

Bandhan Bank, UCO and United Bank of India cut deposit rate

One of the factors that led to the rate cut was huge deposit mobilisation after demonetisation

Namrata Acharya | Kolkata November 29, 2016 Last Updated at 00:35 IST



Following State Bank of India footprints, several other banks have already slashed interest rates on deposits.

Effective from Monday, Bandhan Bank reduced interest rates on deposits by 25 basis points to 8 per cent (the highest rate of fixed deposit), which it is offering on one-year tenure for less than Rs one crore. The rate cut, among

Banks slash interest rate on deposit

other things, has been necessitated by huge pool of deposit which the bank received post demonetisation, said C S Ghosh, MD and CEO, Bandhan Bank. At present, the deposit base of Bandhan Bank stands at around Rs 20,300 crore. Out of this, around Rs 2,700 crore was received by the bank after November 8.

"We are going slow on lending at the moment. One of the factor that led to the rate cut in deposit was huge deposit mobilisation after demonetisation," said Ghosh.

Public-sector lender UCO Bank too has reduced interest rates deposits after demonetisation by 75-100 basis points across maturities. Since demonetisation, the bank received close to Rs 18000 crore as deposits. Out of this, the withdrawals were about Rs 5,000 crore, leading to a net accretion of deposits by around Rs 12000 crore.

"We recently reduced interest rates on bulk deposits. Also, higher incremental cash reserve ratio would mean additional cost for bank. So we may not be able to pass on the benefit of rate cut on deposits to our customers," said R K Takkar, chairman and managing director, UCO Bank.

United Bank of India (UBI) too had reduced interest rates by 25 to 100 basis points in term deposits across maturities effective November 18th. The bank has received about Rs 8,000 crore deposits since demonetisation.

"Recently we reduced interest rates on deposits. We will see if there is an additional room for further 25 basis points cut in interest rates later," said Pawan Kumar Bajaj, Managing Director & Chief Executive Officer, United Bank of India. The bank expects the incremental CRR to impact its net interest margin by four to five basis points, he added.

After surge in deposits in banks due to demonetisation, Reserve Bank of India had introduced an incremental cash reserve ratio (CRR) of 100 per cent for the fortnight beginning Saturday.

As on November 23rd, total deposits in banks under Jan Dhan accounts alone stood at around Rs 72,834.72 crore, of which the addition since November 9th was around Rs 27,000 crore.

Pointers

- * Highest term deposit rate by Bandhan Bank now stands at 8% (0.50% extra for senior citizens) against 8.25 % earlier.
- * Bandhan Bank saw deposits surge by around Rs 2,700 crore since demonetisation
- * UCO Bank has reduced interest rate on term deposits by 75-100 basis points across maturities.
- * United Bank of India too had reduced interest rates by 25 to 100 basis points.
- * Net accretion in Jan Dhan account after November 9th alone has been around Rs 27,000 crore.