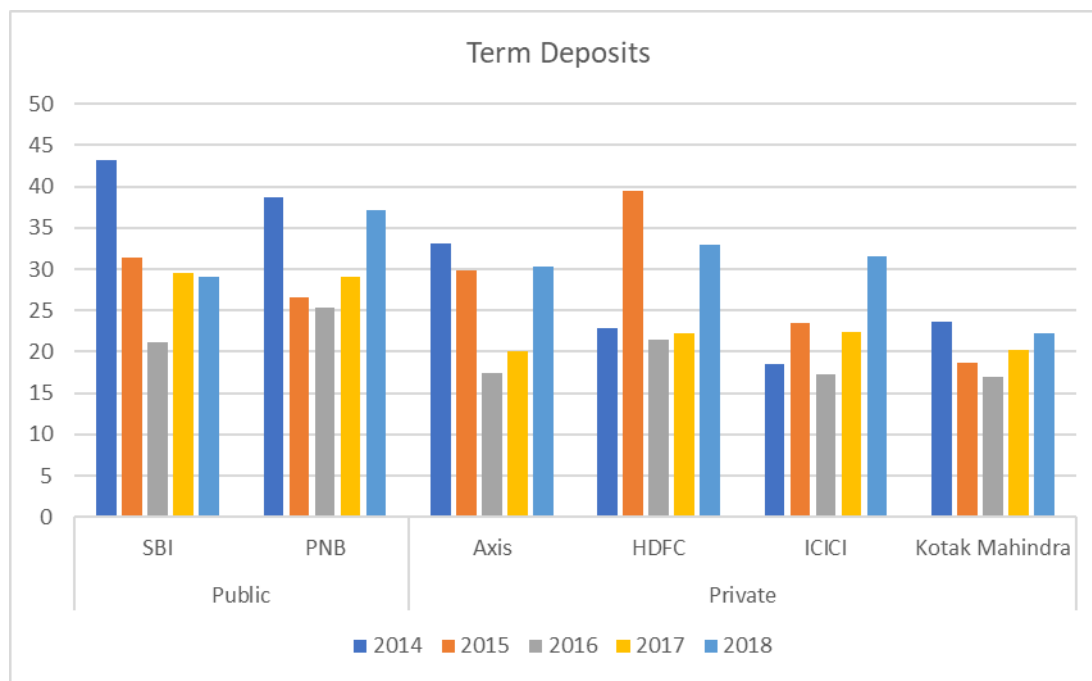the yearly dynamics**

There is a statistically significant difference in the growth rates of Savings Bank Deposits of Public Vs Private Banks, hence, we reject the null hypothesis. The public banks have higher mean savings bank deposits which have grown over the years as shown in the Graph 2.

Table 3: Growth Rates of Term Deposits of Public Vs Private Banks corrected for the yearly dynamics

| Year | Public | | Private | | | | W |
	SBI	PNB	Axis	HDFC	ICICI	Kotak Mahindra	
2014	43.18	38.63	33.05	22.80	18.58	23.62	
2015	31.33	26.66	29.88	39.53	23.49	18.70	
2016	21.09	25.27	17.40	21.50	17.23	16.91	10.65
2017	29.58	29.04	20.02	22.31	22.40	20.18	
2018	29.06	37.21	30.27	33.01	31.57	22.27	

There is a statistically significant difference in the growth rate of term deposits of public vs private banks after being corrected for the yearly dynamics based on value of W through Kruskal -Wallis Test where critical value at 5% is 9.48; hence it was documented that $p < 0.05$.

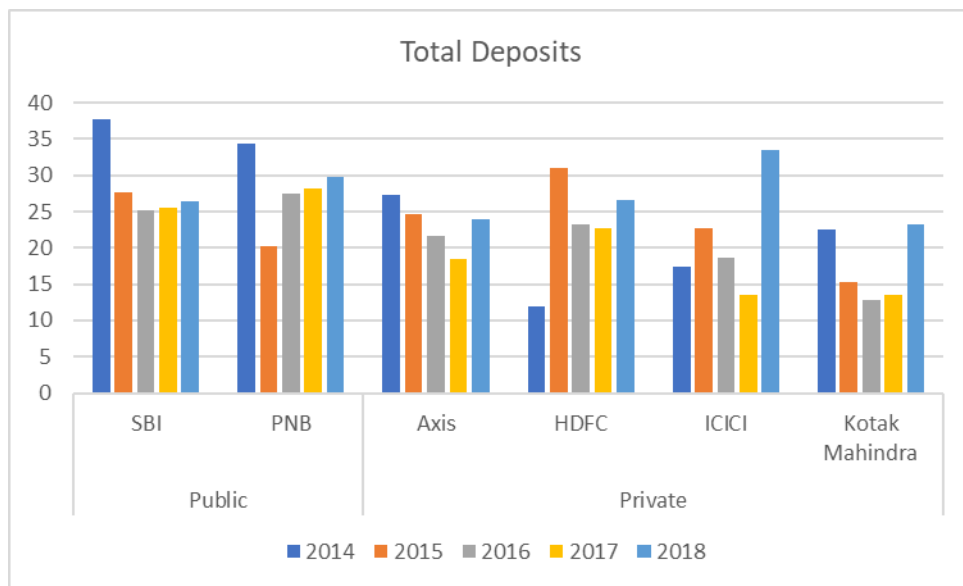**Graph 3: Growth Rates of Term Deposits of Public Vs Private Banks corrected for the yearly dynamics**

There is a statistically significant difference in the growth rate of term deposits of public vs private banks after being corrected for yearly change, as per the test, hence, we reject the null hypothesis. The public banks have higher term deposits which have decreased over the years as shown in the Graph 3.

Table 4 : Growth Rates of Total Deposits of Public Vs Private Banks corrected for the yearly dynamics

| Year | Public | | Private | | | | W |
	SBI	PNB	Axis	HDFC	ICICI	Kotak Mahindra	
2014	37.66	34.30	27.36	11.87	17.35	22.47	
2015	27.67	20.27	24.66	30.95	22.78	15.36	
2016	25.26	27.56	21.61	23.23	18.67	12.81	11.88
2017	25.51	28.22	18.45	22.79	13.59	13.50	
2018	26.47	29.83	23.99	26.53	33.53	23.21	

There is a statistically significant difference in the growth rate of total deposits of public vs private banks after being corrected for the yearly dynamics based on value of W through Kruskal -Wallis Test where critical value at 5% is 9.48; hence it was documented that $p < 0.05$.

Graph 4: Growth Rates of Total Deposits of Public Vs Private Banks corrected for the yearly dynamics

There is a statistically significant difference in the growth rate of total deposits of public vs private banks, and public banks have better mean values than the private banks as shown by trend analysis as shown in the Graph 4.

Status of Hypothesis established;

S. No.	Hypotheses	Difference	Status
1.	H_{01a}	Non Significant	Accepted
2.	H_{01b}	Non Significant	Accepted
3.	H_{01c}	Non Significant	Accepted
4.	H_{01d}	Non Significant	Accepted

Interpretation

The Kruskal-Wallis test is a nonparametric (distribution free) test, and is used when the assumptions of one-way ANOVA are not met. Both the Kruskal-Wallis test and one-way ANOVA assess for significant differences on a continuous dependent variable by a categorical independent variable (with two or more groups). In the ANOVA, we assume that the dependent variable is normally distributed and there is approximately equal variance on the scores across groups. However, when using the Kruskal-Wallis Test, we do not have to make any of these assumptions. Therefore, the Kruskal-Wallis test can be used for both continuous and ordinal-level dependent variables.

CONCLUSION

The central aim behind organizing this Paper was to perform the statistical analysis over the topic "Comparison of the difference in the growth rate of Demand Deposits of selected banks (State Bank of India, Punjab National Bank, Axis Bank, HDFC Bank, ICICI Bank and Kotak Mahindra Bank)" of India. This will help in further inspecting the ratios related to financial performance activities while performing profitability analysis. From the analysis it was apparently observed that all the ratios are significantly related to the Financial Performance indicators of the bank. Demand deposits have been found higher for the private banks. We also

analyzed that public banks have higher mean savings bank deposits which have grown over the years. Also, from analysis public banks have higher term deposits which have decreased over the years, public banks have better mean values than the private banks and mean for public banks was higher than the private banks

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