

**MARCH QUARTER GROWTH** in deposits up 30-50% YoY albeit on a smaller base as they offer 300-500 bps more than larger peers

# Depositors Chase Higher Rates, Prefer SFBs Over Big Banks

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**Mumbai:** Several private banks are struggling to convince depositors to stay put, but a clutch of small-finance banks (SFB) have no such concerns to address.

In fact, they have seen their deposit base climb as high as 30% in the March quarter. Caveat emptor: They offer 300-500 bps more, but their comparative base was rather tiny compared to that for the big boys.

Fincare Small Finance Bank has seen deposits grow nearly 50% as compared to March 2019 and 13% over December 2019. In actual terms, Fincare clocked deposits worth ₹4,606 crore at the end of March 2020. The figure was at ₹4,076 crore at the end of December and ₹2,043 crore at the end of March 2019. And 77% of its deposits are retail.

"We have seen a good deposit growth despite the lockdown issue in March, and we have added a lot of online customers who have brought



in deposits," says Rajeev Yadav, CEO, Fincare Small Finance Bank. "This is more than enough to meet our lending and other liquidity requirements."

AU Small Finance Bank, too, increased its total deposits by 34% YoY and 9% over December, taking the total liabilities to ₹26,163 crore.

Growth in their deposit base is in sharp contrast with the shrinkage at IndusInd Bank and RBL. Both ha-

ve seen deposit outflows in the range of 8-10% in the month of March. IndusInd Bank's deposits grew a paltry 4% at the end of March to ₹2.02 lakh crore. RBL too lost 8% of its deposits in the March quarter as a few government entities and corporations moved out. Both these lenders have also seen significant erosions in their market values since last year.

SFBs also have an edge over public and private sector banks due to the high interest rates they offer. Fincare SFB offers 8% for a one-year deposit, Equitas SFB has kept the FD rate at 8.2%, while Jana SFB is offering 8.5%. All SFBs are offering 0.5% more to senior citizens on the one-year fixed deposits. A few SFBs, such as Equitas and Jana, have launched digital FD bookings to garner more customers.

By contrast, State Bank of India is offering 5.9% for one year, while HDFC Bank offers 6.15% and Kotak Mahindra Bank 5.75% for similar tenures.