

A Study on Growth in Deposits and Lending Loans in Pudukai Bharathiar Grama Bank

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ABSTRACT

This study investigates the growth trends in deposits and lending loans at Pudukai Bharathiar Grama Bank (PBGB), a prominent regional rural bank in Puducherry. With a focus on analysing the bank's financial performance over the last decade, the research examines the key factors influencing the growth in both deposits and loans. It also explores the role of PBGB in fostering economic development in rural areas, assessing how its lending practices impact local businesses, farmers, and entrepreneurs.

The study utilizes both quantitative and qualitative methodologies, including financial ratio analysis and interviews with bank officials and customers.

Findings indicate a steady increase in deposit mobilization, driven by rising public trust and a growing base of savings accounts. On the lending front, there is notable growth in agricultural loans, microcredit, and self-help group financing, with a shift towards more inclusive and diversified loan products.

However, challenges such as non-performing assets (NPAs) and regional economic fluctuations are identified as significant obstacles to further growth. The study concludes with recommendations for enhancing operational efficiency, broadening the customer base, and ensuring sustainable growth in both deposits and loans, contributing to the broader goal of financial inclusion and rural development in the region.

Keywords: Growth Trend, Financial Performance, Financial Inclusion.

1. INTRODUCTION

This study focuses on analysing the growth patterns of deposits and loan disbursements in Pudukai Bharathiar Grama Bank. Deposits form the foundation of a bank's financial health, providing the necessary capital for lending activities. Conversely, loans represent the bank's role in driving economic activity and supporting the development of agriculture, small businesses, and rural enterprises. Understanding the growth trends in deposits and loans not only highlights the bank's operational performance but also sheds light on its contribution to rural development and financial inclusion. This research examines the factors influencing deposit mobilization and loan growth, the impact of government policies, and the role of technological advancements in enhancing banking services.

1.1 OBJECTIVE

- To analyse the trend of deposits in puduvai bharathiar grama bank.
- To measure the growth of lending loans in puduvai bharathiar grama bank.

2. REVIEW OF LITERATURE

Suresh and Pillai (2018): a study on financial inclusion and rural banking: highlight that RRBs, like Pudukkottai Bharathiar Grama Bank, serve as crucial instruments for financial inclusion by offering banking services in remote and underserved rural areas. They argue that RRBs help bridge the gap between urban and rural banking, thereby contributing to the socio-economic development of rural communities. These banks not only mobilize savings but also provide credit facilities that empower farmers, small businesses, and rural populations to enhance their livelihoods.

Nayak (2017): a study on growth in deposits and loans in rural bank: suggests that the growth of RRBs in India is closely linked to the effectiveness of government policies aimed at promoting rural credit. These policies often involve subsidized interest rates, credit guarantee schemes, and financial literacy programs that encourage deposit and loan growth.

Gupta (2020): a study on growth and competitive deposits in rural bank: emphasizes the importance of offering attractive and competitive deposit products, such as recurring deposits and fixed deposits, which can help increase rural savings and, consequently, the availability of funds for lending.

Kumar and Sharma (2019): a study on lending loans to agriculturals: They find that Kisan Credit Cards (KCC) have been instrumental in improving farmers' access to credit and increasing loan disbursements. The study suggests that while KCC schemes have contributed significantly to agricultural growth, challenges such as low financial literacy, inadequate repayment mechanisms, and delayed government support still persist.

Basu and Pandey (2017): a study on impact of non-performing assets in rural bank: The study identifies that high NPAs can significantly constrain the ability of rural banks to lend and sustain growth. It highlights the importance of effective credit risk management strategies, including the use of credit scoring models, robust loan appraisal systems, and efficient recovery mechanisms.

Reddy (2019): a study on role of government in government schemes in boosting rural lending: highlights the role of government schemes such as the Pradhan Mantri Awas Yojana (PMAY) and Farm Loan Waiver Schemes in boosting rural lending. These schemes directly affect the demand for loans, especially in sectors like housing and agriculture, by providing interest subsidies and repayment reliefs. The study concludes that such government policies have a positive impact on the growth of loans but may lead to an increase in delinquency rates if not properly managed.

Pandey and Singh (2020): a study on lending loans in rural bank: assess the effects of interest rate subsidies and other government incentives on the performance of RRBs. They argue that while such schemes increase the volume of loans disbursed, they often result in lower interest margins for banks, which can impact long-term sustainability.

Kumar and Raj (2021): a study on the role of digital banking and mobile banking to improve access to financial services: explore the role of digital banking and mobile banking in enhancing the availability of financial services in rural areas. They find that technological advancements, including mobile apps and online banking platforms, have significantly improved the accessibility of banking services, especially for young people and entrepreneurs. These technologies help enhance deposit growth and streamline loan disbursement processes.

Sharma and Gupta (2019): a study on technology in rural banks to handle deposits and loans: argue that the adoption of blockchain technology and data analytics could revolutionize the way rural banks handle deposits and loans. These technologies could improve efficiency in loan processing, risk assessment, and customer service, thus potentially driving both deposit and loan growth.

Das and Tripathi (2017): a study on impact of financial literacy programme for awareness of growth in deposits and loans: They suggest that increased awareness of financial products and services can significantly impact the growth of both deposits and loans, as rural populations tend to be more cautious about formal banking if they are unfamiliar with banking processes and benefits.

3. RESEARCH METHODOLOGY

This study aims to explore and analyse growth in deposits and lending loans in puduvai bharathiar grama bank, as well as examine the key financial ratios influencing the bank's performance in deposits and loans. A systematic and methodical approach was adopted to ensure the accuracy, reliability, and relevance of the findings. The research follows a descriptive design, which is ideal for understanding the trends and patterns in deposits and loans and the role of financial ratios such as deposits growth ratio and loan growth ratio.

3.1 Collection of Data

For this research, secondary data was collected from publicly available sources, including statement of profit and loss, annual reports, and balance sheet documents of the puduvai bharathiar grama bank for the period from 2020 to 2024. The following steps were followed:

Data Identification: Relevant financial reports, including balance sheets, profit and loss statements, and bank reports from puduvai bharathiar grama bank for the past five years (2020-2024) were identified as key sources of secondary data.

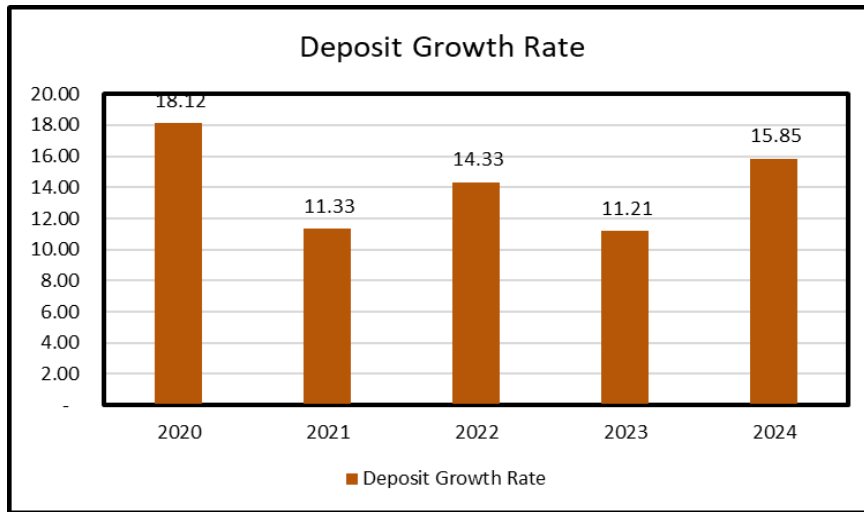
Data Collection: Data was gathered from credible financial databases such as Bloomberg, Reuters, and Reserve Bank of India (RBI) reports. Additional data was obtained from puduvai bharathiar grama bank's annual reports and other publicly available documents.

Data Handling: The collected data was manually reviewed for relevance and accuracy, and then digitized for analysis. The focus was on key financial ratios such as, deposit growth ratio and loan growth ratio.

Data Analysis: The data was analysed using descriptive statistics and financial analysis techniques to understand the trend and pattern in deposit and loan in puduvai bharathiar grama bank.

4. DATA ANALYSIS AND INTERPRETATION 4.1 TREND OF DEPOSITS

Year	Deposits in Current Period	Deposits in Previous Period	Deposit Growth Rate
2020	80,41,353.00	68,07,785.00	18.12
2021	89,52,796.00	80,41,353.00	11.33
2022	1,02,36,023.00	89,52,796.00	14.33
2023	1,13,83,241.00	1,02,36,023.00	11.21
2024	1,31,87,433.00	1,13,83,241.00	15.85

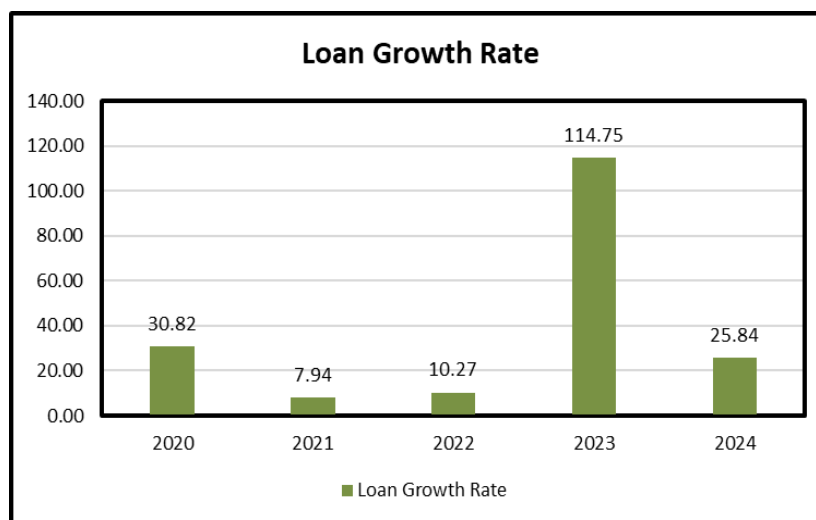


INTERPRETATION

Deposit growth rates show a mixed trend, with high growth in 2020 (18.12%) and 2024 (15.85%). However, the growth in other years has been less consistent, ranging from 11.21% to 14.33%. This indicates moderate deposit mobilization efforts but requires improvement to sustain the growing loan portfolio.

4.2 GROWTH OF LENDING LOANS

Year	Loan Current Period	Loan in Previous Period	Loan Growth Rate
2020	82,90,279.71	63,37,264.24	30.82
2021	89,48,589.86	82,90,279.71	7.94
2022	98,67,595.83	89,48,589.86	10.27
2023	2,11,90,888.41	98,67,595.83	114.75
2024	2,66,66,649.94	2,11,90,888.41	25.84



INTERPRETATION

The loan growth rate spikes dramatically in 2023 (114.75%) and remains high in 2024 (25.84%), compared to earlier years. Such rapid loan growth without corresponding deposit growth may lead to liquidity and credit risk issues.

FINDINGS

DEPOSIT GROWTH RATE RATIO

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LOAN GROWTH RATE RATIO

The loan growth rate spikes dramatically in 2023 (114.75%) and remains high in 2024 (25.84%), compared to earlier years. Such rapid loan growth without corresponding deposit growth may lead to liquidity and credit risk issues.

CONCLUSION

The financial analysis reveals a significant deterioration in imbalance between deposits and loans. Immediate corrective measures are required to stabilize the bank's financial health and ensure sustainable growth. By focusing on improving deposit mobilization and controlling loan growth by Implement targeted deposit schemes with competitive interest rates to attract customers, focus on expanding the branch network or digital services to increase reach, limit aggressive lending practices, especially in high-risk sectors and Strengthen credit appraisal processes to reduce the risk of defaults. And the bank can recover from its current challenges and improve profitability and stability over time.

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