Banks issue over ₹1 trn in CDs in Feb so far

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Commercial banks issued more than ₹1 trillion worth of certificates of deposit (CDs) in the first 10 days of February after the rates on the short-term debt instrument softened on the back of ample liquidity in the system due to infusion by the central bank and increase in government spending.

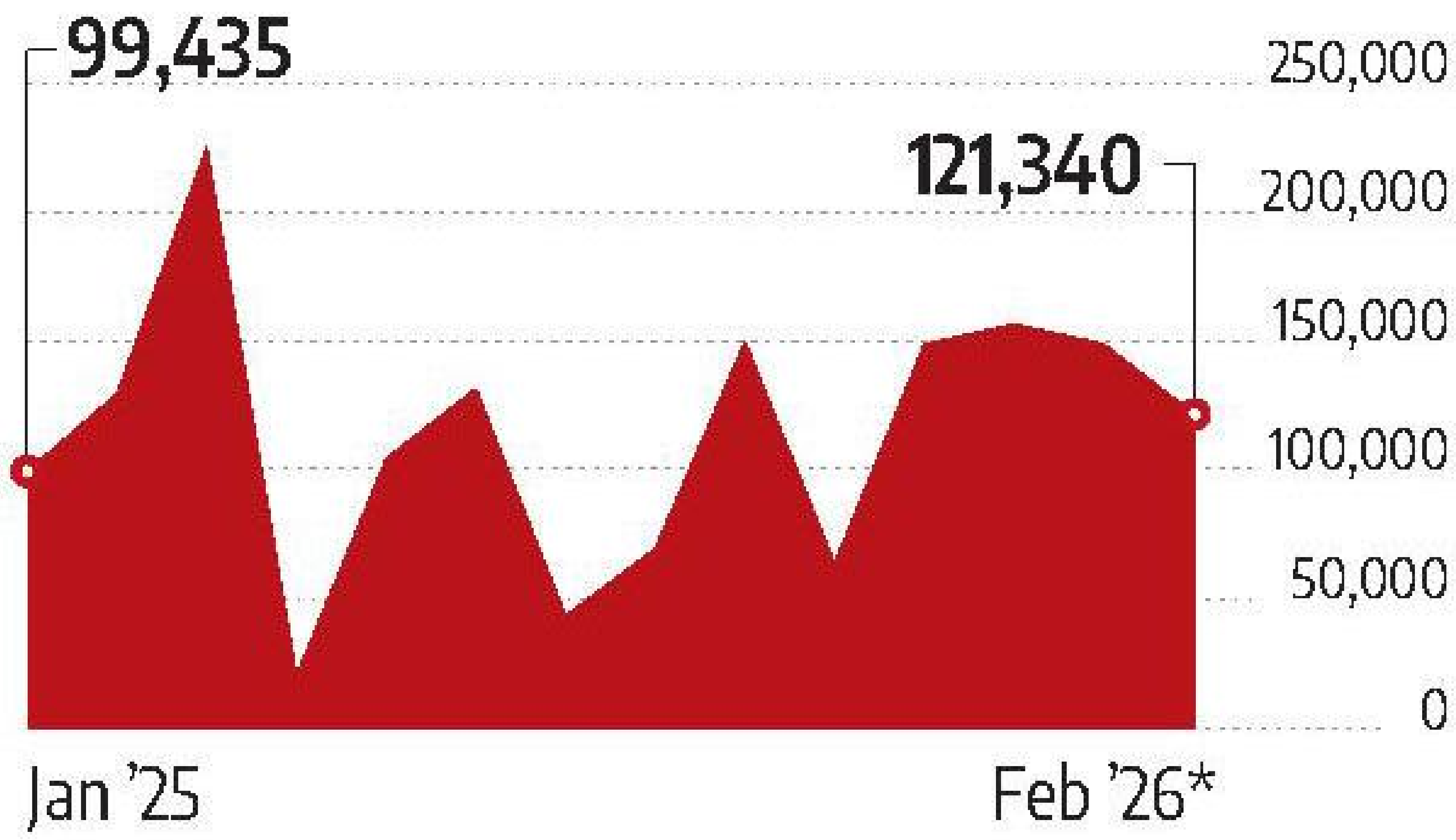
Banks issued ₹1.21 trillion worth of CDs in February so far, against ₹1.48 trillion raised during the entire month of January, data from Prime Database showed. RBI data showed that outstanding amounts on CDs hit a record high of ₹5.8 trillion during the fortnight ending January 31.

"With deposit growth lagging and credit off-take typically accelerating in the fourth quarter, banks are facing funding pressures. The relatively softer short-term rates in February compared with previous months have also made certificates of deposit a more attractive funding avenue. Consequently, banks have stepped up CD issuances to bridge the gap between loan growth and deposit mobilisation," said a senior executive at a state-owned bank.

The one-month CD rate has fallen by 51 bps in February so far, while the three-month CD rate has fallen by 26 bps in the same period. Six-month and 12-month CD rates have softened by 13 bps and 15 bps respectively. RBI's recent open-market operations (OMOs) and forex-swap operations have augmented durable liquidity to around ₹6 trillion. Liquidity surplus in the banking system, measured by banks parking funds in the liquidity adjustment facility window, has topped ₹3 trillion.

On softening rates

CD issuances (₹ cr)



*Data until Feb 10 Source: primedatabase.com

Market participants said that while surplus liquidity would typically be absorbed through variable rate reverse repo (VRRR) auctions, the central bank has consciously stayed away from conducting such auction in recent times. The last time the RBI had conducted a VRRR auction was on December 5, 2024.

"This trend of increase in certificates of deposits may continue till March, as the banks try to meet the growing credit requirements in the busy season. However, the issuance and outstanding volume for CDs may decline post March," said Anil Gupta, VP & cohead Financial Services Ratings, Icra.

Bank credit growth in the first fortnight of calendar year 2026 (January 15) slowed down to 13.1 per cent Y-o-Y, and deposit growth during the same period also slowed down to 10.6 per cent Y-o-Y, latest data from the RBI showed. In the fortnight, credit contracted by ₹1.88 trillion, while deposits contracted by ₹3.57 trillion.

The State Bank of India had raised ₹6,000 via three-month CD at a rate of 6 per cent on January 7.

Challa Sreenivasulu Setty, chairman of State Bank of India, said during the bank's post-earning press conference that over the past few years, SBI had largely refrained from issuing CDs, returning only when market conditions turned more viable. "SBI will definitely access every market instrument, which is available, but at a price point that is acceptable to us and that we can deploy it meaningfully," he said. Slowing deposit growth led banks to increasingly rely on wholesale funding to support credit expansion. In the calendar year 2025, banks had issued a record ₹13.17 trillion worth of CDs.

Deposit mobilisation remains below expectations, as a big portion of household savings continues to flow into capital markets rather than traditional bank deposits. The growing popularity of SIPs, even at small ticket sizes, along with steady allocations from domestic institutional investors such as mutual funds, EPFO, NPS, and superannuation funds, has resulted in consistent monthly inflows into equities.