

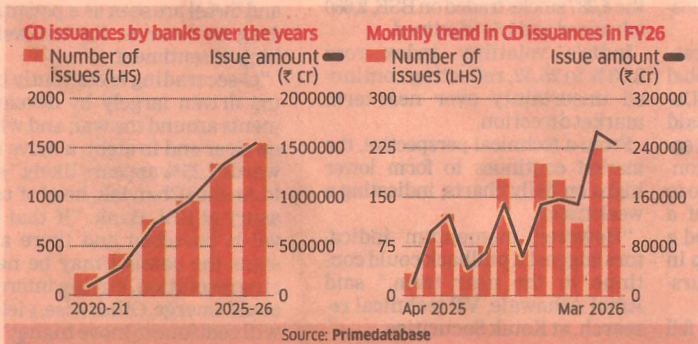
RECORD HIGH CD issuances rose 17% on year as banks flooded market with papers in Q4 to meet funding needs arising from credit growth

Lenders Bet Big on CDs amid Slow Deposit Growth in FY26

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ET Intelligence Group: Issuance of certificates of deposit (CD) by banks reached a record high of ₹15.5 lakh crore in FY26, up 17% year-on-year as lenders turned to market borrowings to fund credit growth amid slower deposit mobilisation. The CD funding increased in each of the years since FY21 when it was at ₹90,890 crore. Issuances jumped to ₹6.6 lakh crore in the March quarter compared with ₹4.5 lakh crore in the year-ago quarter, according to the data from Primedatabase. Bankers expect CD issuances to moderate in the June quarter as credit demand typically softens leading to lower incremental funding requirements.

“Banks flooded the CD market in the fourth quarter to meet funding needs arising from strong credit growth, weak deposit mobilisation, and tax related outflows,” Soumyajit Niyogi, director, core analytical group at India Ratings told ET. According to him, the March quarter



Source: Primedatabase

emerges as the peak period for CD issuances almost every year.

Deposit growth has been trailing credit growth, pushing lenders to look for alternative funding sources. Credit growth reached 14.5% in the December quarter before moderating to around 14% in February, according to RBI data. In contrast, deposit growth remained relatively subdued at 12.7% in the December quarter and eased to 11.9% in February.

CD is a money market instrument

issued by banks to meet their short-term funding requirement. In FY26, February emerged as the busiest month, with banks raising ₹2.7 lakh crore through CDs which was the highest issuance during the year.

While CDs provide banks a quick and flexible way to raise funds, they also push up the overall cost of funds. CD rates hardened to a range of 5.2%–7.8% during January–February, compared with 5.2%–6.8% in November–December.