

Banks step up CD issuance in June

Mobilise ₹1.45 trillion to strengthen balance sheets, up 76% from May

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Mumbai, 1 July

Commercial banks mobilised ₹1.45 trillion through certificates of deposit (CDs) in June to strengthen their balance sheets ahead of the quarter-end, according to data from the Clearing Corporation of India.

June's mobilisation through CDs was 76 per cent higher than the previous month. In the first quarter of the current financial year (2024-25), banks raised ₹2.6 trillion through CDs, compared to ₹1.6 trillion in the first quarter of the previous financial year (2023-24).

Credit offtake remained robust for banks despite sluggish deposit growth.

"Retail deposits are stagnant, prompting banks to turn to bulk deposits and CD issuances for funds. Mutual funds — major participants — mobilise funds from retail investors to invest in CDs. Banks are raising funds through CDs at quarter-end to shore up their liabilities," said V R C Reddy, head of treasury at Karur Vysya Bank.

According to the latest Reserve Bank of India (RBI) data, bank credit grew 15.6 per cent year-on-year as of June 14, while deposit growth stood at 12.1 per cent, excluding the impact of the HDFC and HDFC Bank merger.

RBI Governor Shaktikanta Das highlighted the "persisting gap between credit and deposit growth rates", urging bank boards to rethink their business strategies.

"A prudent balance between assets and liabilities must be maintained," Das emphasised during the June monetary policy review.

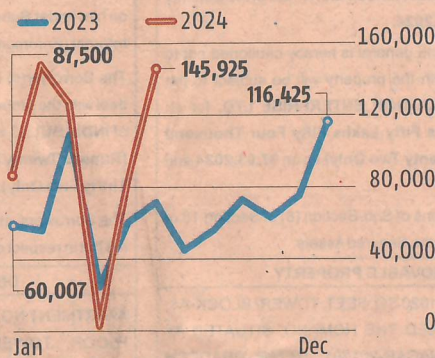
The credit-to-deposit ratio stood at 79.59 per cent at the end of May, compared to 74.9 per cent during the same period last year.

Market participants noted a decline in short-term rates following reduced treasury bill supply in June, prompting increased CD



THE TREND

Certificates of deposit (₹ cr)



Note: Data for 2024 till June

Source: CIL

issuances. The RBI had slashed treasury bill issuance by ₹60,000 crore from May 22 to June 26 this year.

"Banks struggling to raise deposits are exploring alternative options like CDs. Reduced rates due to treasury bill supply cuts have spurred more issuances, with public sector banks leading," said a dealer at a state-owned bank.

Rates on three-month and six-month CDs fell by 14 and 1 basis point respectively, while rates on 12-month CDs remained unchanged throughout the month.

According to PRIME Database, banks issued CDs worth ₹9.56 trillion in the previous financial year, with a net amount raised of ₹71,300 crore as banks rolled over short-term CDs upon maturity.