

Jio Bank plans to auto-invest idle balance in mutual funds

Abirami Sekar

abirami.s@livemint.com

MUMBAI

Jio Financial Services Ltd's payments bank arm will soon launch a product that automatically invests idle balances from savings accounts into overnight mutual funds (MFs), according to a top executive.

Deposits at Jio Payments Bank (JPB) and transaction processing volumes in its payments solutions business have seen significant growth, underlining the scale-up of these operations, MD and CEO Hitesh Sethia said at the company's annual general meeting on Thursday.

Overnight MFs are considered the safest scheme as they invest in short-term instruments like overnight repo and government securities with a one-day maturity. As per the JPB website, savings deposits currently earn 2.5% interest, while overnight MFs usually yield around the Reserve Bank of India's repo rate. The repo rate now stands at 5.5%.

Analysts said the launch of the new product, Savings Pro, could disrupt the banking sector by putting idle funds in savings accounts to more productive use. It was not clear which MFs the auto-invest feature would deploy customer balan-



Deposits at Jio Payments Bank and transaction processing volumes in its payments solutions business have seen major growth. REUTERS

ces into. "This is interesting. A large player is enabling a mechanism that can put funds idling in savings accounts to work at a higher rate," said Dhirendra Kumar, founder and CEO of Value Research.

"Overnight funds offer 2.5-3.0% above the savings account rate. Plus, there is daily compounding in overnight funds, which is not necessarily the case in savings accounts," said Suresh Darak, Bondbazaar founder and CEO.

Mint reported in June that large lenders like State Bank of India, HDFC Bank and ICICI Bank lowered their savings deposit rates to 2.50-2.75%, the lowest since RBI began collecting such data in FY01.

Some banks offer a sweep-in facility that automatically

parks surplus balances above a threshold in fixed deposits (FDs). To be sure, Jio Payments Bank is not the first to try this. ICICI Bank had in 2002 announced its 'Mutual Fund Sweep Account', for current account holders.

Vishal Dhawan, Plan Ahead Wealth Advisors founder, said, "With FDs, the issue is that they may be created for one purpose, but depositors often withdraw them for another. Since these withdrawals usually happen before the original tenure ends, the rates are lower and, in many cases, attract a penalty."

Jash Kriplani and Sashind Ningthoukhongjam have contributed to the story

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