

For Interest Rates Up To 9%, Open FD With Small Finance Banks, NBFCs, NCDs

FDs with small finance bank, NBFCs, and NCDs offer annual interest rates which are as high as 9 percent

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NBFCs, small finance banks, NCDs offer a higher rate of interest

When your financial goal is unlikely to be met by modest interest rates offered by fixed deposits (FD) in a large bank such as SBI (State Bank of India), you can explore other fixed income instruments that pay higher interest rates in comparison to the bank FDs. Though there are several such savings schemes, some of the more common ones include FDs by **small finance banks**, non-convertible debentures (NCDs) and the terms deposits offered by non-banking financial companies (NBFCs). Most of these savings schemes offer annual interest rates which are as high as 8-9 percent, nearly 200-250 basis points higher than the Fixed Deposit (FD) interest rates by large banks such as **State Bank of India (SBI)** which offers 6.65 percent on its one-year fixed deposits (FDs).

However, before taking a plunge, one must factor in all key parameters that are likely to affect your savings and income. These factors include risk involved, flexibility of savings instruments, and ease of withdrawal, among other factors.

What Is A Small Finance Bank? Read Here.

Ease of investment: Unlike FDs by NBFCs and **small finance banks (SFBs)**, non-convertible debentures (NCDs) can be listed, and are tradeable in the stock markets. These instruments, unlike other fixed income instruments, can be bought and sold in the stock markets, and hence offer liquidity to the investors.

Also Read: Fixed Deposit Interest Rates Of SBI, HDFC Bank, ICICI Bank, YES Bank, Kotak Mahindra Bank

At the same time, the **small finance bank FDs** can be opened just as any other bank's FD. One can either visit the bank, or go online to open the FD. These banks offer 0.5 percent higher rate of interest when the FD is opened by a senior citizen.

One relative disadvantage of NCD is that it is a market instrument and hence, the small investors who are not comfortable with the listed products can stay away from it since one should have a demat account. One can subscribe to the NCD issue when it is open for the public issue. And depending on the number of applications received, the company issues NCDs proportionately as in the case of other market instruments.

Flexibility: The FD instruments especially **small finance banks** and NBFCs have lock-in period decided at the time of making the deposits but they are not-so-rigid lock-in periods, which means that the FD instruments can be redeemed beforehand, however, at the cost interest that is foregone for the period not served.

Though the NCDs have longer lock -in periods, for instance, the DHFL NCD has a minimum lock-in of three years, but being a listed product, it can be sold in the market before redemption.

Rates of interest: The rates of interest offered by small finance banks (SFBs), and **NBFCs** are not very different. For one year FD, the rate of interest is nearly 8 percent at most of the small finance banks.

AU small finance bank offers 7.75 percent for one year fixed deposit, ESAF small finance bank offers 8.75 percent per annum, and Fincare offers 8 percent for the same tenure.

Similarly, Kerala Transport FD offers 8.25 percent for one-year FD, Mahindra Finance FD offers 7.95 percent for the 15-month FD, while Shriram Transport Finance offers 7.65 percent interest per annum.

NBFC: Mahindra Finance FD interest rates

Tenure	Interest
15 months	7.95%
20 months	8.05%
27 months	8.15%
33 months	8.3%
40 months	8.3%

NBFC: Shriram Transport FD Interest Rates

Tenure	Interest rate(non-cumulative)
12 months	7.65%
24 months	7.65%
36 months	8%
48 months	8%
60 months	8.25%

AU Small Finance Bank FD interest Rates

Tenure	Interest Rate p.a. (%)*
7 Days to 1 Month 15 Days	5.50%
1 Month 16 Days to 3 Months	6.75%
3 Months 1 Day to 6 Months	6.90%
6 Months 1 Day to 12 Months	7.00%
12 Months 1 Day to 18 Months	7.75%
18 Months 1 Day to 24 Months	7.15%
24 Months 1 Day to 36 Months	7.25%
36 Months 1 Day to 45 Months	7.30%
45 Months 1 Day to 60 Months	8.00%
Above 60 Months*	7.25%

ESAF Small Finance Bank FD Interest Rates

Tenure	Interest rate*
7 - 14 days	5.75%
15 - 59 days	5.75%
60 - 90 days	6.50%
91 - 179 days	6.75%
180 - 363 days	7.50%
364 days	5.60%
365 - 727 days	8.75%
728 days	6.80%
729 - 1091 days	8.00%
1092 days	5.66%
1093 - 1819 days	7.00%
1820 days	5.65%
1821 - 3652 days	7.00%

The NCDs offer the maximum interest rates. For instance the DHFL offers interest rate at the rate of 8.9 percent per annum, but it has a lock in period of three years against one year for. Another NCD offered by Muthoot Finance (in April 2108), which is listed on BSE, offers an interest rate, between 8 percent and 9 percent, depending on the tenure of NCD.

What to choose: The choice of savings instrument completely depends on the priority of investor. When your purpose of investment is make a safe and credible investment without having to run a considerable risk, the best bet is a bank FD with a small finance bank. However, the investor who is willing to take a credit default risk, but is keen to earn marginally higher interest rate, should choose **NBFC FDs**. Though some of the NBFCs are safe instruments on account

OT high ratings issued by the credit ratings agencies, but are certainly not as safe as the banking institutions.

And the corporate NCDs should be chosen only by those who are inclined towards market investments and want to enjoy the liberty of buying and selling in



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