Deposit Behavior and Its Impact on Loan: A Case Study on Rajshahi Krishi Unnayan Bank (RAKUB), Bangladesh

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Deposit mobilization and loan distribution are the main products of any bank. Deposit behavior and its impact on loans are very important for any banking operation. The success of a bank depends on the positive deposit behavior and loan recovery situation. Rajshahi Krishi Unnayan Bank (RAKUB) is the largest rural development partner in the agriculture based Northwest region of Bangladesh. The present study examines the deposit behavior of the bank. The study also analyses the impact of deposits on loan disbursement activities of RAKUB. The study is basically analytical and interpretative in nature considering the objectives of the study. A two-variable regression model has been adopted to analyze and process the empirical data on deposits and loans of the study bank. The study reveals that there is a strong relationship between loans and deposits and the behavior of deposits affects lending a large extent. The value of the correlation coefficient indicates that the two variables, loans and deposits are highly positively correlated. The study shows that deposits are a major factor in bank fund management and it has a significant impact on loans and advances. Finally, RAKUB should cautiously maintain balance between loans and deposits for its survival in the competitive world of business.

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