

CD issuances by banks hit all-time high in March



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RECORD ISSUANCE MAY IMPACT NET INTEREST MARGINS OF BANKS

Banks' CD issuances hit all-time high of ₹2.06 lakh cr in March

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Mumbai, March 30

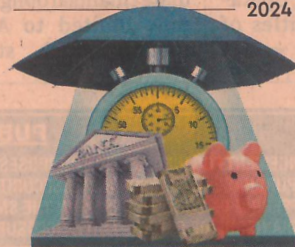
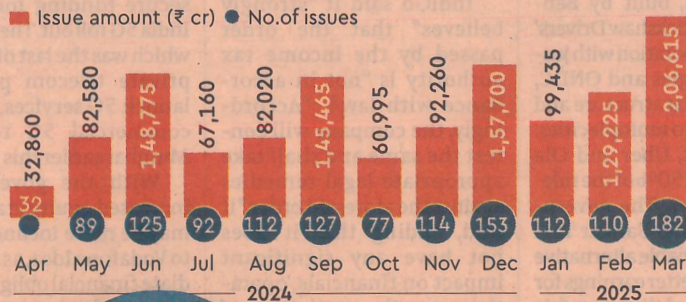
CERTIFICATE OF DEPOSIT ISSUANCE - FY25

THE ISSUANCE OF Certificates of Deposit (CDs) by banks surged to an all-time high in March as lenders jostled to raise funds amid tight liquidity. Banks raised ₹2.06 lakh crore through CDs during the month, 62% higher than the ₹1.27 lakh crore raised in the same period of the previous fiscal, according to data from Primedatabase. On an annual basis, CD issuances also hit a record high, with banks raising ₹13.05 lakh crore in FY2025 — nearly 37% more than the ₹9.57 lakh crore raised in the previous financial year.

A certificate of deposit is a short-term debt instrument used by banks to mobilise funds.

“CD issuances typically spike in March, but this year, tight liquidity added extra pressure on banks to raise funds. While deposit growth has picked up, it still lags behind credit growth, further intensifying the need for funding,” said Madhavankutty G, chief economist, Canara Bank. “Additionally, fund mobilisation tends to rise in March as banks strive to meet their annual business targets.”

Among the banks, Punjab National Bank raised the most funds as it issued CDs worth ₹2.16



Year	Issue amount (₹ cr)	No. of issues
2020-21	227	90,890
2021-22	428	2,87,475
2022-23	775	7,28,202
2023-24	969	9,56,984
2024-25	1,325	13,05,090

Source : primedatabase.com

lakh crore in the current financial year. Bank of Baroda raised ₹1.55 lakh crore via CDs, while HDFC Bank raised ₹1.46 lakh crore in the current financial year. Canara Bank and Union Bank of India raised ₹1.25 lakh crore and ₹96,125 crore, respectively, in the current financial year.

Bank deposits rose 10.2% year-

on-year (y-o-y) reaching ₹225.1 lakh crore as of March 07, 2025, while credit offtake reached ₹181.3 lakh crore, registering an 11.1% y-o-y increase, according to the RBI data.

Liquidity in the banking system remained in surplus until mid-December last year but started tightening in the final week of the month. The cash crunch deepened in January,

with the liquidity deficit surpassing ₹3 lakh crore — a 10-year high. The strain was driven by the Reserve Bank of India's (RBI) interventions to support the rupee, along with fund outflows related to advance tax payments and Goods and Services Tax (GST). To address the multi-year high deficit, the RBI implemented a series of measures, including forex swaps, open market operations (OMO), and variable rate repo (VRR) auctions, to inject both durable and short-term liquidity into the system. The liquidity deficit averaged around ₹1.50 lakh crore in March.

Record CD issuance is also likely to impact the net interest margins of the banks. Higher CD issuance leads to increase in funding cost as banks usually have to offer higher interest than deposits rates to raise funds via CDs. “While it is easy for banks to raise funds via CDs, it will have negative impact on their profitability,” said head of treasury of a private sector bank.

Experts say that going forward, CD issuances are likely to decline from the current levels as liquidity deficit is expected to ease. Also, credit demand usually cools in the April-June quarter compared to January-March quarter, which will ease pressure on banks to raise funds.