

Bank credit grows 5.33%; deposits rise 10.94%

Synopsis

Care Ratings in a recent report said the bank credit growth rate continues to decline, however, in absolute terms bank credit (in the fortnight ended April 9, 2021) increased by Rs 5.5 lakh crore as compared to the fortnight ended April 10, 2020, but declined by Rs 0.62 lakh crore from the previous fortnight ended March 26, 2021.



The downside risks include lockdowns in key states, which may impact the industrial as well as the service segments.

Bank credit grew by 5.33 per cent to Rs 108.89 lakh crore, and deposits rose 10.94 per cent to Rs 152.15 lakh crore in the **fortnight** ended April 9, 2021. In the fortnight ended April 10, 2020, bank advances stood at Rs 103.38 lakh crore and deposits were Rs 137.15 lakh crore.

In 2020-21 fiscal, bank credit increased 5.56 per cent and deposits 11.4 per cent.

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"In absolute terms, bank credit usually declines in the first month of the new financial year, as it is a lean period (this trend can be observed for the last five years)," the rating agency said.

However, the year-on-year growth rate has fallen in the first month of the new financial year (i.e., April 2021) for the first time in five years, reflecting subdued credit demand amid the rising second wave of the pandemic, the report said.

The agency said bank credit growth is likely to increase in **FY22**, given the growth in the economy and the base effect coming into play.

The downside risks include lockdowns in key states, which may impact the industrial as well as the service segments.

Another risk is the end of the Emergency Credit Line Guarantee Scheme (ECLGS) in June 2021, which had propped up the **MSME** credit.

However, the extension of the Targeted Long Term Repo Operations (TLTROs) and on-lending norms could support growth, the agency said.

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