

Introduction to Fixed Deposits

Understanding the Foundation of Safe Investments



Definition

A Fixed Deposit (FD) is a financial instrument where investors deposit a lump sum for a fixed tenure at a predetermined interest rate.



Safety and Reliability

FDs are considered one of the safest investment options with capital protection and predictable returns.



Purpose

Ideal for conservative investors seeking stable income and capital preservation.

How Fixed Deposits Work

Mechanism of Interest Accrual and Maturity



Principal Lock-In

A lump sum is deposited for a fixed period, typically ranging from 7 days to 10 years.



Interest Accrual

Interest can be compounded quarterly or paid out monthly/quarterly in non-cumulative options.



Maturity Payout

At maturity, the principal and accrued interest are returned unless auto-renewed.

Types of Fixed Deposits

Customizing FDs to Suit Investment Goals



Cumulative FDs

Interest is compounded and paid at maturity, ideal for wealth accumulation.



Non-Cumulative FDs

Interest is paid monthly or quarterly, suitable for regular income.



Tax-Saving FDs

Offer deductions under Section 80C with a mandatory 5-year lock-in.

Benefits of Fixed Deposits

Why FDs Remain a Preferred Investment Choice



Capital Safety

FDs provide guaranteed capital protection with minimal risk.



Predictable Returns

Fixed interest rates ensure assured earnings, independent of market conditions.



Liquidity Options

Premature withdrawal and loan against FD features enhance liquidity.

Risks and Limitations of Fixed Deposits

Understanding the Trade-Offs

- **Inflation Risk:** Real returns may be eroded if inflation outpaces the interest earned.
- **Low Comparative Returns:** FDs yield lower returns compared to equities or mutual funds.
- **Premature Withdrawal Penalty:** Early termination attracts penalties, reducing overall earnings.



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Interest Rates Across Banks and NBFCs

Comparative Overview as of June 2025

- **Top Public Sector Banks:** Offer FD rates between 6.00% and 7.25% annually for tenures above 1 year.
- **Leading Private Banks:** FD interest rates range from 6.50% to 7.75%, with senior citizen bonuses.
- **NBFCs and Small Finance Banks:** Provide rates up to 8.25%, often for promotional tenures and new customers.

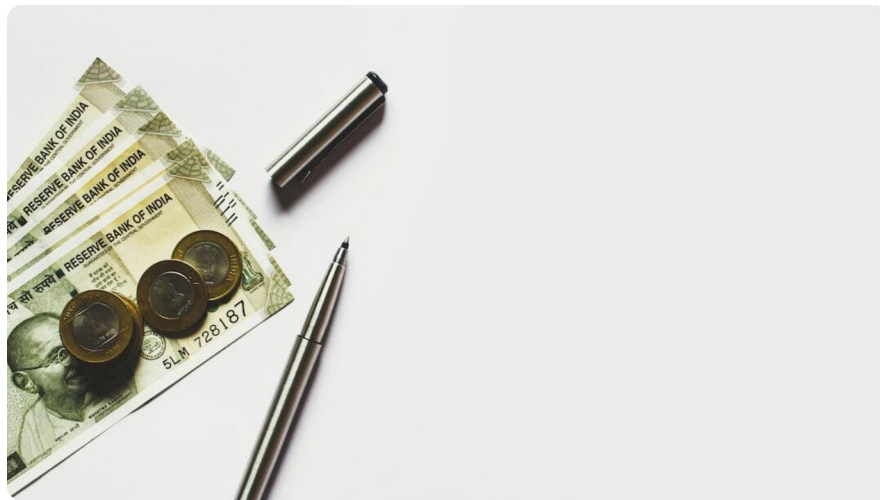


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