

# INCREASE IN LOW-COST BANK DEPOSIT (CASA) DURING COVID 19 CRISIS: POSSIBLE REASONS & IMPACT ON PROFITABILITY– A COMPARATIVE ANALYSIS ON SELECT COMMERCIAL BANKS IN INDIA

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## ABSTRACT

Since the years 2020-2021, the world has been facing a very dreadful threat by the Covid Pandemic crisis. As of 31 December 2020, COVID-19 has infected over 82 million people and killed more than 1.8 million worldwide. High uncertainty about the pandemic and future economic prospects have strengthened motives for precautionary saving, discouraging investment and purchases of durable goods. Current account and savings account (CASA) deposits grew at a faster pace than term deposits, possibly reflecting the propensity of savers to hold more liquid assets in the highly uncertain pandemic situation since it enables to withdraw demand deposits as per convenience without any constraints. Many banks are not paying any interest on the current account deposits and the savings bank deposits costs a mere 3.5% interest rate. Therefore, higher the CASA ratio enhances the net interest margin, which signifies better operational efficiency of the bank. This contributes to increased profitability. In this scenario, the present study attempts to make a Comparative Analysis of the low cost deposits i.e. Current account and Savings account of the top five leading commercial banks in India, namely: HDFC Bank, State Bank of India, ICICI Bank, Kotak Bank & Axis Bank and how CASA deposits impact on their profitability during the Covid crisis period 2020-2021. The study is based on secondary data, which have been obtained from published standalone annual report of the select banks, RBI annual reports, economic journals, research papers and internet. Comparative Statement Analysis, Pearson's correlation, Casa Ratio, Pie chart and Bar graph are used. The findings conclude that there has been significant increase in CASA deposits, decrease in interest expenditure and positively correlated with the profitability of the banks during the covid crisis period of 2020-21.

*Keywords: Finance, Low cost deposit, CASA Ratio, Profitability, Pearson Correlation, Uncertainty, Covid Crisis, Precautionary Saving, India*