

A Study on Deposits Mobilization in Indian Overseas Bank

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ABSTRACT

The focus of this project is on the deposit section of the Indian Overseas Bank. It aims to analyze cash flow in terms of deposits and the various schemes provided by the bank. This study highlights the significance of deposits as a key aspect of the bank's financial operations. Deposits play a crucial role in the financial health of a company, serving as the foundation for its business activities. These funds are collected from the public and are utilized for various purposes such as hire purchasing, leasing, and other business operations to generate profits.

The research was conducted to understand the different deposit schemes, their interest rates, and the benefits they offer to customers. Additionally, the study explores how effectively the bank mobilizes deposits and evaluates whether the funds are deployed efficiently for investments, loans, and advances.

An analytical research design was adopted for this study, using data from secondary sources like online information and the bank's balance. The analysis employed tools such as percentages, trend analysis, and comparative balance sheets to draw insights and conclusions about the bank's deposit strategies and performance.

Keywords: Savings Growth, Deposit Scheme, Fixed Deposit.

1. INTRODUCTION

Deposit mobilization is the cornerstone of banking, and Indian Overseas Bank (IOB) stands as a beacon of trust and innovation in this domain. With its rich legacy, IOB has consistently adapted to evolving customer needs, offering a wide array of deposit schemes tailored to diverse financial goals. The bank's commitment to financial inclusion ensures that even the remotest regions have access to secure savings options. Through customer-centric initiatives and cutting-edge technology, IOB seamlessly blends tradition with modern banking. Its campaigns and outreach programs inspire confidence, encouraging individuals and businesses to park their funds safely.

Objective

- To study the trends and patterns of deposit mobilization.
- To identify areas for improvement in deposit mobilization.

2. REVIEW OF LITERATURE

Reddy, C. R. (2016) The study on Indian Overseas Bank (IOB) analysed its deposit mobilization strategies, emphasizing the significant role of rural banking initiatives in increasing savings deposits. It

highlighted that targeted efforts to engage rural communities have been instrumental in encouraging saving behaviours among individuals who traditionally had limited access to formal banking services.

Misra and Ranjan (2017) The research on the determinants of deposit mobilization in Regional Rural Banks (RRBs) in India highlights the critical role of rural income, government policies, and financial literacy programs in driving deposit growth. Rural income levels significantly influence the amount of savings that individuals can allocate toward deposits, with higher income levels leading to increased capacity for saving and investing in banking products.

Rathakrishnan and Ramesh (2018) The study on the impact of deposit mobilization on bank profitability in India reveals a positive correlation between the two, highlighting the significant role that effective deposit strategies play in boosting financial performance. As banks successfully mobilize deposits, they enhance their liquidity, which enables them to offer more loans and generate higher returns on their assets.

Kannan, R., & Saraswathi, S. (2018) The study on the role of technology in enhancing deposit mobilization at Indian Overseas Bank (IOB) highlights the significant impact of digital banking services in attracting new customers and boosting deposit growth. It found that mobile banking and internet banking played a key role in appealing to younger, tech-savvy customers who value convenience and accessibility

Anand, S. (2019) Anand's study explored the challenges faced by Indian Overseas Bank (IOB) in deposit mobilization, with a particular focus on the increasing competition from private sector banks. These banks, with their more agile and innovative services, have been successful in attracting customers, which poses a challenge for public sector banks like IOB in maintaining their deposit base.

Ramakrishnan, M. (2020) The study evaluating the effectiveness of special deposit schemes introduced by Indian Overseas Bank (IOB) found that certain tailored products, such as senior citizen deposit schemes and recurring deposit plans, played a key role in attracting more customers, particularly in rural areas.

Ogunleye (2020) The research on the determinants of deposit mobilization in the Nigerian banking industry explores how macroeconomic variables such as interest rates, GDP growth, and inflation influence deposit growth.

Priya, K., & Meena, V. (2021) Priya and Meena's analysis of seasonal variations in deposit mobilization at Indian Overseas Bank (IOB) revealed that certain periods, particularly during festive seasons, experienced higher deposit inflows. This trend was attributed to the bank's targeted campaigns and promotional interest rates, which effectively encouraged customers to deposit more during these times.

Hailu (2022) The study exploring the impact of macroeconomic factors on deposit mobilization in commercial banks revealed several key insights. It found that inflation and monetary supply had significant negative effects on deposit growth.

Sundar, V. (2023) The research on the impact of customer trust and service quality on deposit mobilization at Indian Overseas Bank (IOB) highlighted the significant role that trust and service quality play in fostering long-term deposit growth. The study found that customer loyalty programs, such as rewards and benefits for long-term depositors, were particularly effective in enhancing customer retention and encouraging repeat deposits.

Tatek Hailu (2024) The study on macroeconomic factors influencing deposit mobilization in commercial banks evaluates the impact of inflation, monetary policy, and GDP per capita on deposit growth, particularly in developing economies.

3. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done systematically. In that various step, those are generally adopted by a researcher in studying his problem along with the logic behind them. It is important for research to know not only the research method but also know methodology. "The procedures by which researcher go about their work of describing explaining and predicting phenomenon are called methodology." Methodology is an essential aspect of any project or research. It enables the researcher look at the problem in a systematic manner. Methods comprise the procedures used for generating, collecting and evaluating data. All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem.

3.1 Collection of Data

Collection of data refers to the process of gathering, measuring, and recording information from various sources to achieve specific objectives. It involves obtaining accurate and relevant data for analysis, decision-making, and research purposes. Data can be collected through methods like surveys, interviews, observations, or reviewing records. Effective data collection ensures the reliability and validity of the study or analysis.

There are two types of collecting data,

- Primary Data
- Secondary Data

This research study includes collection of secondary data.

SECONDARY DATA

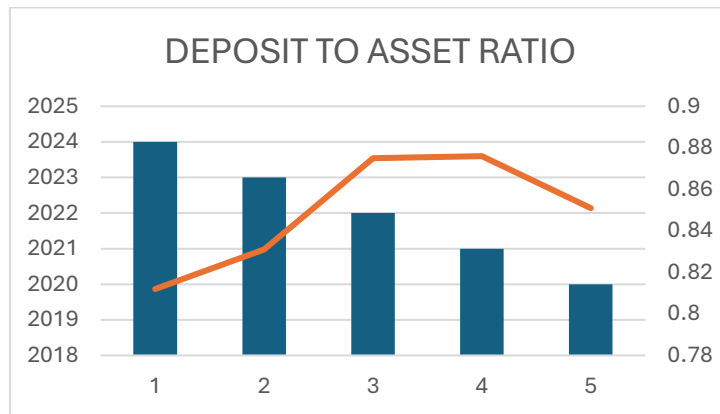
The data are collected from the annual reports, mainly balance sheet, income and expenditure and other brochures of the company for a period for five years from 2020-2024. The data for the analysis are collected and gathered from the printed reports like annual reports, official files, records and other available related materials.

4. DATA ANALYSIS AND INTERPRETATION

DEPOSIT TO ASSET RATIO

The Deposit to Asset Ratio is a financial metric used to assess the proportion of a bank's total assets that are funded by customer deposits. **Deposit to Asset Ratio = (Total Assets/Total Deposits) × 100**

YEAR	TOTAL DEPOSIT	TOTAL ASSET	DEPOSIT TO ASSET RATIO
2024	285905.38	352033.62	0.812
2023	260883.29	313745.82	0.831
2022	262158.92	299377.17	0.875
2021	240288.3	274010.35	0.876
2020	222951.88	260726.83	0.851



INFERENCE

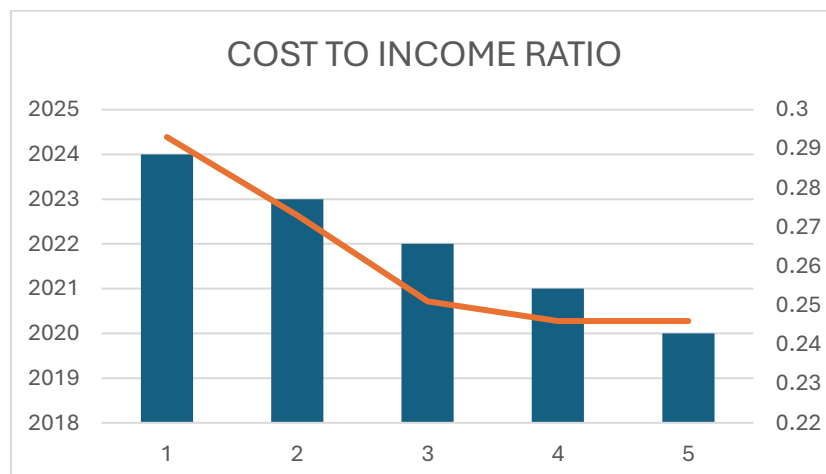
Between 2020 and 2024, total deposits grew steadily from 222,951.88 to 285,905.38, alongside an increase in total assets from 260,726.83 to 352,033.62. The deposit-to-asset ratio showed a slight decline, dropping from 0.851 in 2020 to 0.812 in 2024, after peaking at 0.876 in 2021 and 2022. This indicates that while both deposits and assets grew, asset growth outpaced deposits over time. The trend reflects a diversification or expansion of assets relative to deposits.

COST TO INCOME RATIO

The Cost to Income Ratio (CIR) is a key financial metric used in banking and other financial institutions to measure operational efficiency. It shows how much of a bank's income is consumed by operating expenses, essentially reflecting the institution’s ability to manage its costs relative to its income.

$$\text{Cost to Income Ratio (CIR)} = (\text{Operating Income} / \text{Operating Expenses}) \times 100$$

YEAR	TOTAL OPERATING EXPENSES	TOTAL INCOME	COST TO INCOME RATIO
2024	8,721.91	29,706.00	0.293
2023	6,421.46	23,509.07	0.273
2022	5,451.24	21,632.89	0.251
2021	5,561.72	22,524.55	0.246
2020	5,128.83	20,765.79	0.246



INFERENCE

From 2020 to 2024, total income increased significantly from 20,765.79 to 29,706.00, while operating expenses also rose from 5,128.83 to 8,721.91. The cost-to-income ratio remained relatively stable at 0.246 in 2020 and 2021, before gradually increasing to 0.293 in 2024. This indicates a steady rise in operating efficiency, although the growing ratio suggests that expenses are increasing slightly faster than income in recent years. Overall, the institution has maintained strong income growth despite rising costs.

FINDINGS

DEPOSIT TO ASSET RATIO

Deposits rose from 222,951.88 to 285,905.38, alongside total asset growth from 260,726.83 to 352,033.62 during 2020–2024. The deposit-to-asset ratio declined slightly from 0.851 to 0.812, peaking at 0.876 in 2021 and 2022. This indicates that asset growth outpaced deposits, signalling diversification or expansion. The institution maintained a strong deposit base while broadening its asset portfolio.

COST TO INCOME RATIO

Total income increased significantly from 20,765.79 in 2020 to 29,706.00 in 2024, while operating expenses rose from 5,128.83 to 8,721.91. The cost-to-income ratio grew from 0.246 to 0.293, suggesting expenses increased slightly faster than income in recent years. Despite this, the institution maintained strong income growth, indicating operational efficiency.

CONCLUSION

Indian Overseas Bank (IOB) has demonstrated commendable growth from 2020 to 2024, with steady increases in deposits, loans, and profitability. The rising net profit and return on assets (ROA) highlight the institution's improved operational efficiency and strategic focus on resource utilization. The bank's ability to maintain a stable deposit base while expanding its lending operations reflects strong customer confidence and effective financial management.

However, some challenges need attention to sustain this progress. The declining deposit-to-loan and deposit-to-GDP ratios indicate that deposit growth has not kept pace with lending and economic expansion. Fluctuations in the deposit retention ratio during specific years, coupled with rising operating expenses, suggest areas for improvement in cost efficiency and customer retention. These trends, if unaddressed, could impact the bank's liquidity and long-term financial health.

Despite these concerns, IOB remains well-positioned to leverage its strengths and build on its achievements. The consistent increase in income, effective deposit utilization, and strong asset base provides a solid foundation for future growth. By addressing identified challenges and refining strategies, IOB can maintain its positive trajectory and reinforce its standing as a leading financial institution.

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