



Banks go big on offers to attract customers as competition intensifies

Jinit Parmar December 20, 2022



Banks are dangling fee waivers and other offers to attract customers amid intense competition from rivals.

IDFC First Bank recently announced zero fees on savings accounts and waived fees on multiple banking services.

IDBI First said it would not charge fees for passbooks and checkbooks. It waived charges for the National Electronic Fund Transfer (NEFT) facility and 22 other banking services. In a statement, the bank said customers with an Average Monthly Balance (AMB) of Rs 10,000 and savings account holders with an AMB of Rs 25,000 will get these benefits.

Other banks like Federal Bank, HSBC and City Union Bank too announced discounts and offers. Federal Bank announced a minimum discount of 10 percent on purchases using its credit and debit card on select platforms. HSBC announced a 5 percent discount on credit card transactions. City Union Bank announced a 10 percent discount on its Mastercard debit card transactions.

Experts attribute the trend to intense competition in the market to get fresh deposits and boost credit growth. Mihir Gandhi, partner who oversees the payments and fintech practice at PricewaterhouseCoopers, said customers are constantly looking for the best rates for their deposits.

Growth in aggregate deposits, according to Reserve Bank of India (RBI) data, was 9.8 percent in September 2022. The growth rate had stayed in the range of 9.5-10.2 percent since June 2021.

Kotak Bank, in a report titled Economy: Who moved my deposits, said that if credit demand sustains and system liquidity shifts to a sustained neutral/deficit territory, banks will require higher “exogenous” (external) deposit accretion.

Sanjay Agarwal, Senior Director at CareEdge Ratings, said banks, in a bid to retain market share, were offering higher rates. Agarwal said the trend will likely continue in the near future.

A report by the India Brand Equity Foundation (IBEF) noted that the bank deposits rose from Rs 1.9 lakh crores in 2020 to Rs 2.2 lakh crores in 2022.

Deposit rates rise

Banks have recently increased interest rates on Fixed Deposits (FDs) and savings accounts to attract more customer deposits. Among major banks, State Bank of India (SBI), HDFC Bank and Kotak raised their FD interest rates. Small finance banks (SFBs) like AU, Jana and Equitas hiked interest rates, too.

SBI increased the interest rates on FDs by 0.50 percent across various tenors. HDFC Bank and Kotak Bank hiked the interest rates on FDs by 0.75 percent and 0.25 percent, respectively.

Among the SFBs, AU increased its interest rate on FDs by 0.25 percent; Jana and Equitas increased FD rates by 0.30 percent and 0.50 percent, respectively.

“Banks are working on these aggressive strategies to take deposit level to the pre-pandemic stage and to work on credit growth, which is slowly catching up to the pre-pandemic numbers,” Agarwal of CareEdge said.

According to Gandhi, banks have to maintain a balance between corporate and retail deposits and to do so, they will continue to offer high interest rates to retail customers for some months.