

The Agony of Unclaimed Deposits of Banks: A Study on State Bank of India

Dr. Gautam Sen¹, Mr. Anupam Sahoo²

¹Assistant Professor in Commerce, Department of Commerce, Sundarban Hazi Desarat College, University of Calcutta, Pathankhali West Bengal-743611, India

²State Aided College Teacher (SACT)-II, Department of Commerce, Sundarban Hazi Desarat College, University of Calcutta, Pathankhali West Bengal -743611, India

Abstract: Aim: The main objective is to examine whether there exists any relation among different component of unclaimed deposits and whether there exists any significant difference among different component of unclaimed deposits of banks.

Approach: Secondary data have used and collected from Annual reports of Banks and RBI Database from 2006-21. The descriptive statistics, ANOVA, paired t– test have been used to test the significance by using SPSS 25.

Results: The scenario for current and fixed deposit account has been improved as the number of accounts and amount deposits has been reduced but for saving and other types of deposit account the scenario has remained same

Implications: The study will be helpful for the policy makers to develop a policy to find out the way to make more awareness about the unclaimed deposits.

Value Addition: The study is unique in the context that an overall idea how an individual bank and regulatory authority i.e. RBI are taking initiatives to reduce unclaimed deposits of banks.

Key Words: Unclaimed deposits, Current A/C, Fixed Deposits A/C & Paired t-test

INTRODUCTION

Unclaimed deposits in Indian banks represent a financial phenomenon that often goes unnoticed by the average account holder. These deposits consist of funds left dormant or untouched in bank accounts for extended periods, typically due to various reasons such as neglect, account holder's demise without proper nomination, or simply a lack of awareness about their existence. Unclaimed deposits, as the name suggests, are funds held by banks that have not been accessed or managed by the account holder for a significant period. This inactivity may arise from a variety of circumstances. For instance, individuals may open multiple accounts and lose track of some of them.

Alternatively, an account holder may pass away without nominating a beneficiary or informing their heirs about the account's existence. In some cases, account holders might relocate, forget about their accounts, or become incapacitated, rendering their accounts inactive. The first step towards categorizing an account as containing unclaimed deposits is the dormancy period. Dormancy periods are established by individual banks but typically range from one to two years of inactivity. During this period, if there are no transactions initiated by the account holder, such as deposits, withdrawals, or communication with the bank, the account becomes dormant. The Reserve Bank of India (RBI), as the country's central banking authority, plays a pivotal role in regulating unclaimed deposits. It has issued guidelines to banks on how to manage and report unclaimed deposits. These guidelines are designed to protect the interests of both account holders and banks. Over time, unclaimed deposits are transferred to the Depositor Education and Awareness Fund (DEAF), established by the RBI. The DEAF is a mechanism that uses the unclaimed funds to promote awareness among depositors about financial matters and to protect their interests. This fund serves a dual purpose by educating individuals about the importance of maintaining and tracking their accounts and ensuring that unclaimed funds are utilized for the benefit of depositors.

REVIEW OF LITERATURE

Unclaimed deposits have become an unwanted headache for the banks operating in India, a study carried out by (Bhattacharya, 2017) where it had been the number of accounts had been increasing year after year and amount of money deposited in those accounts are huge in number and those monies are lying idle

with banks for many years. (Mishra, et al, 2019) made an attempt to examine what is the impact of awareness programme taken up banks on reducing the unclaimed deposits in Indian banks, they found the people who are regularly in contact with banks by any sought of media is aware about the programme and those who are not using any sought of media were not ware about the programme. (Saxena & Gupta, 2016) tried to scrutinize the impact of these unclaimed deposits on banks performance and overall profitability, they found banks were paying a very decent amount of interest year after year on these unclaimed deposits and these were making very bad impact on banks overall performance and overall profitability. (Rao, 2018) reviewed the regulatory framework exists in India in terms of managing the unclaimed deposits of banks. The RBI had taken various initiative for general

public and banks regarding the use and claim of these unclaimed deposits. (Sharma & Kapoor, 2019) tried to identify various factors which were responsible to rise in the number and amount of these unclaimed deposits over the years. He found the factors like- number of accounts, not nominating nominee at the time of account opening, not informing the family members about the account, lack of awareness among the claimant about the procedure to claim was not very clear.

METHODOLOGY

In this paper an attempt has been made to identify pre 2013 and post 2013 scenario of unclaimed deposits of State Bank of India and further attempts have been made to identify that whether there exists any relationship among different components of unclaimed deposits of State Bank of India.

- Objectives
 - To measure the degree of relation among different components of unclaimed deposits of State Bank of India.
 - To examine the pre 2013 and post 2013 scenario of different components of unclaimed deposits of State Bank of India.
- Hypotheses (Null):
 - H₀₁: There exists no significant difference among different components of unclaimed deposits of State Bank of India.
 - H₀₂: There exist no significant different in the pre-2013 and post 2013 scenario of different components of unclaimed deposits of State Bank of India.

Data Secondary data have been used in the study.
 Data Source Statistical Table Related to banks in India from RBI database.
 Study Period It covers a period of 16 years i.e. from 2006 to 2021. For the purpose of the study the study period is divided into two parts i.e. pre 2013 period which cover period from 2006-2013(8 Years) and post 2013 period covers period from 2014-2021(8 Years).
 Variables Current Account, Saving Account, Fixed Deposits and Other Deposits numbers and amount deposited in bank.

Measuring Relation Correlation:

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$

Where: ‘r’ is the correlation, X_i and Y_i are the individual data points for variables X and Y, respectively, \bar{X} and \bar{Y} are the means (average values) of variables X and Y, respectively and n is the number of data points.

Measuring Significant Difference

ANOVA(One-way):

$$F = \frac{MSB(\sum_{j=1}^c n_j (X - \bar{X})^2)}{MSW(\sum_{i=1}^c \sum_{j=1}^{n_j} (X - \bar{X})^2)}$$

Here, MSB= Sum of Square among Groups, c =number of groups, n_j = Size of the group j, \bar{X}_j = Sample Mean of group j and \bar{X} = Grand Mean.

MSW= Sum of Square within Groups, c =number of groups, n_i = Size of the group, \bar{X}_i = Sample Mean of group I and X_{ij} = Jth measurement of the group. Following hypothesis have been set examination purpose.

Measuring
Pre 2013 and
post 2013
scenario

Paired t-test:

$$t = \frac{(X_1 - X_2)}{\sqrt{\frac{(s_1)^2}{n_1} + \frac{(s_2)^2}{n_2}}}$$

Where,

“(X₁ – X₂)” is sample mean of difference, “n” is number of observation, “(s₁ & s₂)” is sample standard deviation of difference.

ANALYSIS AND DISCUSSION

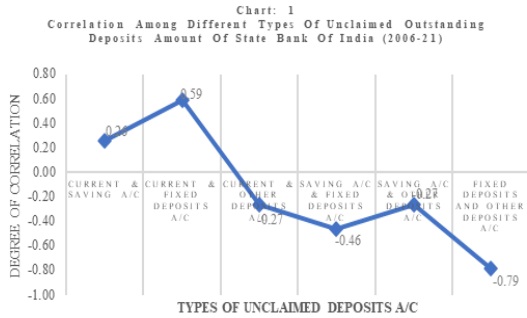


Chart:2
Correlation Among Different Types Of Unclaimed Deposits Account Numbers of State Bank of India (2006-21)

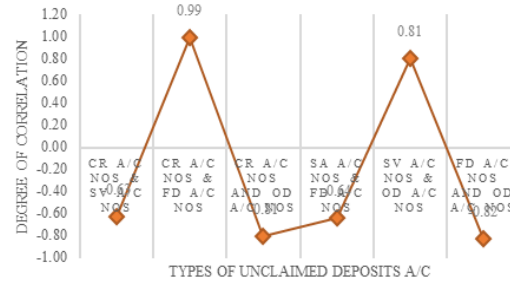


Chart 1 represents the degree of correlation among different types of amount deposited in unclaimed accounts of State Bank of India i.e. Current Account, Saving Account, Fixed Deposits Account and Other Deposits Account. A high degree of correlation has been recorded among Current Account and Fixed Deposits Account and high degree of Negative Correlation has been seen among Fixed Deposits and other deposits Account.

Chart 2 represents the degree of correlation among different types of total number of accounts under unclaimed deposit accounts of State Bank of India from 2006-2013. A high degree of positive relation has been recognised among Current Account and Fixed Deposits Account and among Saving Deposits Account and Other Deposits Account and a high degree of Negative correlation have been seen for Current Account and Other Deposits and Fixed Deposits and Other Deposits Account

Table: 1 Descriptive Statistics(2006-2021)

Statistics	O/S CR A/C Nos	O/S Amt. in CR A/C (In Cr. Rs.)	O/S SVG A/C Nos	O/S Amt. in SVG A/C (In Cr. Rs.)
Mean	73989.3	32.41	2033235	668.64
Max	173741	118.63	4540436	1910.75
Min	5860	15.96	865411	77.53
SD	68658.8	24.88	1096083	596.64
CV	92.8	76.77	53.91	89.23
CAGR	-17.39%	2.43%	7.19%	21.82%
Statistics	O/S FD A/C Nos	O/S Amt. in FD A/C (In Cr. Rs.)	O/S OD A/C Nos	O/S Amt. in OD A/C (In Cr. Rs.)
Mean	69286.5	28.25	3064680	618.76
Max	192010	80.64	9707612	2085.33
Min	0	0	14605	1.3
SD	69738.1	28.64	3721403	782.17
CV	100.65	101.38	121.43	126.41
CAGR	-	-	50.11%	40.71%

Source: Author’s own Calculation

Abbreviation: O/S CR A/C Nos= Outstanding Current Account Numbers, O/S Amt. in CR A/C = Outstanding Amount in Current Account, O/S SVG A/C Nos= Outstanding Saving Account Numbers, O/S Amt. in SVG A/C = Outstanding Amount in Saving Account, O/S FD A/C Nos = Outstanding Fixed Deposit Account Numbers, O/S Amt. in FD A/C = Outstanding Amount in Fixed Deposit Account, O/S OD A/C Nos= Outstanding Other Deposits Account Numbers & O/S Amt. in OD A/C = Outstanding Amount in Other Deposits Account.

Table 1 represent the descriptive statistics of the variables like- amount deposited in unclaimed Accounts i.e. *Current A/C, Saving A/C, Fixed Deposits A/C and other Deposits A/C* and number of accounts under unclaimed deposits accounts i.e. *Current A/C, Saving A/C, Fixed Deposits A/C and other Deposits A/C* from 2006-2013. On an average, the other types of deposits account are more in number and in terms of money deposited in saving accounts. A negative growth in Current Account has been recorded and a positive growth of nearly 41 per cent has been seen in other deposits account.

Groups	Count	Sum	Average	Variance		
Current A/C	16.00	518.54	32.41	619.04		
Saving A/C	16.00	10698.24	668.64	355985.05		
Fixed Deposits A/C	16.00	452.02	28.25	820.22		
Other Deposits A/C	16.00	9900.16	618.76	611786.49		
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	6039604.62	3	2013201.54	8.31	0.00	2.76
Within Groups	14538162	60	242303			
Total	20577766.62	63				

Source: Author's Own Calculation(SPSS-25)

Table 2 represent the ANOVA(One way) results among different components of unclaimed deposits account. Here it has been found that there exists significant difference among different components of unclaimed deposits of State bank of India and found significant at 0.05 level of significance, as a result our null hypothesis i.e. *there exists no significant difference among different components of unclaimed deposits has been rejected.*

Paired Test Combination	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Current A/C (2006-13) & Current A/C (2014-21)	14.32	35.59	12.58	-15.43	44.08	1.13	7	.292
Saving A/C (2006-13) & Saving A/C (2014-21)	-723.72	311.76	110.22	-984.36	-463.08	-6.56	7	.000
FD A/C (2006-13) & FD A/C (2014-21)	50.22	20.74	7.33	32.88	67.56	6.85	7	.000
Other Deposits A/C (2006-13) & Other Deposits A/C (2014-21)	-1227.66	669.94	236.86	-1787.74	-667.58	-5.18	7	.001

Source: Computed Using SPSS 25

Table 3 represents the paired t-test table among different components of unclaimed deposits of State Bank of India among two different periods i.e. from 2006-2013(pre 2013 period) and from 2014-2021(post 2013 period). Results indicate that there exists significant different among pre 2013 and post 2013 scenario of State Bank of India's unclaimed deposits. Further it indicates that *there exists some significant difference among Saving Account, Other deposits Account and Fixed Deposits Account* among two different periods and it has been found *statistically significant at 0.05 level of significance.* Hence, our null hypothesis i.e. *There exists no significant different in the pre-2013 and post 2013 scenario of different components of unclaimed deposits related to Saving, Fixed and other Deposits can be rejected.* And in

relation to current Account we are not in a position to make precise interpretation of results as it has been found *statistically insignificant at 0.05 level of significance.*

CONCLUSION

Unclaimed deposits in Indian banks refer to funds held in bank accounts that have been inactive or dormant for an extended period of time, typically several years. Results indicates that a high degree of correlation among Current Account and Fixed Deposits Account and high degree of negative correlation among Fixed Deposits and Other deposits Account of State Bank of India. Further, study reveals that there exists no significant different in the pre-2013 and post 2013 scenario of different components of unclaimed

deposits related to Saving, Fixed and other Deposits of State Bank of India. The scenario for current and fixed deposit account has been improved as the number of accounts and amount deposits in these accounts have reduced but for Savings and Other types of deposit account the scenario has remained same i.e. it is still increasing. The RBI in India has taken various initiative to create awareness. Banks at individual level should take some prompt action at the time of collecting inputs about nominee of account openers.

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