

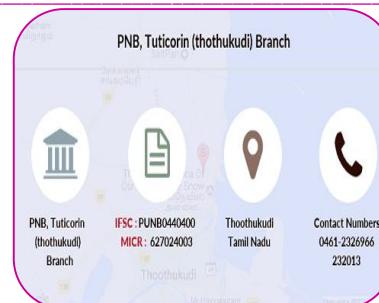


DEPOSIT MOBILISATION OF PUNJAB NATIONAL BANK IN THOOTHUKUDI MAIN BRANCH

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ABSTRACT:

The Banking industry occupies a unique place in a nation's economy. A well-developed banking system is a necessary precondition for economic development in a modern economy. The major role of banks is to collect money from the public in the form of deposits and then along with its own funds to serve the demands of the customers quickly, paying interest for the deposits and to meet out the expenses to carry out its activities. For this purpose, banks maintain adequate liquidity and earn profits from its activities. Profit is the main reason for the continued existence of every commercial organization and profitability depicts the relationship of the absolute amount of profit with various other factors. In any case, compared to other business concerns, banks in general have to pay much more attention for balancing profitability and liquidity in form of deposits. Liquidity is required to meet out the prompt demands of customers and profitability is required to meet out the expenses of banks. Hence the research paper is an effort to study the deposit mobilisation of Punjab National Bank as the bank is a giant bank in public and private sector, with a credit mobilisation analysis of the bank for a period of past four years, i.e. from 2013 to 2017 is made. The main parameters of deposits in banks are savings bank deposit, recurring deposit and fixed deposit and the result is expected to maintain the growth rate for Punjab National Bank.

KEYWORDS : Punjab National Bank, Mobilisation, Credit, Loan, Investment, Nationalization.

INTRODUCTION

The growth of the financial system is indeed, vital to the process of economic development in any economy as it helps to mobilize savings and channelize them in the various sectors of the economy for the purpose of growth and development.

Banks as an economic institution plays an important role in the promotion of economic upliftment of the country. The banking system is the key agency on whose efficient functioning the progress of a country's economy depends. Banks are indispensable in the modern society. They play a pivotal role in the economic development of a country. Banking which is highly dynamic, complex and sophisticated must cater to the ever growing requirements of millions of people belonging to different status of society. Banks have diversified their activities on an accelerated pace to cater to the sophisticated needs of corporate clients and other segments of trade and industry. Hence, the banking terminology seems to be the most incomprehensible one.

Rapid economic development pre-supposes rapid expansion of commercial banks. Banking services have almost been taken for the door of the people both in rural and urban areas. Besides, they have encouraged the lower and middle income groups to save and deposit their savings with banks through various innovative saving schemes.

Due to Government's policy of deficit financing and creation of new money, the larger the cash reserves with the banking system, the larger the credit they can give and larger the deposits they can multiply.

Under the impact of planning, all sectors of the economy are expanding. Expansion of these sectors is helped by expansion of bank funds. At the same time, expansion of the banking sector is also brought about by the growth of the other sectors of the economy. Commercial banks too have adopted an aggressive policy of attracting the savings of the households and deposits of Non Resident Indians and lending to the corporate sector. The monetary authorities have continually raised the rates of interest on bank deposits and this has encouraged expansion of bank deposits.

FEATURES

- ❖ A banking company must perform two essential functions, viz.,
 - (a) Accepting of deposits
 - (b) Lending or investing the same.
- ❖ The phrase 'deposits of money from the public' is quite significant. Acceptance of deposits should be the major business of a banker.
- ❖ The deposited money should be repayable to the depositor on demand made by the latter, the withdrawal should be effected through an order, cheque or otherwise.

OBJECTIVES

- To study the growth and development of Punjab National Bank main branch in particular.
- To review the pattern of deposit mobilization.
- To offer suggestions for improving the performance of the study unit.

METHODOLOGY

This study has been conducted at Thoothukudi. It was selected due to the presence of a large number of banks. 'Case study method' has been followed for collecting information. An attempt has been made to make a study on the performance of the single unit selected for this study namely, the Punjab National Bank main branch at Thoothukudi. The study makes use of secondary data collected from the Punjab National Bank main branch at Thoothukudi. The trend of deposit mobilization has been predicted by using the least square method in time series and chi square test. This study covers a period of four years (i.e.), 2013-2014 to 2016-2017.

NEED OF DEPOSITS

In our country, most of the people are living below the poverty line. The important reasons for this poverty are that the people are not having any permanent job especially in villages. Due to these hurdles, people find it difficult to fulfill their basic needs. To remove the above hurdles, the people must save a part of their money as it will improve their economy and also the economy of the country. Thus, saving or depositing the money becomes necessary and also important.

Another reason for the need to deposit is that the people are suffering from shortage of capital to start their business. In such cases, if they have any deposits in a bank it will help them to meet the shortage of capital. The practice of deposit also boosts up the per capita income of a person. Therefore, it is the duty of the Government to take some necessary actions which will encourage the people to invest their money in banks.

DEPOSITS

Deposits of scheduled commercial banks grew at a lower rate of 15.4 percent during 2013-2014 as compared with 16.4 percent in the previous year on account of slowdown in demand deposits and saving

deposits. The higher growth of term deposits was mainly on account of Non Resident Indian deposits and certificates of deposits (CD's). Across bank groups, the rate of expansion of deposits was highest in respect of new private sector banks [new generation banks(21.1 percent)] followed by public sector banks (15.6 percent), old private sector banks (10.8 percent) and foreign bank (7.9 percent). The share of new private sector banks in total deposits has gradually increased over the years.

SHARE IN AGGREGATE DEPOSITS: BANK GROUP WISE-PERCENTAGE

YEAR	TOTAL (%)	PUBLIC SECTOR BANKS	OLD PRIVATE SECTOR BANKS	NEW PRIVATE SECTOR BANKS	FOREIGN BANKS
2013-2014	100	81.9	7.4	5.2	5.5
2014-2015	100	80.5	6.7	7.4	5.4
2015-2016	100	79.6	6.4	8.5	5.1
2016-2017	100	77.9	6.7	10.3	4.7

Source: Secondary data.

CREDIT DEPOSIT RATIO

The Credit Deposit Ratio which implies greater credit orientation of banks is used as a credit efficiency indicator for analyzing the role of the banks in promoting productive sectors and contributing economic growth, in a bank based financial system. The Credit Deposit Ratio is regarded as an aggregative measure for gauging the effectiveness of credit delivery system.

The credit deposit ratio of schedule commercial banks which declined 55% in 2013-2014 to 48% by 2015-2016, increased sharply to touch a high level of 60% at end of March 2016 due to sharp increase in credit during the year.

Among bank group, the new private sector bank had the highest credit deposit ratio, followed by foreign banks, old private sector and public sector banks.

CREDIT DEPOSIT RATIO- BANK GROUP WISE

PARTICULARS	2015-2016	2016-2017
Scheduled commercial bank	54.8	60.7
Public sector banks	51.5	57.0
Nationalized banks	51.9	57.3
State bank group	50.7	56.3
Old private sector banks	52.7	58.3
New private sector banks	70.5	77.4
Foreign bank	75.4	87.1

Source: Secondary data.

CREDIT MOBILIZATION- AN ANALYSIS:

Expansion of bank deposits has been an important feature in recent years. Planned economic development, deficit financing and increase in currency issue have led to increase in bank deposits. At the same time, banks have contributed greatly to the development of banking habit among people through sustained publicity, extensive branch banking and relatively prompt service to the customers. Bank nationalization gave a great fillip to deposit mobilization, due partly to the expansion of a network of bank branches and partly to the incentives given to savers. The trend of increase in deposits and credit of scheduled banks is given in the below table.

DEPOSITS AND CREDIT OF ALL SCHEDULED COMMERCIAL BANKS

YEAR	NUMBER OF REPORTING BANKS	BANK DEPOSITS (IN CRORES)	BANK CREDIT (IN CRORES)
2011-2012	430	820	580
2012-2013	73	5910	4690
2013-2014	271	1,92,540	1,16,300
2014-2015	297	9,62,620	5,11,430
2015-2016	288	15,01,930	8,35,380

Source: RBI Report on Currency and Finance, 2015-2016, Vol.II and RBI Bulletin August 2016.

The business of banking is primarily to accept deposits from customers under contract and lending based on priorities. There are certain general conditions governing acceptance of deposits. They are as follows,

All deposit accounts should be properly introduced by a depositor. This is restored for the following reasons,

1. To establish the identity of the depositors.
2. To get protection under Negotiable Instrument Act for collection of cheques.
3. To avoid opening of accounts of undischarged insolvent and undesirable persons.

No introduction is insisted for opening accounts of limited companies and Government bodies, as these are entities under law.

INITIAL PAYMENT:

It is always desirable to accept the initial deposit in cash, except the same in the case of limited companies, as otherwise acceptance and collection of cheque for the initial deposit would deprive the banker of the statutory protection available to him under Negotiable Instrument Act, for collection of cheques as this protection can be availed by the banker only when he collects the cheques for a customer. A depositor becomes a customer, only after the customer opens account in the bank.

Deposits can be broadly classified as demand deposits (Current accounts, Savings bank accounts) i.e. payable on demand and term deposits (Fixed deposit accounts, Recurring deposit accounts) i.e. payable after a specified period. Demand deposits are demand liabilities of the bank. Nomination facilities are available for all deposits.

PROFILE OF PUNJAB NATIONAL BANK:

Punjab National Bank, Ltd, is an Indian multi-national banking and financial services company which was registered on 19.05.1894 under the Indian Companies Act 1956, with its office in Anarkali Bazaar. It is a state owned corporation based in New Delhi, India. As of 31 March 2017, the bank has over 80 million customers, 6,937 branches and 10,681 ATM's across 764 cities. The founder of Punjab National Bank is Dyal Singh Majithia. Ever since the bank has been prominent among the galaxy of banks in the private sector depicting scientific and sound functioning.

Punjab National Bank has a banking subsidiary in the UK with seven branches such as Hong Kong, Kowloon, Dubai and Kabul. The bank opened for business on 12th April 1895 in Lahore. Punjab National Bank has the distinction of being the first Indian Bank to have been started solely with Indian capital that has survived to the present.

Punjab National Bank has sanctioned loans to 1264 Self Help Groups to the tune of Rs. 1,066.27 lakhs for various purposes like expenses of the family, marriage, buying of assets for income generation. The bank obtained license to deal in foreign exchange in the year 1984. The bank has achieved a turnover of Rs.3,076crore in foreign exchange for the year ended March 2008.

**DEPOSIT MOBILISATION OF PUNJAB NATIONAL BANK
THOOTHUKUDI MAIN BRANCH**

YEAR	CURRENT ACCOUNTS		SAVINGS BANK ACCOUNTS		RECURRING DEPOSITS		FIXED DEOSITS	
	IN LAKHS	IN %	IN LAKHS	IN %0	IN LAKHS	IN %	IN LAKHS	IN %
2013-2014	1194.66	22.42	1096.65	23.63	50.61	18.75	5094.42	23.13
2014-2015	1237.70	23.23	1111.03	23.94	54.46	20.17	5339.48	23.19
2015-2016	1327.06	24.91	1189.73	25.64	62.96	23.32	5784.44	25.13
2016-2017	1568.13	29.43	1242.86	26.78	101.94	37.76	6802.61	29.65
TOTAL	5327.55	100	4640.27	100	269.97	100	23020.95	100

Source: 1. Secondary data.

2. Compiled from PNB Thoothukudi, Main Branch.

HYPOTHESES:

H_0 : The total number of depositors has not increased in the study period.

H_1 : The total number of depositors has increased in the study period.

$$\chi^2_c = \sum \frac{(O_i - E_i)^2}{E_i}$$

The test statistic is given by

TABLE 1.1

OBSERVED FREQUENCY	EXPECTED FREQUENCY	(O-E)/E
1194.66	1331.89	14.1394
1237.70	1331.89	6.6610
1327.06	1331.89	0.0175
1568.13	1331.89	41.9024
5327.55		62.7203

Calculated Chi Square Value = 62.7203

Degrees of Freedom = 3

$$V = 3-1$$

$$V = 2$$

Calculated chi square value at 2% level of significance is 9.837. Since calculated value is greater than the table value, the null hypothesis is rejected. So, I conclude that during the study period, the total number of depositors of the branch has been increasing.

H_0 – The savings bank deposits is at a decreasing trend.

H_1 – The savings bank deposits is not at a decreasing trend.

TABLE 1.2

OBSERVED FREQUENCY	EXPECTED FREQUENCY	(O-E)/E
1096.65	1160.07	3.4671
1111.03	1160.07	2.0731
1189.73	1160.07	0.7583
1242.86	1160.07	5.9084
4640.27		12.2069

Calculated Chi Square Value = 12.2069

Degrees of Freedom = 3

Calculated chi square value at 2% level of significance is 9.837. Since calculated value is greater than the table value, the null hypothesis is rejected. So, I conclude that during the study period, the savings bank deposits show an increasing trend.

H_0 – The recurring deposit have not increased during the year 2014-2015.

H_1 – The recurring deposit have increased during the year 2014-2015.

TABLE 1.3

OBSERVED FREQUENCY	EXPECTED FREQUENCY	(O-E)/E
50.61	67.493	4.2232
54.46	67.493	2.5167
62.96	67.493	0.3044
101.94	67.493	17.5810
269.97		24.6253

Calculated Chi Square Value = 24.6253

Degrees of Freedom = 3

Calculated chi square value at 2% level of significance is 9.837. Since calculated value is greater than the table value, the null hypothesis is rejected. So, I conclude that during the study period, the recurring deposits have increased during the year 2014-2015.

H_0 – The fixed deposit have not increased during the year 2014-2015.

H_1 – The fixed deposit have increased during the year 2014-2015.

TABLE 1.4

OBSERVED FREQUENCY	EXPECTED FREQUENCY	(O-E)/E
5094.42	5755.24	75.8757
5339.48	5755.24	30.0346
5784.44	5755.24	0.1482
6802.61	5755.24	190.6061
23020.95		296.6646

Calculated Chi Square Value = 296.6646

Degrees of Freedom = 3

Calculated chi square value at 2% level of significance is 9.837. Since calculated value is greater than the table value, the null hypothesis is rejected. So, I conclude that during the study period, the fixed deposits have increased during the year 2014-2015.

FINDINGS

- During the study period, the total number of depositors continued to increase.
- The savings bank deposits show an increasing trend.
- Fixed deposits have increased during the year 2014-2015.
- During the year 2014-2015, the recurring deposit also shows an increasing trend.

SUGGESTIONS

- ❖ The bank should increase the facilities that can be availed by the account holders.
- ❖ It is suggested to canvass more number of customers for savings bank account.
- ❖ New deposit schemes should be started to attract the general public.

CONCLUSION

The banking system in India has played a crucial role in the growth and development of the economy. In the recent years, however, commercial banks have been facing stiff competition from mutual funds, housing banks, leasing and investment companies etc. which offer high interest rates and have tried to mobilize the savings of the households. Therefore, competition from financial institutions for the savings of the households is really hotting up but the commercial banks can be expected to maintain the growth rate in the years to come since the interest rates are being decontrolled and liberalized.

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