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A comparative study of financial performance of SBI and HDFC bank on the basis of casa deposits

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Abstract

Casa is one that acts as a virtual bank vault for deposits in current and savings accounts. It is beneficial that only financial organizations authorized to do business under the Banking Regulation Act of 1939 can supply such banking deposits. These banking deposits are referred to as low-cost bank liabilities. Compared to other banking deposits like recurring and fixed deposits, these forms of deposits offer an interest rate of around 4% to the depositors of banks, which is low compared to recurring and fixed deposits. Banks use these deposits to make loans and advances while charging for these services. This research examines how CASA deposits have changed over time and how they help banks become more profitable. The study, based on the 5-year CASA deposit growth of SBI and HDFC Bank, was taken for analysis. Using correlation and t-test techniques for the comparative study, the best bank has been determined on a comparative basis by the CASA deposit growth of both banks.

Keywords: Casa, SBI, HDFC

Introduction

In order to reduce their cost of funds, public and private sector banks should concentrate on luring low cost current accounts and savings accounts (CASA deposits), in accordance with the Banking Regulation Act of 1939. Additionally, it will allow them to continue with a lenient interest rate policy. The CASA (current and savings account) measures how much money is held in a bank's current and savings accounts in comparison to all of its other deposits. A high CASA shows that current and savings accounts make up the majority of the bank's deposits. Due to the fact that current accounts do not pay interest and that savings account interest is frequently lower, the bank is able to get funds at a reduced cost. Savings and current accounts are demand deposits; hence they provide lower interest rates than fixed deposits, which offer greater rates. As a result, a greater CASA signifies that the bank is receiving funds at a reduced cost since more money has been placed in the bank and is in the CASA's demand deposit.

"Banks have previously concentrated on deposit growth, but CASA deposits are starting to take centre stage. The decision was made in anticipation of an increase in interest rates." The government desires that bank CASA deposits rise. We will be able to sustain a more lenient interest rate regime because of these low-cost banks deposits, according to an economist.

Objects of the Study

1. Comparative study of Casa Deposit Growth between SBI and HDFC Bank.
2. The Casa Ratio between SBI and HDFC Bank.
3. The study of Casa Deposit of Low or High Growth between government undertaking bank and Private sector Bank.

Hypothesis

H₀₁: In terms of deposit growth, SBI and HDFC Bank differ significantly.

H_{a1}: In terms of deposit growth, SBI and HDFC Bank Similar significantly.

Financial Techniques

Capital Adequacy Ratio
Casa Ratio

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Research Methodology

Research Problem

A Comparative Study of Financial Performance of SBI and HDFC Bank on the Basis of Casa Deposits

Research Design

The present study is concerned with the role of the State Bank of India and HDFC Bank on the basis of their implementation of the Casa deposit provisions as part of their financial development responsibilities. For the current investigation, a casual, descriptive, and non-experimental design is created.

Analysis of Techniques

Correlation

T-Test

Scope of the Study

This research used secondary data for the years 2017–2018 to 2021–2022. This research makes reference to a comparison between SBI and HDFC Bank based on CASA deposits. The topic of this subject is financial methods. The increase in deposits helps the banks become more profitable. The study's focus is only on the expansion of deposits into current and savings accounts.

Analysis and Interpretation

Table 1: Showing the Financial Performance of SBI and HDFC Bank

(figures in crore)				
Year	Total Deposits		Casa Deposits	
	SBI Bank	HDFC Bank	SBI Bank	HDFC Bank
2018	2706343	788771	1236258	343036
2019	2911386	923141	1331668	391135
2020	3241621	1147502	1433445	484590
2021	3681277	1335060	1670932	615596
2022	4051534	1559217	1803338	750919

Interpretation of the table

According to the above table, State Bank of India and HDFC Bank have raised their total deposits and CASA deposits during the past five years. According to all available data, State Bank of India and HDFC Bank's profitability is consistently rising.

Table 2: Showing the Financial Performance Ratio of SBI and HDFC Bank

(Figures in %)				
Year	Casa Ratio		Capital Adequacy Ratio	
	SBI Bank	HDFC Bank	SBI Bank	HDFC Bank
2018	45.68	43.49	12.60	14.82
2019	45.74	42.37	12.72	17.11
2020	44.22	42.23	13.13	18.52
2021	45.39	46.11	13.74	18.79
2022	44.51	48.16	13.85	18.90

Interpretation of the table

As per the above table, the CASA and capital adequacy ratios of the State Bank of India have remained the same in the last five years of data, while those of HDFC Bank have shown a decrease and an increase in the last five years.

Based on these figures, it appears that HDFC financial performance is superior to that of SBI.

Table 3: Showing the Casa Deposits of SBI and HDFC Bank

Casa Deposits (figures in crore)		
Year	SBI Bank	HDFC Bank
2018	1236258	343036
2019	1331668	391135
2020	1433445	484590
2021	1670932	615596
2022	1803338	750919

Table 4: T-Test: Two-Sample Assuming Unequal Variances

	SBI Bank	HDFC Bank
Mean	1495127.953215	517055.353398
Variance	55859531120.796400	27898788385.525600
Observations	5.000000	5.000000
Hypothesized Mean Difference	0.000000	
df	7.000000	
t Stat	7.556873	
P(T<=t) one-tail	0.000065	
t Critical one-tail	1.894579	
P(T<=t) two-tail	0.000131	
t Critical two-tail	2.364624	
Correlation		
	SBI Bank	HDFC Bank
SBI Bank	1	
HDFC Bank	0.994	1

Interpretation of the table

It is found from the above tables that the T value (7.557) is higher than the T critical value (2.364), and the positive correlation (0.994) between SBI and HDFC Bank in the period of 2017-18 to 2020-21 indicates that, in terms of deposit growth, SBI and HDFC Bank have had significantly similar financial performance.

Conclusion

For the financial performance investigation, the researcher has exclusively studied the demand deposit component. Contrary to fixed deposits, CASA only gives a modest rate of interest, making it a low-cost demand deposit. The study letter makes it obvious that SBI and HDFC Bank deposits in current accounts and savings accounts are rising steadily. According to the report, SBI has more total deposits and casa deposits than HDFC Bank. The fact that the current and savings account deposit ratio for HDFC Bank is lower than that of SBI Bank indicates that HDFC Bank is improving the customer-friendly nature of its current and savings account deposit services. The study concluded that SBI Bank has to update its technology and services related to current account and savings account deposits.

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