

Bank Sees Growing Proportion of High-Rate Deposits

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

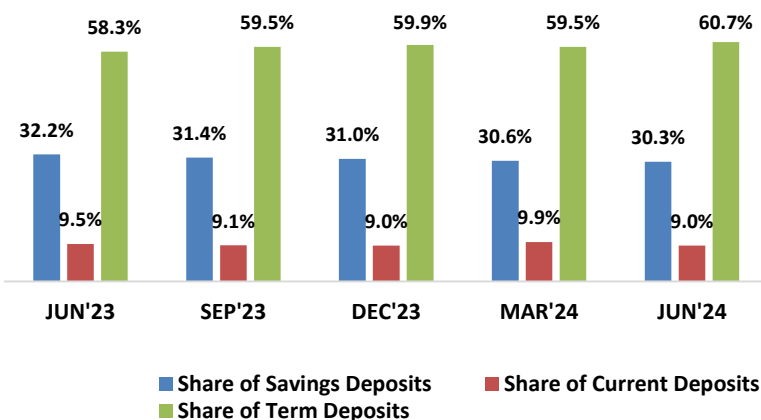
Banks in India are offering higher interest rates on deposits to attract savers, with more than two-thirds of deposits earning 7% or above by June 2024.

Term Deposits Interest Rate Range

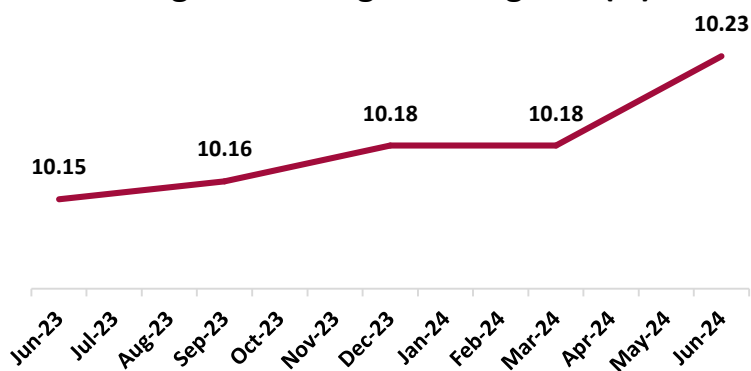
Amount in Lakh Crores

Interest Rate Range	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Less than 3 %	0.95	0.70	0.62	3.08	0.68
3% and above but less than 7 %	53.37	47.14	41.26	37.16	37.66
7 % and above	45.13	57.87	66.62	72.75	77.65

Share of Savings, Current and Term Deposits in Total Deposits



Weighted Average Lending Rate(%)



Data Source: RBI (BSR)

- The data showed that the deposits mobilized by banks on interest rates **7% and above is ₹77.65 lakh crore** as of June 2024, as against **₹45.13 lakh crore** a year ago.
- Nearly 67% of the deposits mobilised by banks by the end of June 2024 were contracted at interest rates of 7% and above as compared 45% of deposits in June 2023.
- The share of deposits with 7% interest rate rose because banks are offering higher rates not just to retail depositors but also mobilising bulk deposits and certificate of deposits over 7%.
- For a long time, post-Covid, most banks offered sub-7% on one-three years deposits. Also, to narrow the gap in credit-deposit growth, banks raised deposit by offering higher interest rate.
- The share of savings deposits in total deposits fell to 30.3% in June 2024 from 32.2% a year ago.
- Share of current account deposits fell to 9.0% of total deposits in June 2024 from 9.5 per cent a year ago.
- Share of term deposits in total deposits increased to 60.7% in June 2024 from 58.3% in June 2023.
- Data also showed that the weighted average lending rate rose marginally to **10.23% in June 2024 from 10.15% a year ago.**
- Nearly 65% of bank loans, amounting to ₹108 lakh crore in total, were given between 8% and 11%.
- Going forward, the interest outgo will remain higher on account of competitive interest rate for deposit mobilization but expected rate cut will bring down the interest income. This will put pressure on net interest margin, therefore banks may prefer to put thrust on mobilization of low cost deposit to maintain net interest margin.