

SBI, ICICI among host of banks to cut deposit rates

Our Bureau

Reductions range from 5-100 bps, triggered by huge inflows due to demonetisation



Mumbai, November 17:

Copious fund inflows due to demonetisation of the high denomination Rs. 500 and Rs. 1,000 bank notes is nudging term deposit rates south, with a clutch of banks such as State Bank of India, Canara Bank, ICICI Bank, HDFC Bank, United Bank of India announcing rate cuts.

The deposit rate cuts range from five to 100 basis points. One basis point is equal to one-hundredth of a per cent or 0.01 per cent.

State Bank of India has cut retail deposits rates (of less than Rs. 1 crore) in three maturity buckets by 15 bps.

The new rates, which are effective from November 17, on the three slabs are: 6.90 per cent (7.05 per cent earlier) on deposits in the one year to 455 days slab; 6.95 per cent (7.10 per cent) for 456 days to less than two years; and 6.85 per cent (7 per cent) for two years to less than three years.

Now, the highest interest rate that India's largest bank is offering is 7 per cent on deposits of tenor 211 days to less than one year.

The easy liquidity due to heavy deposit inflows may prompt SBI to lower its marginal cost of funds-based lending rate (MCLR) when it comes up for review at the end of this month. Currently, SBI's one-year MCLR stands at 8.90 per cent (9.05 per cent before November 1, 2016).

That banks are flooded with liquidity is underscored by the fact that they parked Rs. 68,591 crore with the RBI in the three reverse repo auctions (both fixed rate and variable rate) that it conducted today.

At a press meet last week, SBI Chairman Arundhati Bhattacharya said; "...cost of funds is going to ease with the kind of CASA (current account, savings account) deposits that are flowing into our branches. This kind of demonetisation effort is actually very disinflationary. And because it is disinflationary, we believe lending rates will come down."

An ICICI Bank spokesperson said his bank had cut interest rate on the most popular maturity slab (390 days to two years) from 7.25 per cent to 7.10 per cent.

Canara Bank has cut both retail and bulk deposit rates in different maturities by five to 25 bps effective November 21. HDFC Bank has pared bulk deposit (between Rs. 1 crore and Rs. 5 crore) rates by 25 bps across all tenors.

United Bank of India has reduced retail term deposit rates by 25-100 bps. With this cut, which is effective from November 18, a one-year deposit placed with the bank will earn 6.75 per cent (7 per cent earlier). The steepest cut of 100 bps has been in two maturity slabs – 46-60 days (to 4 per cent) and 91-180 days (to 5 per cent).

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