

Young savers drift away as retirees prop up deposits

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Indian banks are losing ground among working-age savers, even as retirees return in growing numbers to park money in fixed deposits and savings accounts.

Recent data from the Reserve Bank of India shows the share of deposits held by working Indians aged 25 to less than 60 has steadily declined over the past two years, highlighting how younger savers are no longer reliant on banks to grow their money.

The working population held 55.46% of retail deposits in December 2025, down from 57.41% in March 2023, the earliest comparable data. That is a change of 195 basis points (bps).

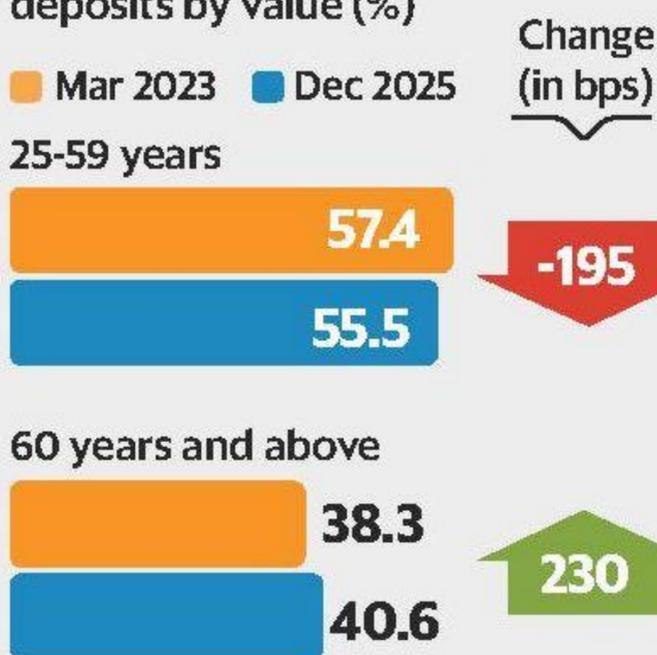
By contrast, the share of depositors aged 60 and above rose to 40.6% from 38.25% as of March 2023, up 235 bps. Given that the retail deposit base is ₹124.7 trillion, every 100 bps is worth ₹1.2 trillion.

Armed with sovereign backing and a public image of strength, India's public sector banks have traditionally depended on customers walking up to the branches to deposit money. That changed

Losing touch

Younger savers are no longer reliant on banks to grow their money.

Age-wise share of retail bank deposits by value (%)



Source: RBI

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with the advent of savvier private banks quick to pull customers rather than wait for them to show up. That said, the war for deposits has wounded every lender, irrespective of ownership.

“There is a generational shift,” said Bhavik Hathi, managing director, Alvarez & Marsal. “The working population, especially those in the age group of 25 to 40, are more aware of alternative investment options.”

Hathi said that there is greater general awareness, access to alternative investments that generally yield

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higher than classic fixed deposits. Investments in stocks and gold have been delivering far superior returns over the past few years.

“There is also easy access to these investment options on account of technology, internet, and the apps. We are also in the midst of a great deal of push by wealth advisors to invest in alternative assets and mutual funds, pulling money away from plain vanilla deposits,” said Hathi.

While the worst deposit crunch may be behind them, local banks are still struggling to bring parity between their deposit and loan growth rate. The base of deposits is much larger—₹247.7 trillion—as against loans of ₹203.5 trillion and the growth rates are 11.2% and 13.4%, respectively.

While a like-to-like comparison is unavailable, younger investors have contributed to a higher share of net flows in the equity segment, per analysis by mutual fund industry body Association of Mutual Funds in India (Amfi) in its FY25 annual report.

Some experts said bank deposits, especially savings,



Banks are struggling for deposit, loan growth parity. ISTOCKPHOTO

earn even less than the rate of inflation.

Deep Mukherjee, partner and director, risk management and data science, Boston Consulting Group, said that currently, for depositors, the benefit of parking money in liquid mutual funds, even after adjusting for taxes, usually works much better than parking it in term deposits or savings deposits. Liquid funds invest in short-term fixed debt instruments.

“Banks need to consider

dynamic pricing of deposits, mindful of liquidity-adjusted market returns, to make it worthwhile for term and savings account depositors to

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stay, while reducing their own market-based lending and cost of the same,” he said.

At most levels of inflation, saving deposits earn a negative real interest rate, said Mukherjee. “The advantage of moving from a bank savings rate or low-end deposits to a fixed income mutual fund is overwhelmingly in favour of

mutual funds.”

There are those who believe there is more to this shift than just return on investment.

“While bank deposits are taxed at the marginal rate, equity investments are subject to capital gains tax, allowing lower deductions. For senior citizens, with no other sources of income, bank deposits could even be tax free, depending on the interest earned,” said Anil Gupta, senior vice president and co group financial sector ratings head at Icria

Indians have traditionally saved in banks and in fixed assets like real estate and gold. That is now changing as customers move to broader financial sector assets, a phenomenon known as the financialisation of savings.

The rising share of retirees also does not bode well for banks. These deposits are typically priced 50 bps higher than regular deposits. For instance, SBI pays 6.25% for retail deposits of one year to less than two years. The same tenor attracts 6.75% for senior citizens.

As depositors age and young savers diversify, banks may face higher funding costs and may need to look at more ways to attract savers.