

CHAPTER - XPOLICY IMPLICATIONS & CONCLUSION

Bank nationalisation provided significant impetus<sup>o</sup> to growth of bank deposits. This finding has policy significance for other LDCs where banking is still in the private sector.

The acceleration in the growth rate in bank deposits may not be realised<sup>in future</sup>, unless specific policy measures are taken to make bank deposits more attractive in comparison to other financial assets. Banks would be well advised to formulate innovative deposit schemes. ~~In the past~~ very few efforts were made for improvising bank deposit schemes.

Substantial part of bank deposits were held in the form of fixed deposits. Hence, banks will have to divert increasing proportion of lending to long term financing, to match the resource structure.

In spite of a reduction in inter-state variations over the study period, in 1987, the statewide distribution of bank deposits showed high degree of concentration in three states viz., Maharashtra, Uttar Pradesh and West Bengal. This implies that intensive efforts need to be put in by banks in the remaining 19 states of the country, especially in nine states having per-capita deposits lower than the national average.

The nationalized banks need to put in more efforts in deposit mobilisation in view of their lower per branch deposit account and amount compared to the S.B.I. group.

The performance of RRBs in deposit mobilisation was extremely poor. In view of their nearly one-fourth share of bank offices in the country, the neglect of the function of deposit mobilisation could be singled out as one of the major factor responsible for their low profitability.

In spite of the major share in bank offices in the country, the performance of rural branches in deposit mobilisation turned out to be very poor. Hence, immediate steps need to be taken by banks for increasing the deposits collected by rural branches. For this deposit schemes suitable to investment preference of ruralites need to be innovated. Further, deposit schemes linked with specific type of advances need to be tried out, in view of the success achieved by a few banks in this direction.

The macro variables viz., population per branch, had ~~positive~~<sup>negative</sup> and significant influence on bank deposits. It will be beneficial to cry a halt to further branch expansion by a bank, its seems that we have reached optimum tread off point between proximity of branch to borrowers and the number of branches justified from the viability point of view.

Majority of the primary survey respondents were not satisfied with the rate of interest paid on bank deposits. Some hike in interest on deposits may be tried for attracting more deposits.

While opening urban branches the banks will be benefited by locating them near the place of work of potential depositors.

Safety was most important characteristics of bank deposits from the point of view of depositors. Government securities were the only other financial assets which competed closely with bank deposits. Hence, banks will be well advised to take this point in consideration while innovating new deposit schemes and improvising the existing one.

### Conclusion

Nationalisation of Banks provided great impetus to the growth of bank deposits. Since nationalisation the deposit growth rate followed a rising trend for a period of eight years with the exception of one year. Thereafter, in the following eight years, there was a fluctuating trend in growth of deposits.

Bank deposits as a percentage of total financial assets followed a fluctuating trend all through the study period. Hence, the hypothesis (based on Gurley & Shaw Thesis) is rejected.

Bank deposits emerged as an important monetary variable at the macro level. The ratio of bank deposits to national income touched the peak of 47% in 1986-87. Similarly, deposits as a percentage of net savings and financial assets worked out to 37 and 54 percent respectively. The growth in bank deposits was faster than the national income, net savings and financial assets during the study period.

The composition of bank deposits underwent a change over the period. The share of current deposits in total deposits declined by 10 percent and there was a corresponding rise in savings and fixed deposit almost equally shared by two. By the end of the study period the shares of fixed, savings and current deposits were 60, 30 and 15 respectively.

There was decline in the inter-state variations over the period. Yet, three states Maharashtra, Uttar-Pradesh and West Bengal accounted for more than 38 percent of total deposits. Punjab at the highest and Orissa at the lowest amount of per-capita deposits in 1987. Significant change in the rank structure were observed over the period in deposits per branch and per account.

The performance of rural branches in deposit mobilisation was extremely poor. In case of semi-urban branches deposits per account was much below the national average.

Of the linear, semi-log and the double log formulations tried for the models of total current, savings and fixed deposits a best fit regression satisfying all statistical significance tests was the double log formulation wherein national income, rate of inflation and population of branch turned out to <sup>be</sup> significant <sup>and</sup> have influence. National income was positively related and rate of inflation and population per branch <sup>were</sup> ~~was~~ negatively related to the bank deposits.

The opinion survey of bank depositors indicated strong preference in favour of safety and convenience as characteristic of bank deposits, cutting across the gender and age differences. Majority of the respondents were not satisfied with rate of interest paid on bank deposits. However, majority of female respondents expressed satisfaction with the interest rates. A clear ~~picture~~ preference for location of bank branch was expressed in favour of proximity to the place of work. Bank deposits were preferred to all other financial assets, however, Government securities ~~were~~ considered close substitute to bank deposits.

This study tries to explain and analyse all relevant aspects of bank deposits in India. There are some questions which remain unanswered due to limitations of data or methodology or which are outside the scope of this study. The following remark may provide a fertile ground for future research.

1) In the nine states where the per-capita deposits were lesser than the national average, In depth research needs to be taken up for identifying the endogenous and exogenous factors constraining deposit growth in each states. The socio-economic diversities make it difficult for the finding of an all India Study to be relevant to each state.

2) The extremely poor performance of rural branches of commercial banks and RRBs in deposit mobilisation implies that different types of deposits schemes are required. Opinion surveys of savers in the rural areas needs to be taken up with a specific intension of capturing their preferences in the new deposit schemes.

3) Population per branch is a factor having significant inverse relationship with bank deposits. Thus, a detailed talukawise study of population per branch can show the right direction for branch expansion of commercial banks.

4) The model of the multiple regression which has given the best fit for explaining the bank deposits furnished in this study need to be checked further by using the quarterly and weekly data of deposits for the country as a whole and each state separately.

5) The opinion survey presented in this study has several limitations such as it is restricted only to one class of depositors - service class - and that to all working in a single organisation. It will be highly advantageous to take a similar study on a much larger scale encompassing the

different classes of people in both urban and rural areas. Deposit schemes dove-tailed to the specific preferences of different groups of savers can be a great help in increasing the bank deposits.