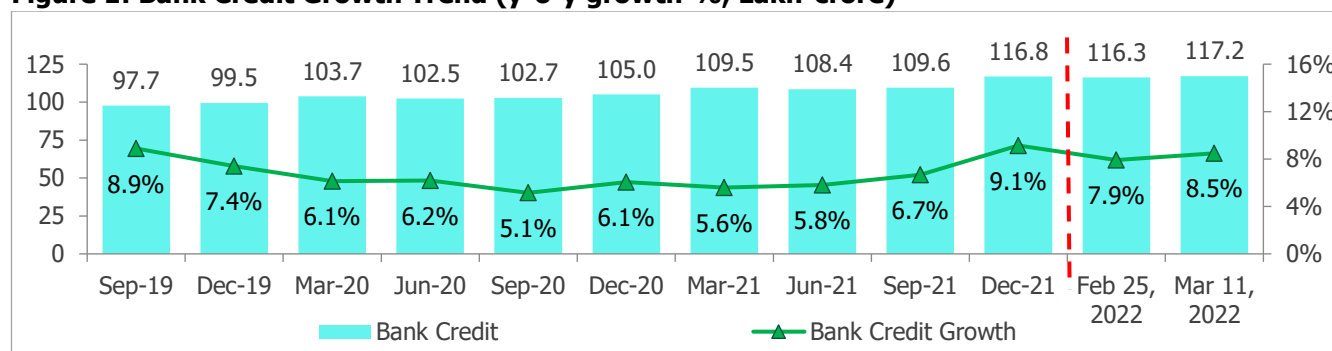


Update on Banking Credit and Deposits

April 02, 2022 | BFSI Research

Credit disbursement picks up, Deposit growth also inches up

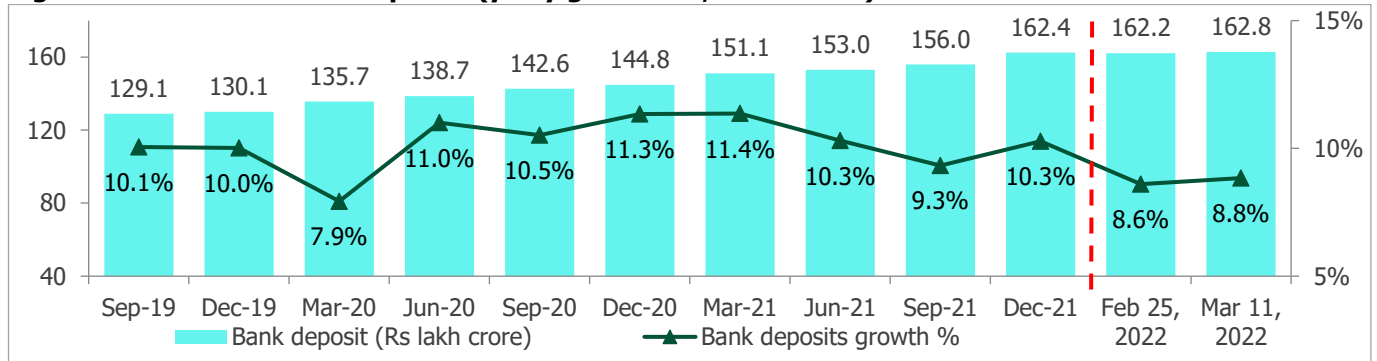
Figure 1: Bank Credit Growth Trend (y-o-y growth %, Lakh-crore)



Note: The quarter-end data reflect, the last fortnight data of that particular quarter; Source: RBI, CareEdge

- Bank credit rose by 8.5% year-on-year (y-o-y) and expanded by 201-bps y-o-y for the fortnight ended March 11, 2022, up from 6.5% in the year ago period (fortnight ending March 12, 2021) mainly driven by retail loans, and MSME loans due to support extended under ECLGS. Sequentially, credit growth improved by 0.6%. In absolute terms, credit outstanding stood at Rs.117.2 lakh crore as on March 11, 2022, expanding by Rs.9.2 lakh crore over the last twelve months.
- Credit offtake of 8.5% for the fortnight ended on March 11, 2022, seems slower than the 9.1% reported in December 2021, even the closing of financial year is just a couple of weeks away. However, the growth improvement is much better than the 6-7% growth range reported over the last two years. Retail credit has continued to be the key driver for total credit offtake. Further, corporate credit growth has also witnessed a pick-up due to large corporates raising funds from the banking system in place of the bond market due to banks offering more attractive rates. Additionally, working capital requirements have also risen due to higher inflation. With the Union Budget 2022-23 focusing on the expansion of capex and infrastructure, credit offtake could increase from industry.
- Credit outstanding of the retail segment rose by 12.3% y-o-y in February 2022 due to growth in other personal loans, housing, and vehicle loans driven by low interest rates and higher discounts. Moreover, credit outstanding of the industry segment registered a growth of 6.5% y-o-y in February 2022 from a marginal growth of 1.0% in a year ago mainly on account of robust growth in the micro and small (19.9%), and medium (71.4%) enterprises segment driven by ECLGS and reclassification.
- After witnessing modest credit growth in recent years, outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capex (specially, capex for renewables and production linked incentive (PLI) schemes), extended ECLGS support, and retail credit push. The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. CPI too is trending up which is likely to add for the credit growth. The Retail loan segment is expected to do well as compared with industry and service segments. Ongoing Russia and Ukraine war is likely to have a limited impact for the credit growth in India due to substantial liquidity available in the market. The third wave of Covid-19 (omicron) was not as severe as the first two waves. However, subsequent variants if severe could lead to lockdowns and cause a slowdown in economy.

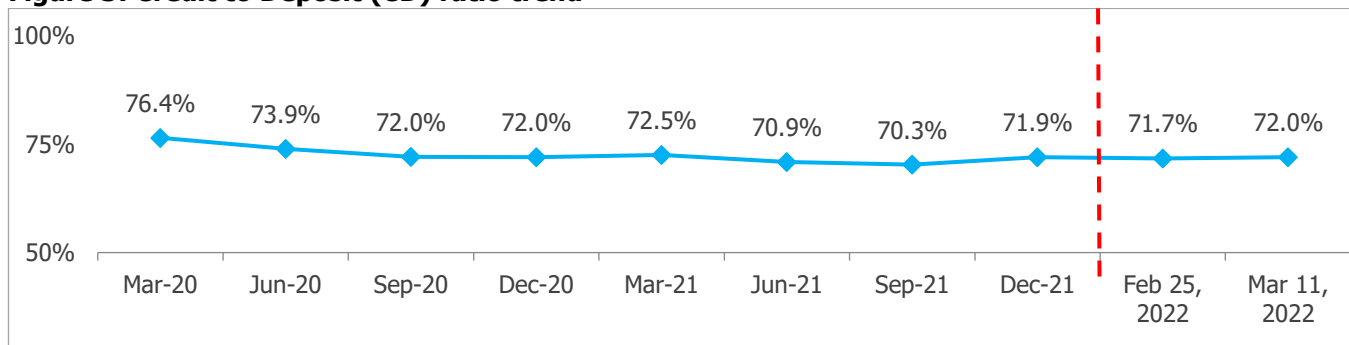
Figure 2: Growth of Bank Deposits (y-o-y growth %, Lakh Crore)



Note: The quarter-end data reflect, the last fortnight data of that particular quarter; Source: RBI, CareEdge.

- Deposits stood at Rs.162.8 lakh crore for the fortnight ended March 11, 2022, registering a stable growth of 8.8% y-o-y. Meanwhile, in absolute terms, the bank deposits have increased by Rs.13.2 lakh crore over the last twelve months and by Rs.0.60 lakh crore from the previous fortnight (reported date February 25, 2022). Time deposits grew by 8.4%, while demand deposit grew by 12.3% when compared with the previous year (reported date March 12, 2021).
- The banking system has been sustaining a liquidity surplus since June 2019 on account of higher growth in bank deposits versus the credit disbursement. RBI’s liquidity infusion measures via open market operations (OMO) have further contributed to the liquidity surplus in the banking system. So far in March 2022, the average outstanding (net) liquidity surplus has trended at Rs 7.24 lakh crore, higher than the surplus of Rs 7.02 lakh crore in February 2022.
- The Credit to Deposit (CD) ratio stood at 72.0%, expanding by 29-bps from the previous fortnight (reported date - February 25, 2022) However, contracting by 30-bps from fortnight (reported date - March 12, 2021) given that credit offtake has consistently been lower than deposit buildup, however the trend seems to be moving upward which is encouraging.
- If we assume credit investments to be at Rs.8.7 lakh crore (as on January 28, 2022, as per latest data released by RBI), for the fortnight ended March 11, 2022, then the CD ratio would be around 77.3% marginally higher than 77.1% from the previous fortnight (reported date - February 25, 2022) and 78% from fortnight ended on March 12, 2021. Considering the net addition in credit outstanding and investments over the last 12 months to be at Rs.9.3 lakh crore over additions in deposits (Rs.13.2 lakh crore), the proportion would have been at around 70.2% which is higher than 69.9.0% from the previous fortnight (ended on February 25, 2022).

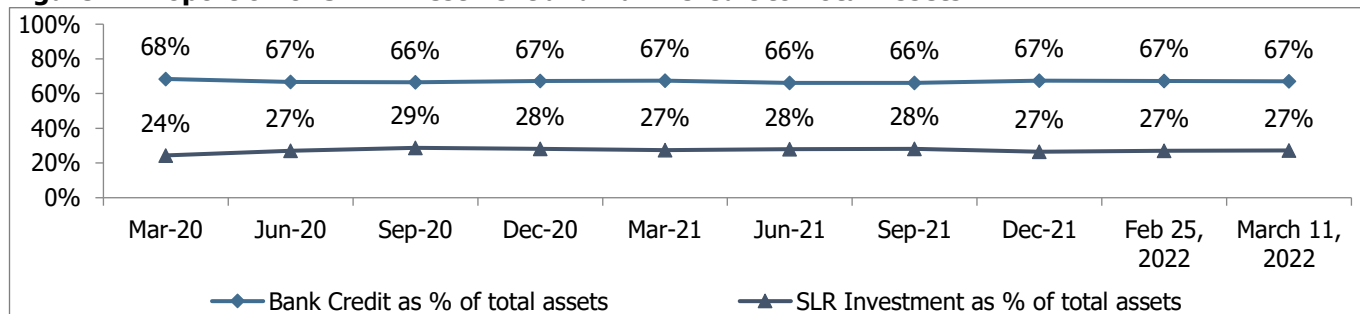
Figure 3: Credit to Deposit (CD) ratio trend



Note: The quarter-end data reflect the last fortnight data of that quarter; Source: RBI, CARE Ratings Ltd.

Proportion of SLR investments to total assets increases by 19-bps, while bank credit to total assets contracted by 16-bps

Figure 4: Proportion of SLR Investment and Bank Credit to Total Assets



Note: The quarter-end data reflect the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CARE Ratings Ltd.

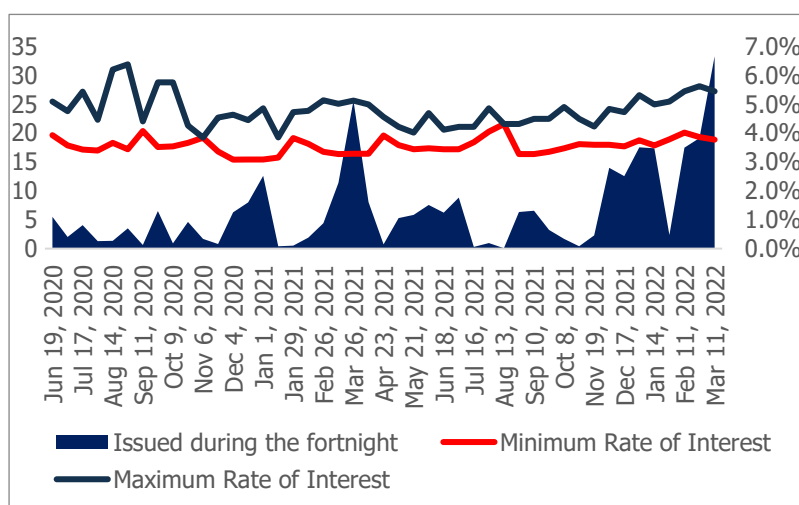
- The share of bank credit to total assets stood at 67.1%, contracting by 16-bps in the fortnight ended March 11, 2022, as compared with the previous fortnight (reported date -February 25, 2022), and was marginally down by 13-bps on y-o-y basis.
- Considering credit investments to be at Rs.8.7 lakh crore (as on January 28, 2022, as per latest data released by RBI), bank credit (including credit investments) to total assets would have been around 72.1% for the fortnight ended March 11, 2022, which is lower than 72.7% from fortnight ended February 25, 2022, and 72.6% from fortnight ended on March 12, 2021.
- Proportion of SLR investment to total assets expanded by 19-bps in fortnight ended March 11, 2022, compared to the previous fortnight (ended on February 25, 2022). SLR investments stood at Rs.47.5 lakh crore as of March 11, 2022, reporting a 5.2% y-o-y growth and 1.7% from immediate fortnight ended on Feb 25, 2022.

O/s CDs report significant rise while O/s CPs marginally declines

Figure 5: CD Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 27, 2020	173.0	-36.5%
Sep 25, 2020	75.6	-59.8%
Mar 26, 2021	80.1	-53.7%
Sep 10, 2021	67.1	-23.4%
Sep 24, 2021	60.2	-20.3%
Oct 08, 2021	59.2	-20.9%
Nov 19, 2021	55.6	-17.9%
Dec 03, 2021	63.4	-8.7%
Dec 31, 2021	84.7	13%
Feb 11, 2022	112.6	93.4%
Feb 25, 2022	127.6	125.5%
Mar 11, 2022	154.4	168.9%

Figure 6: Trend in CD issuances (Rs'000, Cr) and RoI

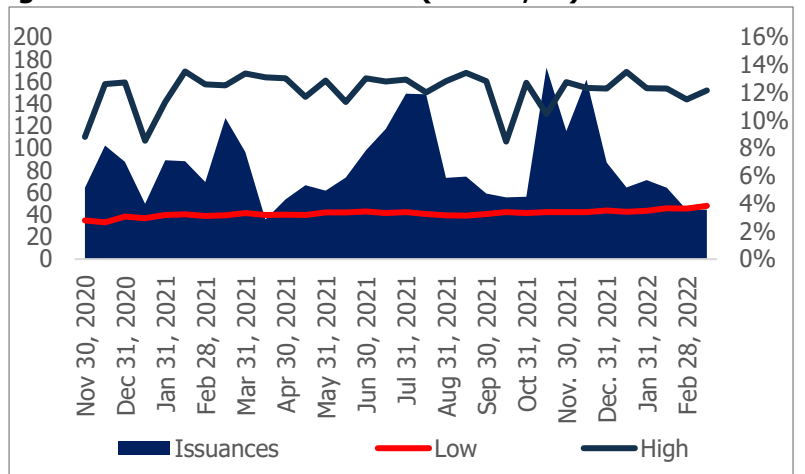


Note: The quarter-end data reflecting the last fortnight data of that particular quarter; Source: RBI

Figure 7: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 31, 2019	483.1	11.5%
Sep 30, 2019	459.7	-22.7%
Mar 31, 2020	344.5	-39.9%
Sep. 30, 2020	362.3	-25.5%
Mar 31, 2021	364.4	5.8%
Jun 30, 2021	376.1	-3.9%
Sep. 30, 2021	371.0	2.4%
Nov. 30, 2021	388.4	-0.6%
Dec. 31, 2021	350.1	-4.1%
Feb 28, 2022	364.6	-6.7%
Mar 15, 2022	369.1	-8.8%

Figure 8: Trend in CP issuances (Rs'000, Cr) and RoI



Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

Select RBI Announcements

Announcement	Details
RBI issued multiple Master Circulars to consolidate earlier circulars/guidelines	<p>RBI released multiple master circulars to consolidated earlier circulars/ guidelines. Some of these consolidated Master Circulars include:</p> <ul style="list-style-type: none"> Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances Bank Finance to Non-Banking Financial Companies (NBFCs) Basel III Capital Regulations Guarantees and Co-acceptances Asset Reconstruction Companies Investments by Primary (Urban) Co-operative Banks Conduct of Government Business by Agency Banks - Payment of Agency Commission Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 - Amendment

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