

CHAPTER - IV

MOBILISATION OF DEPOSITS

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C H A P T E R - I V
MOBILISATION OF DEPOSITS

4.1 INTRODUCTION :

Urban Co-operative Banking may be more identified with deposit banking rather than with mortgagage banking, like commercial banks, they must raise a large portion of their working capital by way of deposits. In actual practice one may find that urban banks have adopted many novel ways for deposit, mobilisation from the different classes of the people.

Deposits are one of the important elements to the banking business.¹

Deposits constitute one of the most important sources of the urban banks to meet the credit needs of the people residing in urban and semi-urban areas.

Jath Urban Co-operative Bank has made a lot of concentrated efforts in the mobilisation of the deposits from the people. Therefore, in this chapter an attempt is made to study and to examine the nature of various deposit schemes, that have been implemented by the bank for mobilisation of deposits; the extent to which the total deposit amounts have been collected under each deposit scheme and to evaluate the over all performance of the various deposit schemes during the period under review.

4.2 DEPOSIT SCHEME :

As per the bye-laws of the bank, section 27, the Urban Co-operative bank can accept deposits from members and non-members upto certain amounts as may be determined by the executive committee of the bank. According to the bye-laws, the bank is collecting deposits under various deposit schemes. In this connection, it is to be noted that while introducing the deposit schemes the bank has strictly followed the directions of Reserve Bank of India. " No Urban Bank should have any deposit scheme linked with any lottery prizes, lucky draw, gifts etc."²

The Bank collected the deposits under main deposit scheme like, Time Deposits, Savings Deposits and Current Deposits etc. as a result of this bank become popular in Jath town. The bank introduced new attractive and incentive oriented schemes for masses, such as Recurring Deposits, Daily Saving Deposits etc. Today, therefore, number of deposit schemes, which are functioning effectively.

1. Time Deposits (2) Saving Deposits.
3. Current Deposits (4) Double Amount Deposits.
5. Recurring Deposits (6) Daily Savings Deposits.
7. Provident Fund Deposits.

4.3 TIME DEPOSITS :

For creation of credits, time deposits are very useful. Money deposited under this scheme can not be withdrawn by the

depositor until the maturity period is over. But bank can use this amount for advancing loans to others. So every bank tries to collect maximum amount of time deposit. The bank offers attractive rates of interest on such deposits, so that the people should deposit their saving in such deposit.

TABLE NO. 4.1

TIME DEPOSITS AND SHARE IN TOTAL DEPOSITS DURING THE PERIOD

1975 to 1986.

Year	Time Deposits	Increase in amount	Increase in percentage	Share in total Deposits.
1	2	3	4	5
1975	6.25	-	-	44
1976	10.15	+ 3.9	62.40	66
1977	10.53	+ 0.38	3.74	62
1978	11.70	+ 1.17	11.11	58
1979	15.09	+ 3.39	28.97	58
1980	20.19	+ 5.1	33.80	59
1981	32.37	+12.18	60.33	66
1982	42.43	+10.06	31.08	73
1983	17.31	-25.12	-59.20	25
1984	17.42	+ 0.11	0.64	20
1985	18.67	+ 1.25	7.18	18
1986	21.43	+ 2.76	14.78	17
Increase in 1986 over 1975	+15.18	- 1.14%		- 27%

Source : Compiled from Annual Report of Jath Urban Co.op.Bank Ltd. Jath.

Table No. 4.1 shows that, the amount of time deposit increased considerably from Rs. 6.25 lakhs in 1975 to Rs.21.43 lakhs in 1986, representing total rise of 242.90% during the entire period of the study. Its contribution to the total deposits increased from 44% in 1975 to 73% in 1982. But thereafter it fell considerably to 17% in 1986. On an average the contribution of this deposits to total deposits came to 47.17%.

Time deposits amounting to Rs. 6.25 lakhs in 1975 to Rs. 21.43 lakhs in 1986. In the year 1976 the rate of growth of time deposits was the highest 62.25% and it was ^{the} lowest (-)59.19% in the year 1983.

4.4 SAVING DEPOSITS :

Promotion of thrift is one of the important functions of the bank facilities. Saving deposits are intended to develop the habit of thrift among members. The minimum amount acceptable in this case is very low (Rs. 5). Maximum limit is also set beyond which interest on the amount of deposit is not credited (Rs. 25000.00) people depositing money under this scheme enjoy facilities of withdrawing money. for the withdrawals beyond a certain amount, 'Due notice' will have to be given to the bank. The bank does not allow any overdraft facilities to saving account-holders. Interest is allowed on the minimum balance held during a month i.e. 10th and 30th or last day of the month.

Table No. 4.4.1 indicates the position of savings deposits. They increased from Rs. 4.89 lakhs in 1975 to Rs. 31.99 lakhs in 1986. Total growth for the present was 27.04 lakhs. In the first seven years the proportion of share deposits to total was over 32%. But thereafter it continuously fell to 25% in 1986. Average share of these deposits in the total came to 9%.

TABLE NO. 4.4.1

SAVING DEPOSITS AND SHARE IN TOTAL DEPOSITS DURING THE PERIOD

Year	<u>1975 to 1986</u>			(Rs. in lakhs)
	Saving Deposits	Increase in Amount	Increase in percentage	Share in total deposits
1975	4.89	-	-	34
1976	4.82	- 0.07	- 1.43	32
1977	6.03	+ 1.21	25.10	36
1978	8.01	+ 1.98	32.84	39
1979	10.44	+ 2.43	30.34	48
1980	12.76	+ 2.32	22.22	37
1981	15.44	+ 2.68	21.00	32
1982	14.35	- 1.09	- 7.06	25
1983	19.49	+ 5.14	35.82	28
1984	23.32	+ 3.83	19.65	27
1985	29.17	+ 5.85	25.09	25
1986	31.93	+ 2.76	9.46	25
Increase in 1986 over 1975	27.04 Lakhs	2.69		

SOURCE : Compiled from Annual Report of the Jath Urban Co-op. Bank Ltd. Jath.

4.5 CURRENT ACCOUNT DEPOSITS :

Current Account Deposits are just to facilitate the businessmen to frequently operate upon the account in the course of the business, which may necessitate them to withdraw funds at short notice and also to make frequent deposits of their surplus funds. Some minimum amount is prescribed by the banks for opening current accounts (Rs.5.) Nominal interest or some time no interest is paid on current deposits facilities. Over draft may or may not be allowed by the bank, generally it is not encouraged, Interest is calculated on daily debtor business.

The following Table No. 4.5,1 indicates the position of current deposits of the Urban Co-operative Banks.

Businessmen, industrialists preferred to make their large financial transactions through bank instead of hard cash, because it is a complex matter. It is always good if there is any written proof for such transaction and it is possible if such transactions are made through bank. But they donot know when such transactions will take place, as well as how much amount required for such transactions. Fixed deposits and savings deposits are not convenient for them, because there are some restrictions on withdrawals from such account. So they require such a bank account from which they can withdraw amount at any time.

TABLE NO. 4.5.1

CURRENT ACCOUNT DEPOSITS OF THE BANK (1975 to 1986)

(Rs. in lakhs)

Year	Amount of current deposits	Increase Amount	Increase %	Share in Total deposits
1975	0.36			3
1976	0.33	- 0.03	- 8.33	2
1977	0.27	- 0.06	- 18.18	2
1978	0.54	+ 0.27	100.00	3
1979	0.53	- 0.01	- 1.85	2
1980	1.02	+ 0.49	92.45	3
1981	1.14	+ 0.12	11.76	2
1982	1.24	+ 0.10	8.77	2
1983	0.59	- 0.65	- 52.42	1
1984	1.27	0.68	115.25	1
1985	2.22	0.95	74.80	2
1986	2.58	0.36	16.22	2
Increase in 1986 over 1975	2.22	0.33		1% Average share

Source :- Compiled from annual report of Jath Urban co-operative Bank, Ltd, Jath.

Data presented in Table No. 4.5.1 shows that current accounts deposits growth was uneven. The current deposits increased from Rs. 0.36 lakhs in 1975 to Rs. 2.58 lakhs in 1986. The total increase was over two lakhs. The proportion of current account deposits to total deposits fell from 3% in 1975 to 1% in 1984. In the next two years it rose to 2% on an average. This proportion was about 2% falling period study.

4.6 DOUBLE ACCOUNT DEPOSITS : This is another scheme introduced by the bank. It was introduced in the year 1983. In this deposits scheme the depositer can get his deposits doubled within the prescribed time i.e. 71 months. Rate of interest on this scheme is given as per the directives of Reserve Bank of India.

The following table No. 4.6.1 shows the growth of doubled Amount Deposits.

TABLE NO.4.6.1

<u>THE POSITION OF DOUBLE AMOUNT DEPOSITS</u> (Rs. in lakhs)				
<u>Year</u>	<u>Double amount Deposits</u>	<u>Increase amount</u>	<u>Increase In %</u>	<u>Share in total deposits.</u>
1983	25.36	-	-	36.03
1984	34.06	8.7	34.31	39.98
1985	44.64	10.58	31.06	42.49
1986	56.26	11.62	26.03	43.09
Increase in 1986 over 1975	30.90	2.92		7.06% Average share

Source : Compiled from Annual Report of Jath Urban Co-op. Bank Ltd. Jath.

Double Amount Deposits increased from Rs. 25.36 lakhs in 1983 to Rs. 56.26 lakhs in 1986 i.e. by 30.90 lakhs. Similarly they formed rising proportion to the total deposits on an average this proportion per annum was 7.06%.

4.7 DAILY SAVINGS (PIGMY DEPOSITS)

Daily saving deposits scheme was introduced by the bank in 1983.

TABLE NO.4.7

DAILY SAVING DEPOSITS DURING THE PERIOD 1982-1983 to 1985-1986
(Rs. in lakhs)

Year	Amount in Daily saving	Increase Amount	Increase in %	Share in total Deposits
1982-1983	6.69	-	-	0.29
1983-1984	7.79	1.1	16.44	0.27
1984-1985	9.60	1.81	23.23	3.42
1985-1986	11.16	1.56	16.25	4.23
Increase in 1986 over 1975	4.47	0.46		3.94%

SOURCE : Compiled from Annual Reports of the Jath Urban Co-op. Bank Ltd. Jath.

However, small the amount deposited under this scheme, it does show an income growth in the deposits of the Bank. The amount rose from 6.69 lakhs in 1983 to Rs, 11.16 lakhs in 1986. They formed increasing proportion of total deposits from 0.29% to 4.23%. On an average proportion was 2.05%

4.8 RECURRING DEPOSITS :-

Recurring deposits are highly useful in promoting

savings.

- 1) Certain monthly instalments equivalent to Rs. 10,50,100 or any multiple thereof, can be deposited in this type of account.
- 2) Attractive interest rates are paid on recurring deposits. Moreover, either amount of deposits is paid after completion of maturity period. Maturity period ranges from 1 year to 5 years.
- 3) Credit facilities are available from bank on the security of running deposits.
- 4) Depositor can pay advance instalments,.
- 5) A depositor can pay instalments individually or jointly.

TABLE NO. 4.8.1

RECURRING DEPOSITS AND SHARE IN TOTAL DEPOSITS DURING 1983 to 1986
(Rs. in lakhs)

Year	Amount of recurring deposits	Increase in Amount	Increase In %	Share in Total deposits
1983	0.73	-	-	1.04
1984	1.10	+ 0.37	50.68	1.29
1985	0.40	- 0.70	- 63.64	0.68
1986	0.87	+ 0.47	117.5	0.70

Increase in 1986 over 1983	0.14	0.10		- 0.34 Average share

SOURCE : Compiled from Annual report of Jath Urban co-operative Bank Ltd, Jath.

The Table No.4.6.1 shows the position of Recurring deposits of the bank during the period 1983 to 1986. Recurring deposits

increased from Rs. 0.73 lakhs in 1983 to Rs. 0.87 lakhs in 1986. Average growth of Recurring Deposits for the period came to Rs.0.14 lakhs. and 0.47% per annum.

The proportion of their deposits to the total was little over 1% in 1983 and 84. It declined in the following 2 years.

4.9 PROVIDENT FUND DEPOSITS :

This is a deposit intended for the after retirement benefits to the people. The people have to make a provision for themselves against physical incapacity and old age and for their family in the event of their death.

The deposits are generally made in monthly fixed instalments over a number of years as agreed by such deposit schemes, generally not less than '7' years and not more than '30' years.

Such deposit accounts are closed at the end of the stipulated number of years or on the subscriber's earlier death, and the accumulated amount is paid to him or to his family in accordance with the declaration that might be left behind by him. Provident fund deposits increased from Rs. 0.20 lakhs in 1983 to Rs. 0.53 lakhs in 1986, i.e. in 0.33 lakhs. They showed a rapid rise in last 2 years, of the study period. The proportion to total deposits also increased from 0.29% in 1983 to 4.23% in 1986.

TABLE NO.4.9

PROVIDENT FUND DEPOSITS DURING 1983-1986

(Rs. in lakhs)				
Year	Provident fund	Increase in amount	Increase in %	Share in total deposits.
1983	0.20	-	-	0.29
1984	0.22	+ 0.02	10.00	0.27
1985	0.36	+ 0.14	63.64	03.42
1986	0.53	+ 0.17	47.22	4.23
Increase in 1986 over 1983	0.33	0.15		3.94 Average share

SOURCE : Compiled from Annual Report of Jath Urban Co-op.Bank.

Ltd. Jath.

4.10 RATE OF INTEREST :

In this table information on deposit interest is given. They are as per the R.B.I. directives during the study period all the interest rates have increased marginally. These interest rates are related to the length of the deposits that is the longer the maturity period of the deposits the higher is the interest rate. For example the interest rate in deposits of more than 5% on Maturity interest rate rose from 10.50% to 12% (1983).

Deposit with maturity between 3 to 5 years interest rose from 10 to 11% and like wise. The interest rates showed upon revision.

TABLE NO.4.8

TABLE SHALL BE THE INTEREST RATE IN DEPOSITS FOR DIFFERENT YEARS

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1. 35 days to before 45 days	N.A.	6%	3.50%	3.50%	3.50%	3.50%	3.50%	4%	4%	4%	4%	4%
2. 46 days to before 90 days	6%	6%	4.50%	4%	4%	4%	4%	5%	5%	5%	5%	5%
3. 91 days to before 6 months	6.50%	6.50%	5%	5%	5%	5%	5%	6%	6%	6%	7.50%	7.50%
4. 6 months to before 9 months	7%	7%	5.50%	5.50%	5.50%	5.50%	5.50%	7%	7%	7%	-	-
5. 9 months to before 1 year	8.50%	8.50%	6%	6%	6.50%	6.50%	6.50%	8%	8%	8%	-	-
6. 1 year to 2 year	-	-	-	-	-	-	8.50%	9%	9%	9%	9.50%	9.50%
7. 2 years to 3 years	-	-	-	-	-	-	9.50%	10%	10%	10%	10%	10%
8. for 3 years to 5 years	10%	10%	9%	8.50%	9.50%	9.50%	11%	11%	11%	11%	11%	11%
9. For Deposits above 5 years	10.50%	10.50%	11%	10%	11%	11%	11%	N.A.	12%	12%	12%	12%
10 1 year to 3 year	9.50%	9.50%	7%	7%	8%	8%	-	-	-	-	-	-

SOURCE : Annual Report of the Jath Co-operative Bank Ltd. Jath.

R E F E R E N C E S

1. R.B.I.S.Circular through D.D.R.No.SED/ID(DC) 1982/ VI/81-82
Dated: 1st March, 1982.
2. R.B.I's Circular through D.D.R.No.
SED/ID(DC)/1882/VI/81-82.
3. Reports of Jath Urban Co-operative Bank Ltd.,Jath.