

Window dressing: Banks raise Rs 2 lakh crore in 6 days

Commercial banks in the country raised a record Rs 2 lakh crore as deposits in the last six days of March, managing to achieve an annual growth of 17.4% and reaching the Reserve Bank's comfort zone. This is reckoned to be the largest window-dressing effort to shore up the deposit figures.

Banks raised a total of Rs 61.12 lakh crore as on March 30, up Rs 2 lakh crore since March 23. Banks succeeded in raising huge amounts in a short span as many large banks, including the country's largest, State Bank of India, raised deposit rates, particularly for shorter tenor products in the last few days, despite the Reserve Bank signalling rates may ease.

Besides, banks were also selling certificates of deposits, or CDs, at high rates. Rates on three-month CDs were around 10% in the last week of March.

Even though the rates were marginally lower than in the previous weeks, they were still reckoned to be high. Besides, banks have been raising rates and have also created special tenors like 91-day deposits and 100-day deposits, which offered 9% to 10%.

It is common for banks to go for an overdrive to raise deposits to shore up their balance sheets towards the last few days of a fiscal, but this time round the amount raised is higher than usual.

This is because deposits had slowed down in the second half of the fiscal. In fact, as on March 23, with just six days remaining for the fiscal to end, deposits growth stood at only 13.4%, compared to the central bank's comfort level of 17% for the year.

Bank loans rose by Rs 93,160 crore in the last six days of the previous fiscal to touch Rs 47 lakh crore as on March 30. The extent of window dressing has, however, been lower as banks were seeing credit pickup throughout the last quarter of FY'12.

(The Economic Times)