



20:20 DEPOSIT SCHEME IN TAMILNAD MERCANTILE BANK LIMITED

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ABSTRACT

Banks play a key role in mobilizing the savings of the public in the form of deposits. Due to rapid growth of banks, the banks have to introduce various deposit schemes with lot of features in order to keep hold of the existing customers and exert a pull on new customers. Tamilnad Mercantile Bank Limited (TMB) is one of the popular private sector banks. It offered many deposit schemes for the welfare of the public. It contributed an economic growth of 82.8 per cent per capita income every year. Its functions are magnificent among the public. Among different deposit schemes, 20: 20 deposit scheme gained a momentum in the minds of the public because of its gorgeous name and short span of time. Hence, the study focuses on the attitude of the customers towards 20:20 deposit scheme in Tamilnad Mercantile Bank Limited (TMB).

Keywords: TMB, deposit, 20:20 deposit scheme, recurring deposit, fixed deposit

INTRODUCTION

Tamilnad Mercantile Bank Limited (TMB) was established in the year 1921. In Tuticorin, its head quarters is located. The bank has been growing strongly throughout South India and opening new branches. The bank currently has 400 full branches throughout India, ten regional offices and eleven Extension Counters, two Mobile Banking branches, six central processing centres, one Service Branch, three Currency Chests and 777 Automated Teller Machines (ATM). TMB has plans to open branches in Colombo, Singapore and Malaysia to serve the Tamil community living in those countries.¹

TMB is also preparing for an Initial Public Offering (IPO) in 2013. TMB was rated as the fastest growing Indian Bank for the five years from 2007 to 2012. It was also rated as the Best Bank in the years 2010, 2011 and 2012 due to its fast and robust growth. During the years of 2012 and 2013 it did total business of 370 billion rupees. The growth model of the bank is said to be unique in India; TMB is often referred to as the Bank of America of India. On

September 2013, TMB won the ASSOCHAM's Best Private Sector Bank 2013 award.

STATEMENT OF THE PROBLEM

Apart from savings bank deposit accounts, TMB offered lot of deposit schemes to mobilize the savings of the customers in the form of Recurring deposits and fixed deposits.² When compared to recurring deposits, fixed deposits attract large number of customers. The most popular fixed deposit schemes in TMB are: Basic FD, Muthukuviyal FD, Porkuviyal FD, Cash certificate, Santhosh FD, Tax savings FD, 20:20 and Pearl deposit. Among various FD schemes, 20:20 gained much priority among the public. Hence, effort has been taken by the researcher to study the effectiveness of 20:20 deposit scheme in TMB.³

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To portray the propaganda of 20:20 deposit scheme
2. To study the socio economic profile of the respondents.

3. To analyse the reasons for choosing 20:20 deposit scheme.
4. To analyse the attractive features of 20:20 scheme
5. To offer suggestions on the basis of findings of the study.

RESEARCH METHODOLOGY

Research methodology consists of research design, types of data used in this study, area of the study, tools used to collect data, sampling design and tools used for analysis.

Research design

Descriptive research design has been used in this study as it takes into consider primary data for analysis and secondary data for theoretical review.

Types of data used in this study

The study depends on both primary and secondary data. The primary data has been gathered from 424 respondents (who are depositing money in 20:20 deposit scheme) residing at Virudhunagar District through a pre tested and well structured questionnaire. The secondary data has been collected

from books, journals, encyclopedia, magazines and websites.

Study area

The study area is Virudhunagar district; it consists of eleven blocks – Virudhunagar, Sivakasi, Rajapalayam, Srivilliputhur, Aruppukottai, Sattur, Kariyapatti, Narikudi, Vembakottai, Watrap, Thiruchuli. From the eleven blocks, the respondents were selected.

Sampling design

Rao's calculator has been used to decide the sample size of the respondents. The population size (the customers who are depositing their money in 20:20 scheme) is fed into the Rao's calculator. At 95 per cent level of significance, the sample size 424 is derived out.

Sampling technique

For the collection of primary data from 424 respondents, non random sampling technique has been used.

Tools of analysis

The primary data has been analysed with the help of percentage

analysis, Garrett's ranking technique and regression analysis.

20:20 DEPOSIT SCHEME

As the title suggests, the customer gets the highest interest rate in the shortest possible span of time *viz.* 20 months and 20 days. The rate of interest for this scheme is upto 9.00% p.a. interest rate for senior citizens and 8.50% p.a. interest rate for all others. The deposit is open to all individuals, including Joint account holders and Minors, Proprietorship concern, Partnership firm, Companies, Trusts, Associations, Clubs, Educational institutions, Charitable institutions, Public institutions and Statutory bodies and Non-Resident Ordinary Citizens. The mode of deposit is in the form of fixed as well as Muthukuvial Deposit.

The frequency of interest payment is monthly as well as quarterly in case of Fixed Deposit. Minimum prescribed deposit will be Rs. 1,000.00. There is no maximum limit. The deposit is not transferable. Loan facility up to 90 per cent will be made available as per the Bank's guidelines. The nomination

facility is available. There is no penal interest for pre closure of TMB 20/20 deposit.

Age wise classification

The adult stage, people are interested in spending and consumption. At that age, they are not interested in savings. In the middle age, they understand that money saved today is helpful to the older age of tomorrow. Hence, age wise classification of the respondents is taken into account. The age wise classification of the respondents is given in Table 1.

Table 1

Age wise classification

Age (in years)	No. of Respondents	Percentage
Below 30	83	19.58
30-40	111	26.18
40-50	136	32.08
Above 50	94	22.17
Total	424	100.00

Source: Primary data

It is understood from Table 1 that out of 424 respondents, 136 (32.08%) come under the age group of 40-50 years, 111 (26.18%) belong to the age group of 30-40 years, 94 (22.17%) are in the age group of above 50 years and 83 (19.58%) fall under the age group of below 30 years.

Gender wise classification

The savings habit differs between male and female. The gender wise classification of the respondents is given in Table 2.

Table 2
Gender wise classification

Gender	No. of Respondents	Percentage
Male	317	74.76
Female	107	25.24
Total	424	100.00

Source: Primary data

From Table 2, it is clear that out of 424 respondents, 317 (74.76%) are males and the remaining 107 (25.24%) are females.

Education wise classification

Education brings awareness to the people to know about savings schemes and investment avenues. Table 3 explains the education wise classification of the respondents.

Table 3
Education wise classification

Education	No. of Respondents	Percentage
Illiterates	85	20.05
Scholl level	133	31.37
College level	162	38.21
Others	44	10.38
Total	424	100.00

Source: Primary data

Out of 424 respondents, 162 (38.21%) completed their education upto college level, 133 (31.37%) completed their education upto school level, 85 (20.05%) are illiterates and 44 (10.38%) belong to others category.

Occupation wise classification

Occupation decides the social status of the public. Here, the occupation of the respondents may be classified into farmers, businessmen, employees and housewives. Table 4 shows the occupation wise classification of the respondents.

Table 4

Occupation wise classification

Occupation	No. of Respondents	Percentage
Farmers	43	10.14
Businessmen	155	36.56
Employees	198	46.70
Housewives	28	6.60
Total	424	100.00

Source: Primary data

Out of 424 respondents, 198 (46.7%) are employees, 155 (36.56%) are businessmen, 43 (10.14%) are farmers and 28 (6.60%) are housewives.

Monthly income wise classification

The savings of the people depend upon the monthly income of the public. When the monthly income is high, they

may save more money and vice versa. It also determines the buying behavior to a large extent. Table 5 exhibits the monthly income wise classification of the respondents.

Table 5

Monthly income wise classification

Monthly Income (in Rs.)	No. of Respondents	Percentage
Below 5,000	189	44.58
5,000-15,000	107	25.24
15,000-30,000	87	20.52
Above 30,000	41	9.67
Total	424	100.00

Source: Primary data

Out of 424 respondents, 189 (44.58%) have earned below Rs. 5,000 per month, 107 (25.24%) have earned Rs.5,000-Rs.10,000 per month, 87 (20.52%) have earned Rs. 15,000-Rs. 30,000 per month and 41 (9.67%) have earned above Rs.30,000 per month.

Reasons for choosing 20:20 deposit scheme

The respondents may choose 20:20 deposit scheme for simple procedures, safety of investment, liquidation, attractive interest and to

meet short term expenses. The reasons for choosing 20:20 deposit scheme are given in Table 6.

Table 6
Reasons for choosing 20:20 deposit scheme

Reasons	Ranks					Total
	I	II	III	IV	V	
Simple Procedures	65	74	89	94	102	424
Safety	71	78	84	106	85	424
Liquidation	124	79	82	56	83	424
To meet short term expenses	85	86	56	109	88	424
Attractive interest rate	79	107	113	59	66	424
Total	424	424	424	424	424	

Source: Primary data

Garrett's ranking technique has been used to analyse the reasons for choosing 20:20 deposit scheme.

Table 7
Garrett's Ranking

Rank	Calculation	Table value
I	$100 (1-0.5)/ 5 = 10$	76
II	$100 (2-0.5)/ 5 = 30$	61
III	$100 (3-0.5)/ 5 = 50$	50
IV	$100 (4-0.5)/ 5 = 70$	40
V	$100 (5-0.5)/ 5 = 90$	25

Source: www.garrett'sconversiontable

From Table 7, it is clear that the table values are found out with the help of Garrett's ranking table. Garrett's ranking technique results are displayed in Table 8.

Table 8

Reasons for choosing 20:20 deposit scheme – Garrett’s ranking technique results

Reasons	Ranks					Total score	Mean score	Rank
	I	II	III	IV	V			
Simple Procedures	4940	4514	4450	3760	2550	20214	47.67	V
Safety	5396	4758	4200	4240	2125	20719	48.87	IV
Liquidation	9424	4819	4100	2240	2075	22658	53.44	I
To meet short term expenses	6460	5246	2800	4360	2200	21066	49.68	III
Attractive interest rate	6004	6527	5650	2360	1650	22191	52.34	II

Source: Primary data

Most of the respondents gave I rank to the statement ‘Liquidation’ with the mean score of 53.44 followed by ‘Attractive interest rate’ with the mean score of 52.34. The respondents deposited their money in 20:20 scheme to meet short term expenses (49.68) and ‘safety’ (48.87). Fifth rank goes to ‘Simple procedures’ with the mean score of 47.67.

Features of 20:20 Deposit scheme – SEM Analysis

Multiple Regression has been applied to analyse the relationship between features of 20:20 deposit

scheme and overall opinion about the scheme.

Y – Over all opinion

X₁- Opinion about interest rate

X₂- Opinion about short span of time

X₃ – Opinion about maximum limit for deposit

X₄- Opinion about loan facility

X₅- Opinion about nomination facility

X₆- Opinion about penal interest for premature close

e - error

Table 9 exhibits the model summary of regression analysis.

Table 9
Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson
					R Square	df1	df2	F	
1	.568 ^a	.469	.220	.98578	.469	6	35	.013	3.891
a. Predictors: (Constant), rate of interest, short span of time, no maximum limit for deposit, loan facility, nomination facility, penal interest for premature close									
b. Dependent Variable: overall opinion about 20:20 deposit scheme									

Source: Primary data

Table 9 stated that the value of the multiple coefficients (R) between independent and dependent variables is 0.568 for predictors. The R square value for the model is 0.469, thus showing that about 46.9% of the variability in the outcome is accounted for by the predictors (independent variables). The adjusted R square is 0.220. The f statistic obtained is 0.013 (p value = 0.000), thus

indicating that the independent variables have a significant influence on the dependent variable at 5 per cent level. The Durbin Watson value is 3.891 which indicates the distribution curve is platycurtic. Hence, the model is effective.

Table 10 shows the regression coefficients.

Table 10
Regression co-efficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.242	.999		2.672	.076
Rate of interest	.968	.351	.312	1.652	.019
Short span of time	-.581	.424	.148	.741	.085
No maximum limit for deposit	.901	.198	.496	2.019	.073
Loan facility	-.458	.087	.592	2.614	.015
Nomination facility	.096	.206	.029	.113	.008
Penal interest for premature close	.307	.638	.106	.416	.080

Source: Primary data

The standardised coefficient for the dependent variables loan facility is the highest (Beta= 0.592), $t = 2.614$ and $p=0.015$). No maximum limit for deposit is the second highest (Beta= 0.496), $t = 2.019$ and $p=0.073$). The third strongest position is rate of interest (Beta=0.312), $t=1.652$ and $p=0.019$).

SUGGESTIONS

On the basis of findings of the study, some suggestions are given.

1. Due to the competition of many private and public sector banks, TMB has to introduce innovative schemes for the benefit of their customers.
2. The bank has to revise the rules regarding nomination facility.
3. The bank has to simplify the procedures for opening the 20:20 deposit scheme as illiterates also took this scheme.

CONCLUSION

Tamilnad Mercantile Bank Ltd is one of the giant private sector banks before three decades. As Liberalization, Privatization and globalization bring mushroom growth of new private sector banks. New entrants capture the concentration of the public by offering sophisticated deposit schemes and lot of benefits such as net banking, mobile banking, online payment through banks

etc. While formulating strategies, TMB have to bear in mind the promotion practices of other public and private sector banks. Even though there is a hard-hitting competition, TMB does not lose its goodwill because of its effectual administration constitution. Customer support is a base for the victory of TMB. Hence, TMB will deliberate on the customer anticipation for its forthcoming future.

Reference:

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