

# SBI deposit rate cut to 7 year low of 6.75 pct for 1 year tenure

By: **Shritama Bose** | Mumbai | Published: July 5, 2017 5:33 AM



The last time SBI had offered the same rate on one-year deposits was between August 17 and October 1, 2010. (Reuters)

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The interest rate on State Bank of India's (SBI) one-year fixed deposits for less than Rs 1 crore has dropped to a seven-year low of 6.75% after the country's largest bank trimmed the rate by 15 basis points (bps) earlier this month. The last time SBI had offered the same rate on one-year deposits was between August 17 and October 1, 2010. The rate is now the lowest in the system for the one-year money. The latest round of cuts saw the rate on deposits of tenures between one year and 455 days fall 40 bps to 6.5% and that on deposits of tenures between 456 days and two years fall 25 bps to 6.5%. SBI's large private-sector rivals ICICI Bank and HDFC Bank continue

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to hold rates on one-year deposits under Rs 1 crore at 6.9%. Large state-owned lenders Punjab National Bank and Bank of Baroda currently offer 6.8% and 6.9% for one-year money. Under the marginal cost of funds-based lending rate, banks review their deposit and lending rates at the end of every month based on their incremental cost of funds.

The cuts in deposit rates come in the wake of lending-rate cuts on some categories of home loans at SBI, multi-year low levels in consumer price index (CPI)-based inflation and cuts in interest rates on small savings schemes. On June 9, SBI had reduced rates on home loans above Rs 75 lakh by 10 bps to 8.55% for women and 8.6% for others.

Earlier, on May 18, the state-run lender had lowered the rate on housing loans of up to Rs 30 lakh by 25 bps to 8.35% for women and 8.4% for others. On July 1, the government reduced rates on small savings schemes by 10 bps, with public provident fund investments now yielding 7.8%, Kisan Vikas Patra yielding 7.5% and Sukanya Samriddhi Account Scheme offering 8.3% annually.

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With the latest cut in deposit rates on SBI, the real interest rate stands at 2.54%, considering a tax rate of 30% and the May CPI-based inflation reading of 2.18%. This marks a marginal fall from the 2.65% that savers stood to earn till June 30, when one-year deposits with SBI earned an interest of 6.9%.