Credit Growth Of Banks Rose Marginally In Near Term: Report

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Deposits growth remained flat at 11.3 per cent, as of December 18, 2020

The credit growth of banks increased marginally compared to the last fortnight, amid an increase in retail loans along with a recorded marginal uptick in corporate loans. According to a recent research report released by CARE Ratings, the credit growth, however, remained low as compared to the corresponding period a year ago, reflecting a subdued demand and risk aversion in the banking system especially towards the corporate segment. Whereas, deposits growth remained flat at 11.3 per cent, as of December 18, 2020, as compared to the last fortnight. Deposits growth increased on a year-on-year basis, as it stood at 10.1 per cent as of December 20, 2019. However, in value terms, the bank deposits have declined as compared with the previous fortnight, specifically, declined by around Rs.1 lakh crore.

A similar trend was observed in the last few years wherein deposits (value) decreased during the last fortnight of December. Furthermore, as of December 18, 2020, the liquidity surplus in the banking system stood at Rs.4.6 lakh crores. The liquidity surplus can be ascribed to the deposit growth outpacing the credit growth persistently. (**Also Read**: Credit Growth Of Banks Remains Flat In Near Term)

However, government borrowings, including ₹ 50,000 crores from central government and Rs 20,785 crores from state governments, limited the banking system's liquidity surplus during the fortnight. The banking system liquidity is expected to remain in a surplus position supported by sustained growth in bank deposits as against a slower growth in the bank credit.

According to the report, the bank credit growth in the near term had also been supported by disbursements under the Emergency Credit Line Guarantee Scheme (ECLGS), which has been extended till March 31, 2021. Additionally, the Credit to Deposit (CD) ratio increased marginally as compared to the last fortnight, but remained lower, as compared to March 2020, due to slower growth in credit.