

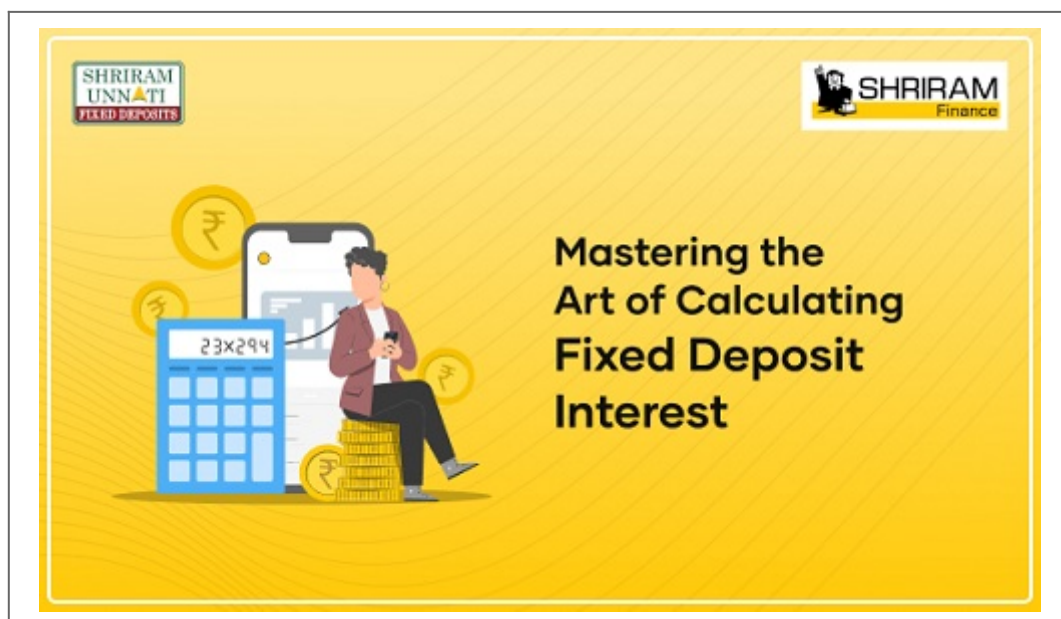
# Mastering the Art of Calculating Fixed Deposit Interest Rates

Category: Business

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[Fixed Deposits](#) (FDs) are a popular investment option for many due to their stability and predictable returns. Understanding how interest rates are calculated on FDs is crucial for making informed financial decisions.



Art of Calculating FD Interest

Shriram Finance, a leading name in the NBFC (Non-Banking Financial Company) sector, offers interest rates as high as 9.40%\* p.a. (inclusive of 0.50%\* p.a. for senior citizens and 0.10%\* p.a. for women depositors). This appealing interest rate coupled with the understanding of how the calculation of interest rates on FDs are done, can significantly help customers maximise the returns on their investment.

## **Types of Interest Calculations**

There are two primary methods used to [calculate interest on FDs](#):

### **▪ Simple Interest**

This method is straightforward and involves calculating interest on the principal amount for the entire tenure. The formula for simple interest is:

Simple Interest = (Principal Amount x Rate of Interest x Time Period) / 100

For example, if you invest Rs. 10,000 at an interest rate of 5% per annum for 2 years, the simple interest would be:

Simple Interest = (10,000 x 5 x 2) / 100 = Rs. 1,000

The total maturity amount would be Rs. 11,000 (Rs. 10,000 principal + Rs. 1,000 interest).

### **▪ Compound Interest**

Compound interest is a more powerful method where interest is calculated on both the principal amount and the accumulated interest from previous periods. This leads to higher returns over time. The formula for compound interest is:

Compound Interest =  $P(1 + r/n)^{(nt)} - P$

**Where:**

P = Principal amount

r = Annual interest rate (in decimal form)

n = Number of times interest is compounded per year

t = Time period in years

For instance, if you invest Rs. 10,000 at an interest rate of 5% per annum compounded annually for 2 years, the compound interest would be:

Compound Interest =  $10,000(1 + 0.05/1)^{(1*2)} - 10,000 = \text{Rs. } 1,025$

The total maturity amount would be Rs. 11,025 (Rs. 10,000 principal + Rs. 1,025 interest).

Shriram Finance uses compound interest for calculating interest on its fixed deposit (FD). This method allows interest to be calculated on both the initial principal and the accumulated interest from previous periods, enhancing the overall returns for investors.

**Conclusion**

By understanding the nuances of FD interest calculations and considering the factors that influence [interest rates](#), you can make informed decisions to maximise your returns on your investments. Shriram Finance uses the power of compounding to calculate interest rates on Shriram Unnati Fixed Deposit, allowing investors to benefit from enhanced returns and a significant corpus.

**About Shriram Finance**

[Shriram Finance](#) is a leading diversified financial services company in India, offering a wide range of financial products and services across consumer, wholesale, and business finance segments. The company has a strong presence pan India with a network of 3,196 branches and an employee strength of 79,405 with an AUM of Rs. 254,469 crores. With a focus on financial inclusion and customer-centricity, Shriram Finance continues

to empower individuals and [businesses](#) to achieve their financial goals.

## **Disclaimer**

With regards to deposit-taking activity of Shriram Finance Limited ('SFL'), viewers may refer to detailed information and T&C provided in our application form available at [www.shriramfinance.in/downloads](http://www.shriramfinance.in/downloads). The Company is having a valid Certificate of Registration dated 31st January 2023 issued by the Bank under section 45-IA of the RBI Act. However, the Reserve Bank of India does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.

