

**SPIKE BEYOND SEASONALITY** Lenders prioritise certainty over costs; CD rates unlikely to soften much in FY27

# Banks Pay Near 2-year High Rates on CDs Amid Tight Liquidity

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**Mumbai:** Banks have raised funds through certificates of deposit (CDs) at near two-year highs, reflecting intensified competition for resources and sustained pressure on liquidity, with policy rates remaining steady.

Data from the Clearing Corporation of India showed CSB Bank offered the highest rate at 8.32% for 91 days, followed by Ujjivan Small Finance Bank and Equitas Small Finance Bank, which raised funds at 8.25% for 366 days and 356 days, respectively. Other lenders such as HDFC Bank and IDBI Bank paid 7.6% for 33-day funds.

"While some firming is typical at year-end as banks shore up their balance sheets, this spike goes beyond seasonality," said VRC Reddy of Karur Vysya Bank. "CD rates have moved to elevated levels, signalling deeper funding pressures rather than just a year-end phenomenon."

HDFC Bank, the country's most valuable lender, which has been under investor scrutiny following the sudden exit of chairman Atanu Chakraborty, raised funds at 7.6% for 33 days on March 27, mobilising ₹4,300 crore. Punjab National Bank raised ₹1,175 crore at 7.5% for the same tenor. These rates are well above the 3.25% banks typically pay retail depositors for 30- to 45-day deposits. Most banks pay around 6.25% to 7% for one-year deposits.

"The CD rates do appear high when compared with retail deposit rates or the card rates published by banks, largely because deposit growth has lagged credit growth," said Anil Gupta, co-group head for financial sector ratings at ICRA.

Overall, HDFC Bank raised ₹23,090 crore during the last fortnight across tenors ranging from 33 to 327 days, paying interest rates between 7.3% and 7.6%. Data showed Axis Bank raised ₹3,500 crore at 7.6% for 92 days, IndusInd Bank raised ₹2,075 crore at around 7.5% for tenors ranging from 91 to 94 days, while Bandhan Bank paid 7.85% for 186 days on a ₹125 crore CD.

During the fortnight ended March 31, banks issued ₹1.07 lakh crore of CDs, broadly in line with issuance in the corresponding fortnight last year.

CD rates had earlier climbed sharply during periods of tight liquidity, peaking at about 8.15% between February and March 2024, according to historical data.

## Scrambling for Resources

HDFC Bank, IDBI Bank paid **7.6%** for 33 days for CDs of **₹4,300 cr** & **₹800 cr**, respectively

Axis Bank paid **7.6%** for 92 days, raised **₹3,500 cr**

PNB paid **7.5%** for 29-30 days, raised **₹750 cr**

Bandhan Bank paid **7.85%** for 186 days, raised **₹125 cr**

IndusInd paid **7.5%** for 94 days, raised **₹1,575 cr**

Ujjivan & Equitas SFB paid highest **8.25%** for 366 days



IDFC First paid **7.65%** for 275 days, raised **₹300 cr**

Reddy said elevated CD rates reflect a combination of tight systemic liquidity, pressures linked to liquidity coverage ratio requirements, and tactical balance-sheet management amid weak deposit mobilisation.

"In this backdrop, banks have prioritised certainty over cost, relying on CDs and other bulk funding to secure immediate and assured resources," he said.

ICRA's Gupta said while CD rates are high, such issuances are typically used to plug short-term mismatches in asset-liability flows. "Certificates of deposit account for only 2.6% of overall bank deposits and do not materially increase the overall cost of deposits," he said.

Union Bank of India raised ₹24,060 crore, while Punjab National Bank mobilised ₹12,450 crore in the last fortnight of March, offering rates ranging between 6.9% and 7.5%, the data showed.

Banks paid higher rates for shorter-tenor CDs than for longer maturities.

Reddy said CD rates may ease from the March-end spike but are unlikely to soften meaningfully in FY27. "The underlying drivers — tight liquidity conditions, a persistent credit-deposit mismatch and pressure on deposit mobilisation — are structural rather than transient," he said.