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Rise in retail loans, corporate borrowings ramp up bank credit growth: CARE report

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The rise in retail loans and a slight uptick in corporate borrowings pushed up the bank credit growth marginally during the fortnight ending December 18, though the deposit growth remained flat, CARE Ratings said in a report.

However, as compared to the year-ago period, the credit growth remained low, reflecting subdued demand and risk aversion in the banking system -- especially towards the corporate segment. The credit growth on a year-to-year basis worked out to be 7.1 per cent.

The bank credit growth during the reporting fortnight ending December 18, 2020, is being supported by disbursements under the Emergency Credit Line Guarantee Scheme (ECLGS), which has been extended further till March 31, 2020, as per the CARE report. "The bank credit growth increased marginally compared to last fortnight which can be ascribed to an increase in retail loans along with a marginal uptick in corporate loans," the report said.

Deposit growth remained flat at 11.3 per cent (as of December 18, 2020) compared to the previous fortnight and increased on a year-on-year basis (10.1 per cent as of December 20, 2019), it added. "Whereas, in value terms, the bank deposits have declined compared with previous fortnight (decreased by around Rs 1 lakh crore). This similar trend has been observed in the last few years wherein deposits (value) declined during the last fortnight of December," the report said.

Moreover, as on December 18, 2020, the liquidity surplus in the banking system stood at Rs 4.6 lakh crore. The liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently, CARE Ratings said. The report further said the credit to deposit (CD) ratio increased marginally over the preceding fortnight but remained low against March 2020 and last year's level, owing to slower growth in credit.

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