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Banking Interest Rates May Have Bottomed Out: CareEdge

Equity ▼

By Sunil Fernandes | Published: Wednesday, April 6, 2022, 12:47 [IST]

Banking interest rates seem to have bottomed out and the credit growth had been muted in the earlier part of the year due to the Covid-19 outbreak and balance sheet deleveraging by large corporates, CareEdge has said in its latest report.

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"As a part of policy support, the Reserve Bank of India (RBI) had reduced policy rates in the earlier part of the pandemic and consequently, interest rates in the banking system have generally trended lower. However, the interest rate transmission has been uneven with public sector banks (PSB) passing the rate cuts quicker than the private sector banks (PVBs). The credit offtake has improved recently as business activities are picking up and corporates are showing interest in re-leveraging. Credit growth has continued to be bolstered by Retail and Micro, Small and Medium Enterprises (MSME) segments. The rates (lending and deposit) have dipped, and the spread has been maintained. Further, with rising G-sec (government security) yields, the spread between G-sec and lending rates have narrowed," the ratings agency has said.

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The interest rates have generally trended lower when compared to February 2021 even as the bank rate has held steady.

"The decline in PSBs has been more than PVBs, and PVB rates continue to be significantly higher compared to the PSB rates. However, on mo-m basis, the diverging movement was witnessed as the SCB (scheduled commercial banks) rate held steady, PSB and FB (foreign banks) saw a reduction of 4 bps and 8 bps, respectively, and PVB witnessed an increase of 6 bps," CareEdge has said.

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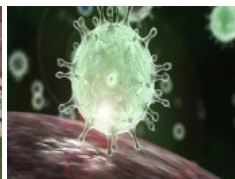
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