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Bank credit grows 3.2% in first nine months of FY21

Bank deposits rose 8.5% to Rs 147.27 lakh crore in the April-December 2020 period as against an increase of 5.1% a year ago.

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MUMBAI: **Bank credit** grew 3.2% to Rs 107.05 lakh crore in the first nine months of the current financial year, against a growth of 2.7 per cent registered in the corresponding period of 2019-20.

In the fortnight ended March 27, 2020, bank advances stood at Rs 103.72 lakh crore.

Bank deposits rose 8.5% to Rs 147.27 lakh crore in the April-December 2020 period as against an increase of 5.1% a year ago, according to the recent data released by the [Reserve Bank of](#)

India.

The sharp accretion in deposits during the year was due to the safe-haven appeal of banks.

In the fortnight ended January 1, 2021, the year-on-year growth in bank credit was 6.7% and 11.5% in deposits, the data showed.

CARE Ratings in its recent report had said the bank credit growth has returned to the levels observed in early months of the pandemic -- average bank credit growth in March and April 2020 was around 6.5%.

The bank credit growth in the fortnight ended January 1, 2021, increased compared to last fortnight (December 18, 2020) which can be ascribed to an increase in retail loans.

However, the credit growth remained marginally lower compared with the year-ago period (7.5% as of January 3, 2020) reflecting subdued demand and risk aversion in the banking system.

Lenders are being selective with their credit portfolios due to asset quality concerns, the rating agency said.

According to the recent [Financial Stability Report](#), under a baseline stress scenario, gross non-performing assets of all banks may rise to 13.5% by September 2021, which would be the highest in over 22 years, from 7.5% in September 2020.

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