

State Bank slashes FD rates

APT ALTERNATIVE Experts say investors can go for safe corporate bonds that carry higher rates

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MUMBAI: Your fixed deposits may now fetch lower interest.

The country's largest bank, the State Bank of India (SBI) on Wednesday set the tone for lower rates by slashing its fixed deposit (FD) rates by up to one percentage point, a move that other lenders may follow. The reduction is effective from September 7.

"The reduction in deposit rates will be bank-specific. Each bank will take a decision based on its liquidity situation," said Kajal Gandhi, banking analyst at ICICIdirect.com, the retail broking arm of ICICI Securities. "Banks with high current account and saving account ratios may cut their rates in near future."

Current and savings accounts cost less for the banks as they earn lower rates. Having more of these makes a bank less dependent on higher cost FDs.

Some banks however are adopting a wait and watch policy and expect RBI to cut policy rates before following suit. "We do not envisage a reduction in deposit rates now," said Abraham Chacko, executive director at the private sector Federal Bank. "We will await the monetary policy later this

YOUR EARNINGS

Annual interest rates on term deposits of major banks



Bank	3 years	5 years
SBI	8.50%	8.50%
ICICI Bank	9.25%	8.50%
HDFC Bank	9.25%	9.25%
PNB	8.75%	8.75%
Axis Bank	9.25%	8.50%
Bol	9.00%	9.00%
BoB	9.00%	9.00%
UBI	9.25%	9.00%
Canara Bank	9.00%	9.00%
Federal Bank	9.00%	9.00%

Figures for deposits less than 15L

month before any tactical decisions on term deposit rates are taken."

As an alternative to FDs, experts suggest that investors should opt for corporate bonds that enjoy the highest credit rating to ensure safety of their investment.

"In case of bonds, investors must look at safety aspect," said Vishal Dhawan, founder, Plan Ahead Wealth Advisors. "Usually lower rated bonds offer higher rate than lower rated bonds. Investors should not be lured by higher rates."