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We are witnessing volatility in the markets coupled with increased FD interest rates

43 In the increasing interest rate regime are the fixed deposits better than small saving schemes?

I always recommend my customers, no matter whether they are risk-takers or risk-averse -- to opt for a fixed deposit simply because it not only protects the capital, but also offers assured returns. Fixed deposits offer the same safety and returns like small savings schemes, but provides superior liquidity options. Small savings schemes, due to their inherent nature, are better suited for long-term goals. Convenience to open for any tenure (ranging from a week to 10 years) and any amount are biggest positives of fixed deposits as compared to small savings. Moreover a fixed deposit can also be easily bought at the click of a button through a mobile phone or online. As a prudent asset allocation strategy, customer segments like senior citizens, homemakers, small business owners among others, where primary requirement is to protect their capital, should deploy sizeable chunk of their investments in fixed deposits. In fact, customers who do not track stock markets on a regular basis should also park a substantial amount of their savings in fixed deposits.

We are witnessing volatility in the equity markets coupled with increasing interest rates for fixed deposits over the last six months. Keeping this in view, fixed deposits can be a good hedging tool for risk taking customers.

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