

Benchmarks >

Nifty  LIVE

11,671.70 -15.80



NSE Gainer-Large Cap >

Wipro

268.05 8.45



Precious Metal >

Gold (MCX) (Rs/10g.)

35,074.00 -16.00



Stock Analysis, IPO, Mutual Funds, Bonds & More

Market Watch

Postal deposits may not be as big a threat for banks as perceived

BY [ATMADIP RAY](#), ET BUREAU | JUL 17, 2019, 10.01 PM IST

Post a Comment

KOLKATA: While established banks fear flight of deposit to [small savings](#) if they lower deposit rates, India Post that now operates as a bank is actually struggling to garner small savings.

Big Change:
The end of Five-Year Plans: All you need to know

Although fresh mobilisation of small savings was 30% higher in FY19 over the preceding fiscal, it was actually the second lowest in a decade.

India Post Payments Bank, set up under the Department of Post with 100% equity owned by the government, faced difficulty in keeping its once loyal customer base intact, especially during the difficult transitory period when the small savers were lured by competition.

The fiscal 2019 saw fresh small savings mobilisation of Rs 94,700 crore (till February), which is just about 30% higher than Rs 72,898 crore in the preceding fiscal, according to [Reserve Bank of India](#) data. Fresh receipts of small savings have always been in excess of Rs 1 lakh crore since 2001-02, with the highest incremental mobilisation recorded at Rs 4.34 lakh crore in FY17.

Outstanding small savings at the end of February were Rs 8,99,191 crore, which was less than 0.7% of the total bank deposits of Rs 129 lakh crore.

Given this, it may be argued that the apprehensions of banks in lowering deposit rates is a little misplaced.

Last week, principal economic advisor [Sanjeev Sanyal](#) said administered interest rates on small savings may be one reason behind slow monetary transmission of Reserve Bank of India's repo rate reductions, while the government is more keen than banks lowering their inter rate spreads, which is the difference between lending rate and deposit rates.

Banks' incremental deposits for FY19 were at Rs 10.79 lakh crore with private banks accounting for about 66% of it.

Deposits from the rural segment have grown 10.9% as compared with 10.2% growth in the urban segment and 8.6% in the metropolitan segment. "This indicates an improvement on the spread and reach of banks and in conversion of idle cash into bank deposits. This growth in rural deposits, however, is led by the public sector banks, as the deposits with the regional rural banks have recorded only a marginal improvement," a Care Ratings report said.

[India Post Payments Bank](#) was launched as a pilot project on January 30, 2017 in Ranchi and Raipur. It has since expanded across India, covering post offices through a network of 650 branches in a hub-and-spoke model.

Stay on top of business news with The Economic Times App. [Download it Now!](#)