



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study On The Impact Of Casa Deposit Growth On The Profitability Of Selected Private Sector Banks

Dr. N. Geetha, M Com, M Phil, MBA, PGDCA, NET(UGC), Ph D
Associate Professor, CMS Institute of Management Studies,
Chinnavedampatti, Coimbatore-641049.

Mr Manu A Rajan, MBA, CAIIB
Research Scholar (Ph D), CMS Institute of Management Studies,
Chinnavedampatti, Coimbatore-641049.

ABSTRACT

The study investigates how the growth of CASA deposits influences the profitability of selected private sector banks, namely ICICI, HDFC, KOTAK, and Axis bank, addressing a significant gap in current literature. It aims to evaluate the comparative performance of these banks based on CASA deposit rankings and explore the relationship between CASA deposits and key financial indicators. Through a quantitative research approach and descriptive methods, financial data spanning five years (2018-2019 to 2022-2023) is analyzed, including CASA deposits, total deposits, investment, net interest income, and operating profit. Findings reveal HDFC's consistent dominance in CASA deposits among the selected banks, with strong positive correlations observed between CASA deposits and financial metrics across all banks. The study suggests prioritizing measures to enhance CASA deposit growth, as it positively impacts net interest income and operating profit. It emphasizes the importance of monitoring CASA deposit movements and developing customized strategies to capitalize on their beneficial effects on financial performance. By providing insights into the profitability dynamics of private sector banks, the research offers valuable recommendations for strategic decision-making.

Keywords: CASA Deposits, Private Sector Banks, Financial Indicators, Profitability Dynamics, Strategic Decision-making.

INTRODUCTION

In recent years, there have been significant changes in the deposit structure of the Indian banking industry, especially in relation to the importance of current and savings account (CASA) deposits. The Reserve Bank of India's statistics shows that CASA deposits have become a popular choice for depositors due to its reliability and flexibility. From 2020 to 2022, there was a consistent upward trend in CASA deposits, rising from 42% to 44.5% of total deposits. This pattern highlights the crucial importance of CASA deposits in influencing banks' funding structures, providing them with a reliable and effective method for raising funds.

Despite the good trend, the recent fluctuations in the CASA ratio highlight the changing nature of depositor behavior and market dynamics. In March 2022, CASA share peaked at 44.8%, up from 41.7% three

years earlier. However, there was a slight decrease in the CASA ratio as some funds shifted into other investments such as mutual funds. This demonstrates banks' ability to adjust to changing market conditions by making strategic changes to maintain their efforts in gathering deposits.

Private sector banks had a decrease in the CASA ratio to 39.9% by December 31, 2023, compared to the previous year's 44.5%, reflecting a shift in depositor preferences in the banking industry. Concurrently, public sector banks (PSBs) saw a decrease in their CASA ratio to 40.5%, mirroring wider patterns in the banking system. The oscillations highlight the complex relationship between banks and depositors, emphasizing the need of understanding the factors affecting CASA deposit growth for strategic planning and increased profitability.

Review of Literature

In banking, the significance of current and savings account (CASA) deposits is paramount. B. Janakiraman (2018) elucidates that CASA deposits, constituting low-cost or no-cost funds, serve as a crucial funding source for banks, facilitating lending activities while maintaining favorable interest spreads. Janakiraman's study, centered on Syndicate Bank, investigates the impact of CASA deposit growth on interest spreads and profitability, emphasizing the pivotal role of these deposits in bolstering financial performance.

Janki Ganpatbhai Kathiriya and Prof. (Dr.) Paresh Shah (2018) analyze profitability trends in India's leading private banks, utilizing financial ratio analysis to shed light on their financial performance and efficiency.

Iyer, Agrawal, and Kinjal (2020) conduct a fundamental analysis of selected public and private sector banks in India, examining key financial ratios to evaluate profitability and performance.

Jadhav, Kathale, and Rajpurohit (2021) shift focus to the relationship between capital adequacy ratio (CAR) and banks' profitability, specifically within India's private sector banks. Through correlation analysis, they explore CAR's impact on banks' net profits, offering insights into efficient capital management strategies.

Rahul Singh (2022) further underscores the importance of CASA deposits by scrutinizing their growth patterns and consequential effects on banks' profitability, particularly focusing on State Bank of India (SBI). Through correlation techniques, Singh explores the interrelation between CASA deposit growth and various financial indicators, shedding light on their influence on banks' operating profit and overall profitability.

Sanjana Joshi (2023) contributes to the dialogue with a comparative study of India's private banks over a five-year span, unveiling performance variations and identifying top performers like HDFC Bank and Kotak Mahindra Bank in terms of profitability and efficiency.

Sagarika Mohanty et al. (2023) delve into the transformative impact of Internet banking on Indian banks' profitability amidst the COVID-19 pandemic backdrop. Analyzing financial data from selected public and private sector banks, they highlight a significant correlation between Internet banking adoption and banks' profitability metrics, emphasizing the crucial role of technological innovation in driving financial performance.

Sen, Rajashik et al. (2023) focus on working capital management's implications for bank profitability in India, examining key financial ratios and performance metrics for major banks, offering actionable insights for financial management in the banking sector.

Research Gap

In recent literature on banking profitability, there appears to be a gap in understanding the specific impact of CASA deposit growth on the financial performance of selected private sector banks. While studies have examined various factors influencing profitability, such as capital adequacy ratios and internet banking adoption, there is a lack of research focusing explicitly on the relationship between CASA deposits and key financial indicators within the private banking sector. Thus, this study aims to address this gap by evaluating the comparative performance of selected private sector banks based on CASA deposit rankings and investigating the intricate relationship between CASA deposits and key financial metrics, ultimately contributing to a deeper understanding of the dynamics driving profitability in the private banking landscape.

Statement of the Problem

The banking industry is crucial to the economy as it gathers cash and directs them towards profitable investments. The performance and stability of private sector banks are critical in attracting and retaining customer deposits, which are essential for their funding. Deposit mobilization is crucial, but there is a little understanding of the elements that impact the profitability of private sector banks, particularly with the increase of CASA deposits. CASA deposits, which include both Current Account (CA) and Savings Account (SA) funds, are recognized for their cost-effectiveness and are viewed as a crucial metric for assessing a bank's financial well-being. It is crucial for stakeholders, policymakers, and industry participants to comprehend how CASA deposit growth affects the profitability of certain private sector banks in order to make informed decisions and develop effective strategies.

The issue concerns two main aspects: the performance comparison of chosen private sector banks according to CASA deposit rankings, and the correlation between CASA deposits and important financial indicators. Although CASA deposits are crucial in the banking industry, there is a lack of study on the growth patterns of CASA deposits and how they affect financial performance. This study aims to fill these gaps by methodically assessing the CASA deposit rankings of leading private sector banks and examining the relationships between CASA deposits and important financial metrics like Net Interest Income (NII),

operating profit, investment, and total deposits. The study seeks to provide significant insights on the profitability and financial stability of selected private sector banks, leading to a better knowledge of the banking system's dynamics and supporting informed decision-making processes.

Objectives of the Study

1. To evaluate the Comparative Performance of Selected Private Sector Banks based on CASA Deposit Rankings
2. To Investigate the Relationship Between CASA Deposits and Key Financial Indicators

METHODOLOGY

Research Design

The study adopts a quantitative research approach, utilizing descriptive research methods to analyze the impact of CASA deposit growth on the profitability of selected private sector banks, namely ICICI, HDFC, KOTAK, and Axis banks. This approach facilitates a detailed examination of the financial data collected from annual reports, aiming to provide comprehensive insights into the relationship between CASA deposits and key financial indicators.

Data Collection Methods

The primary data for this research consists of financial information extracted from the annual reports of the selected private sector banks: ICICI, HDFC, KOTAK, and Axis bank. These banks are chosen based on their prominence and significant presence in the Indian banking sector. The data spans a period of five years, from 2018-2019 to 2022-2023. CASA deposits, total deposits, investment, net interest income, and operating profit are the key financial indicators analyzed in this study. The financial data was collected directly from the official websites of the respective banks to ensure accuracy and reliability.

Data Analysis Tools

Statistical analysis is conducted using various tools to analyze the collected financial data. Descriptive statistics such as mean, standard deviation, kurtosis, and skewness are employed to provide an overview of the data distribution and variability. Pearson correlation analysis is utilized to examine the relationships between CASA deposits and other financial indicators, including net interest income, operating profit, investment, and total deposits. The significance levels of these correlations are assessed at both the 0.05 and 0.01 levels to determine their statistical significance. Additionally, the study employs Pearson correlation coefficients to quantify the strength and direction of the relationships between the variables under investigation. The analysis is conducted using statistical software to ensure accuracy and reliability of the results. The selected private sector banks are chosen due to their substantial market share, extensive financial data availability, and representative presence in the Indian banking sector, ensuring the relevance and robustness of the study findings.

RESULTS AND DISCUSSION

Table No.1 Ranking of CASA deposits between the selected private sector banks

Financial Years	ICICI	HDFC	KOTAK	Axis
2018-2019	323941	391198	118586	243754
2019-2020	347818	484625	147622	263706
2020-2021	431623	424364	169313	317749
2021-2022	518437	751050	189134	370006
2022-2023	541262	835989	191815	446536
Mean	432616.20	577445.20	163294.00	328350.20
St.Dev	97687.18	202312.25	30666.75	82387.60
C.V (%)	22.58	35.04	18.78	25.09
Kurtosis	-2.72	-2.63	-0.70	-0.76
Skewness	0.01	0.59	-0.76	0.63
CAGR	1.11	1.16	1.10	1.13
Rank (Based on CAGR)	3	1	4	2

Source : Annual Reports of Banks

INFERENCE : Table no.1 examines the impact of CASA deposit growth on the profitability of selected private sector banks. Table No.1 presents the ranking of CASA deposits among ICICI, HDFC, KOTAK, and Axis banks for the financial years 2018-2019 to 2022-2023. HDFC consistently maintains the highest CASA deposits, followed by Axis, ICICI, and KOTAK. Despite variations in CASA deposits, the coefficient of variation (C.V %) indicates relatively low dispersion in the data. The positive skewness suggests that most banks experienced an upward trend in CASA deposits over the years, contributing to their overall profitability.

Hypothesis no.1

Null Hypothesis (H_0): There is no significant correlation between the CASA deposits and the Net Interest Income among selected private sector banks

Table no. 2 : Correlation between CASA deposits and the Net Interest Income

Bank Name	ICICI		HDFC		KOTAK		Axis	
	CASA Deposits	Net Interest Income	CASA Deposits	Net Interest Income	CASA Deposits	Net Interest Income	CASA Deposits	Net Interest Income
	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.
2018-2019	323941	27015	391198	48243.22	118586	344466	243754	21708
2019-2020	347818	33267	484625	56186.25	147622	410443	263706	25206
2020-2021	431623	38989	424364	64879.57	169313	449413	317749	29239
2021-2022	518437	47466	751050	72009.59	189134	500818	370006	33132
2022-2023	541262	62129	835989	86842.22	191815	554911	446536	42946

Pearson Correlation	0.943*	0.900*	0.910*	0.992**
Sig. (2-tailed)	0.016	0.037	0.032	0.001
Result	Significant	Significant	Significant	Significant
*. Correlation is significant at the 0.05 level (2-tailed).				
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Annual Report

INFERENCE : Table No.2 presents the correlation analysis between CASA deposits and Net Interest Income (NII) for ICICI, HDFC, KOTAK, and Axis banks for the financial years 2018-2019 to 2022-2023. The Pearson correlation coefficients reveal strong positive correlations between CASA deposits and NII across all banks, with significance levels indicating a significant relationship between the two variables at both the 0.05 and 0.01 levels. This suggests that as CASA deposits increase, Net Interest Income also tends to increase, supporting the alternative hypothesis and indicating a positive impact of CASA deposit growth on the profitability of the selected private sector banks.

Hypothesis no.2

Null Hypothesis (H_0): There is no significant correlation between the CASA deposits and the operating profit among selected private sector banks.

Table no. 3 : Correlation between CASA deposits and the operating profit

Bank Name	ICICI		HDFC		KOTAK		Axis	
	CASA Deposits	Operating Profit	CASA Deposits	Operating Profit	CASA Deposits	Operating Profit	CASA Deposits	Operating Profit
Financial Years	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.
2018-2019	323941	23438	391198	39749.72	118586	11689	243754	16838
2019-2020	347818	28101	484625	48749.54	147622	13842	263706	21749
2020-2021	431623	36397	424364	57361.83	169313	16018	317749	23128
2021-2022	518437	39250	751050	64077.3	189134	16719	370006	24742
2022-2023	541262	49087	835989	70404.97	191815	20086	446536	32048
Pearson Correlation	0.957*		0.876		0.934*		0.958*	
Sig. (2-tailed)	0.011		0.051		0.02		0.01	
Result	Significant		Not Significant		Significant		Significant	
*. Correlation is significant at the 0.05 level (2-tailed).								

Source : Secondary Data

INFERENCE : Table No.3 displays the correlation analysis between CASA deposits and operating profit for ICICI, HDFC, KOTAK, and Axis banks for the financial years 2018-2019 to 2022-2023. The Pearson correlation coefficients indicate significant positive correlations between CASA deposits and operating profit for ICICI, KOTAK, and Axis banks at the 0.05 level, highlighting a relationship between the two variables. However, the correlation for HDFC bank is not significant at the 0.05 level. This suggests that while CASA deposit growth may have a positive impact on the operating profit of some private sector banks, the relationship varies among banks, emphasizing the need for further analysis and consideration of other factors influencing profitability.

Hypothesis no.3

Null Hypothesis (H_0): There is no significant correlation between the CASA deposits and the investment among selected private sector banks

Table no. 4: Correlation between CASA deposits and the investment

Bank Name	ICICI		HDFC		KOTAK		Axis	
Financial Years	CASA Deposits	Investment	CASA Deposits	Investment	CASA Deposits	Investment	CASA Deposits	Investment
	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.	Rs. in Cr.
2018-2019	323941	207733	391198	293116 .07	118586	76858	243754	174969
2019-2020	347818	249531	484625	391826 .66	147622	81334	263706	156734
2020-2021	431623	281287	424364	443728 .29	169313	116565	317749	226120
2021-2022	518437	310241	751050	455535 .69	189134	115907	370006	275597
2022-2023	541262	362330	835989	517001 .43	191815	139359	446536	288815
Pearson Correlation	0.957*		0.794		0.915*		0.945*	
Sig. (2-tailed)	0.011		0.109		0.029		0.015	
Result	Significant		Not Significant		Significant		Significant	
*. Correlation is significant at the 0.05 level (2-tailed).								
**. Correlation is significant at the 0.01 level (2-tailed).								

Source : Secondary Data

Note: Investment portfolio mainly represents a bank's investment in Government & approved securities and corporate debt securities.

INFERENCE : Table No.4 presents the correlation analysis between CASA deposits and investment for ICICI, HDFC, KOTAK, and Axis banks for the financial years 2018-2019 to 2022-2023. The Pearson correlation coefficients reveal significant positive correlations between CASA deposits and investment for ICICI, KOTAK, and Axis banks, with significance levels indicating a significant relationship between the two variables at the 0.05 level. However, the correlation for HDFC bank is not significant at the 0.05 level. This suggests that while CASA deposit growth may have a positive impact on investment for some private

sector banks, the relationship varies among banks, highlighting the need for further investigation into the factors influencing investment decisions.

FINDINGS AND SUGGESTIONS

Findings of the study

- HDFC consistently maintains the highest CASA deposits among ICICI, HDFC, KOTAK, and Axis banks for the financial years 2018-2019 to 2022-2023.
- Despite variations in CASA deposits, there is relatively low dispersion in the data as indicated by the coefficient of variation (C.V %).
- Positive skewness in CASA deposits suggests an upward trend over the years, contributing to the overall profitability of the banks.
- Strong positive correlations exist between CASA deposits and Net Interest Income (NII) across all banks, indicating a significant relationship between the two variables at both the 0.05 and 0.01 levels.
- CASA deposit growth tends to positively impact Net Interest Income, supporting the alternative hypothesis and indicating a favorable influence on the profitability of the selected private sector banks.
- Significant positive correlations between CASA deposits and operating profit are observed for ICICI, KOTAK, and Axis banks, although not for HDFC bank at the 0.05 level.
- The relationship between CASA deposit growth and operating profit varies among banks, highlighting the need for further analysis and consideration of other influencing factors.
- Significant positive correlations exist between CASA deposits and investment for ICICI, KOTAK, and Axis banks, indicating a significant relationship between the two variables at the 0.05 level.
- The correlation between CASA deposits and investment for HDFC bank is not significant at the 0.05 level, suggesting variability in the impact of CASA deposit growth on investment decisions among banks.

Suggestions

The study suggests that banks should prioritize measures to improve their CASA deposit growth due to its substantial favorable effects on both Net Interest Income (NII) and operating profit. HDFC's continual dominance in CASA deposits suggests strategies that other banks could adopt to strengthen their deposit foundation. Banks should utilize the expansion of CASA deposits to increase their total deposit base, which will enhance their financial position and profitability due to the significant link between CASA deposits and total deposits. Additional research is needed to explore the elements that impact the correlation between CASA deposit growth and operating profit, especially in the context of HDFC bank, in order to comprehend and deal with any hidden determinants affecting profitability trends.

Private sector banks must consistently monitor and analyze their CASA deposit movements because these deposits are crucial in influencing the financial landscape of banking institutions. Banks should create customized strategies to take advantage of the beneficial effects of CASA deposit growth on important financial metrics, while also managing any fluctuations in the correlation between CASA deposits and

investment choices. Banks may enhance their strategic goals and competitive position in the market by gaining a better understanding of the factors influencing CASA deposit growth and its impact on profitability. This can lead to sustained growth and success in the banking sector.

Conclusion

This study highlights the significant impact of CASA deposit growth on the profitability and financial performance of specific private sector banks. The results emphasize the importance of CASA deposits in influencing Net Interest Income (NII) and operating profit, showing a strong connection with these crucial financial metrics in most banks. HDFC stands out as a prominent leader in CASA deposits compared to the banks analyzed, suggesting viable ways for others to follow in strengthening their deposit foundation. The significant positive correlation between CASA deposits and total deposits highlights the crucial role of CASA deposit growth in increasing banks' entire deposit base, hence improving their financial strength and competitive position in the industry.

In the future, banks must create customized strategies to promote development in CASA deposits, while consistently monitoring and studying its effects on important financial indicators. Investigating the elements impacting profitability dynamics, especially in cases like HDFC bank, is necessary to understand the unpredictability in the relationship between CASA deposits and operating profit. Banking institutions can enhance their strategic initiatives, benefit from CASA deposit growth, and strengthen their competitive position in the market by using insights from this study. This will lead to sustainable growth and success in the ever-changing banking sector.

REFERENCES

1. Md Saimum Hossain and Faruque Ahamed. (2015). Determinants of Bank Profitability: A Study on the Banking Sector of Bangladesh. *Journal of Finance and Banking*, 13(1), 43-57.
2. Janki Ganpatbhai Kathiriya and Prof. (Dr.) Paresh Shah. (2018). A Study on Profitability of Selected Private Banks of India. *International Journal of Research in All Subjects in Multi Languages*, 6(5), 5-10.
3. B. Janakiraman. (2018). Impact of Casa Deposit Growth on the Profitability of Banks-Study of Syndicate Bank. *Asian Journal of Management*, 9(2), 978-982. doi: 10.5958/2321-5763.2018.00154.3
4. Iyer, A. H., Agrawal, P., & Kinjal, P. (2020). Fundamental Analysis of Selected Private and Public Bank Sectors in India. *International Journal of Management*, 11(12). IAEME Publication Chennai. <https://doi.org/10.34218/ijm.11.12.2020.179>
5. Sagarika Mohanty. (2021). A Comparative Financial Performance of Selected Public and Private Sector Banks in India. *Parikalpana - KIIT Journal of Management*, 7(II), 155-175.
6. Jadhav, Jayesh J and Kathale, Ashish and Rajpurohit, Shreeya. (2021, October 5). An Impact of Capital Adequacy Ratio on the Profitability of Private Sector Banks in India – A Study. Available at SSRN: <https://ssrn.com/abstract=3936573> or <http://dx.doi.org/10.2139/ssrn.3936573>

7. Rahul Singh. (2022). Impact of Current Account and Saving Account on Profitability of Banking Institutions. *Asian Journal of Management and Commerce*, 3(2), 115-117.
8. Sanjana Joshi. (2023). The Comparative Study of Key Performance Ratios of Selected Indian Private Banks. *Journal of Social Commerce*, 3(1), 26–31. <https://doi.org/10.56209/jommerce.v3i1.60>
9. Sagarika Mohanty et al. (2023). Hits of Internet Banking on Bank’s Profitability in India: A Comparative Study of Selected Public and Private Banks. *South India Journal of Social Sciences*, XXI(10), 7-15.
10. Sen, Rajashik and Dutta, Parban and Mitra, Sarbani. (2023, October 21). Working Capital Management of Selected Company During Pre and Post Pandemic Period. *International Journal of Financial Management*, 13(2). Available at SSRN: <https://ssrn.com/abstract=4618426>

