

# With Mahindra Finance, it Pays to Go Online

Go to pay 25 bps higher interest for online FDs as it saves on costs that are being passed on to the depositor

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**Mumbai:** In a first of its kind, Mahindra Finance is paying investors 25 basis points extra interest for fixed deposits done online through their website, a move that's going to encourage more digital transactions.

For instance, a 20-month deposit done through its website pays 8.05% interest while an 18-month deposit done in the physical mode by writing a cheque fetches an interest of 7.75%. Similarly, a 40-month deposit done online fetches you 8.30%, while a 36-month deposit tenure deposit done offline earns 8.05%.

"In order to encourage a paperless and depositor-friendly process for investing in Mahindra Finance Fixed Deposits, we have started to of-

fer a slightly higher interest rate on our online deposits. The simplification of the process results in reduction in the cost of acquisition which is passed on to the depositor," said V Ravi, chief financial officer, Mahindra Finance.

Higher returns in an online fixed deposit are similar to direct plans in mutual funds. Launched in 2013, when you invest in direct plans you bypass a distributor and earn higher returns. Since no commissions are paid to anyone, the money saved is put to work for investments and subsequently investors earn higher returns than regular plans where commissions are paid to distributors.

In mutual funds, the regulator had mandated fund houses to offer a direct plan to investors. In fixed deposits, there is no regulatory require-



ment for a company to have differentiated coupon rate for direct investors vis-a-vis those coming through a distributor.

None of the other companies offering corporate deposits such as HDFC, STFC, Bajaj Finance, DHFL

offer such differentiated coupon rate. Banks, which offer fixed deposits, also do not offer differentiated rates for online and offline customers.

Distributors believe this move is unfair and would lead to loss of business for them as investors go digital to earn higher returns.

"Compared to a mutual fund where return is variable and an investor needs some advice on the asset class and fund house, a fixed deposit is a relatively simple product. If an investor has the option to receive higher coupon rate versus what is available through distributor, then it's an obvious choice for an investor to opt for it through the company portal," said Anup Bhaiya, CEO, Money Honey Financial Service, a Mumbai-based distributor.

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