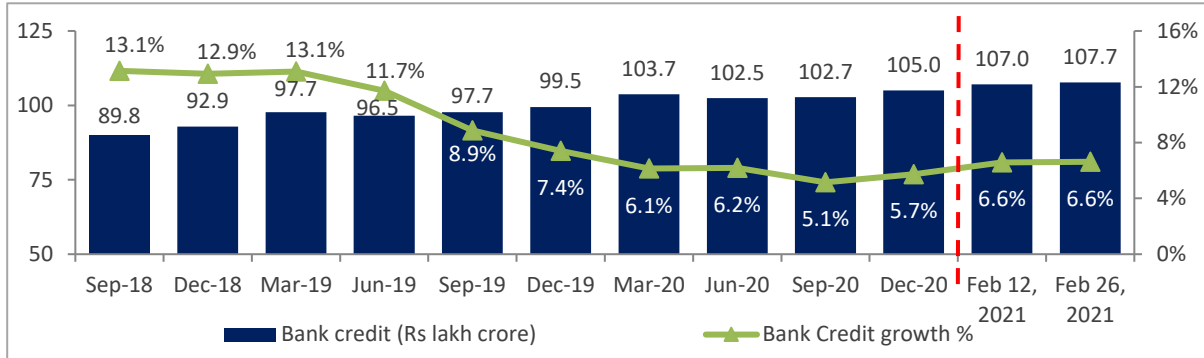


The growth rate in credit and deposits stood largely stable vs. the last fortnight

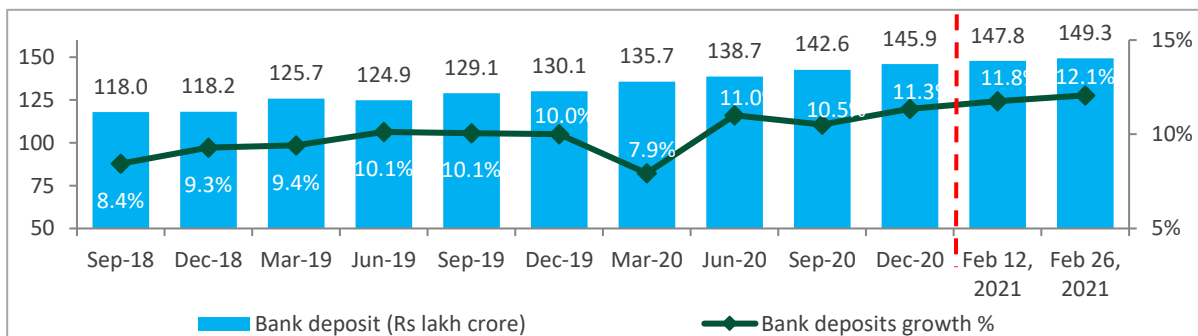
Figure 1: Growth of Bank Credit (y-o-y growth %)



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

- The bank credit growth has stood stable compared to the last fortnight and returned to the levels observed in the early months of the pandemic (the bank credit growth ranged between 6.5% to 7.2% during April 2020). The credit growth stood at similar level during the last two fortnights at 6.6%, marginally lower as compared with last year’s level of around 6.7% owing to risk aversion in the banking system and continued parking of excess liquidity with RBI. The subdued bank credit growth can also be attributed to fall in credit growth in services (growth rate from April 2020 to December 2020 was in the range of around 11.0% to around 9.0% as compared with 8.4% in January 2021) and personal loan segments (growth rate from April 2020 to December 2020 was in the range of around 12.0% to around 9.5% as compared with 9.1% in January 2021) as per January 2021 data. In January 2021, the growth in housing loan segment (which constitutes more than half share in retail segment) moderated partly due to end of festive season offers and increase in stamp duty from January 2021 (in Maharashtra). Industry segment (which has the highest share in bank credit of around 30%) continued to report a negative incremental growth owing to risk aversion from both lenders and borrowers. Within Industry segment, growth in micro, small & medium (MSME) industries (which only offset the fall in large segments marginally) was supported by ECLGS disbursements.
- Increase in the credit outstanding during the next fortnight is anticipated as year-end transactions are expected to push up bank credit as SCBs undertake the year-end closing activities. This trend can be witnessed since last 3-4 years.

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



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

- Deposit growth stood largely stable during the fortnight ended February 26, 2021 compared with 11.8% growth registered during the fortnight ended February 12, 2021 and increased as compared with previous year (10.0% growth during fortnight ended February 28, 2020).
- Moreover, as on February 26, 2021, the liquidity surplus in the banking system stood at Rs.6.0 lakh crores. The liquidity surplus can be primarily attributed to deposit growth outpacing credit growth persistently. However, government borrowings (Central: Rs.54,099 crore and State: Rs.41,743 crore) limited the banking system liquidity surplus during the fortnight. Furthermore, given the ongoing trends in bank credit and deposit growth momentum, banking system liquidity is expected to remain in a surplus position.
- As given in figure 3, time deposits account for 88.6% of aggregate deposits (89.0% share as on February 28, 2020) grew at a slower pace compared to demand deposits, which accounted for the balance 11.4% (11.0% share as on February 28, 2020).

Figure 3: Demand Deposits and Time Deposits growth trend

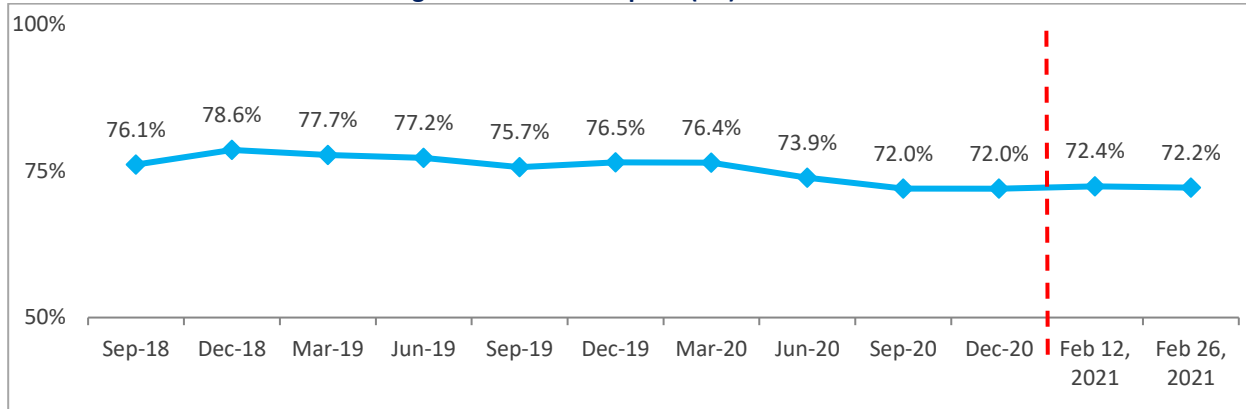
Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Feb 12, 2021	Feb 26, 2021
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.7	16.3	17.0
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	15.7%	19.7%	16.7%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.2	131.5	132.3
% 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%	11.5%

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

- The Credit to Deposit (CD) ratio of 72.2%, stood largely at similar levels as compared to last fortnight but remained low compared to March 2020 as well as last year’s level of around 76.0% as on February 28, 2020, owing to a faster

rise in deposits and slower growth in credit. On the other hand, if we assume credit investments to be at Rs.8.3 lakh crores (at December 2020 level as per latest data released by RBI) for the fortnight ended February 26, 2021, then the CD ratio would be around 78%. On the other hand, if we assume the CD ratio to be constant at 76.0% (which was last observed in March-20) for the fortnight ended February 26, 2021, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5.2 lakh crores.

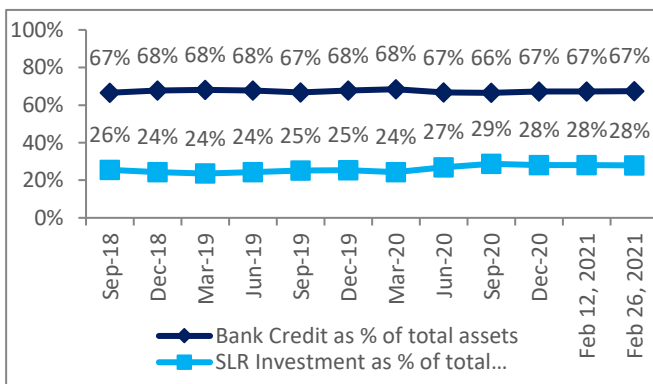
Figure 4: Credit to Deposit (CD) ratio trend



Note: The quarter-end data reflect 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 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

- The share of bank credit to total assets has stood stable at 67%, but has declined (by 1%) as compared to Mar-20.

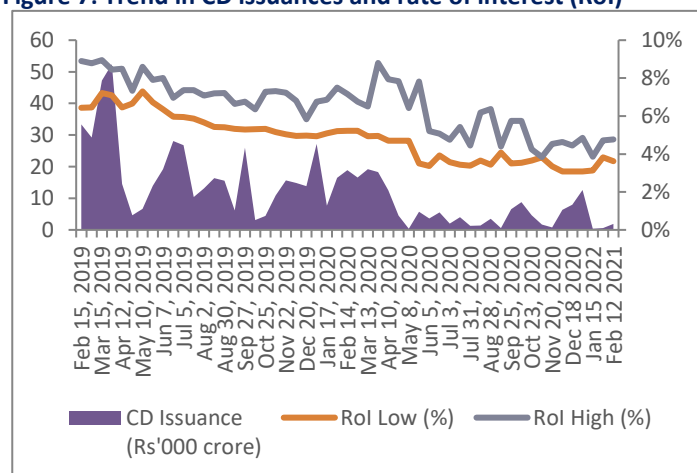
- Considering credit investments to be at Rs.8.3 lakh crore (December 2020 level), bank credit (including credit investments) to total assets would have been around 73% for the fortnight ended February 26, 2021.
- Proportion of SLR investment to total assets stood stable at 28% during last two fortnights. In absolute terms, SLR investments grew by 18.1% YoY as compared with a growth of 17.9% in the previous fortnight and 12.6% YoY growth a year ago. Moreover, RBI had previously allowed banks to hold fresh acquisitions of SLR investments under HTM up to an overall limit of 22% up from 19.5% earlier of banks' net demand and time liabilities till March 2022, which has been further extended to March 31, 2023 (as per RBI's notification dated February 05, 2021). The HTM limits would be restored from 22% to 19.5% in a phased manner starting from the quarter ending June 30, 2023.

O/s Level of CDs and CPs declined 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%
Dec 18 2020	68.8	-57.9%
Jan 29 2021	64.1	-64.7%
Feb 12 2021	58.2	-68.7%

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

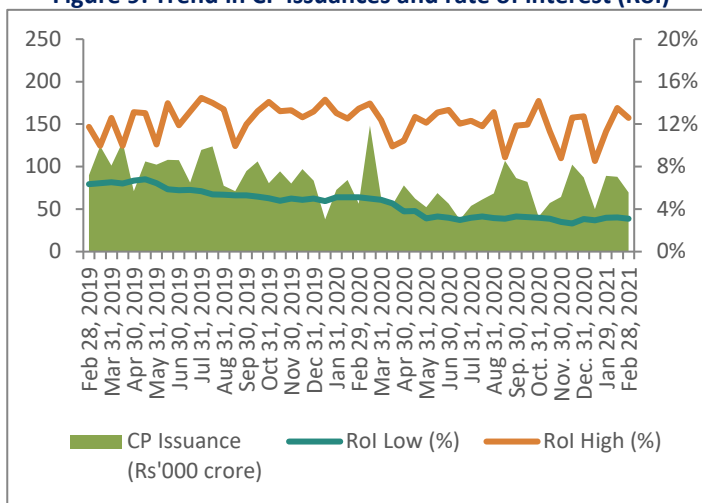


Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

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%
Dec. 31, 2020	365.2	-20.1%
Feb. 15, 2021	399.4	-5.4%
Feb. 28, 2021	390.9	-2.3%

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



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

Select RBI Announcements

Announcement	Details
Prompt Corrective Action Framework – IDBI Bank Limited	<ul style="list-style-type: none"> It was noted that as per published results for the quarter ending December 31, 2020 the bank is not in breach of the PCA parameters on regulatory capital, Net NPA and Leverage ratio. Hence, the bank has come out of PCA framework.

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