

Rising balance in Jan Dhan accounts spells windfall for banks

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The no-frills deposits drive growth in CASA

Banks have been witnessing a spurt in Current Account and Savings Accounts (CASA) due to a high balance in Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts. This is seen as one of the growth drivers of CASA.

CASA deposits are advantageous to banks as they can bring down the cost of funds when compared with bulk deposits.

Banks reported considerable growth in this segment in FY19. State Bank of India reported an 8.42 per cent growth in CASA last fiscal with deposits touching ₹12,87,285 crore.

At HDFC Bank and ICICI Bank respectively, the growth stood at 14 per cent and 13 per cent. Similarly, Syndicate Bank had a 5 per cent increase while Canara Bank showed 4.65 per cent growth.

“Public sector banks and Regional Rural Banks (RRBs) surely benefited from PMJDY accounts as they pushed up CASA,” V Arvind, Chairman, Telangana Grameena Bank, sponsored by SBI, told *Business Line*.

According to government data, the total balance in these ‘basic’ bank accounts now stands at ₹99,752 crore, with 35.5 crore beneficiaries.

As the average balance in most Jan Dhan accounts hovers at around ₹2,000, bankers now see some advantage in them, unlike earlier, when they viewed no-frills accounts as a burden. According to a senior SBI official, PMJDY “did make a positive difference” to the bank, with total deposits of ₹31,235 crore as on March 31, 2019, against ₹23,982 crore in March 2018. The monthly average balance now stands at ₹2,192.

Other factors

But the CASA growth is also driven by other factors such as the introduction of digital accounts and some banks offering attractive interest rates on savings accounts, he added.

These have together contributed to a significant share of CASA in the total deposits.

According to RBI data on deposits and the credit of scheduled commercial banks, CASA now has a share of about 43 per cent.

Seven States — Maharashtra, Delhi-NCR, Tamil Nadu, Karnataka, Uttar Pradesh, Gujarat and West Bengal — accounted for about two-thirds of the deposits. Incidentally, almost all these States have high balances in PMJDY accounts.

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