

The great Indian banking baraat: Megaphones, grand processions, music—all to lure the elusive depositor

Dinesh Unnikrishnan/January 20, 2023



At a first glance, it looks like a regular Indian wedding procession (baraat in Hindi), led by two men in colorful attires holding large, bright parasols.

A motley group follows the two accompanied by a small music band with different instruments crooning out old Bollywood numbers.

Try to spot the bridegroom on the horse, and you will be in for a big surprise. Instead of the groom, there is a group of bankers holding a cloth banner advertising a fixed deposit scheme of a bank that offered 7.5 per cent return to investors for 555 days.

Behind them is a long file of men and women, not less than 50 people, holding placards advertising FD schemes.

It turns out that the video of the whole procession, which has bemused social media for the last few days is a deposit-raising campaign of Indian Bank, one of the country's oldest PSU lenders. The video is said to be from one of the branches in West Bengal. Indian Bank did not respond to queries till the time of filing this story.

Bankers posing as baraatis is not the only instance of lenders hitting the streets in a desperate bid to garner deposits.

In October last year, Moneycontrol reported about another video that went viral on social media, purportedly showing employees of state-owned Canara Bank hitting the road to sell a special fixed deposit scheme.

In the footage, a group can be seen advertising Canara Bank's "666 days" FD scheme in what is believed to be a suburban Mumbai locality.

One of the men blares details of the plan using a megaphone while the other two go shop to shop distributing brochures. The 666 days FD scheme of Canara Bank provides a return of 7 percent per annum for general citizens, and 7.5 percent for senior citizens, for a deposit lower than Rs 2 crore.

This is not the first time bankers have resorted to such unusual tactics.

Years ago when the country's largest lender State Bank of India (SBI) launched the digital banking application YONO, it sent some of its junior employees to the streets to shout "YONO" so that people would know about it, recalled C H Venkatachalam, general secretary of All India Bank Employees Association. Later, the bank stopped the method of advertising following protests, Venkatachalam said.

Why are banks so desperate for funds?

The simple answer is there is huge liquidity tightness in the banking system. On the other hand, credit demand, at over 14 per cent, is far more than the growth in deposits, leading to a shortage of funds with banks to lend.

"If you see the RBI data, deposit growth is far lower than credit growth. That's why banks are scrambling for deposits. The resultant liquidity tightness is playing out," said Sanjay Agarwal, head of BFSI vertical at CARE Ratings, who sees deposit rates inching up even higher. "Even at 8 percent, it is barely touching the pre-COVID level. Rates will move higher," he said.

SBI banker and industry consultant Naresh Malhotra concurred.

"Consequent upon the uptick in the capital investment cycle, credit demand is robust. Hence, there is an increase in interest rates to mobilise deposits for fulfilling the credit needs of the economy," he said.

"The regulatory stance is also indicative of the tight money policy to check inflation. Both factors are contributing to the upward trajectory of deposit interest rates," Malhotra added.

SFBs give stiff competition

Then, there is competition from small finance banks (SFBs), which are offering higher rates to customers compared to bigger banks. On November 22, Ujjivan Small Finance Bank said it will pay an 8 percent interest rate on its 560-day deposits for regular customers and 8.75 percent for senior citizens.

The hike in rates is in line with the bank's retail strategy of building granular deposits and the evolving macroeconomic situation, Ittira Davis, Managing Director and Chief Executive Officer, Ujjivan SFB, said in a statement.

With this, Ujjivan ranks among SFBs offering the highest rates at this point.

Others are not far behind. Jana SFB, on November 15, said it will offer up to 8.5 percent interest rates on FDs to senior citizens. Also, under a scheme called Fixed Deposit Plus, it will offer 7.75-8.35 percent to regular depositors.

Similarly, Suryoday SFB recently said it will offer up to 8.26 percent on a tenure of 999 days. It's not just SFBs, even bigger lenders, including SBI, ICICI Bank and HDFC Bank, have hiked rates on deposits in recent weeks.

FD rates, which had fallen post 2014-15, are back to the 8-9 percent levels after a gap of six to seven years.

Are street campaigns okay?

Amid the dash for deposits, is hitting the streets and making a show by banks, which are known for serious business conduct, a good idea? Well, that's debatable. One view is that banks, like any other companies, are free to design their own way of public marketing campaigns. But there are others who don't agree with this.

"Banks are becoming too desperate to market their new products. But that shouldn't become cheap stunts like this. There are many other ways of reaching people," said Venkatachalam referring to the Indian Bank video.