

Deposit Mobilisation and Credit Creation by Indian Banks: A Study of State Bank of India (SBI) and ICICI Bank

¹Ananya Sarmah, ²Dr. Kumud Chandra Goswami

¹Research Scholar, Department of Commerce, Dibrugarh University, Dibrugarh, Assam

²Professor, Department of Commerce, Dibrugarh University, Dibrugarh, Assam

Corresponding Author: Ananya Sarmah

Submitted: 10-09-2021

Revised: 19-09-2021

Accepted: 23-09-2021

ABSTRACT: The development of the economy of a country largely depends on how well the financial sector is performing. The financial sector comprises of a huge network of various institutions working together, out of which, the banking sector is the most active. The primary functions of banks involve accepting deposits and granting loans. The performance of the banks depends on how effectively they are able to perform their primary functions. As such, the evaluation of the performance of banks in respect of deposit mobilization and credit creation need is very important. Keeping that in mind, an attempt has been made in this paper to study the deposit mobilization and credit creation of Indian public sector banks. For the purpose of the study, two banks, namely, State Bank of India and ICICI Bank from the public sector and private sector respectively have been selected. For the analysis of the data, the Compound Annual Growth Rate has been computed with the help of the Log-Lin Method and trend analysis has been done using the Least Square Method. The credit deposit ratio has also been calculated. The study period is from 2007-08 to 2019-20. It has been observed from the study that State Bank of India has a much higher quantum of resources but ICICI Bank is more efficient in the utilization of the resources.

Keywords: banks, performance, deposit mobilization, credit creation

I. INTRODUCTION

Deposit Mobilisation

The commercial banks are the most active part of the banking structure. For the commercial banks, the primary functions involve accepting of deposits and granting loans and advances. The evaluation of the performance of the commercial

banks in respect of deposit mobilization and credit creation is of utmost importance as it indicates how well the commercial banks are performing their primary or core functions. Mobilisation of savings in the economy through deposit collection is one of the major tasks of a commercial bank. Any bank cannot depend solely on its internal resources. Mobilisation of external resources is equally important. Deposits are the most important external resources of funds for any bank. Deposit mobilisation is one of the crucial functions of a conventional financial institution or bank to satisfy one of the requirements of a “banking business”, i.e., sourcing of funds or borrowing money from customers.¹ The success of banking greatly lies on the deposit mobilisation performance of the bank as the deposits are normally considered as a cost effective source of working fund.²

Another very important function that any commercial bank performs is granting of loans and advances. The banks create advances from the funds which they receive as deposits from the public. In other words, the lending capacity of the banks depends on the deposits mobilized by the bank and the income earned by the banks depends on the credit created by the banks. Adequate deposit mobilisation will enable the bank to sustain its lending capacity and the creation of credit by the

¹Essays, UK, (2018) ‘Deposit Mobilisation in Banks’ retrieved from <https://www.ukessays.com/essays/finance/deposit-mobilisation-of-a-bank-and-its-importance-finance-essay.php?vref=1> on 29th October, 2020 at 9.42 pm.

² Mohan S., (2012) ‘Perspectives of Deposit Mobilisation’, online publication, pp 8

banks will generate income for the banks leading to future growth in profits.

Types of deposits:

Banks offer different types of deposits to its customers. The main categories of deposits offered by banks are:

1. Savings deposits.
2. Current deposits.
3. Term deposits.

Savings deposits: These are interest bearing deposit accounts held at a bank to encourage the habit of savings among the general public. The rate of interest provided on these deposits is moderate. Although a depositor is allowed to deposit money into his/her savings account as many times as he/she wants, but there is a limit to the number of withdrawals that can be made. Safety is one of the most important features of a savings deposit. Savings deposit is basically a form of deposit for saving funds for future utilization.

Current deposits: Current deposits are active accounts catering for frequent deposits and withdrawals. These deposits are favourable for businessmen who have higher number of regular transactions with banks. Generally no or a very small amount of interest is paid against these deposits. A unique feature of current deposits is overdraft facility where the depositor is allowed to withdraw a amount exceeding that deposited in his/her account. The depositor has to pay an interest on the amount withdrawn exceeding the deposited amount.

Term deposits: The term deposits are those where money is deposited for a fixed period of time and cannot be withdrawn until its maturity. The rate of interest provided in these deposits is generally quite high in comparison to savings and current deposits. Term deposits are of two types viz., fixed deposit where a lump sum is deposited for a fixed period at one time and recurring deposit where money is deposited in small amounts at certain intervals and can be withdrawn after a fixed period.

Credit Creation:

The process of credit creation is another very important function performed by the commercial banks. Bank credit basically means bank loans and advances made by the bank. The commercial banks have the power to expand their deposits by expanding their loans and advances and this is known as credit creation or creation of credit money. When a bank advances a loan, it does not give cash to the customer. Instead, the account of the customer is credited with the said amount. The customer is allowed to withdraw the money as and

when they require. The customer may then issue cheques out of their account to a third party who will again deposit the same into a bank. This process continues creating multiples of the initial amount deposited in the bank. In this way, whenever a bank sanctions a loan, it creates credit money and this is known as credit creation.

One factor to be kept in mind by the banks before granting loans is the statutory reserves which they are required to maintain as per the requirements of the central bank. In India, the banks are required to maintain two statutory reserves out of their demand and time liabilities as per the requirements of the Reserve Bank of India. The reserves to be maintained are:

- a. **Cash Reserve Ratio (CRR):** The CRR is the rate of statutory reserve which a bank is required to maintain as cash reserves out of its daily total demand and time liabilities with the RBI. It is an important monetary policy tool used by the central bank to control money supply in the economy. The rate of CRR is prescribed by the central bank within the permissible rate of 3% to 15%. The rate of CRR is changed by the RBI based on the requirements of credit in the economy. The banks are required to report about the cash reserves maintained by them to the RBI on a fortnightly basis.
- b. **Statutory Liquidity Ratio:** Along with the CRR, the banks are required to maintain a portion of their net demand and time liabilities in the form of liquid assets such as cash, gold and unencumbered securities. The rate of SLR is prescribed by the RBI. The SLR to be maintained by the banks should not be less than the prescribed limit and should not exceed 40% of the total demand and time liabilities.

The remaining deposits, after meeting the reserve requirements, can be used by the banks to grant loans to their customers. Therefore, the banks can create credit by multiplying their loans and advances. As such, in order to study the performance of the banks in terms of credit creation, the loans and advances of the banks need to be analysed.

II. LITERATURE REVIEW

Bhatt V.V., (1970), in the paper, "Some aspects of Deposit Mobilisation", points out the need for deposit expansion in order to improve the priority sector lending. The relationship between rise in bank credit to priority sectors and the requirement of rise in deposit mobilisation to meet the credit requirements has been put forth in the paper. The paper discusses the various deposit

schemes which will help to raise the rate of deposit expansion.

A comparative study between the deposit mobilisation by co-operative banks and deposit mobilisation by scheduled commercial banks has been made in the paper, "Deposit mobilisation by Co-operative Banks: A Comparison with Scheduled Commercial Banks" by Rao N.D. (1975). The paper points out that the co-operative banks have been at par with the scheduled commercial banks in deposit mobilisation. While the Central co-operative banks have worked out a balance between demand deposits and time deposits, the State Co-operative Banks are more inclined towards time deposits. As per the findings of the paper, the Central Co-operative banks have attracted higher demand deposits as compared to the scheduled commercial banks.

Behera H., and Raut D., (2019) in the article "Bank Deposits: Underlying Dynamics" have studied the reasons for the slowdown in the bank deposit growth. The article examines the various factors affecting bank deposits and comes to the conclusion that income and financial inclusion affect the deposits in the long run whereas, interest rates and SENSEX returns affect the deposits in the short run.

In the paper, "Deposit Mobilisation of Commercial Banks: A Comparative Study of BOB and Axis Bank in Bhubaneswar City", Narayana M., Kalyaan C., and Panigrahi A., (2015) have made a comparative study of deposit mobilisation by Bank of Baroda and Axis bank in Bhubaneswar for the period from 2008-09 to 2013-14. Analysis has been done to present the various factors responsible for deposit mobilisation in the two banks in Bhubaneswar. The study concludes that Bank of Baroda has shown a better performance in deposit mobilisation than Axis Bank in Bhubaneswar during the study period.

Mandla V.S.R., (2013) in "Deposit Mobilisation of Andhra Bank: Deposit Mobilisation Strategies" attempts to study the deposit mobilisation by Andhra Bank in India. The deposit mobilisation strategies of Andhra bank have been highlighted along with the suggestions to increase deposits by the bank.

Gunasekara H.U., and Kumari P., (2018) in the paper "Factors Affecting Deposit Mobilisation in Sri Lanka" study the various factors which might affect the deposit mobilisation in banks from customers' point of view. It also focuses on the affect that living area of depositors has on deposit mobilisation. According to the authors, services provided, security, and interest rate of the banks and the awareness of the

customers are important factors affecting deposit mobilisation in the banks under study.

Information regarding rural deposit mobilisation in Bangladesh, Indonesia, Philippines and Thailand has been analysed in the paper "Rural Deposit Mobilisation in Selected Asian Countries" by Meyer R.L., and Esguerra E.F., (1984). Focus has been given on the pattern of deposit mobilisation in the banks of the given countries. The study concludes that although a huge untapped deposit potential exists, the countries under study have not been very successful in mobilizing rural deposits.

The affect of deposit mobilisation by banks on financial sustainability has been studied by Duguma G.J., and Han J., (2018) in the paper "Effect of Deposit Mobilisation on the Financial Sustainability of Rural Savings and Credit Cooperatives: Evidence from Ethiopia". The study points out that deposit to loan ratio, deposit to total assets ratio, volume of deposits and demand deposits ratio have a direct impact on financial sustainability. The authors suggest that the Rural Savings and Credit Cooperatives of Ethiopia need to focus on mobilisation of demand deposits to ensure their sustainability.

Tuyishime R., Memba F. and Mbera Z., (2015) in their paper, "The Effects of Deposit Mobilisation on Financial Performance in Commercial Banks in Rwanda. A Case of Equity bank Rwanda Limited" have tried to establish the effect of deposit mobilisation on the financial performance in commercial banks in Rwanda. The studied revealed that a positive change in the bank interest rates led to an increase in the deposits and subsequently, the profits. Innovating banking technology also leads to an increase in the deposits. The authors recommend that banks need to develop strategies towards marketing in order to improve the profitability.

In the paper, "An Empirical Approach to Deposit Mobilisation of Commercial Banks in Tamil Nadu" (2012), Venkatesan S., has made an attempt to empirically evaluate the trend and growth in deposit mobilisation of scheduled commercial banks in Tamil Nadu. The Compound Growth Rate and Linear Growth Rate are calculated for the purpose of the study. The study concludes that there has been a remarkable growth in the deposit mobilisation in the banks in Tamil Nadu.

The growth of deposits of Dindigul District Central Co-operative Bank Limited has been analysed in the paper "A Study on the Deposit Mobilisation Pattern of the Dindigul District Central Co-operative Bank Limited" (2015) by

Selvaraj N., and Balaji P.K. Trend analysis has been done for analysing the data to learn about the trend of growth of deposits.

Alagarsamy T., and Ganapathy S., in their paper “Deposit Mobilisation of Commercial Banks: A Study with Special Reference to Western Region in India” (2017) have made an attempt to evaluate the growth rate and compound annual growth in deposit mobilisation of scheduled commercial banks in western region of India. The study concludes that amongst the regions in study, banks in Maharashtra show a positive growth trend in case of deposits.

In his paper, Mohan T. T. R. (2002) has evaluated the performance of public sector banks in India in the post deregulation period. The performance measured is in absolute and relative terms. The key performance indicators that have been used to measure the performance in absolute terms interest spread, intermediation cost, non-performing assets, provisions and contingencies, and net profit. A comparison with the private sector banks and foreign banks has been made with a view to measure the performance of the public sector banks in relative terms. The study concludes that post deregulation, the performance of public sector banks has improved both in absolute and relative terms with their performance being at par with that of the private sector banks and foreign banks.

Rahman M. M., (2015) in his paper, evaluates the performance of the financial sector in Bangladesh before and after the implementation of the banking sector reforms. The study compares the progress in the financial sector with the help of the CAMEL framework which considers Capital Adequacy, Asset Quality, Management Soundness, Earning Performance, and Liquidity. The study concludes that in face of the reforms, the banking sector in Bangladesh has reacted positively but it still has a long way to go.

The effect of macro-prudential regulations on the performance of the banking sector has been investigated by Ghosh S. (2013) in his paper. Three major dimensions of macro-prudential regulations namely, Capital Adequacy Ratio, provisioning norms and loan classification requirements have been taken into consideration for the purpose of the study. The impact on bank performance has been assessed with the help of Return on Assets, Net Interest Margin, Z-score and advances growth. The study indicates that different macro-prudential norms have different impact on banks across ownership. The study concludes that it is important for the policy makers to take a holistic view of the prudential measures to make them more effective.

Objectives

The study has been undertaken with the following objectives:

1. To study the deposit mobilisation of the select banks.
2. To assess the capacity of credit creation of the select banks.

To put forth a comparison between the select banks in respect of deposit mobilisation and credit creation

Research methodology

In this paper, the deposit mobilization and credit creation of State Bank of India and ICICI Bank have been studied for a period of 13 years from 2007-08 to 2019-20. For the purpose of analysing deposit mobilisation of the select banks, the deposits classification based on the types of accounts as per Schedule 3 of the Balance Sheet of the banks, has been considered where the deposits are divided as current deposits, savings deposits and term deposits. The current deposits and term deposits are further divided into deposits from banks and deposits from others. For the purpose of evaluating the credit creation, the total loans and advances disbursed by the banks from 2007-08 to 2019-20 have been taken into consideration.

The data are subjected to descriptive statistics, viz., mean, standard deviation and coefficient of variation in order to determine the central tendency, dispersion and volatility of the data. The Compound Annual Growth Rate (CAGR) of the deposits has been computed with the help of Semi Log Model. The trend values for the various deposits have been estimated using linear trend equation. Trend analysis has been done in order to estimate the average annual growth and the trend of deposits of the two banks in the future. Moreover, the credit deposit ratio for the two banks during the study period have been computed to determine how much of the deposits are utilized by the banks to create credit.

Log Lin Method or Semi Log method for determining the Compound Annual Growth Rate:

The Compound Annual Growth Rate describes the rate at which a specific variable grows over a specific period. Here, the Semi Log Model or Log Lin Model³ has been used to

³Vermunt, J.K. (1997), Log-linear Models for Event Histories, Sage Publications.

measure the growth rate of deposits and loans and advances of the select banks. The semi log model is used when a variable has a large range of values. This model is useful in cases of data having exponential relationships. An exponential relationship is one where one of the variables, generally the independent variable is the exponent. These relations are generally used when working with growth factors. In this case, an attempt is being made to determine the compounded growth of the deposits and advances in relation to the number of years. As such, the semi log model has been used taking the number of years as the independent variable and the various parameters as the dependent variable. To determine the simple compound growth overtime, the following formula is used:

$$Y_t = Y_0(1+r)^t \text{-----(1)}$$

Where,

Y_t = Variable at time 't'

Y_0 = Initial value of the variable

r = Compound annual rate of growth of Y

By taking natural logarithm, we get,

$$\ln Y_t = \ln Y_0 + t \ln(1+r) \text{-----(2)}$$

Now, considering $\ln Y_0$ as β_1 and $\ln(1+r)$ as β_2 , we get

$$\ln Y_t = \beta_1 + \beta_2 t + \text{error term} \text{-----(3)}$$

In the above model, the slope co-efficient i.e., β_2 represents the instantaneous growth in Y with change in t. By multiplying β_2 by 100, we get the percentage change or growth rate of Y. $100 \beta_2$ will represent the growth rate in Y with absolute change in t which is also referred to as semi-elasticity of Y with respect to t.

Now, the Compound Annual Growth Rate which is represented by r can be calculated from model (2) in which we have

$$\beta_2 = \ln(1+r)$$

$$1+r = \text{antilog } \beta_2$$

$$r = \text{antilog } \beta_2 - 1$$

By multiplying r by 100, we get the percentage of Compound Annual Growth Rate of Y.

Least Square Method of Trend Analysis:

The trend analysis for the deposits and advances of State Bank of India and ICICI bank have been estimated with the help of a linear trend equation as given below:

$$Y_t = \beta_1 + \beta_2 t + \text{error term}$$

Where,

Y_t is the compounded trend figure for the period t

$\beta_1 = \Sigma Y/N$ (Y= Deposits in rupees, N= 13 years)

$$\beta_2 = \Sigma XY / \Sigma X^2 \text{ (X= Time variable)}$$

Linear trend estimation is used to make estimations in tendencies of time series data. It is a simple regression model where the independent variable is an equally spaced sequence of numbers like a time index variable. It is used to estimate potential future output or sales or in this case, deposits and advances.

In computing the trend values of State Bank of India and ICICI Bank, X= 0 in the year 2013-14, the middle year of the time series running from 2007-08 to 2019-20. The t values for the years before 2013-14 are -1, -2, -3, -4, -5 and -6 respectively and that for the years after 2013-14 are 1, 2, 3, 4, 5 and 6 respectively. The straight line trend of the various parameters respectively is determined by the Method of Least Squares.

' β_1 ' is the computed trend value for 2013-14 when x=0. And β_2 represents the slope of the trend line or the change in trend value Y_t with per unit change in X. It denotes the average annual growth of the values.

III. ANALYSIS AND FINDINGS

Deposit Mobilisation

The classification of deposits of State Bank of India and ICICI Bank for 13 years from 2007-08 to 2019-20 are shown in Table no. 1 and 2 and Figure no. 1 and 2:

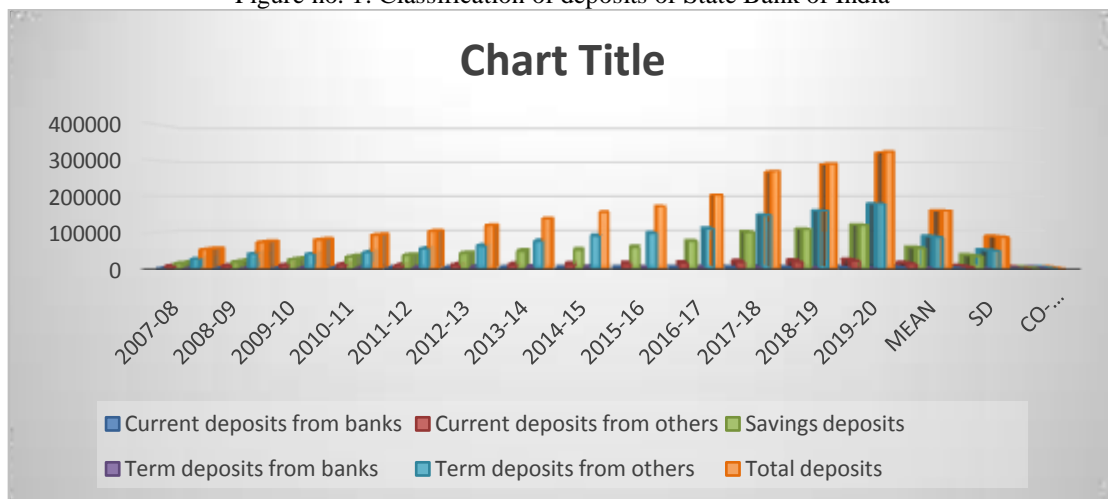
Table no. 1: Classification of deposits of State Bank of India

(in crores)

Year	Current deposits from banks	Current deposits from others	Savings deposits	Term deposits from banks	Term deposits from others	Total deposits
2007-08	1231.341	8582.012	15422.929	706.547	27797.565	53740.394
2008-09	1076.184	9999.173	19822.427	1365.716	41943.812	74207.313
2009-10	890.446	11367.496	25746.029	1433.783	40973.867	80411.622
2010-11	870.033	12249.498	33032.606	1353.967	45887.175	93393.281
2011-12	696.988	9148.044	36915.631	1740.595	55863.478	104364.736
2012-13	734.535	10533.492	42638.312	2785.566	63582.052	120273.957
2013-14	604.138	10719.108	48516.793	3411.768	76189.041	139440.85
2014-15	594.151	11863.078	52733.282	917.987	91570.852	157679.324
2015-16	573.559	13407.144	59774.606	681.859	98635.075	173072.243
2016-17	550.743	14691.367	75896.139	1956.106	111380.785	204475.139
2017-18	532.683	18484.706	101377.447	1521.878	148717.674	270634.328
2018-19	689.462	19898.063	109175.197	823.415	160552.464	291138.601
2019-20	512.966	22220.593	120637.198	597.325	180193.991	324162.073
Mean	735.1714615	13320.29031	57052.96892	1484.347077	87945.21777	160537.9893
SD	222.8387204	4316.110038	34722.602	842.8494507	49683.70765	88060.2973
Co-efficient of variation	30.31112224	32.40252231	60.8602894	56.78250483	56.4939276	54.85324544

Source: Annual Reports of SBI

Figure no. 1: Classification of deposits of State Bank of India



An examination of table no. 1 shows that the current deposits from banks for SBI during the study period showed a complete downward trend. The term deposits from banks, on the other hand, shows a very fluctuating picture over the years by having an increasing trend from 2007-08 to 2013-14, then again having a decreasing trend during the next two years, then again showing an increasing trend and for the last three years of the study period, it again goes downwards. The current deposits from others, savings deposits and term deposits from others have mainly had an upward

trend during the study period. The total deposits of the State Bank of India also showed an increasing trend from 2007-08 to 2019-20. On an average, the savings bank deposits and the term deposits from others have shown a positive picture for the bank over the years. The computed co-efficient of variance for the deposits show that the growth of current deposits from banks has been most consistent (30.31%) in comparison to the other deposits, while, the growth in savings deposits from banks has been the least consistent (60.86%). In terms of total deposits, there has been high

variations in the growth (54.85%). This shows that although the number of deposits for SBI has increased over the years during the study period,

the growth has not been very consistent for the bank.

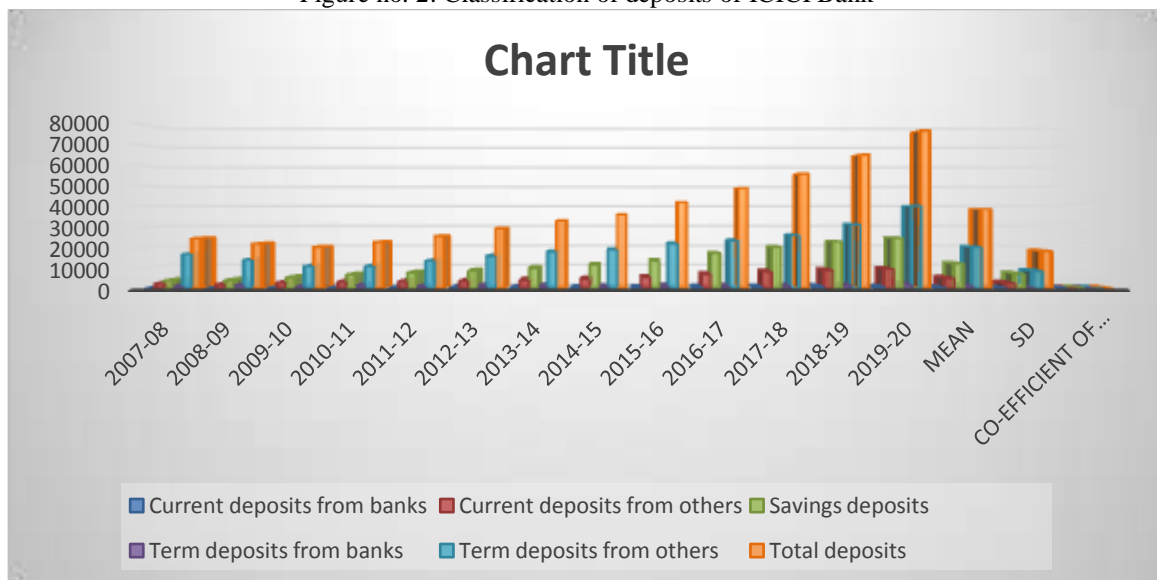
Table no. 2: Classification of deposits of ICICI Bank

(in crores)

Year	Current deposits from banks	Current deposits from others	Savings deposits	Term deposits from banks	Term deposits from others	Total deposits
2007-08	50.183	2418.945	3908.931	1250.243	16814.802	24443.105
2008-09	74.555	2088.614	4103.615	1580.178	13987.821	21834.782
2009-10	148.559	2951.187	5321.837	881.494	10898.583	20201.659
2010-11	201.761	3275.99	6686.895	1535.593	10859.991	22560.211
2011-12	196.785	3300.521	7604.631	987.047	13461.012	25549.996
2012-13	203.859	3488.693	8565.074	1178.884	15824.823	29261.363
2013-14	254.768	4069.773	9913.299	1022.998	17930.526	33191.366
2014-15	371.316	4573.659	11486.012	828.694	18889.591	36156.273
2015-16	399.812	5487.179	13423.012	959.758	21872.809	42142.571
2016-17	529.255	6969.089	17183.849	976.761	23344.952	49003.906
2017-18	661.989	8233.835	20096.705	1155.265	25949.727	56097.521
2018-19	743.791	8883.152	22767.091	1650.009	31247.926	65291.967
2019-20	652.127	9570.631	24559.089	2025.856	40289.197	77096.899
Mean	345.2892308	5023.943692	11970.77231	1233.2908	20105.52	38679.35531
SD	234.642158	2566.801725	7097.44951	360.07093	8497.507043	18237.6594
Co-efficient of variation	67.95524942	51.09137129	59.28982131	29.195948	42.26454746	47.15088773

Source: Annual reports of ICICI Bank

Figure no. 2: Classification of deposits of ICICI Bank



Although the number of deposits in case of ICICI Bank during the study period, has been very less compared to that of State Bank of India, yet, on a whole, the total deposits of ICICI Bank has shown a considerable growth over the period of study from 2007-08 to 2019-20. From 2009-10, the total deposits of ICICI Bank have shown a

continuous upward trend. On the average, term deposits from others and savings bank deposits have been the highest for ICICI Bank. The growth of current deposits from banks has been least consistent with a co-efficient of variance of 67.96% while the growth of term deposits from banks has been the most consistent (29.19%). From the point

of view of total deposits, the growth of deposits of ICICI Bank has been more consistent (47.15%) in comparison to the growth of total deposits of State Bank of India (54.85%).

Compound Annual Growth Rate (CAGR) using Semi Log Model

Table no. 3 and Table no. 4 show the Compound Annual Growth Rate (CAGR) of the deposits of State Bank of India and ICICI Bank respectively.

Table no. 3: CAGR of deposits of State Bank of India

	Current deposits from banks	Current deposits from others	Savings deposits	Term deposits from banks	Term deposits from others	Total deposits
CAGR (Log Lin Model)	-6.51392	7.59251	17.14304	-1.28345	15.46252	14.82474

Source: Compiled by the author

Table no. 4: CAGR of deposits of ICICI Bank

	Current deposits from banks	Current deposits from others	Savings deposits	Term deposits from banks	Term deposits from others	Total deposits
CAGR (Log Lin Model)	21.80778	11.15968	15.18515	3.782509	6.952777	9.238424

Source: Compiled by the author

By examining table no. 3 and Table no. 4, it is observed that the compound annual growth rate in case of current deposits in case of ICICI bank is quite high in comparison to that of SBI. But, in case of savings deposit and term deposits from others, the CAGR of SBI ranks higher than that of ICICI Bank. Although, if we consider all the deposits of SBI, we find that the CAGR is highest in case of savings bank deposits followed by term deposits from banks, but, the growth of term deposits from banks and savings bank deposits are the least consistent among all the deposits of SBI. So, although the growth rate for these deposits has been high but the growth has been inconsistent. What is interesting to note is that CAGR of current deposits from banks and term deposits from banks for SBI have been negative for the period of the study. Which means that the current deposits from banks and term deposits from banks for SBI have not grown during the period of the study. But the overall CAGR of the total deposits of SBI (14.82) has been much higher as compared to that of ICICI (9.23). It indicates that, during the period of the study, the number of total deposits of SBI has grown at a much higher rate than that of ICICI Bank.

Trend analysis for deposits:

The trend analysis for the deposits of State Bank of India and ICICI bank have been estimated with the help of a linear trend equation as given below:

$$Y_t = \beta_1 + \beta_2 t + \text{error term}$$

Where,

Y_t is the compounded trend figure for the period t

$$\beta_1 = \Sigma Y / N \quad (Y = \text{Deposits in rupees, } N = 13 \text{ years})$$

$$\beta_2 = \Sigma XY / \Sigma X^2 \quad (X = \text{Time variable})$$

The following linear trend equations for the deposits of SBI and ICICI Bank have been obtained based on the above calculation:

Deposits SBI:

$$Y_t = 160538 + 21846.94t$$

Deposits ICICI:

$$Y_t = 38679.36 + 4374.743t$$

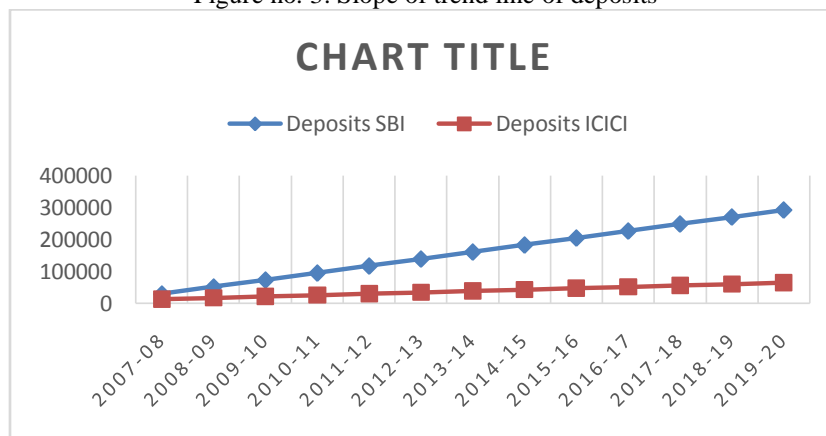
Table no. 5 and Figure no. 3 show the comparison of the average annual growth and slope of the trend line respectively of the deposits of SBI and ICICI Bank.

Table no. 5: Average annual growth of deposits

Sl. No.	Deposits	Average Annual Growth (Rs. in crores)
1	Total deposits of SBI	21846.94
2	Total deposits of ICICI	4374.743

Source: Compiled by the author

Figure no. 3: Slope of trend line of deposits



From table no. 5, it can be seen that the average annual growth of the deposits of SBI is much higher than that of ICICI Bank. So, the trend of present growth shows that the prospect of future growth in terms of deposits is higher for SBI than ICICI Bank.

By analysing the above data, it can be seen that in respect of deposits, State Bank of India has a high compound annual growth rate which denotes that the deposits of SBI during the study period have been increasing at a high rate. And there are also high growth prospects for the future, as shown by the trend analysis. In case of ICICI Bank, although the growth rate of deposits has been lower in comparison to that of SBI, but in the future, there is high scope of growth for ICICI Bank.

Therefore, in terms of deposit mobilisation, SBI has been performing better than

ICICI Bank from 2007-08 to 2019-20. The future prospects of growth for SBI are also better than that of ICICI Bank. But one factor where SBI needs to improve is the consistency of growth. Although, the growth rate for deposits of SBI has been high, but the growth has been quite inconsistent. In this case, however, ICICI Bank has been showing a much better picture in comparison. Moreover, the number of deposits on an individual level have also been continuously increasing for ICICI Bank.

Credit Creation

The loans and advances for State Bank of India and ICICI Bank for the period of 13 years from 2007-08 to 2019-20 have been shown in Table no. 6 and Figure no. 4:

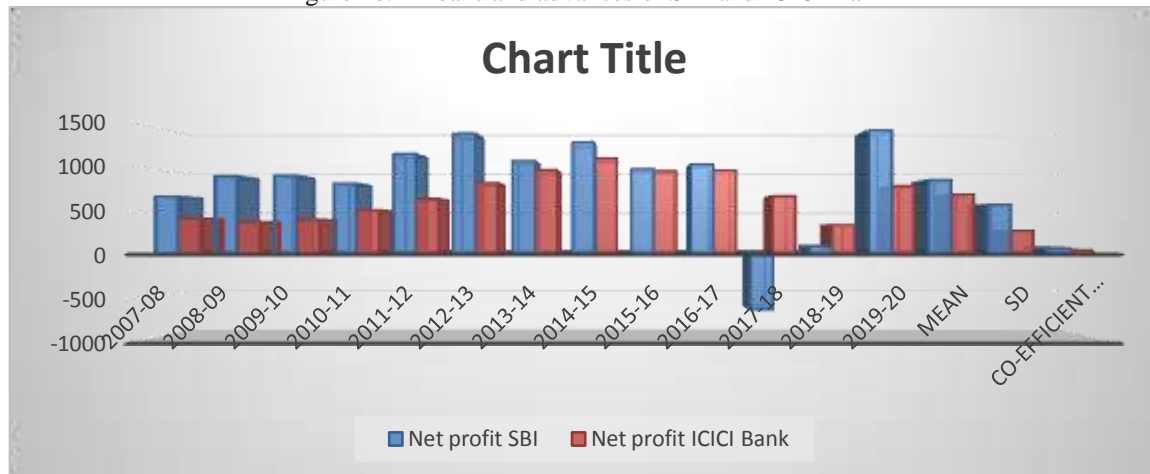
Table no. 6: Loans and advances of SBI and ICICI Bank

(in crores)

Year	State Bank of India	ICICI Bank
2007-08	41676.819	22561.608
2008-09	54250.321	21831.085
2009-10	63191.415	18120.559
2010-11	75671.945	21636.59
2011-12	86757.889	25372.766
2012-13	104561.655	29024.944
2013-14	120982.871	33870.265
2014-15	130002.269	38752.207
2015-16	146370.041	43526.394
2016-17	157107.838	46423.208
2017-18	193488.018	51239.529
2018-19	218587.692	58664.658
2019-20	232528.956	64528.997
Mean	125013.6715	36580.98538
SD	62331.4416	15280.0683
Co-efficient of variation	49.85970004	41.77052133

Source: Annual reports of SBI and ICICI Bank

Figure no. 4 Loans and advances of SBI and ICICI Bank



An examination of table no. 6 shows that the loans and advances made by State Bank of India showed an increasing trend from 2007-08 to 2019-20. The computed co-efficient of variance for the loans and advances show that the growth of loans and advances has been inconsistent (49.85%). In comparison, for ICICI Bank, the loans and advances showed a decreasing trend in 2008-09 and 2009-10, but from 2010-11 to 2019-20, the loans and advances of ICICI Bank has shown an increasing trend. The growth has also been more consistent (41.77%) in comparison to that of SBI. The number of loans disbursed by SBI have been much higher than ICICI Bank during the study period. Moreover, the trend has also been an upward one for the growth of loans and advances for SBI. But, just like in case of deposits, the

growth of loans and advances for SBI has been highly inconsistent. On the other hand, the loans and advances of ICICI Bank initially showed a downward trend but later on it was able to start growing again. The growth in case of ICICI Bank has been much more consistent as well. All in all, just like in case of deposits, SBI has a much higher amount of loans and advances than ICICI Bank, but on an individual level, ICICI Bank has also managed to improve its performance by showing a continuous growth in the amount of loans and advances.

Compound Annual Growth Rate (CAGR) using Semi Log Model

Table no. 7 shows the compound annual growth rate of loans and advances of SBI and ICICI Bank:

Table no. 7: CAGR of loans and advances of SBI and ICICI Bank

	State Bank of India	ICICI Bank
CAGR (Log Lin Model)	14.13778005	8.419282312

Source: Compiled by author

From the above table, it can be clearly seen that the compound annual growth rate of loans and advances of SBI is much higher than that of ICICI Bank. But it is to be noted that ICICI Bank has managed to recoup from its initial negative growth and has managed to show a compound growth rate of 8.42% during the period from 2007-08 to 2019-20.

Trend analysis for loans and advances:

Using the equation, $Y_t = \beta_1 + \beta_2 t + \text{error term}$, the linear trend equations for loans and advances for

SBI and ICICI Bank have been determined as under:

Advances SBI:

$$Y_t = 125013.7 + 15807.47t$$

Advances ICICI:

$$Y_t = 36580.99 + 3784.849t$$

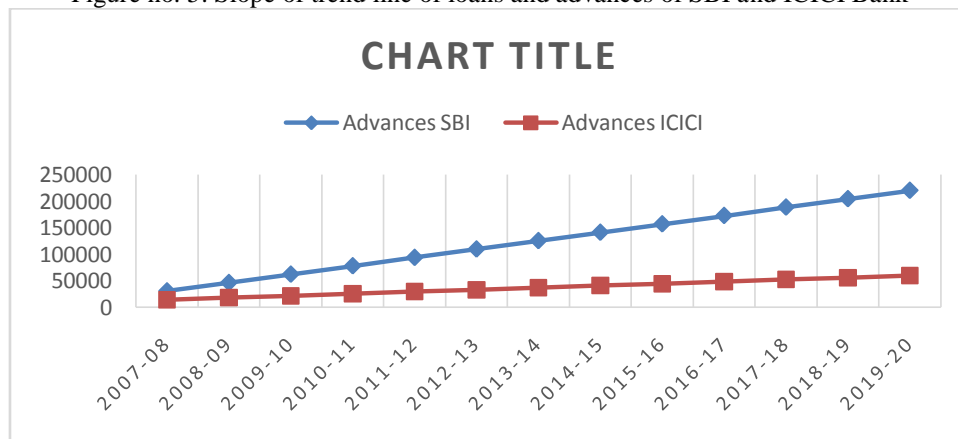
Table no. 8 and Figure no. 5 show the comparison of the slope of the trend line and the average annual growth of the loans and advances of SBI and ICICI Bank.

Table No. 8 Average Annual Growth of loans and advances

Sl. No.	Bank	Average Annual Growth (Rs. in crores)
1	SBI	15807.47
2	ICICI BANK	3784.849

Source: Compiled by author

Figure no. 5: Slope of trend line of loans and advances of SBI and ICICI Bank



By looking at table no. 8, it can be clearly seen that SBI has very high prospects of future growth in terms of quantum of loans and advances with an average annual growth much higher compared to that of ICICI Bank. ICICI Bank, in comparison, shows a lower prospect of growth for the future.

Analysis of the above data shows that in terms of credit creation, ICICI Bank has not been performing as well as SBI during the study period. The present growth rate and the average annual

growth point out that even in the future, the prospect of growth of loans and advances of ICICI Bank does not seem to be good. In case of SBI, however, the present as well as future scenario in terms of credit creation is positive. But one thing which is to be focused upon is the consistency of growth, which is less for SBI. But overall, in terms of credit creation, SBI has been able to show a much better performance during the study period and there are prospects of this continuing in the future as well.

Credit Deposit Ratio:

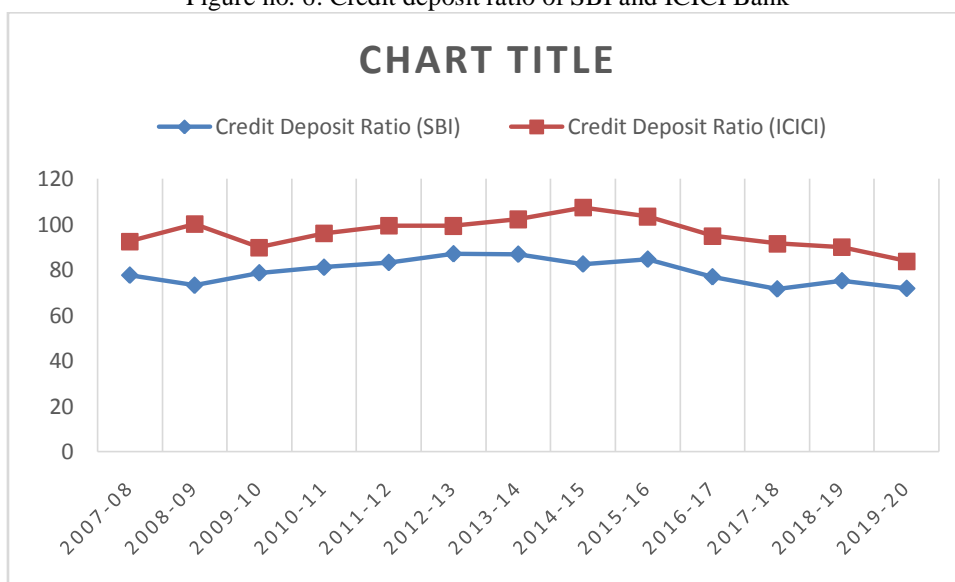
The credit deposit ratios during the study period for SBI and ICICI Bank have been shown in the following Table no. 9 and Figure no. 6:

Table no. 9: Credit deposit ratio of SBI and ICICI Bank

Year	Credit Deposit Ratio (SBI)	Credit Deposit Ratio (ICICI)
2007-08	77.55212773	92.30254503
2008-09	73.10643494	99.9830683
2009-10	78.58492769	89.69837081
2010-11	81.02504183	95.90597357
2011-12	83.12950554	99.3063404
2012-13	86.93623924	99.19204379
2013-14	86.7628611	102.0454084
2014-15	82.44725161	107.179761
2015-16	84.57164388	103.2836701
2016-17	76.83468942	94.73368919
2017-18	71.49426292	91.34009505
2018-19	75.08028521	89.84973297
2019-20	71.73231398	83.69856354

Source: Compiled by author

Figure no. 6: Credit deposit ratio of SBI and ICICI Bank



By examining table no. 9 and figure no. 6, it can be seen that the credit deposit ratio in case of ICICI Bank has been higher in comparison to that of SBI. It denotes that in case of ICICI bank, the bank uses more of its deposits to grant loans to its customers in comparison to SBI. This means that ICICI Bank uses more of its resources than SBI for making advances to its customers.

But one thing to be mentioned here is the reserve requirements. As the banks are required to keep aside a specific amount out of its total deposits in the form of CRR and SLR, the bank can make loans out of the deposits only after the reserve requirement is fulfilled. It is observed that the banks are required to maintain a total of about 30%-35% of their deposits in the form of statutory

reserves. As such, about 65%-70% of the total deposits can be utilized by the banks to grant loans. By observing the credit deposit ratios of the two banks during the study period, it is seen that the proportion of advances out of the deposits for both the banks have been atleast 71% which means that both the banks have created credit over and above the amount of deposits with them after meeting the reserve requirements. Since, the credit deposit ratio for ICICI Bank has been higher than that of SBI throughout the study period, it can be concluded that ICICI Bank has been more efficient in creating credit out of the resources at hand.

IV. CONCLUSION

A bank deposit is considered as one of the safest forms of savings of funds. And although, the rate of interest is comparatively less in comparison to other avenues, the safety factor makes it the most preferred form of savings. These deposits, in turn, lead to creation of credit by the banks which helps in capital formation in the economy. In this paper, the trend of deposit mobilization and credit creation of State Bank of India and ICICI Bank have been studied with a view to determine how the banks are performing on that front. This has given an idea as to how the banks will perform in respect of deposit mobilization and credit creation in the near future as well.

To sum up, it can be pointed out that SBI has been performing much better than ICICI Bank in terms of quantum and growth of both deposits and loans and advances. Even from the point of view of average annual growth, it is seen that SBI has higher prospects for growth of deposits and advances in the future as well. The average annual growth rate indicates that deposits are likely to remain a major source of funds for SBI in the future as well. But if the credit deposit ratio is to be observed, it is seen that ICICI Bank has been performing much more effectively in the creation of credit out of the deposits. In fact, ICICI Bank has much less resources than SBI, but it has been more efficient in utilizing those resources to create credit and increase their income. So, all in all, it can be concluded that from the point of view of quantum of deposits and advances, SBI has the upper hand in comparison to ICICI Bank. But from the point of view of utilizing the deposits to create credit and using the credit to generate profits, ICICI Bank has been more efficient.

One thing that is to be considered while looking at the amount of the total deposits and loans and advances is that ICICI Bank is a comparatively much newer bank than SBI. As such, the customer base is not as strong for ICICI

Bank. But, ICICI Bank has been steadily improving in terms of both deposit mobilization and credit creation and with time, it has great scope to improve much more. SBI, on the other hand, has much higher amount of resources than ICICI Bank. But it needs be more efficient in utilizing those resources. And one thing that SBI needs to focus on is the consistency of growth. If it is able to grow its deposits and loans and advances more consistently and use those resources more effectively, it can perform even better in the future.

REFERENCES

Journals:

- [1]. Alagarsamy T., and Ganapathy S., (2017), "Deposit Mobilisation of Commercial Banks: A Study with Special Reference to Western Region in India", *International Journal of Advanced Research in Management and Social Sciences*, Vol 6(7), pp 24-34
- [2]. Behera H., Raut D., (2019), "Bank Deposits: Underlying Dynamics", *RBI Bulletin*, pp 35-46
- [3]. Bhatt V. V., (1970), "Some Aspects of Deposit Mobilisation", *Economic and Political Weekly*, Vol 5(36), pp 1495-1497
- [4]. Duguma G.J., and Han J., (2018), "Effect of Deposit Mobilisation on the Financial Sustainability of Rural Savings and Credit Cooperatives: Evidence from Ethiopia", *Sustainability*, MDPI, Vol 10, pp 1-23
- [5]. Gunasekara H.U., and Kumari P., (2018), "Factors Affecting Deposit Mobilisation in Sri Lanka", *International Review of Management and Marketing*, Vol 8(5), pp 30-42
- [6]. Rao N. D., (1975), "Deposit Mobilisation by Co-operative Banks: A Comparison with Scheduled Commercial Banks", *Economic and Political Weekly*, Vol 10(29), pp 1098-1100
- [6]. Narayana M., Kalyaan C., and Panigrahi A., (2015), "Deposit Mobilisation of Commercial Banks: A Comparative Study of BOB and Axis Bank in Bhubaneswar City", *Journal of Management Research and Analysis*, Vol 2, pp 195-203
- [7]. Selvaraj N., and Balaji P.K., (2015), "A Study on the Deposit Mobilisation Pattern of the Dindigul District Central Co-operative Bank Limited", *Journal of Tourism & Hospitality*, Vol 4(1), pp 1-8
- [8]. Tuyishime R., Memba F. and Mbera Z., (2015), "The Effects of Deposit Mobilisation on Financial Performance in Commercial Banks in Rwanda. A Case of Equity bank

Rwanda Limited”, International Journal of Small Business and Entrepreneurship Research, Vol 3(6), pp 44-71

- [9]. Venkatesan S., (2012), “An Empirical Approach to Deposit Mobilisation of Commercial Banks in Tamil Nadu”, IOSR Journal of Business and Management, vol 4(2), pp 41-45

Books:

- [10]. Mandla V.S.R., (2013), “Deposit Mobilisation of Andhra Bank: Deposit Mobilisation Strategies”, Lambert Academic Publishing, Germany

Working Papers:

- [11]. Meyer R.L., and Esguerra E.F., (1984), “Rural Deposit Mobilisation in Selected Asian Countries”, Working paper, Ohio State University

Websites:

1. <https://www.ukessays.com/essays/finance/deposit-mobilisation-of-a-bank-and-its-importance-finance-essay.php?vref=1> accessed on 29th July, 2020 at 9.42 pm
2. <http://personal.psu.edu/abs12//stat504/Lecture/lec16.pdf> accessed on 9th August, 2020 at 10.55 pm
3. <https://online.stat.psu.edu/stat504/node/117/> accessed on 19th August, 2020 at 10.46 pm
4. <https://silo.tips/download/semi-log-model-semi-log-model> accessed on 19th August, 2020 at 11.07 pm