COMPARATIVE STUDY OF CASA RATIO OF SBI WITH SELECTED PRIVATE BANKS

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ABSTRACT

A key metric in the world of Banking and Finance, which provides valuable insights into a bank's financial health and its potential for growth is the Casa ratio. This ratio reflects the composition of the banks deposit i.e. the ratio of the deposits across current and savings account to the total deposit of the bank and it is expressed as a percentage. One of the most critical measures of a banks sustainability and financial health is its profitability. The backbone of a banks deposit base is Casa deposits, providing a cost-effective source of funding and creating opportunities for additional revenue through transaction fees. All the four banks maintained a healthy Casa ratio between 43% and 46%, with ICICI Bank having the highest average at 45.72 %. The average Casa ratio of SBI, HDFC Bank and Axis Bank was recorded at 43%. ICICI Bank maintains the strongest average capital adequacy ratio at 20.96 % well above the regulatory requirements. Average capital adequacy ratio of SBI is the lowest at 13.37 %. Axis Bank shows the highest average net profit margin at 22.70% and Operating profit margin at 55.48 % followed closely by HDFC Bank. %. HDFC Bank leads in return on capital employed at 11.28 % indicating efficient use of capital. The average performance of SBI is only 6.6 % which is the lowest. The F test and p value results of all banks confirm the importance of Casa in enhancing operational efficiency and by improving Casa deposits banks can improve ROCE and OPMR significantly. But the findings suggest that Casa does not have a statistically impact on CAR of any selected banks.

KEYWORDS
CASA, Capital Adequacy Ratio (CAR), Profit Margin Ratio (PMR), Return on Capital Employed (ROCE), Savings Account, Current Account.

CASA AND ITS IMPORTANCE

In our banking system savings account and current account are the terminology we all are very well acquainted. For individuals and salaried employees account is like a wallet from where he can easily deposit his or her savings and withdraw money when required with limited transactions, and earn some interest on deposits. For daily multiple transactions current account is like a wallet for companies, traders and entrepreneur who need to access account very frequently.

Casa, that is, a current account savings account, offered by some banks which combines the functions of a checking account and saving account. Although the terminology Casa, is used globally, but it is most commonly used in Western Asia and Southeast Asia. But now it is very popular in India also. It is a non-term deposit account and unique feature which banks offer to their customers. The customer is not paid interest on the current account money which is used to pay bills routinely but interest is paid on the savings portion.

A key metric in the world of Banking and Finance, which provides valuable insights into a bank's financial health and its potential for growth is the Casa ratio. This ratio reflects the composition of the banks deposit i.e. the ratio of the deposits across current and savings account to the total deposit of the bank and it is expressed as a percentage. Mathematically-

CASA = {(SAVINGS ACCOUNT DEPOSIT+CURRENT ACCOUNT DEPOSIT)/ TOTAL DEPOSIT} X 100

For example, if a bank has total deposit of Rs 50000, out of this Rs 15000 is in savings account and Rs 5000 in current account then the CASA ratio will be -

15000+5000)/50000 = 0.04

From the above expression it is clear that higher the Casa lower will be the cost of funds and if a large part of banks deposits comes from these funds it means that the bank is getting those funds at a relatively lower cost.

A high Casa ratio offers bank an opportunity to earn good profits as it means that the bank has enough funds at a lower cost. As banks do not pay any interest on current account and very low interest i.e. 2% - 3% on savings account. the net interest income tends to be higher if the current and saving account ratio is high, because the interest paid on Casa deposit is lower than term deposits. Thus, it reflects the profitability and operating efficiency of a bank. It is designed to encourage regular saving and the customers forego a higher rate of interest in return for better liquidity It is a popularity index of the banks and its stakeholders, as the banks can draw money from Casa account easily which is very low-cost account and lend it to the individuals or Institutions at very high rate of

interest usually at the rate 15% - 18 %. Hence the bank earns more profit. But the Casa accounts are very less stable as the deposits vary from time to time and affects the lending process of banks. Hence the banks cannot rely completely on Casa accounts

The increase in interest gap on term deposits and savings account has led to the movement of amount lying in savings account to term deposits, also balances are moving from Casa deposits to term deposits as the larger banks are enabling auto sweep feature for their savings account's customers.

The Indian banking system experienced a drop in the Casa deposit ratio by over 200 basis points (200 bps) from a high of 43.7 % in March 2022 to 41.6 % in March 2023, 40.5% in September 2023 according to the director CRISIL ratings. Private banks Casa deposit ratio declined more than public sector banks.

As the preference of urban savers shift towards higher yielding investment options like mutual funds and direct stock ownership, the Indian banks are facing a significant challenge as the reliance on the banks for deposits has reduced. The struggle for deposits in the banking industry are further intensified in the rural areas due to the rise of technology that is digitalization, and the increasing familiarity with the Indian stock market.

Due to the rise in the term deposit rate above 7% and a shift in the preferences of the savers, in recent quarters fixed deposit have surged but banks all scheduled commercial banks including private players have witnessed a decline in the funds held in savings and current account.

REVIEW OF LITRATURE

Bread and butter sources of funding of banks are Casa. B. Janakiraman (2018) attempted to visualize how much is the impact of Casa deposit and how it helps the banks to increase their interest spread and thereby profitability of Syndicate Bank. on the basis of Pearson's correlation, it was concluded that there is a positive relation between CASA deposit and operating profit.

Janaki Ganpat bhai Kathuria & et.al (2018) attempted to measure the profitability of selected leading private banks of India by using financial ratio analysis method.

Rahul Singh (2022) underscored the importance of Casa deposits and examined how much Casa deposits of State Bank of India have grown over time and how it helps bank to increase their profitability. Again Rahul Singh (2022) in an article entitled" Comparative study of financial performance of SBI and HDFC Bank on the basis of Casa deposits" concluded that the current and savings account deposit ratio of HDFC Bank is lower than that of SBI.

Suma Drona Giri (2024) analysed and found that there is a highly positive correlation between Casa deposit and profitability of HDFC Bank.

N Geetha and et.al. (2024) suggested to prioritizing measures to enhance CASA deposits growth, as it positively impacts net interest income and operating profits of selected private sector bank. The analysis revealed HDFCs consistent dominance in Casa deposits.

Palamalai Srinivasan and John Britto (Jan 2017) attempted to evaluate the financial performance of selected Indian commercial banks, and found that the private sector banks financial performances are relatively better than the public sector banks. The empirical result based on panel data estimations revealed that the liquidity ratio and solvency ratio and the turnover ratio and solvency ratio are found to have positive and significant impact on the profitability of selected commercial banks.

Mrs. Vanitha and et.al. in an article made a comparative study of financial efficiency of selected public and private sector banks and how financial ratios are affecting the performance of these banks. Their study made it evident that the public sector banks need to enhance their entire economic efficiency to cope up with the competition from the global level.

OBJECTIVES OF THE STUDY

On the basis of the above literature the objective of the present article is to compare Casa ratio of State Bank of India with the selected private banks. To study the comparative financial performance of the selected banks in the context of capital adequacy ratio, net interest income and operating profit. The selection of private sector banks for the study is based on convenience sampling method and on the basis of performance. The selected sample banks are ICICI, Axis Bank, HDFC and State Bank of India. The data collection technique used is secondary data with quantitative measurement. Analytical data is sourced from the financial statements and consolidated annual reports of banks, Money control over the last 15 years.

HISTORICAL TRENDS AND CASA ANALYSIS –

Drop in Casa ratio fuelled by deposit repricing and strong inflows into term deposits is the biggest challenge which is confronted by Indian Bank and it affects their net interest margin. RBI data indicates a decline in casa shares from 38.6% in 2006 to 33.2 % in 2009 suggesting a shift in deposit patterns which affects the cost structure of the banks. According to RBI balance sheet report, in 2012-13 Casa remained around 33% and helped to sustain the growth of deposit and thereby lending of banks capacity. Historically as compared to many private sector banks, SBI Casa ratio has been relatively higher.

Casa ratio of SBI remained above 40% for the whole study period, the highest marked at 46.64 % in the financial year 2011-12, declined to 44.43 % in financial year 2013-14 and gradually declined to 39.89 % in the financial year 2023-24. The Casa ratio was 41.11 % in the financial year 2024 25.

Despite the decline, Casa deposits have grown from Rs 18.62 lakh crore in financial year 2023 to Rs 19.65 lakh crore in December 2024. So, while relative share fell, absolute totals rose modestly but slower than term deposits

Casa ratio of ICICI Bank was above 40% for the whole period except 2016-17 and 2017-18 the ratio was above 50% and dipped slightly to 42.18 % in the financial year 2023-24. In the Financial year 2024 25 Casa deposit of ICICI Bank was around Rs 6.7 lakh crore, with the ratio just around 42%.

Axis Bank casa ratio was the highest at 53.75 % in the financial year 2017-18 and then it dipped gradually to 44.9 % financial year 2021-22. It again rose to 47 % in 2022-23 and was recorded at 41 % in the financial year to2024- 25.

H DFC bank which was once called a casa power house, experienced a notable drop after its merger with HDFC. The Casa deposit in absolute terms remained substantial. Casa ratio was 38.2 % in the financial year 2011-12 and hiked to 48.2 % in 2013-14 , 2016-17 and 2021-22 and gradually the ratio dipped to 34.8 % in 2024 25.

NET INTEREST INCOME

Net interest income for SBI was Rs 43291 crore in the financial year 2011-12, increased to Rs 57, 195 crores in 2015-16 and stood at Rs 159, 876 crores in the financial year 2024 25.

HDFC Bank Net interest income was Rs 12885 crore in 2011-12 and increased to Rs 27591 crore in the financial year 2015-16 reached Rs 152473 crore in 2024 25.

ICICI Bank Net interest income was Rs 10734 crore in 2011-12 increased to Rs62129 crore in the financial year 2022-23, And was recorded at Rs1077680 in 2024 25.

Net interest income of Axis Bank was Rs 8018 crore in 2011-12 doubled to Rs 16833 crore in 2015-16 and recorded NII at Rs 42946 crore in 2022-23 Rs 54348 crore in 2024-25.

Over the last five years the highest net interest income growth rate was exhibited by the HDFC Bank with a CAGR of 21.8 % followed by SBI at 13.3 %. ICICI Bank and Axis Bank net interest income growth is stagnating. SBIs growth appear more modest as the net interest income is large in absolute scale but increasing slowly.

CAPITAL ADEQUACY RATIO

Capital adequacy ratio of SBI was 13.86 % in 2011-12 declined to 12.96 % in 2014-15, steadily improved from 13.12% in 2015-16 to 14.25 % in recent years signifying stronger capital buffers amidst evolving regulatory environments.

ICICI Bank maintained a very high capital adequacy ratio between 27% to 32 % between 2011-12 to 2013-14, remained stable between 16% and 19% thereby maintaining a healthy consistent high CAR reflecting strong capital management.

The CAR of HDFC Bank was 16.5 % in 2011-12 and recorded an impressive spike at 18.8 % in 2023 24 and 19.3 % in recent quarter, demonstrating robust capital strength.

Capital adequacy ratio of Axis Bank was 13.66 in 2011-12, increased to 16.07 % in 2013-14, hovered around 15 to 16% from 2014 to 2019, surged to 18.54 % in the financial year 2022-23 and remained solid at 16.6 to 17.1 % in financial year 2024.

OPERATING PROFIT

SBIs operating profit increased from Rs 31,574 crores in 2011-12 to Rs 110,579 crore in 2024-25, showing a robust upward growth of 250.3%.

The operating profit of HDFC Bank was Rs18638 crore in the FY 2011-12, surged to Rs 100,127 crore in FY 2024-25, thereby marking a growth of 437.1%.

The data of Operating profit of ICICI bank and AXIS bank for the period 2015-16 to 2017-18 is not available. In the year 2018-19 the operating profit of ICICI was recorded at Rs23438 crore which increased to Rs65396 crore in the year 2024-25. The operating profit of AXIS bank was Rs 16838 crore in the year 2018-19 and it increased to Rs42105 crore in 2024-25.

Therefore, in raw Operating Profit leader is SBI which is reflected in its scale and widening margins -with a clear upward trend.

YEARWISE CASA RATIO OF SELECTED BANKS

Sr.No	YEAR	CASA % OF STATE BANK	CASA % OF HDFC	CASA % ICICI BANK	CASA % OF AXIS BANK
1	2011-12	46.64	38.18	43.5	41.54
2	2012-13	46.5	44.38	41.9	44
3	2013-14	44.43	48.16	42.9	34
4	2014-15	42.88	44	44.1	43
5	2015-16	41.34	43.24	45.8	40
6	2016-17	42.61	48.03	50.36	47
7	2017-18	44.57	43.49	51.68	53.75
8	2018-19	44.48	42.37	49.61	44.37
9	2019-20	44.22	42.23	45.11	41.19
10	2020-21	45.39	46.11	46.28	44.92
11	2021-22	44.51	48.2	48.69	44.99
12	2022-23	42.66	44.4	45.83	47
13	2023-24	39.89	38.2	42.17	42
14	2024-25	41.11	34.79	42.18	41
AVERAGE		**43.659**	**43.27**	**45.722**	**43.483**

Source: Annual Reports of Concerned Banks, Money Control

The above table shows the Casa ratio. It is the ratio of deposits in Savings and current accounts to total deposits. During the study period, Casa ratio of all banks where high and almost close to each other. All the four banks maintained a healthy Casa ratio between 43% and 46%, with ICICI Bank having the highest average at 45.72 %. The average Casa ratio of SBI, HDFC Bank and Axis Bank was recorded at 43%.

YEARWISE CAR OF SELECTED BANKS

Sr.No	YEAR	CAR % OF STATE BANK	CAR % OF HDFC	CAR % OF ICICI BANK	CAR % OF AXIS BANK
1	2011-12	13.86	16.5	29.73	13.66
2	2012-13	12.92	16.8	31.81	17
3	2013-14	11.98	16.1	28.65	16.07
4	2014-15	12.96	16.8	27.69	15.09
5	2015-16	13.12	15.5	17	15.29
6	2016-17	13.13	15.6	16.6	14.95
7	2017-18	12.6	14.55	17.4	16.57
8	2018-19	12.72	17.1	18.4	15.84
9	2019-20	13.06	18.5	16.9	15.74
10	2020-21	13.74	18.8	16.1	17.31

11	2021-22	13.83	18.9	19.1	18.54
12	2022-23	14.68	16.9	19.2	16.6
13	2023-24	14.28	19.6	18.3	17.6
14	2024-25	14.25	19.6	16.55	17.1
AVERAGE		13.37	17.23	20.96	16.24

Source: Annual Reports of Concerned Banks, Money Control

The above table shows the capital adequacy ratio which shows a bank's ability to absorb losses and protect depositors. All the banks desire for higher Casa ratio as it means one has to pay less interest to the borrower on their deposits. The average capital adequacy ratio of all the four banks varies between 14% to 21%. RBI mandates a minimum capital adequacy ratio of 9% for banks and 12% of public sector banks. ICICI Bank maintains the strongest average capital adequacy ratio at 20.96 % well above the regulatory requirements. Average capital adequacy ratio of SBI is the lowest at 13.37 %

YEARWISE PROFIT MARGIN RATIOS (PMR) OF SELECTED BANKS

Sr. No	YEAR	PMR OF STATE BANK	OPMR % OF STATE BANK OF INDIA	PMR OF HDFC BANK	OPMR % OF HDFC BANK	PMR OF ICICI BANK	OPMR % OF ICICI BANK	PMR OF AXIS BANK	OPMR % OF AXIS BANK
1	2011-12	9.69	23.65	16.54	51	15.75	14.96	31.56	55.31
2	2012-13	10.39	19.85	15.07	15.45	17.19	19.06	31.95	57.38
3	2013-14	7.03	17.92	14.75	46.81	17.97	22.08	32.12	59.17
4	2014-15	8.58	19.34	16.09	48.92	18.24	23.49	32.57	59.26
5	2015-16	5.9	20.6	17.1	55.73	14.29	22.35	31.38	61.47
6	2016-17	-0.04	22.81	16.33	55.99	11.55	16.22	12.35	59.04
7	2017-18	-1.64	22.46	16.82	58.96	10.99	14.43	0.93	52.71
8	2018-19	1.32	19.41	18.07	60.36	7.1	10.74	14.34	55.7
9	2019-20	7.84	44.35	18.32	61.36	2.78	6.18	4.17	55.72
10	2020-21	8.59	46.14	18.46	63.67	5.03	10.7	15.88	51.18
11	2021-22	12.83	46.69	21.31	61.7	10.05	17.18	26.94	54.24
12	2022-23	16.46	46.4	24.06	59	12.54	22.81	16.12	51.33
13	2023-24	15.84	51.7	25.02	40.05	17.33	35.21	34.38	51.33
14	2024-25	16.41	48.36	18.3	34.5	24.62	38.15	33.12	52.9
AVERAGE		**8.51**	**32.12**	**18.3**	**50.964**	**13.2**	**19.54**	**22.7**	**55.481**

Source: Annual Reports of Concerned Banks, Money Control

The above table depicts profit margin ratio and operating profit margin ratio of. selected banks. Net interest margin signifies better operational efficiency of the bank. This contributes to increased profitability. Average profit margin ratio of selected banks is estimated between 8.51 %to22.7 %. Average operating profit margin ratio is between 19.54 % to 55.48 %. Axis Bank shows the highest average net profit margin at 22.70% and Operating profit margin at 55.48 % followed closely by HDFC Bank.

YEARWISE ROCE RATIOS OF SELECTED BANKS

Sr. No	YEAR	ROCE OF STATE BANK OF INDIA	ROCE OF HDFC BANK	ROCE OF ICICI BANK	ROCE OF AXIS BANK
1	2011-12	2.51	8.6	5.61	7.66
2	2012-13	2.11	9.7	6.52	7.33
3	2013-14	1.89	10	7.99	7.17
4	2014-15	6.47	9.9	2.6	14.08
5	2015-16	5.77	9.6	2.39	12.48
6	2016-17	4.76	9.3	3.1	7.79
7	2017-18	4.05	8.7	3.75	4.62
8	2018-19	4.49	9.5	3.46	7.9
9	2019-20	4.96	11.1	3.13	5.89
10	2020-21	7.1	13.8	10.91	7.16
11	2021-22	8.8	14.05	12.96	9.47
12	2022-23	12.5	15.24	15.34	9.26
13	2023-24	13.2	15.15	17.47	14.16
14	2024-25	13.8	13.22	18.11	13.6
AVERAGE		6.6	11.3	8.1	9.184

Source: Annual Reports of Concerned Banks, Money Control

The last table shows the ROCE ratio. It is known as return on capital employed ratio. This ratio indicates how much return and profit are being granted from banks from the capital and investment. In the present study the average performance of SBI is 6.6 %, HDFC 11.3% ICICI Bank 8.1% Axis Bank9.184%. HDFC Bank leads in return on capital employed at 11.28 % indicating efficient use of capital. The average performance of SBI is only 6.6 % which is the lowest.

RESULTS and DISCUSSION

The present study analyses the relationship between the Casa ratio and selected financial performance indicators of SBI, HDFC Bank, CICI Bank and Axis Bank for the period 2011-12 to 2024-25. The performance indicators include ROCE, PMR, OPMR and CAR. Simple linear regression analysis is employed and the statistical significance of the relationship is examined by using the F test and P values at 5% level of significance.

HYPOTHESIS FORMULATION

Ho: Casa ratio does not have a significant impact on the financial performance indicators.

H1: Casa ratio has a significant impact on the financial performance indicators.

REGRESSION RESULT TABLE-

MODEL	INTERCEPT	BETA	F-statistic	p-value	R2
CASA/ROCE (SBI)	70.5478	-1.4647	13.2470	0.0034	0.5247
CASA/PMR(SBI)	46.1604	-0.8623	1.1524	0.3042	0.0876
CASA/OPMR (SBI)	141.3455	-2.5018	1.8154	0.2028	0.1314
CASA/CAR(SBI)	19.3394	-0.1368	1.8008	0.2045	0.1305
CASA/ROCE(HDFC)	14.2619	-0.0690	0.1534	0.7022	0.0126
CASA/PMR(HDFC)	25.6759	-0.1704	0.6024	0.4527	0.0478
CASA/OPMR(HDFC)	1.3410	1.1468	1.5974	0.2303	0.1175
CASA/CAR(HDFC)	23.8851	-0.1538	2.0770	0.1751	0.1475
CASA/ROCE(ICICI)	40.0523	-0.6989	2.1888	0.1648	0.1543
CASA/PMR(ICICI)	63.2359	-1.0934	6.8685	0.0224	0.3640
CASA/OPMR(ICICI)	88.4492	-1.5071	5.1881	0.0418	0.3018
CASA/CAR(ICICI)	63.0743	-0.9211	4.4977	0.0555	0.2726
CASA/ROCE(AXIS)	19.1748	-0.2298	1.4074	0.2584	0.1050
CASA/PMR(AXIS)	96.1886	-1.6900	8.3821	0.0134	0.4112
CASA/OPMR(AXIS)	69.5752	-0.3241	2.6332	0.1306	0.1799
CASA/CAR(AXIS)	14.0861	0.0495	0.3721	0.5533	0.1475

The F test and p value results of all banks confirm the importance of Casa in enhancing operational efficiency and by improving Casa deposits banks can improve ROCE and OPMR significantly. But the findings suggest that Casa does not have a statistically significant impact on CAR of any selected banks.

CONCLUSION

One of the most critical measures of a banks sustainability and financial health is its profitability. The backbone of a banks deposit base is Casa deposits, providing a cost-effective source of funding and creating opportunities for additional revenue through transaction fees. All the four banks maintained a healthy Casa ratio between 43% and 46%, with ICICI Bank having the highest average at 45.72 %. The average Casa ratio of SBI, HDFC Bank and Axis Bank was recorded at 43%. ICICI Bank maintains the strongest average capital adequacy ratio at 20.96 % well above the regulatory requirements. Average capital adequacy ratio of SBI is the lowest at 13.37 %. Axis Bank shows the highest average net profit margin at 22.70% and Operating profit margin at 55.48 % followed closely by HDFC Bank. HDFC Bank leads in return on capital employed at 11.28 % indicating efficient use of capital. The average performance of SBI is only 6.6 % which is the lowest. The F test and p value results of all banks confirm the importance of Casa in enhancing operational efficiency and by improving Casa deposits banks can improve ROCE and OPMR significantly. But the findings suggest that Casa does not have a statistically significant impact on CAR of any selected banks. Bank deposits might become more attractive again if equity market cools off. As savers seek the relative safety of bank deposits, this could lead to a resurgence in deposit growth.

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