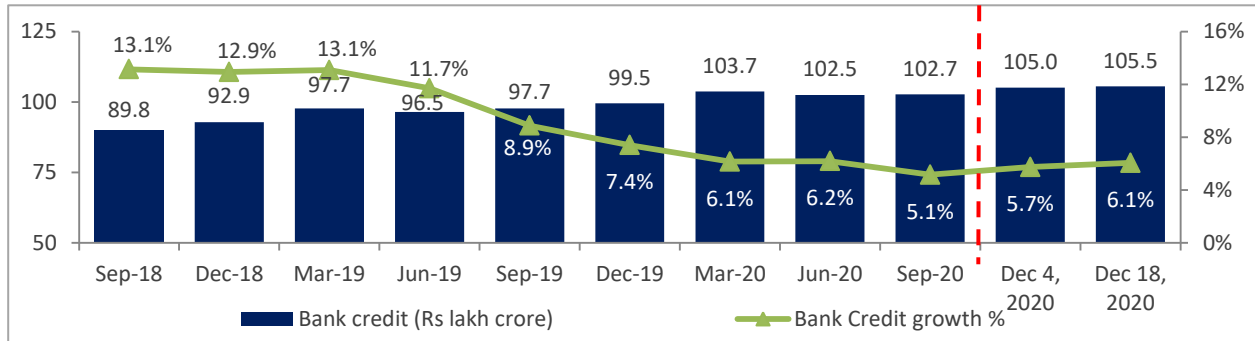


Deposits growth remained flat while credit growth rose marginally over last fortnight

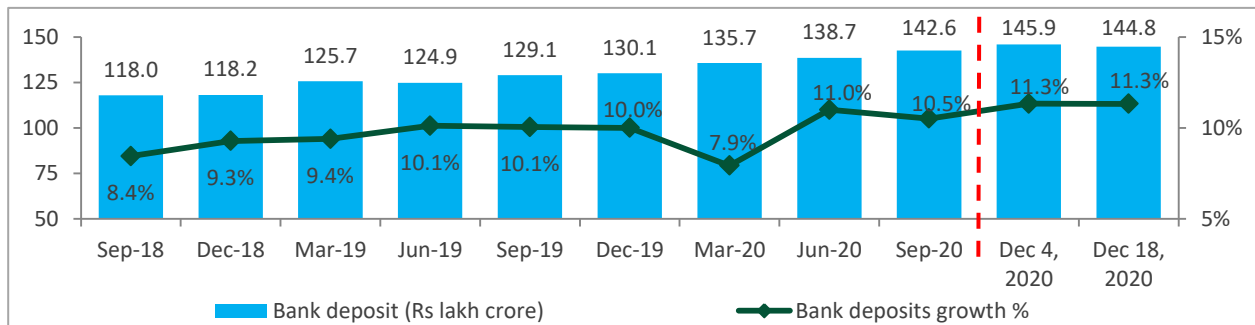
Figure 1: Growth of Bank Credit (y-o-y growth %)



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

- The bank credit growth increased marginally compared to last fortnight which can be ascribed to an increase in retail loans along with a marginal uptick in corporate loans. However, the credit growth remained low compared with year-ago period (7.1% as of December 20, 2019) reflecting subdued demand and risk aversion in the banking system especially towards the corporate segment. Additionally, the bank credit growth has also been supported by disbursements under the ECLGS scheme which has been extended further till March 31, 2021. However, SCBs are being very selective with their credit portfolios due to asset quality concerns.

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 growth remained flat at 11.3% (as of December 18, 2020) compared to last fortnight and increased on y-o-y basis (10.1% as of December 20, 2019). Whereas, in value terms the bank deposits have declined compared with previous fortnight (decreased by around Rs.1 lakh crore). This similar trend has been observed in the last few years wherein deposits (value) declined during last fortnight of December. Moreover, as on December 18, 2020 the liquidity surplus in the banking system stood at Rs.4.6 lakh crores. The liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently.
- However, government borrowings (Central: Rs 50,000 crores and States: Rs 20,785 crores) limited the banking system liquidity surplus during the fortnight. However, 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 89.2% of aggregate deposits (89.6% share as on December 20, 2019) grew at a slower pace compared to demand deposits which account for the balance 10.8% (10.4% share as on December 20, 2019).

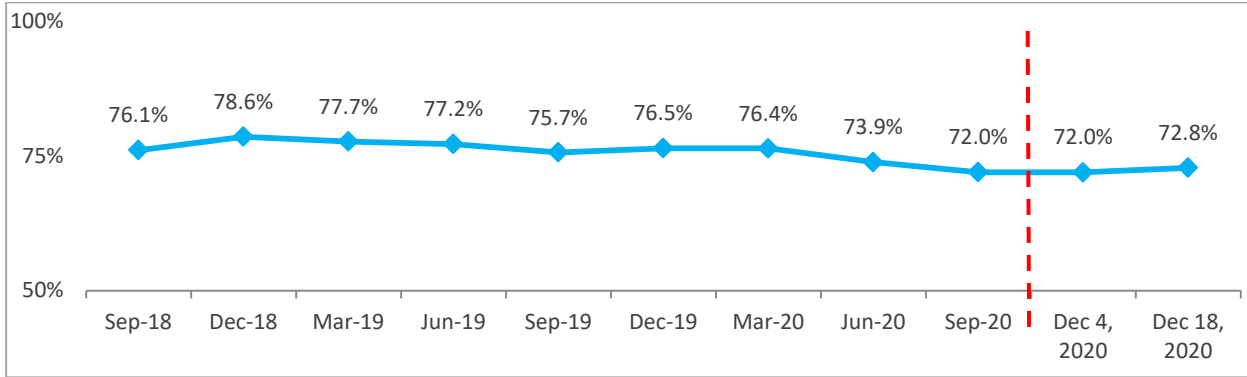
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec 4, 2020	Dec 18, 2020
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	16.0	15.7
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	16.0%	15.7%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.9	129.2
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.8%	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 increased marginally compared to last fortnight, but remained low compared to March 2020 as well as last year’s level; owing 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 18, 2020 (At October 2020 level as per latest data released by RBI) then the CD ratio would have ranged between 78% to 79%. 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 18, 2020, the incremental lending (considering only bank credit) would have been higher by approximately Rs.4.5 to Rs.5 lakh crores.

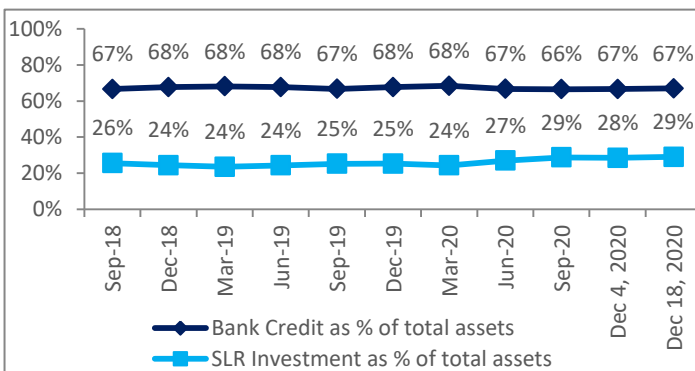
Figure 4: Credit to Deposit (CD) ratio trend



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

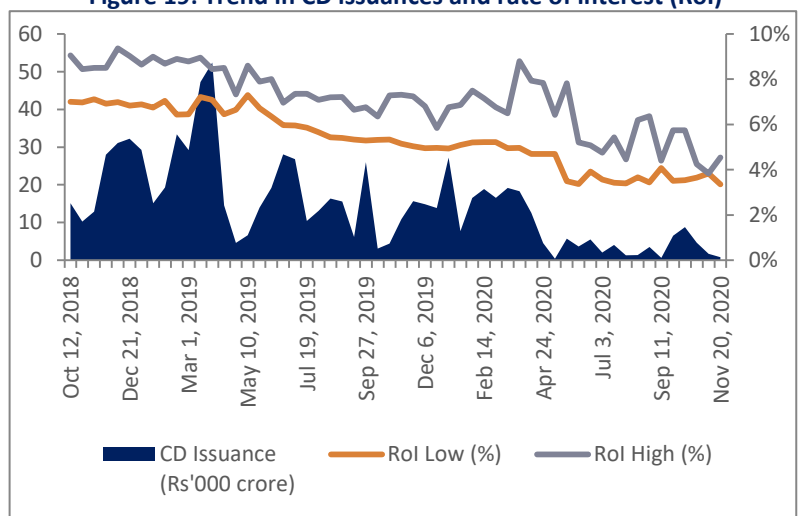
- The share of bank credit to total assets stood stable at 67% during the last two fortnights.
- Considering credit investment to be at Rs.8.3 lakh crore (October 2020 level), the bank credit to total assets (including credit investments) would be ~72% for the fortnight ended December 18, 2020.
- Proportion of SLR investment to total assets has increased by 1% as compared with last fortnight and stood at 29% for the fortnight ended December 18, 2020. The SLR investments grew at 22.1% YoY compared with 11.2% in the previous year and 19.0% in previous month led by 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 18: 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%

Figure 19: Trend in CD issuances and rate of interest (RoI)

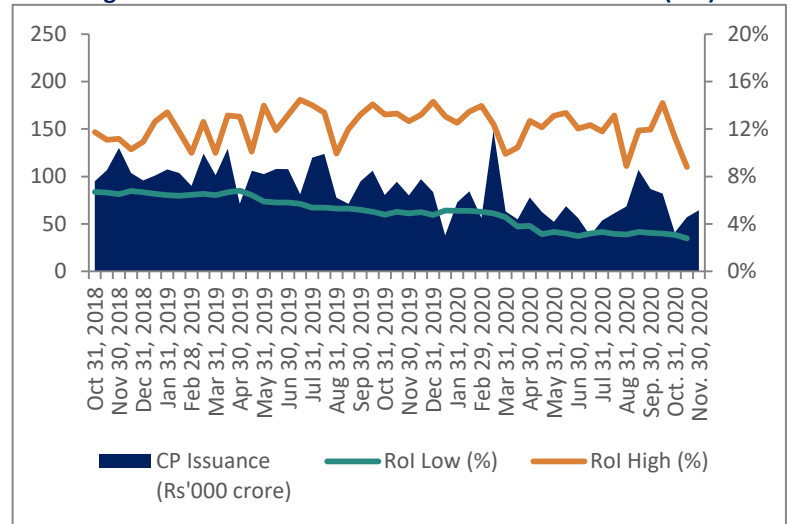


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Figure 20: 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%

Figure 21: Trend in CP issuances and rate of interest (RoI)



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

Select RBI Announcements

Announcement	Details
Report on Trend and Progress of Banking in India 2019-20	<ul style="list-style-type: none"> The Reserve Bank of India released the Report on Trend and Progress of Banking in India 2019-20. This Report presents the performance of the banking sector, including co-operative banks, and non-banking financial institutions during FY20 and H1FY21. The broad theme of this year's report is the impact of COVID-19 on banking and non-banking sectors, and the way forward.
RBI Cautions against unauthorized Digital Lending Platforms/Mobile Apps	<ul style="list-style-type: none"> There have been reports about individuals/small businesses falling prey to growing number of unauthorized digital lending platforms/Mobile Apps on promises of getting loans in quick and hassle-free manner. These reports also refer to excessive rates of interest and additional hidden charges being demanded from borrowers; adoption of unacceptable and high-handed recovery methods; and misuse of agreements to access data on the mobile phones of the borrowers.

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