

Issuance of CDs by banks surges 66% in H1FY25

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Mumbai, October 2

THE ISSUANCE OF certificates of deposit (CDs) by banks has surged by 66% in the first six months of the current fiscal as lenders struggle with a sluggish deposit growth. In the first half of FY25, banks raised ₹5.59 lakh crore through CDs, compared to ₹3.37 lakh crore a year ago, according to data from Primedatabase. Last month turned out to be a busy one in terms of fundraising as lenders raised ₹1.45 lakh crore, compared to ₹82,020 crore in August, reflecting a month-on-month increase of 77%.

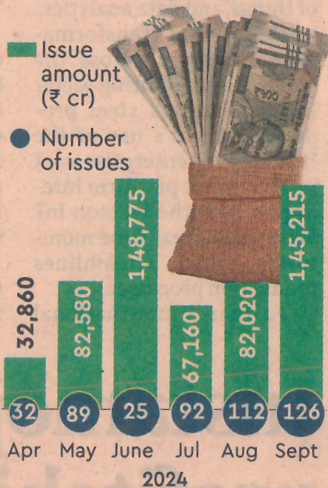
“With the festive season kicking off, there is a sharp rise in credit demand. Banking system witnessed liquidity deficit in the second half of September, prompting an uptick in CD issuances to bridge temporary gaps between assets and liabilities,” said a public sector bank’s head of treasury.

Lenders raised ₹2.95 lakh crore in Q2 of the current fiscal compared to ₹1.77 lakh crore in the same quarter of FY24, a rise of 67%. ACD is a short-term debt instrument used by banks to mobilise funds.

Liquidity in the banking system slipped into a deficit in the second half of September after nearly three months, driven by outflows related to quarterly advance tax payments and goods and services tax (GST).

The banking system witnessed a deficit of nearly ₹5,000 crore on September 17 and ₹2,600 crore on September 18, from a surplus of ₹1.35 lakh crore on September 15. During the first half of September, the liquidity surplus remained in the range of ₹1.35-2.5 lakh crore.

GATHERING PACE



Source: Primedatabase

“The rise in CD issuances seems to have gathered pace owing to the quarter ending, as the fund raised through CDs add to the deposit balances,” said Soumyajit Niyogi, director, Core Analytical Group, India Ratings and Research. “Against the backdrop of sustaining surplus banking system liquidity condition, CD issuances by public sector banks have increased in a meaningful way, while issuance by private peers has shown a healthy traction,” he said.

As per the Reserve Bank of India, the credit growth stood at 13.6% year-on-year on August 23 while deposits grew 10.8%. Bankers expect CD issuances to remain firm in the coming months as credit demand will stay strong in the second half of the current fiscal due to ongoing festivities.