

Deposit Mobilization Strategy at XYZ Public Sector Bank

Discussion Points • Decline in deposits at XYZ Public Sector Bank due to people opting for higher returns in capital markets. • Deposit mobilization involves techniques used by financial institutions to attract public savings. • Need to strategize and implement effective techniques to encourage public savings and boost deposits in public sector banks. • In 2023, the growth rate of average advances exceeded that of deposits, with advances increasing by 20.6% compared to a mere 9% growth in deposits; this trend continued into 2024, where advances grew by 14.89% while deposits rose by only 10%, indicating a persistent disparity in growth rates between the two. • The rupees deposits exceed advances, but regulatory requirements like CRR and SLR limit lending. If deposit maturity doesn't match advances, banks face Asset-liability Mismatch. To meet liquidity, banks borrow based on credit ratings, which can affect profitability and Net Interest Margin. • Credit Deposit Ratio (CDR) measures a bank's lending proportion, with most public sector banks increasing their CDRs over three years. However, high CDRs may indicate increased risk, potentially leading to financial losses. The Reserve Bank of India monitors CDRs for capital buffers and risk management. PSU banks maintain a higher capital-to-risk-weighted asset ratio for better risk management. • XYZ bank is raising deposits by targeting potential consumers, increasing recurring deposits through mobile banking programs, and opening RDs for newly opened accounts. Regional offices monitor targets and gaps, and strike rates are closely monitored. Salary week drives and counter selling RTDs are also implemented. Regional Heads advise branches to work together, have RTD conversations, and ensure interest rates are displayed in branch locations. The bank views an increase in the bulk deposit threshold from Rs 2.00 Cr. to less than Rs 3.00 Cr. as a great opportunity for raising deposits. • XYZ Bank can boost retail term deposits by partnering with fintech aggregators, delinking saving and deposit accounts, identifying consumer needs, introducing a freemium pricing model, testing a Micro-Market Strategy, raising deposits through green bonds, improving user experience, offering behavioural nudges, promoting community group savings, and leveraging technological advancements like Autopay.

Title of the Case Study:

Deposit Mobilization Strategy at XYZ Public Sector Bank

Theme of the Case Study:

Deposit Mobilization (Designing and promoting accessible savings with digital tools and education)

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Abstract

XYZ Public Sector Bank is facing a deposit crunch due to increased interest in mutual funds insurance funds, pension funds and stock markets. The case study focuses on this issue and emphasizes the importance of deposit mobilization for improving lending capacities of the bank. Digital tools and financial education can make savings more accessible, particularly for demographic groups excluded from traditional banking. However, challenges such as limited awareness, digital literacy, and regulatory compliances impact the effectiveness of these initiatives. XYZ bank has introduced various deposit mobilisation drives which have been outlined. Future strategies like tie up with fintech aggregators, using AI and data analytics technologies for smart customer segmentation, freemium pricing model etc. have also been discussed. To overcome the challenges, XYZ Bank is recommended to focus on user experience, accessibility, and behavioural finance techniques when promoting digital savings programs. XYZ should create tailored deposit schemes that appeal to different demographics, leverage technology to make banking services more accessible to low- and moderate-income regions and prioritize educational activities to promote digital financial literacy.

Keywords: Micro Recurring Deposit, Retail Term Deposit (RTD), Mobilisation

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CERTIFICATE OF ORIGINALITY

This is to certify, that the Case Study and the Facilitation Note submitted by us are an outcome of our independent and original work. We have duly acknowledged all the sources from which the ideas and extracts have been taken. The project is free from any plagiarism and has not been submitted elsewhere for publication / presentation.

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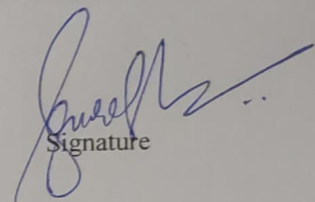
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Case Study: Deposit Mobilization Strategy at XYZ Public Sector Bank

I. Background

Rahul is having a strategy meeting on deposit mobilisation with his colleagues Gurpreet, Fatima, and George about the deposit crunch at XYZ Public Sector Bank. According to Rahul, nowadays, most people are drawn to higher returns in mutual funds, pension funds, insurance funds and stock markets, therefore deposits in public sector banks have declined dramatically. Rahul emphasizes that deposit mobilization refers to the techniques used by financial institutions to attract public savings. These deposits are an important component for low-cost supply of capital and improving the bank's lending capacities.

Gurpreet points out that the central bank and Ministry of Finance have also released an advice focusing on boosting deposit collection operations through improved customer service. Fatima argues that the combination of digital tools and financial education has emerged as a disruptive strategy for increasing deposit mobilization. Banks can use technology to make savings more accessible, encouraging savings behaviours across a wide range of demographic groups, particularly those who were previously excluded from traditional banking. The advent of FinTech platforms, combined with growing financial literacy campaigns, promises to transform how people interact with savings products, making them more compelling and user-friendly. However, implementing these ideas is not without problems. Issues including limited awareness of available services, differing levels of digital literacy, and faith in regulatory frameworks all have a substantial impact on the effectiveness of deposit mobilization initiatives. Furthermore, the digitization of savings programs should be done with caution to prevent worsening existing disparities, notably in terms of female access to financial resources. According to George, as financial institutions work to build and market accessible savings solutions, they will need to have a thorough grasp of community needs, collaborate with local stakeholders, and prioritize user-friendly digital experiences. A variety of bank-specific and macroeconomic factors influence deposit mobilization efficacy, including the loan-to-deposit ratio, capital adequacy, economic development, inflation, population growth, and political stability. Let us learn more about these factors from Radhika.

II. Problem of Non-synchronisation of Deposits and Advances

Radhika from research and analytics team of the bank highlights the data shown by Table 1 on Deposits in Public Sector Banks and Table 2 on Advances in Public Sector Banks. The total deposits of both nationalized banks and SBI have increased from 2022 to 2024, indicating growing public confidence in these institutions. The total advances for all banks have increased

from 2022 to 2024, indicating a growing trend in lending activities. In 2023, the rate of growth of average of Advances was more than doubled (20.16% in advances and only 9% in deposits). In 2024, the rate of growth of average of Advances was one and half times (14.89% in Advances and only 10% in deposits). The rate of growth of deposits could not keep up with rate of growth of advances. Although the absolute amount of deposits in rupee is more than the absolute amount in rupee terms of advances, the regulatory requirement of CRR, SLR etc. reduce the actual amount available with the banks for lending. If the maturity buckets of deposit do not match with those of advances, banks face an additional issue of Asset-liability Mismatch. To meet this temporary liquidity requirement banks, borrow which depends upon their credit rating. Lower the credit rating, higher is the rate of interest. In case, banks borrow at high rates then it creates profitability issues by affecting the Net Interest Margin (NIM). For XYZ bank, the deposits declined, and advances grew creating a double whammy. Radhika quoted RBI Governor Shri. Shaktikanta Das for explaining this situation “As I just mentioned, deposit mobilisation has been lagging credit growth for some time now. This may potentially expose the system to structural liquidity issues. *While there could be a debate regarding ‘deposits funding loans’ vis-à-vis ‘loans funding deposits’, the current regulatory concern stems from the fact that there could be structural changes happening which banks need to recognise and, accordingly, devise their strategies.*” Hence, many PSU banks are lining up to raise INR 30,000 crores through Qualified Institutional placements and INR 20,000 crores through AT1 and AT2 bonds in FY2024-25. Radhika now asks Sanchit to discuss the ratios.

<u>Table I: Public Sector Banks: Deposits</u>						
As on March 31		(₹ Crore & %)				
Sr. No.	Banks	Deposits				
I	NATIONALISED BANKS	2022	2023	ROG	2024	ROG
1	Bank of Baroda	10,45,939	12,03,688	15	13,26,958	10
2	Bank of India	6,27,896	6,69,586	7	7,37,920	10
3	Bank of Maharashtra	2,02,294	2,34,083	16	2,70,747	16
4	Canara Bank	10,86,409	11,79,219	9	13,12,367	11
5	Central Bank of India	3,42,692	3,59,296	5	3,85,011	7

6	Indian Bank	5,93,618	6,21,166	5	6,88,000	11
7	Indian Overseas Bank	2,62,159	2,60,883	0	2,85,905	10
8	Punjab & Sind Bank	1,02,137	1,09,665	7	1,19,410	9
9	Punjab National Bank	11,46,218	12,81,163	12	13,69,713	7
10	UCO Bank	2,24,073	2,49,338	11	2,63,130	6
11	Union Bank of India	10,32,393	11,17,716	8	12,21,528	9
12	XYZ	5,32,393	3,37,716	-37	21,528	-94
II	State Bank of India (SBI)	40,51,534	44,23,778	9	49,16,077	11
	Average of PSU except XYZ and SBI		Average	9		10

Source: IBA and Authors Calculations (<https://www.iba.org.in/depart-res-stcs/key-bus-stcs.html>)

Note: Rate of Growth (ROG) in Deposits is calculated with the formula (in percentage)

$$= [(Deposit_t - Deposit_{t-1}) / Deposit_{t-1}] * 100$$

Table II: Public Sector Banks: Advances						
As on March 31		(₹ Crore & %)				
Sr. No.	Banks	Advances				
I	NATIONALISED BANKS	2022	2023	ROG	2024	ROG
1	Bank of Baroda	7,77,155	9,40,998	21	10,65,782	13
2	Bank of India	4,20,842	4,85,900	15	5,63,145	16
3	Bank of Maharashtra	1,31,170	1,71,221	31	2,00,240	17
4	Canara Bank	7,03,602	8,30,673	18	9,31,613	12
5	Central Bank of India	1,68,174	2,02,984	21	2,43,406	20
6	Indian Bank	3,89,186	4,49,297	15	5,14,889	15
7	Indian Overseas Bank	1,44,244	1,78,053	23	2,13,319	20
8	Punjab & Sind Bank	63,627	76,819	21	82,736	8

9	Punjab National Bank	7,28,186	8,30,834	14	9,34,431	12
10	UCO Bank	1,22,784	1,55,870	27	1,82,022	17
11	Union Bank of India	6,61,005	7,61,845	15	8,70,776	14
12	XYZ	3,61,005	4,61,845	28	6,60,776	43
II	State Bank of India (SBI)	27,33,967	31,99,269	17	37,03,971	16
	Average of PSUs except XYZ and SBI			20.16		14.89

Source: IBA and Authors Calculations (<https://www.iba.org.in/depart-res-stcs/key-bus-stcs.html>)

Note: Rate of Growth (ROG) in Advances is calculated with the formula (in percentage)

$$= [(Advances_t - Advances_{t-1}) / Advances_{t-1}] * 100$$

Sanchit from Data Analytics unit highlights the data on Credit Deposit ratio (CDR) (please see Table III). CDR is a crucial metric that measures the proportion of a bank's deposits that are lent out as loans. It was found that most public sector banks have witnessed an increase in their CDRs over the three-year period. This suggests that these banks have been more aggressive in lending out their deposits.

However, a high CDR may also indicate increased risk for banks, potentially leading to financial losses. The Reserve Bank of India closely monitors CDRs to ensure capital buffers and risk management. Factors like loan quality, interest rate environment, and economic conditions should be considered for a balanced approach by XYZ bank. For better risk management, PSU banks are maintaining a higher percentage of capital to risk-weighted assets as against the regulatory requirement of 11.5%.

<u>Table III: Public Sector Banks: Credit Deposit Ratio</u>				
As on March 31				
Sr. No.	Banks	Credit Deposit Ratio		
I	NATIONALISED BANKS	2022	2023	2024
1	Bank of Baroda	74.30	78.18	80.32
2	Bank of India	67.02	72.57	76.32

3	Bank of Maharashtra	64.84	73.15	73.96
4	Canara Bank	64.76	70.44	70.99
5	Central Bank of India	49.07	56.49	63.22
6	Indian Bank	65.56	72.33	74.84
7	Indian Overseas Bank	55.02	68.25	74.61
8	Punjab & Sind Bank	62.30	70.05	69.29
9	Punjab National Bank	63.53	64.85	68.22
10	UCO Bank	54.80	62.51	69.18
11	Union Bank of India	64.03	68.16	71.29
12	XYZ	51.34	45.44	42.33
	TOTAL OF NATIONALISED BANKS [I]	64.66	69.79	72.70
II	State Bank of India (SBI)	67.48	72.32	75.34
	TOTAL OF PUBLIC SECTOR BANKS [I+II]	65.72	70.74	73.71

III. Analysis of Current Deposit Products and strategies

George's points out that customers find it extremely difficult to understand the different deposit products. Choosing the right saving or current account and deposit product is a complex maze for a customer.

For raising demand deposit, the bank has also launched a new fixed deposit scheme called 'Riddhi Plus'. Riddhi Plus FD scheme of 336 days offers very high interest rates of 8.20% for Super Senior Citizens, 7.95% for Senior Citizens and 7.45% for others. The banks has launched a special retail term deposit (RTD) drive in which all branches undertake (i) weekly staff meeting to undertake catchment area planning; (ii) Prepare a list of existing and new customers to be contacted; (iii) Opening of Recurring Deposits (RDs) for all the newly opening current account and savings account (CASA) accounts and (iv) popularising the opening of RTDs through the mobile digital banking app called RAKA or Internet Banking or Whatsapp banking.

Gurpreet point out that the bank is also regularly tracking the gap in target on a weekly basis for each region. Strike rates for rural, semi-urban, urban and metro branches is also actively monitored. After reviewing the strike rate, it was found that bank should organise salary week drive. Counter selling of RTD is also recommended for better results. Despite the need to increase deposits, guidance is issued that no compromise should be there with regulatory guidelines. Strict compliance of KYC - RE KYC guidelines should be undertaken. Team effort

is also recommended for reaching the optimum level of RTDs. General Talking and requesting RTDs over a cup of tea is also recommended.

According to Rahul, steps are being also being undertaken to ensure display of rate of interest in the branch premises, if possible, with visual ads like charts or graphs etc. Team leaders have been asked to provide specific examples or success stories to inspire field functionaries. He also mentioned that as per recent RBI Guidelines, any deposit below Rs 3.00 Cr. now is classified as Retail Deposit now. This upward revision in Bulk Deposit threshold from Rs 2.00 Cr. and to below Rs 3.00 Cr. should be taken as a fantastic opportunity for mobilization of maximum retail deposit from all segments including government departments.

IV. Future Strategy for increasing deposits

(a) Collaboration with Fintechs & Designing Accessible Savings

Suresh who was visiting XYZ Bank from KNET Fintech overheard the discussion and said **that to Increase Retail Term Deposits**, XYZ should consider attracting more retail term deposits without requiring a savings account, XYZ could:

- **Partner with fintech aggregators:** Collaborate with platforms like *StableMoney*, *Moneycontrol*, *Bankbazaar*, *Blostem*, *Tarrakki*, *Smallcase*, *Capital mind*, *GRIP Invest*, and *Tyke* to offer fixed deposits (FDs) with flexible borrowing limits and easy withdrawals.
- **Promote customized products:** Showcase our deposit cum insurance products on fintech aggregator portals.
- **Increase the number of leads:** Increase our database in association with *onemoney*, *finvu* and *perfios*.

According to Suresh, there will be an increase in retail term deposits, with an average ticket size of INR 50,000 to INR 70,000. This could lead to monthly accumulations of INR 50-60 crores per partnership. **With 3-4 strategic alliances, XYZ bank could potentially garner INR 200-250 crores monthly. XYZ bank may garner around INR 2000-3000 crores annually through this method.**

(b) Intelligent Customer Segmentation & Granular Profiling

XYZ bank can use AI and data analytics technologies to implement smart customer segmentation strategies. This enables the identification of the various ways in which consumers view the value of a product and willingness to pay for savings products.

The Freemium Model of Pricing: According to Fatima, one tactical move XYZ bank can take to boost user engagement is to introduce a freemium pricing model. In order to close the first value perception gap, a basic service with limited capabilities is provided so that new

consumers can get a hands-on experience with the product. Users are more likely to spend money on premium services once they understand the advantages of the product. Customer loyalty and retention can also be increased by providing features that enable AI tools and proactive nudging to help clients reach their savings objectives.

Micro-Market Strategy: Gurpreet points out that **ICICI** adopted the Micro-market Strategy to undertake granular profiling and create 19,000 Pincode-specific products and services. The strategy enabled opportunity mapping. They discovered some pincodes have more of NRIs, Defence personnel, Businessmen, Professional like CA, Lawyer or retired individual. ICICI Bank addresses community requirements (i.e. new cash-based credit model for small weaving manufacturing units in Badohi, UP) using a data-driven micro-market approach. Accurate data, striking a balance between national branding and personalisation, and responding to shifting consumer demands are among the difficulties.

(c) Raising deposits through Green Bonds

Green bonds are fixed-income financial products designed to fund projects that provide environmental advantages, so contributing to the worldwide transition to sustainable development. The rapid rise of this industry reflects rising investor demand for environmentally responsible investment options, as institutional investors include Environmental, Social, and Governance (ESG) factors into their portfolios. Green bonds offer a range of benefits that appeal to both investors and the broader community. These financial instruments not only promote environmental sustainability but also yield economic advantages, enhance corporate reputations, and generate social impacts.

V. Crucial Components of Profitable Digital Savings Programs

George recommended that to maximize participation, XYZ bank should focus on the following features when mobilising deposits:

- (a) **User Experience:** To encourage adoption, solutions must be straightforward and user-friendly, especially among target communities with limited technology access. Hence, focus should be rural and semi urban areas. XYZ bank may consider introducing 'RAKA lite' version of mobile app for those users who have limited internet accessibility.
- (b) **Accessibility:** Services should be available to all users, regardless of their location, language, or literacy level. Prior to 2014, a huge proportion of the population did not have access to banking services. The solution to this was the JAM Trinity, which includes Jan Dhan, Aadhar, and mobile. The Pradhan Mantri Jan-Dhan Yojana (PMJDY) helped weaker parts of society and low-income families by providing access

to basic savings accounts, need-based loans, remittance services, microinsurance, and pensions. It was an innovative idea to establish Jan Dhan Accounts and Ru Pay Debit Cards.

(c) **Digital Savings Groups:** The advent of Digital Savings Groups, which digitize group operations and transactions, has shown potential in promoting community savings. XYZ bank can consider creating programs for Self Help groups (SHGs) or chit funds operating in India.

(d) **Educational Resources:** Providing educational content on the importance of saving and budgeting can improve users' financial literacy, helping them to make informed financial decisions. This emphasis on education is critical for instilling a culture of savings and assisting marginalized populations in breaking the cycle of financial hardship.

(e) **Promoting Savings with Digital Tools:** Amitabh from Department of Information technology explains that digital tools have emerged as transformative agents in the field of savings mobilization, allowing individuals and communities to better manage their finances. Mobile banking apps and digital wallets have enabled consumers to perform transactions and access financial services without being limited by location or time.

Some of the notable innovations recently are as follows

- **Unified Payment Interface (UPI)** - Access to multiple bank accounts in one single mobile application.
- **USSD-based mobile banking service (*99#)** - UPI is now available to non-internet-based mobile devices by dialling *99#, a USSD-based mobile banking service.
- **Aadhaar-enabled payment system (AePS)** - A payment system was created where a customer can undertake transactions based on their bank name, Aadhar number, and biometrics captured during enrolment.
- **Autopay using any UPI application** - Create an e-mandate for regular payments and investments.
- **Hello! UPI Bhashini service** - Voice based banking to be made available in 22 regional languages for ease of operating bank account.
- **Banking with wearables** - Creating a number of wearable products which can enable seamless investments and payments. Some banks like Axis bank are experimenting with this idea.

- **Popularising Micro RDs** - Popularizing digital Micro recurring deposits just like Micro SIPs (systematic investment plan) in mutual funds may also improve deposits in XYZ bank.

George recommends that the bank should use theoretical foundations of the Unified Theory of Acceptance and Use of Technology (UTAUT) and the Value-based Adoption Model (VAM) for a new research project on increasing deposits. These frameworks facilitate understanding of the behavioural intentions behind adopting technology in financial contexts, helping to create strategies aimed at increasing deposit mobilization through digital tools. UTAUT has been used for studying the adoption of internet banking in Jordan and the usage of mobile services in Finland. XYZ bank may use the UTAUT model to adjust pricing to reflect the value of the product, define marketing strategies to address habits and enhance the hedonic value of the product. VAM helps in analysing the perceived value, identifying factors that influence adoption and consider cultural dimensions.

Summary and Conclusions

XYZ Public Sector Bank is experiencing a decline in deposits due to people seeking higher returns by investment in capital markets. To encourage public savings and boost deposits, the bank needs to strategize and implement effective techniques.

Analysing the current trend of deposits and advances, it was observed that the rate of growth in advances was much more than the growth in deposits. Banks encounter asset-liability mismatch when deposit maturity is out of line with advances. Banks borrow money based on credit ratings to meet liquidity needs, which can have an impact on net interest margin and profitability. Elevated Credit Deposit Ratios (CDRs) could suggest heightened risk, which could result in monetary losses. To improve risk management, most of the PSU banks keep their capital-to-risk-weighted asset ratios (CRAR) higher than the regulatory requirements.

Currently to raise deposits, branches of XYZ bank undertake the following measures: (i) Regularly make a list of potential consumers, both new and old, to be approached; (ii) Increasing the number of people who open Recurring Deposits (RDs) via the mobile digital banking program known as RAKA, Internet Banking, or WhatsApp banking; and (iii) opening Recurring Deposits (RDs) for all newly opened current account and savings account (CASA) accounts. Regional offices regularly monitor the target and gap for each region on a weekly basis. Strike rates are closely watched for branches in rural, semi-urban, urban, and metropolitan areas. Salary week drive are also organised by branches. Counter selling Retail Term Deposit (RTD) is also undertaken for improved outcomes. Regional Heads also advise the branches to work as a team to get the highest possible deposits. It's also advised to have

RTD conversations and general conversations while sipping tea with customers. Efforts are also being made to guarantee that the rate of interest is displayed in the branch locations using graphs or charts. It has been requested to Deputy Regional Heads (DyRH) to motivate field functionaries with concrete examples or success stories. The bank views the increase in the bulk deposit threshold from Rs 2.00 Cr. to less than Rs 3.00 Cr. as a great chance to mobilize the maximum amount of retail deposits from all sectors, including government departments.

XYZ Bank can boost deposits by partnering with fintech aggregators, delinking saving and deposit accounts, identifying consumer needs, introducing a freemium pricing model, testing Micro-Market Strategy, raising deposits through Green Bonds, improving user experience, providing behavioural nudges for micro recurring deposits, promoting community group savings in Self Help Group Accounts, leveraging technological advancements like recurring e-mandate, promoting customized deposit cum insurance products and increasing the number of leads through collaboration with fintechs and broking agencies.

Service quality is crucial for consumer acceptability and engagement, and poor service quality may discourage customers from participating in digital savings platforms. Digital literacy and accessibility are also important challenges. Many people, particularly those living in low-income or marginalized areas, may lack the skills required to use digital financial instruments efficiently. XYZ bank should prioritize educational activities that promote digital financial literacy and collaborate with governments and educational institutions to empower individuals. These tactics can help overcome deposit mobilization problems and build long-term savings paths open to all.

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Facilitation Note

Discussion Points

- Decline in deposits at XYZ Public Sector Bank due to people opting for higher returns in mutual funds, pension funds, insurance funds, and stock markets.
- Deposit mobilization involves techniques used by financial institutions to attract public savings.
- Need to strategize and implement effective techniques to encourage public savings and boost deposits in public sector banks.
- In 2023, the growth rate of average advances exceeded that of deposits, with advances increasing by 20.6% compared to a mere 9% growth in deposits; this trend continued into 2024, where advances grew by 14.89% while deposits rose by only 10%, indicating a persistent disparity in growth rates between the two.
- The rupee's deposits exceed advances, but regulatory requirements like CRR and SLR limit lending. If deposit maturity doesn't match advances, banks face Asset-liability Mismatch. To meet liquidity, banks borrow based on credit ratings, which can affect profitability and Net Interest Margin.
- Credit Deposit Ratio (CDR) measures a bank's lending proportion, with most public sector banks increasing their CDRs over three years. However, high CDRs may indicate increased risk, potentially leading to financial losses. The Reserve Bank of India monitors CDRs for capital buffers and risk management. PSU banks maintain a higher capital-to-risk-weighted asset ratio for better risk management.
- XYZ bank is raising deposits by targeting potential consumers, increasing recurring deposits through mobile banking programs, and opening RDs for newly opened accounts. Regional offices monitor targets and gaps, and strike rates are closely monitored. Salary week drives and counter selling RTDs are also implemented. Regional Heads advise branches to work together, have RTD conversations, and ensure interest rates are displayed in branch locations. The bank views an increase in the bulk deposit threshold from Rs 2.00 Cr. to less than Rs 3.00 Cr. as a great opportunity for raising deposits.
- XYZ Bank can boost retail term deposits by partnering with fintech aggregators, delinking saving and deposit accounts, identifying consumer needs, introducing a freemium pricing model, testing a Micro-Market Strategy, raising deposits through

green bonds, improving user experience, offering behavioural nudges, promoting community group savings, and leveraging technological advancements like Autopay.

Questions and Answers:

1. What is Credit Deposit Ratio (CDR)?

Answer

The credit to deposit ratio sheds light on the link between a bank's loans (credit) and its deposits. A higher CDR generally indicates a bank is actively lending, while a lower CDR might suggest a more conservative approach.

Credit to deposit ratio = Total loans/Total deposits

2. Identify the impact of shift in deposit preferences of customers from current account and savings account (CASA) accounts to mutual funds, insurance funds and pension funds?

Answer

Bank deposits are shrinking as individuals save and invest through alternative financial intermediaries. Banks are depending on short-term borrowings and Certificates of Deposit to close the credit-deposit gap, increasing their vulnerability to interest rate swings and liquidity risk management. This trend has repercussions for banks, who must constantly enhance their credit underwriting criteria and risk pricing.

3. What are the various current strategies outlined for increasing deposits?

Answer

To streamline product offerings, categorize products based on customer needs and provide clear descriptions. Enhance customer education through educational materials, workshops, seminars, and personalized guidance. Tailor marketing efforts to specific customer segments and use digital channels to reach a wider audience. Sales and marketing initiatives include Retail Term Deposit (RTD) Drive, salary week drive, counter selling, branch-level initiatives, and relationship building. Additional considerations include leveraging the revised bulk deposit threshold, actively seeking retail deposits from all segments, and continuous monitoring and evaluation to identify areas for improvement. By addressing these challenges, the strategy aims to provide a seamless and effective customer-centric deposit experience.

4. What are the various future strategies outlined for increasing deposits?

Answer

XYZ Bank can increase deposits by:

- (a) partnering with fintech aggregators.
- (b) Delinking saving account and deposit account.
- (c) Identifying consumers' values, needs, and willingness to pay for savings products.

- (d) Introducing a freemium pricing model to boost user engagement by providing a basic service with limited capabilities, allowing new consumers to get a hands-on experience with the product.
- (e) Pilot testing Micro-Market Strategy.
- (f) Raising deposits through green bonds.
- (g) Improving user experience.
- (h) Providing Behavioural Nudges for micro recurring deposits.
- (i) Promoting community group savings in Self Help Group Accounts.
- (j) Leveraging technological advancements like recurring e-mandate using any UPI application (Autopay) automating many actions of users and institutions.
- (k) Undertake research study for improving deposit products using theoretical foundations of the Unified Theory of Acceptance and Use of Technology (UTAUT) and the Value-based Adoption Model (VAM) for its customers.
- (l) Promote customized products: Showcase deposit cum insurance products on fintech aggregator portals.
- (m) Increase the number of leads: Increase database of potential customers in association with fintechs and broking agencies.
- (n) Prioritize educational activities that promote digital financial literacy and collaborate with governments and educational institutions to empower individuals.

5. What are Green Deposits?

Answer

Green bonds are fixed-income financial products designed to fund projects that provide environmental advantages, so contributing to the worldwide transition to sustainable development.