

Mohun Biswas, the protagonist of V S Naipaul's magnum opus, lives in a world of contradictions, searching independence.

Indian Banks since FY22, have been remarkably successful in transmitting the calibrated hike in policy rates to both borrowers as also lenders over the time curve ably supported by twin synchronous pillars; unconventional yet strategically woven fiscal and other policy supports, and slew of interwoven elastic measures initiated by the regulator aimed at fortifying the financial fiefdom. Clearly, India Inc. is enjoying the fruits of 'twin balance sheet advantage' to the core, the calm in domestic markets and the orderly movement of yields, sans panic, demonstrating the power of this tacit approach.

The robustness in banking architecture in India of late is revealed by bank credit growth that stood at 20.2% in 2024 (net Rs 27.6 lakh cr), continuing the momentum of FY23 (15%) and moving sizably up from FY22 (8.6%). In turn, deposit accretion picked up in the later part of the year growing by 13.5% in FY24 i.e. net Rs 24.3 lakh cr (though better than FY23 (9.6%) and FY22 (8.9%). Interestingly, the aggressive pitch by select banks to woo deposits, amidst fluctuating liquidity constraints, saw banking system raising the deposits rate in H2, despite RBI holding the rate since Feb 2023!

ASCBs have increased weighted average domestic term deposit rates (WADTDR) on outstanding deposits by 96 bps and weighted average term deposit rates on fresh deposits by 22 basis points while across banking groups, the pass-through to WADTDRs on fresh and outstanding deposit rates has been higher for Public Sector Banks / PSBs than Private Sector Banks / PVBs. PSBs have imbibed the competitive spirit in true sense, offering optimal rates to discerning depositors as they galvanize to meet the surging credit demands from economy. A palpable shift in depositors' behaviors has been the inclination to capitalize on interest rate differentials between core and term deposits, with the incremental share of TD increasing to 93% (estimated) and CASA share declining to 7% in FY24.

The increase in deposit rates, the higher interest rate differential for senior citizens and the special deposit schemes for senior citizens (for example WE-CARE by SBI) have all propelled a tectonic shift in deposits accretion for senior citizens ably supported also by Government initiatives on SCSS, Mahila Samman Savings Certificate and so on.

Through our research, we estimate there could be now close to 74 million senior citizens term deposits accounts in the country, with aggregate deposit to the tune of Rs 34 lakh crore. In fact, the share of Sr citizen term deposits (by no. of accounts) increased to ~30% now from ~15% earlier in term deposits kitty! Out of such 74 million odd accounts, almost 73 million accounts should be in the size bracket of up to Rs 15 lakh. By assuming interest on Sr citizen bank deposits being 7.5%, the interest earned would stand at Rs 2.7 lakh crores during the year.

Interestingly, these 74 million accounts is a significant jump from that in FY19, when we had estimated that there were around 41 million senior citizens term deposits accounts in the country with total deposit of Rs 14 lakh crores. So, in a short span of ~5 years, there has been an increase of 81% growth in number of accounts and 143% in amount in this cohort! The average balance in the accounts has grown handsomely by 38.7%, to Rs 4.6 lakh cr from earlier Rs 3.3 lakh cr.

In recognition of challenges faced by the senior citizen in sunset years with medical and other care needs growing exponentially as nuclearization of families gains velocity, GoI has deftly ensured superior interest offerings through specialized schemes like SCSS (8.2% RoI with ~1.62 lakh cr O/S) as also card rates of banks having 50-75 bps markup for this segment.

So, the total interest earned by Sr citizen works out to Rs 2.7 lakh crore; Rs 0.13 lakh crore from SCSS and ~Rs 2.57 lakh crore from Sr citizen's bank deposits. By assuming 10% (Average) tax paid by the Sr citizen harmonized across cohorts, the tax mop-up by GoI would come around Rs 27,106 crore. The Government has also raised the threshold of TDS on deposits for senior citizens to Rs 50,000 now, possibly working as an additional fillip for deposit mobilization for senior citizens.

Separately, APY, a path breaking Universal social security scheme initiated by GoI in 2015, along with PMSBY/PMJJBY and targeting the fringe and vulnerable groups mostly, is presently having ~5.46 crore subscribers with an AUM of Rs 34781 crore (Feb'24). The subscribers are slated to receive the fixed maximum pension of Rs 5000 per month (ranging from Rs 1000 to Rs 5000), at the age of 60 years, depending on their contributions, which itself would be based on the age of joining the APY.

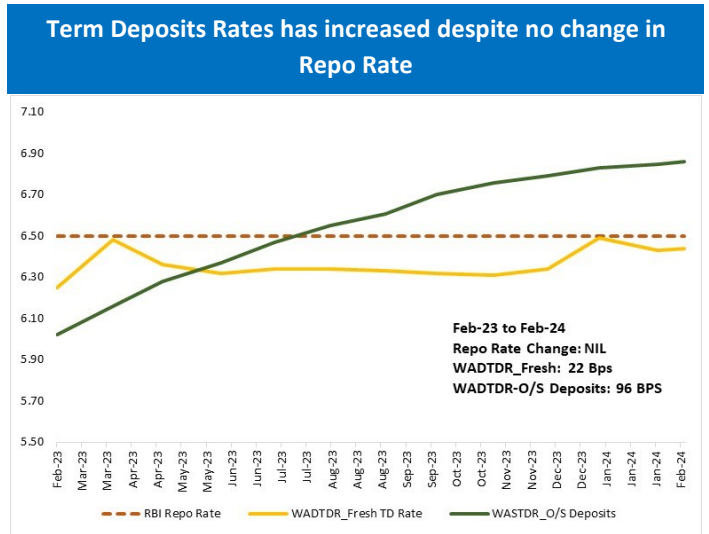
There is scope to increase the maximum pension amount to say Rs 10000 per month from the existing limit of Rs 5000 per month, for the benefit of senior citizen.

DEPOSITS GROWTH IN FY24: TERM DEPOSITS LEAD THE GAME

- ◆ With improving economic activities, in FY24, banking business has been robust in H2FY24. Bank credit grew by 20.2% in FY24 compared to 15.0% in FY23. While, aggregate deposits grew by 13.5%, compared to last year growth of 9.6%.
- ◆ With the rising demand for credit, amid tight liquidity conditions, banks have raised their deposits rate in H2, in order to raise fresh deposits, despite RBI holds the rate since Feb 2023. ASCBs has increased WADTDR_O/S deposits by 96 bps and WADTDR_Fresh deposits by 22 bps.
- ◆ **Across bank groups, the pass-through to WADTDRs on fresh and outstanding deposit rates was higher for PSBs than PVBs.**
- ◆ With the rise in deposits rate of Term deposits, the incremental share of TD has increased to 93% (estimated) and CASA share has declined to 7% in FY24.

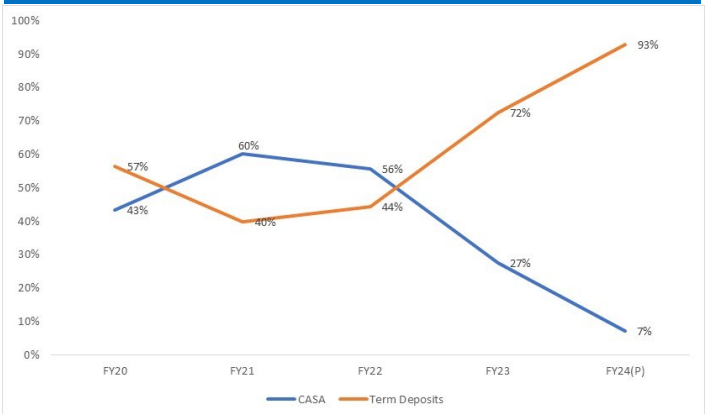
TERM DEPOSITS WITH SENIOR CITIZENS

- ◆ The increased in deposit rates, the higher interest rate differential for senior citizens and the special deposit schemes for senior citizens (for example WE-CARE by SBI) has propelled a tectonic shift in deposits accretion for citizens ably supported by also Government initiatives on SCSS, Mahila Samman Savings Certificate and so on.
- ◆ Since data for size wise term deposits of senior citizens is not available, we estimated the number of senior citizens term deposits accounts and amount. Our estimate suggests that there are around 74 million senior citizens term deposits accounts in the country with total deposit of Rs 34 lakh crores. Out of such 74 million accounts, almost 73 million accounts are in the size of up to Rs 15 lakh. By assuming 7.5% interest on Sr citizen bank deposits, RS 2.6 lakh crores interest earned.
- ◆ In 2018, we have estimated that there are around 41 million senior citizens term deposits accounts in the country with total deposit of Rs 14 lakh crores. So, in 6 years, there has been an increase of 81% growth in number of accounts and 150% in amounts.



Source: RBI, SBI Research

Incremental Deposits Composition: CASA vs Time Deposits (% Share)



Source: RBI, SBI Research

Senior Citizen Depositors has Increased			
	2023	2018	Growth %
Number of Accounts (in Million)	74	41	80.9
Amount (in Rs Billion)	34367	13724	150.4
Average Amount per Account (in Rs)	463472	334243	38.7

Estimated Senior Citizens Term Deposits: December 2023			
Size of Term Deposits	Number of Accounts (in Million)	Amount (in Rs Billion)	Average Amount per Account (in Rs)
Less than Rs.1 lakh	27	1057	39355
Rs.1 lakh & above but less than Rs.15 lakh	46	17191	369918
Rs.15 lakh & above but less than Rs.1 crore	3	8264	2723823
Rs.1 crore & above	0.1	2814	22621595
Total	74	34367	463472
Interest Earned@7.5%		2578	34760

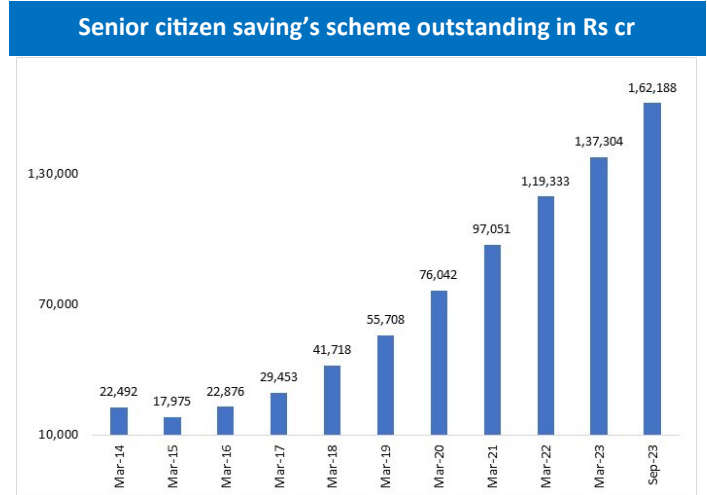
Source: RBI, SBI Research

SCHEMES TO ATTRACT SR CITIZEN DEPOSITS

- ◆ The Govt of India has been implementing various schemes to provide healthy, happy empowered dignified and self-reliant life to Sr citizens. To protect the Sr citizens income, Government has introduced Senior Citizen Savings Scheme (SCSS), which allows them to deposits up to Rs 30 lakh with a 5-year tenure, offering 8.2% interest rate, tax benefits, and secure investments.
- ◆ SCSS outstanding in H1 FY24 stands at Rs 1.62 Lakh Crore, an increase of Rs 1.44 lakh crore since FY14. This is around 89% of the total increase in SCSS.
- ◆ A part from these, banks are also offering 50 bps over the card rate for the public. Additionally, few banks like SBI & HDFC has introduced a special tenure of fixed deposit scheme, which provide higher interest rates of 75 bps to senior citizens compared to normal card rates.
- ◆ Further, “SBI Green Rupee Term Deposit”, which has been introduced to mobilise deposits to support financing green initiatives, Sr. Citizen can get additional 100 bps for retail deposits with a tenor of 2222 days.
- ◆ The total interest earned by Sr citizen is Rs 2.7 lakh crore, Rs 13,299 crore from SCSS and Rs 2.5 lakh crore from Sr citizen bank deposits. By assuming 10% (Average) tax pay by the Sr citizen, there would be around RS 27,106 crore of tax to Government from Sr citizens deposits.
- ◆ It will be fair if such amount is given full tax rebate as the revenue foregone by the Government will not have impact on Government fiscal deficit.

ATAL PENSION YOJANA (APY)

- ◆ One of the very useful schemes launched by Government of India is The Atal Pension Yojana (APY), which was launched on 9th May, 2015, with the objective of creating a universal social security system for all Indians, especially the poor, the under-privileged and the workers in the unorganized sector.
- ◆ The scheme become operational w.e.f. 1st June, 2015, and is being administered by PFRDA.
- ◆ Presently the scheme is having 5.46 crore subscribers with an AUM of Rs 34781 crore as of Feb’2024. The subscribers would receive the fixed maximum pension of Rs 5000 per month (ranging from Rs 1000 to Rs 5000), at the age of 60 years, depending on their contributions, which itself would be based on the age of joining the APY.
- ◆ There is scope to increase the maximum pension amount to say Rs 10000 per month from the existing limit of Rs 5000 per month, for the benefit of senior citizen.



Source: RBI, SBI Research

Fiscal Arithmetic (Rs crore)	
Total Interest earned by Sr Citizen	271056
Interest from SCSS	13299
Interest from Bank Deposits	257756
Assuming Avg. Tax@10%	27106
Impact on Fiscal Deficit (% GDP)	Marginal

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