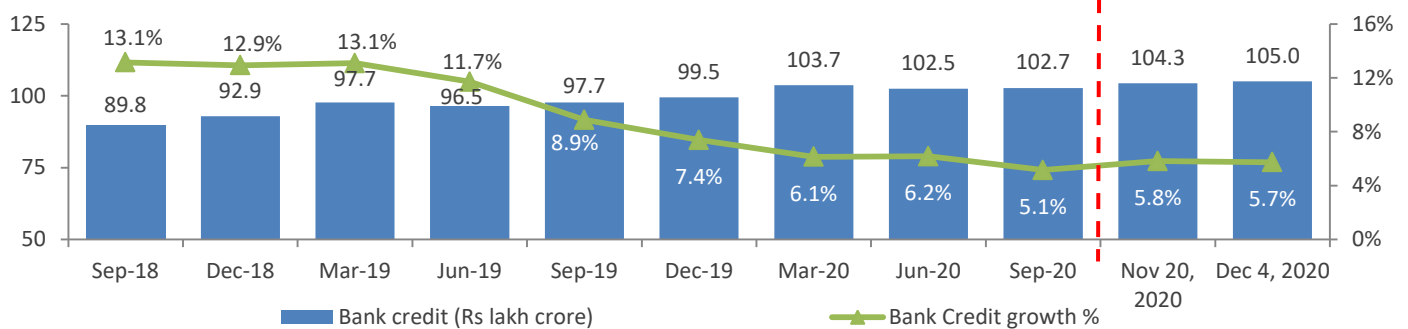


# Update – Growth in Deposits and Credit

## Credit growth remains flat while deposit growth increased over last fortnight

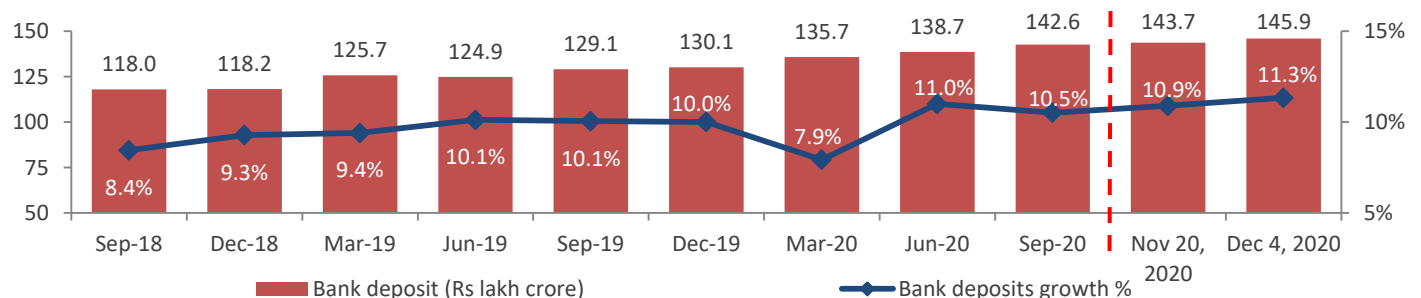
**Figure 1: Growth of Bank Credit (y-o-y growth %)**



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The bank credit growth decelerated to 5.8% and 5.7% during the last two fortnights, compared to last year's level of 8.0% and 7.9%, respectively (as of November 22, 2019 and December 06, 2019) reflecting subdued demand (compared to a year-ago period) and risk aversion in the banking system especially towards the corporate segment. The bank credit continued to record flat growth again in fortnight ended December 04, 2020 owing to subdued credit offtake. Also, given the asset quality concerns, banks have been being very selective with their credit portfolios. However, the overall bank credit growth has been backstopped by disbursements under ECLGS scheme (the scheme has been extended further till March 31, 2021).

**Figure 2: Growth of Bank Deposits (y-o-y growth %)**



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- Deposits increased by 11.3% (as of December 04, 2020) vs. 10.3% in the year ago period (December 06, 2019) and 10.9% as compared with the previous fortnight (November 20, 2020). Moreover, as on December 04, 2020 the liquidity surplus in the banking system stood at Rs.5.8 lakh crores. The liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently.
- However, government borrowings (Central: Rs 72,000 crores and States: Rs 31,358 crores) limited the banking system liquidity surplus during the fortnight. Additionally, the banking system liquidity is expected to remain in a surplus position aided by sustained growth in bank deposits as against slower growth in the bank credit.

- As given in Figure 3, time deposits account for 89.0% of aggregate deposits (89.5% share as on December 06, 2019) grew at a slower pace compared to demand deposits which account for the balance 11.0% (10.5% share as on December 06, 2019).

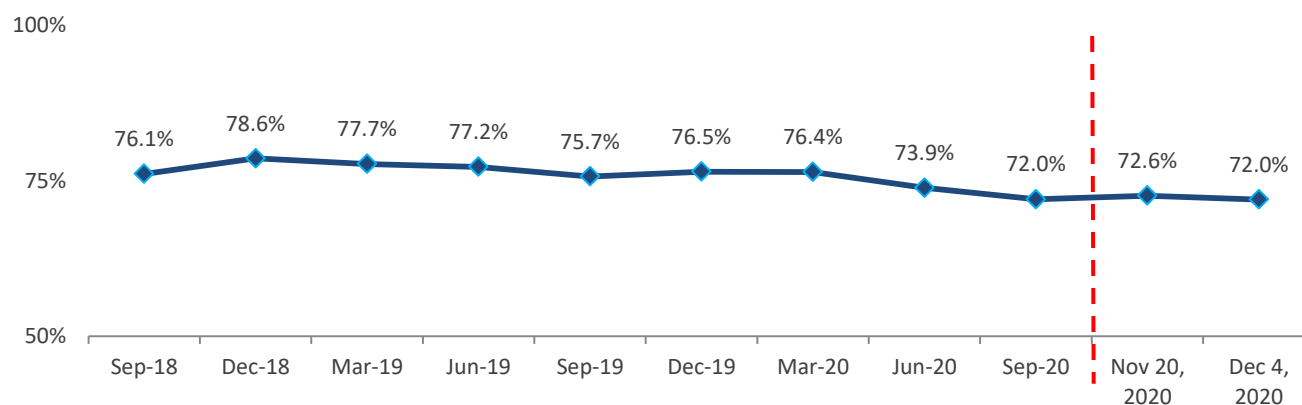
**Figure 3: Demand Deposits and Time Deposits growth trend**

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Nov 20, 2020	Dec 4, 2020
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.1	16.0
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	13.5%	16.0%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	128.6	129.9
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.6%	10.8%

Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The Credit to Deposit (CD) ratio has largely stood at a similar level during the last two fortnights ended November 20, 2020 and December 04, 2020 (75.8% in the year-ago period) due to slower growth in credit. On the other hand, if we assume credit investments (includes regular credit investments and investments due to TLTROs, PCGS, etc.) to be at Rs.8.3 lakh crores for the fortnight ended December 04, 2020 (At October 2020 level as per latest data released by RBI) then the CD ratio would have been ~78%. On the other hand, if we assume the CD ratio to be constant at 76.0% (which was last observed in Mar-20) for the fortnight ended December 04, 2020, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5.8 lakh crores.

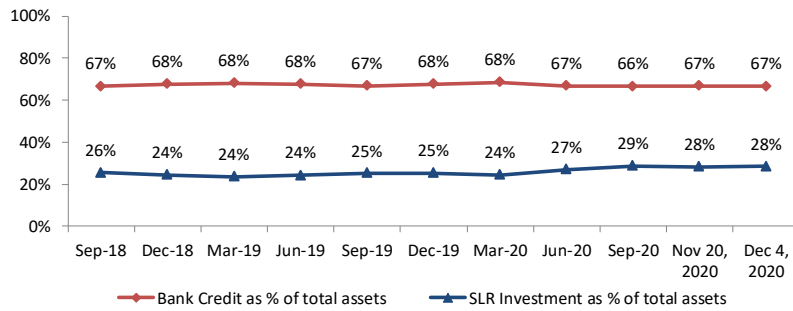
**Figure 4: Credit to Deposit (CD) ratio trend**



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

## Proportion of SLR investment and bank credit to total assets remained stable

**Figure 5: Proportion of SLR Investment and Bank Credit to Total Assets**



Note: The quarter end data reflects 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

- The share of bank credit to total assets declined in Sept-20 to 66% and then moved up by 1% in the fortnight ended November 20, 2020; and continued to be at same level in the last fortnight ended December 04, 2020.
- Considering credit investment to be at ~Rs.8.3 lakh crore (October 2020 level), the bank credit to total assets (including credit investments) would be ~72% for the fortnight ended December 04, 2020.
- Proportion of SLR investment to total assets has increased from Mar-20 and stood at 28% for the fortnight ended December 04, 2020. The SLR investments grew at 19.4% YoY compared with 8.9% in the previous year due to banks increased preference for government securities and as RBI has allowed banks to hold fresh acquisitions of SLR investments under HTM.

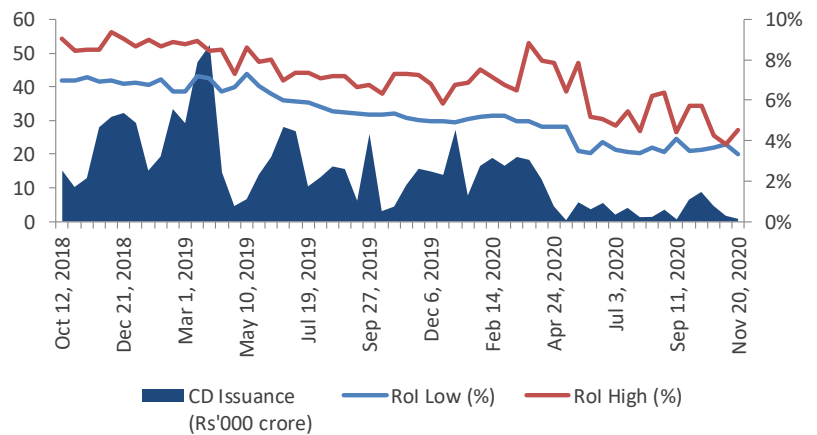
## O/s Level of CDs and CPs decreased over last fortnight

**Figure 6: Certificates of Deposit Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 22, 2018	174.5	57.0%
Sep 28, 2018	151.0	31.9%
Dec 21, 2018	180.7	42.3%
Mar 29, 2019	272.3	46.6%
Jun 21, 2019	215.9	23.8%
Sep 27, 2019	188.1	24.6%
Dec 20, 2019	160.7	-11.1%
Mar 27, 2020	173.0	-36.5%
Jun 19, 2020	121.5	-43.8%
Sep 25, 2020	75.6	-59.8%
Nov 06, 2020	76.3	-55.5%
Nov 20, 2020	67.7	-60.6%

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

**Figure 7: Trend in CD issuances and rate of interest (RoI)**

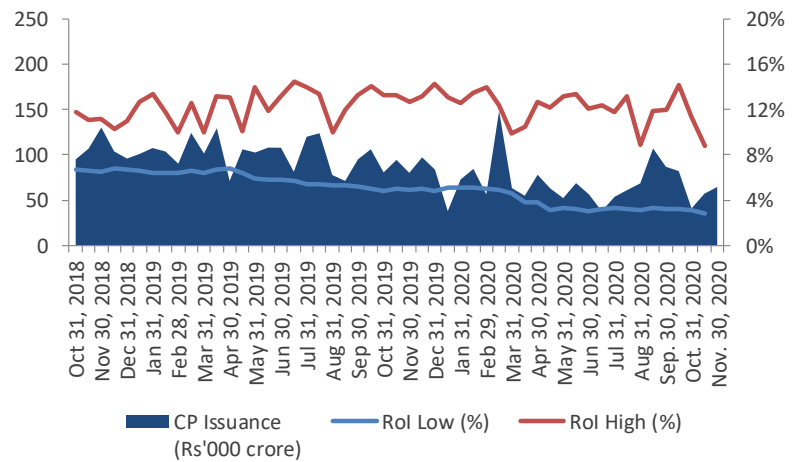


**Figure 8: Commercial Paper Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 30, 2018	491.8	49.3%
Sep 30, 2018	556.2	41.4%
Dec 31, 2018	498.7	21.9%
Mar 31, 2019	483.1	29.7%
Jun 30, 2019	503.9	2.5%
Sep 30, 2019	459.7	-17.3%
Dec 31, 2019	414.9	-16.8%
Mar 31, 2020	344.5	-28.7%
Jun 30, 2020	391.5	-22.3%
Sep. 30, 2020	362.3	-21.2%
Nov 15, 2020	389.4	-15.8%
Nov. 30, 2020	373.1	-19.2%

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

**Figure 9: Trend in CP issuances and rate of interest (RoI)**



## Select RBI Announcements

Announcement	Details
<b>Draft circular for declaration of dividend by NBFCs</b>	<ul style="list-style-type: none"> <li>RBI has proposed that NBFCs should have at least 15% CRAR for the last 3 years, including the accounting year for which it proposes to declare a dividend.</li> <li>It has also suggested that NBFCs should have leverage ratio of less than seven for the last three years, including the accounting year for which it proposes to declare a dividend.</li> <li>Further, it has proposed that the Core Investment Company (CIC) should have Adjusted Net Worth (ANW) of at least 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items for last 3 years, including the accounting year for which it proposes to declare dividend.</li> </ul>
<b>Opening of Current Accounts by Banks</b>	<ul style="list-style-type: none"> <li>The excluded cases include accounts for real estate projects mandated under Section 4 (2) I (D) of the Real Estate (Regulation and Development) Act, 2016, for the purpose of maintaining 70% of advance payments collected from the home buyers, nodal or escrow accounts of payment aggregators or prepaid payment instrument issuers for specific activities as permitted by RBI under the Payment and Settlement Systems Act, 2007, accounts for settlement of dues related to debit card, ATM card, and credit card issuers or acquirers.</li> </ul>
<b>On Tap Targeted Long-Term Repo Operations – Extension of Specific Sectors</b>	<ul style="list-style-type: none"> <li>RBI notified that it has decided to cover 26 stressed sectors under the targeted long-term repo operations (TLTRO) scheme. The scheme has now been extended to 26 stressed industries, in addition to the five sectors announced earlier, recognized by the KV Kamath-led committee for loan relief.</li> <li>The stipulation under ECLGS 2.0 that only entities with outstanding between Rs 50 crore and Rs 500 crore shall be eligible for the credit guarantee shall, however, not apply to funds availed under On Tap TLTRO.</li> </ul>

Source: RBI

**Contact:**

**Sanjay Agarwal**  
Senior Director  
[sanjay.agarwal@careratings.com](mailto:sanjay.agarwal@careratings.com)  
+91-22- 6754 3582  
Mob No: +91- 810 800 7676

**Saurabh Bhalerao**  
Associate Director – BFSI Research  
[saurabh.bhalerao@careratings.com](mailto:saurabh.bhalerao@careratings.com)  
+91-22-6754 3519  
Mob No: +91- 900 495 2514

**Shobhna Kanojia**  
Deputy Manager – BFSI Research  
[shobhna.kanojia@careratings.com](mailto:shobhna.kanojia@careratings.com)  
+91-22-6754 3631  
Mob No: +91- 816 945 9228

**Mradul Mishra (Media Contact)**  
[mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)  
91-22-6754 3573

**CORPORATE OFFICE:**

**CARE Ratings Ltd.**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road,  
Off Eastern Express Highway, Sion (East), Mumbai - 400 022.  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

[www.careratings.com](http://www.careratings.com)

Follow us on



[/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)



[/company/CARE Ratings](https://www.youtube.com/channel/UC...)

**Disclaimer:** This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report.