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ANALYSIS OF ADVANCES AND DEPOSITS OF COMMERCIAL BANKS

[1]Mr.M.Prasanna Kumar,[2]Tammirsi Nagaratnam

[1]Assistant Professor, Department of MBA,West Godavari Institute Of Science And Engineering , Avapadu , Prakasaraopalem, Nallajerla Mandal, East Godavari District -534112.

[1]Email:prasannakumarmahanthi001@gmail.com

[2]PG Student, Department of MBA,West Godavari Institute Of Science And Engineering , Avapadu , Prakasaraopalem, Nallajerla Mandal, East Godavari District -534112.

[2]Email:nagaratnam0730@gmail.com

Abstract

The banking sector plays a crucial role in the economic development of a country by mobilizing savings and providing credit for productive activities. Advances and deposits are two fundamental components that determine the financial strength and operational efficiency of commercial banks. Deposits represent the primary source of funds for banks, while advances constitute the major avenue through which these funds are utilized to generate income. This study analyzes the growth, trends, and relationship between advances and deposits of commercial banks over a specific period. The research examines factors influencing deposit mobilization and credit expansion, evaluates the performance of commercial banks, and assesses their contribution to economic growth. The analysis highlights the significance of maintaining a balanced deposit-advance ratio to ensure liquidity, profitability, and financial stability. The findings provide valuable insights into the banking sector's performance and offer recommendations for improving resource mobilization and credit management practices.

Keywords: Commercial Banks, Deposits, Advances, Banking Performance, Deposit-Advance Ratio, Credit Growth, Financial Stability, Liquidity Management, Banking Sector, Economic Development.

I. INTRODUCTION

Commercial banks play a vital role in the financial system of a country by mobilizing savings from the public and channeling them into productive investments through loans and advances. Deposits and advances are the two most significant aspects of banking operations, as they directly influence a bank's profitability, liquidity, and overall performance. Deposits constitute the primary source of funds for commercial banks, while advances represent the utilization of these funds to support individuals, businesses, agriculture, and industrial sectors. The growth and effective management of deposits and advances are essential for maintaining financial stability and promoting economic development. An analysis of advances and deposits helps in understanding the operational efficiency, credit expansion, resource mobilization, and financial health of commercial banks. This study focuses on examining the trends, growth patterns, and relationship between deposits and advances, highlighting their importance in the banking sector and their contribution to the nation's economic progress.

Research Objectives

The main objective of this study is to analyze the advances and deposits of commercial banks and evaluate their significance in the overall banking system. Deposits and advances are the two fundamental components of banking operations, as deposits serve as the primary source of funds while advances represent

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the major earning assets of banks. Understanding the growth, trends, and relationship between these two elements is essential for assessing the financial performance and operational efficiency of commercial banks.The study aims to examine the pattern and growth rate of deposits mobilized by commercial banks over a specified period. It seeks to analyze how banks attract savings from individuals, businesses, and institutions through various deposit schemes and how these deposits contribute to the availability of funds for lending activities. The research also focuses on studying the growth and distribution of advances provided by commercial banks to different sectors such as agriculture, industry, trade, services, and personal finance.Another important objective is to evaluate the relationship between deposits and advances and determine whether the increase in deposits leads to a corresponding increase in lending activities. The study also examines the Deposit-Advance Ratio, which is a key indicator of banking efficiency, liquidity management, and credit utilization. By analyzing this ratio, the research aims to assess the extent to which commercial banks effectively utilize the funds collected from depositors.Furthermore, the study seeks to identify the various factors influencing deposit mobilization and credit expansion, including economic conditions, interest rates, government policies, customer confidence, technological advancements, and competition within the banking sector. It also aims to assess the overall performance of commercial banks in terms of resource mobilization, credit creation, profitability, and financial stability.

Research Methodology

The present study on “Analysis of Advances and Deposits of Commercial Banks” is based on a systematic research methodology designed to examine the growth, trends, and relationship between deposits and advances in commercial banks. The study primarily relies on secondary data collected from various authentic sources such as annual reports of commercial banks, publications of the Reserve Bank of India, banking statistics, research journals, books, government reports, websites, and financial statements. The data covers a specific period and is analyzed to understand the performance and operational efficiency of commercial banks.

The research adopts a descriptive and analytical research design, as it focuses on describing the existing trends and analyzing the behavior of deposits and advances over time. Quantitative data related to total deposits, total advances, growth rates, and deposit-advance ratios are collected and organized systematically. Various statistical tools such as percentage analysis, trend analysis, growth rate calculations, ratio analysis, tables, and graphical representations are used to interpret the data effectively and draw meaningful conclusions.

The study population consists of commercial banks operating in the banking sector, and the selected sample includes specific commercial banks or banking data based on the scope of the study. The collected information is analyzed to evaluate the relationship between deposits and advances, assess banking performance, and understand the contribution of commercial banks to economic development. The findings of the study are based on the analysis of available data and are used to provide suitable suggestions for improving deposit mobilization, credit management, and overall banking efficiency.

Thus, the research methodology provides a structured framework for examining the advances and deposits of commercial banks and helps in achieving the objectives of the study through systematic collection, analysis, and interpretation of data.

II. REVIEW OF LITERATURE

1. Title: Deposits and Advances Management in Commercial Banks

Authors: R. Srinivasan and K. Meenakshi

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Abstract:
This study examines the relationship between deposits and advances in commercial banks and their impact on profitability. The authors analyzed banking data over a ten-year period and found that effective deposit mobilization significantly influences credit expansion and overall bank performance. The study highlights the importance of maintaining an optimal deposit-advance ratio to ensure liquidity and profitability.

2. Title: Growth and Performance of Commercial Banking in India

Authors: P. N. Varshney and D. K. Mittal

Abstract:
The research focuses on the growth trends of deposits and advances in Indian commercial banks. The study reveals that technological advancements, financial inclusion initiatives, and economic growth have contributed to a steady increase in banking deposits and lending activities. The authors conclude that commercial banks play a crucial role in economic development through efficient financial intermediation.

3. Title: A Study on Deposit Mobilization and Credit Expansion of Banks

Authors: S. K. Sharma and R. Gupta

Abstract:
This study investigates the factors affecting deposit mobilization and credit expansion in commercial banks. The findings indicate that interest rates, customer service quality, and branch network expansion are major determinants of deposit growth. The study also emphasizes the role of advances in supporting industrial and agricultural development.

4. Title: Financial Performance Analysis of Commercial Banks

Authors: M. Y. Khan and P. K. Jain

Abstract:
The study evaluates the financial performance of commercial banks using various indicators, including deposits, advances, profitability, and liquidity ratios. The authors found a strong positive relationship between deposit growth and lending operations. The research suggests that efficient management of deposits and advances contributes to long-term financial stability.

5. Title: Deposit-Advance Ratio as an Indicator of Banking Efficiency

Authors: V. Ramesh and N. Prakash

Abstract:
This research analyzes the significance of the Deposit-Advance Ratio in measuring banking efficiency. The study concludes that banks with balanced deposit and advance growth achieve better profitability and lower liquidity risks. The authors recommend regular monitoring of the ratio to maintain operational efficiency.

6. Title: Impact of Banking Reforms on Deposits and Advances

Authors: C. Rangarajan and B. Bhattacharya

Abstract:
The study examines the effect of banking sector reforms on deposit mobilization and credit distribution in India. The findings show that liberalization and technological innovations have significantly improved banking operations, leading to increased deposits and advances. The study highlights the importance of policy reforms in strengthening the banking sector.

7. Title: Commercial Banks and Economic Development

Authors: S. Gurusamy and K. Balachandran

Abstract:
This research explores the contribution of

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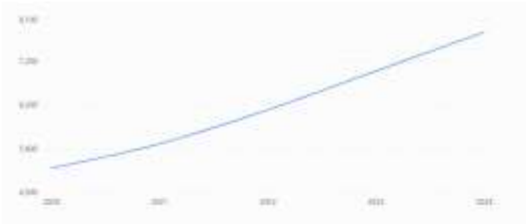
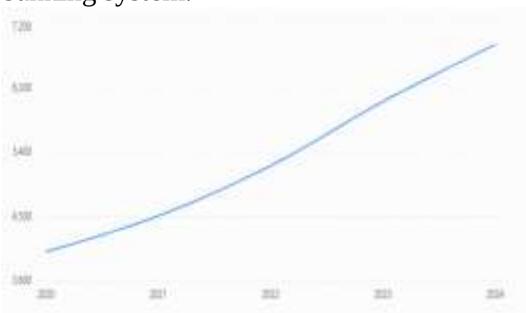
commercial banks to economic growth through deposit collection and lending activities. The study reveals that advances provided by banks support industrial expansion, employment generation, and infrastructure development. The authors emphasize the need for efficient banking practices to sustain economic progress.

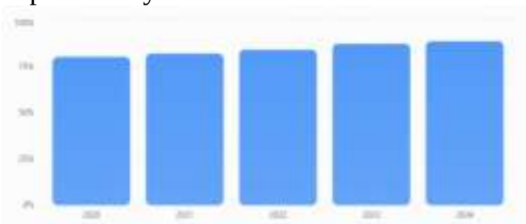
III. Data Analysis & Interpretation



Interpretation: The deposits of commercial banks show a continuous increasing trend, indicating growing public confidence in the banking system.



Interpretation: Advances increased steadily during the study period, indicating improved lending activities and credit expansion by commercial banks.



Interpretation:
The Deposit-Advance Ratio increased from 80% to 88.5%, indicating better utilization of deposits for lending purposes while maintaining liquidity.

IV. FINDINGS

- The study found that deposits in commercial banks have shown a consistent growth trend during the study period, indicating increased public confidence in the banking system.
- Commercial banks have successfully mobilized funds through various deposit schemes, savings accounts, fixed deposits, and recurring deposits.
- Advances provided by commercial banks have increased steadily over the years, reflecting higher credit demand from individuals, businesses, agriculture, and industrial sectors.
- There is a positive relationship between deposits and advances, as the growth in deposits has supported the expansion of lending activities.
- The Deposit-Advance Ratio has improved during the study period, indicating efficient utilization of mobilized funds for credit creation.
- Commercial banks have played a significant role in promoting economic development by providing financial assistance to productive sectors of the economy.
- The growth in advances has contributed to business expansion, employment generation, infrastructure development, and increased economic activities.
- Technological advancements such as internet banking, mobile banking, and digital payment systems have positively influenced deposit mobilization and customer satisfaction.
- Effective credit management practices have helped commercial banks maintain a balance between profitability and liquidity.
- The study observed that higher deposits generally lead to increased lending capacity and improved financial performance of commercial banks.

V. CONCLUSION

The study on "Analysis of Advances and Deposits of Commercial Banks" concludes that deposits and advances are the two most important components of banking operations and significantly influence the performance and financial stability of commercial banks. The analysis reveals that both deposits and advances have shown a steady growth trend during the study period, reflecting increased public confidence in the banking system and a growing demand for credit. The positive relationship between deposits and advances indicates that commercial banks have effectively utilized mobilized funds for lending activities. The improvement in the Deposit-Advance Ratio demonstrates efficient fund management and better utilization of resources. Furthermore, commercial banks have played a vital role in promoting economic development by providing financial support to various sectors such as agriculture, industry, trade, and services. Technological advancements, banking reforms, and financial inclusion initiatives have also contributed to the growth of deposits and advances. Overall, the study concludes that commercial banks have successfully maintained a balance between liquidity and profitability while supporting economic growth. Therefore, continuous efforts to strengthen deposit mobilization and credit management practices are essential for ensuring sustainable growth and long-term success in the banking sector.

VI. FUTURE SCOPE

The future scope of the study on "Analysis of Advances and Deposits of Commercial Banks" is extensive, as the banking sector continues to evolve with technological advancements, changing customer expectations, and regulatory reforms. Future research can focus on a comparative analysis of public sector, private sector, and foreign banks to understand differences in deposit mobilization and lending practices. The impact of digital banking services, mobile banking applications, internet banking, and financial technology (FinTech) innovations on deposits and advances can also be explored in greater detail. Researchers may further examine the influence of economic factors such as inflation, interest rates, government policies, and financial inclusion programs on banking operations. Additionally, studies can analyze the relationship between advances, profitability, non-performing assets (NPAs), and risk management practices to assess the overall financial health of banks. With the increasing adoption of artificial intelligence, data analytics, and digital payment systems, future studies can evaluate their role in enhancing banking efficiency and customer satisfaction. Therefore, continuous research in this area will provide valuable insights for policymakers, banking professionals, and researchers in strengthening the performance and sustainability of commercial banks.

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