

In Q1FY23, Private Banks Outperform Public Banks and Gain Market Share

November 15, 2022 | BFSI Research

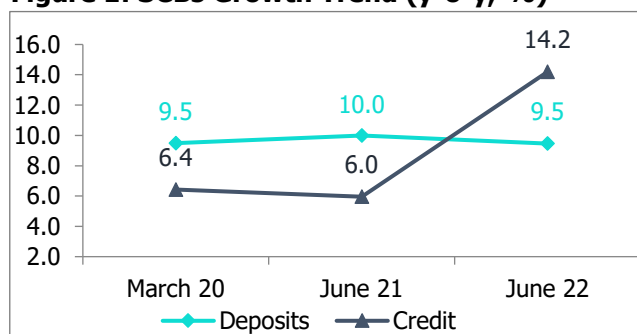
The quarterly Scheduled Commercial Bank (SCB) performance review is an update on the credit and deposit situation of banks derived using data extracted from RBI's Quarterly Statistics on Deposits and Credit of SCBs as on June 30, 2022

Synopsis

- In terms of credit and deposit growth, private banks (PVBs) outperformed public sector banks (PSBs) in Q1FY23. In terms of lending rates on total loans, the share of higher interest rate categories increased in the quarter. Deposits and borrowing rates are expected to expand going forward due to strong underlying demand, liquidity issues, ongoing festive demand, and a widening gap in credit and deposit growth. The credit demand for the metro group is expected to rise due to new capex build-out and capacity utilisation.
- Scheduled Commercial Banks (SCBs) current account and saving accounts (CASA) growth outperformed in terms of deposits growth.
 - PSBs have lost market share to PVBs and Small Finance Banks (SFBs). This is a unique quirk where both PSBs and PVBs have grown at roughly equal levels in absolute terms wherein PVBs gained share while PSBs lost share.
- The Credit Deposit (CD) ratio of SCBs rose by 304 bps y-o-y to 73.5% due to higher credit growth. PVBs reported the highest rise of 321 bps in their CD ratio to 86.4% due to faster growth in credit vs. deposit growth.

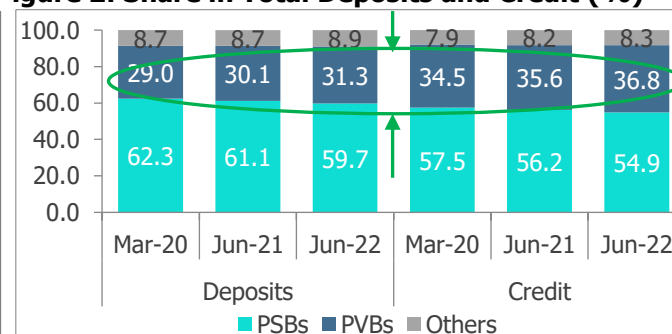
SCBs Credit Offtake outpaces Deposit Growth

Figure 1: SCBs Growth Trend (y-o-y, %)



Note: Others include FBs, SFBs, RRBs, Source: RBI

Figure 2: Share in Total Deposits and Credit (%)



- The outstanding bank credit reached Rs.125.0 lakh crore as of June 30, 2022, registering a growth of 14.2% y-o-y as compared to 6.0% in Q1FY22. The growth was driven by PVBs (18.0%) and SFBs (40.2%). In terms of segmental performance, retail credit (18.1%) outperformed services (12.8%), and industry (9.5%).
- Outstanding deposits reached Rs.170.0 lakh crore as of June 30, 2022, registering a 9.5% growth y-o-y. Overall deposits of PVBs rose in double-digit whereas PSBs reported 6.9% growth. CASA deposits saw double-digit growth and outpaced term deposits. CASA for PVBs rose by 16.2% whereas PSBs reported growth of 7.6% due to higher interest rates and client acquisition.

Lending Rate Trend in Select Segments

- RBI has indicated a withdrawal of the accommodative stance due to elevated inflation and global issues consequently liquidity in the system has been tightening. Thus, RBI has already increased the repo rate by 90 bps in Q1FY23 and 100 bps in Q2FY23, and additional hikes are anticipated in the current fiscal.
- SCBs weighted average domestic term deposit rates (WADTDR) and weighted average lending rate (WALR) on outstanding loans (O/s) dropped by 4 bps and 10 bps y-o-y, respectively, in June 2022. However, it rose by 10 bps and 16 bps month-on-month (M-o-M) basis, respectively. It indicates a reversal in the interest rate cycle, increasing with a lagged effect compared to the repo rate. Hence, deposit and borrowing rates are expected to expand going forward.
- In terms of lending rates on total loans, the share of 7% and below categories has dropped to 15.5% in Q1FY23 as compared to an 18.8% share in Q1FY22. In the upper categories, the share of >10% and above has increased in the quarter.
- For housing, the share of 7.0% and below categories has dropped to 13.5% in Q1FY22 from 22.0% in Q1FY21.

Figure 3: Total Loans (%)

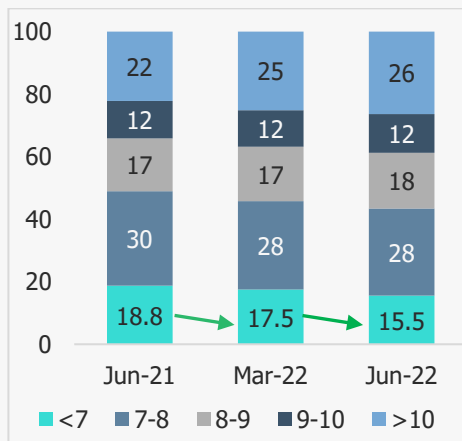


Figure 4: Housing (%)

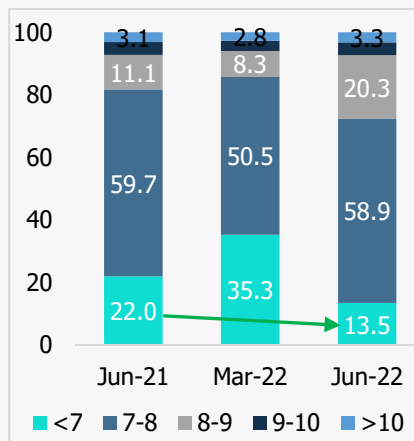
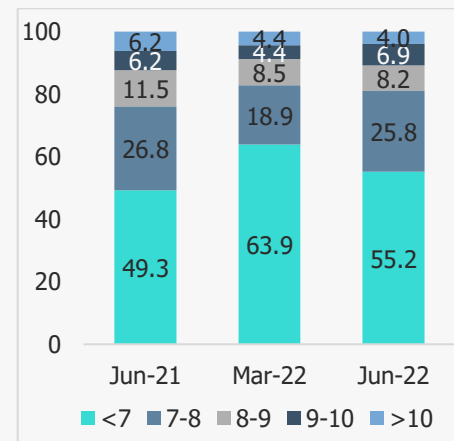


Figure 5: Finance (%)



Source: RBI

Credit

Figure 6: Bank Group-wise Outstanding Credit - PVBs Outperform PSBs and Gains Market Share

Bank Group	Rs lakh crore						Growth (%)	Abs. Growth (%)
	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Y-o-Y	Over Mar-20
PSBs	60.1	61.5	62.0	64.0	67.1	68.6	11.5	14.1
PVBs	36.1	39.0	40.3	42.3	45.1	46.0	18.0	27.6
FBs	4.3	4.5	4.6	4.7	4.9	5.1	13.5	18.3
SFBs	0.9	1.1	1.2	1.3	1.4	1.6	40.2	63.3
RRBs	3.0	3.4	3.5	3.6	3.7	3.7	11.2	23.8
SCBs	104.5	109.5	111.6	116.0	122.3	125.0	14.2	19.6

Source: RBI

- PVBs reported a strong credit growth of 18.0% as compared to 9.6% over a year ago period due to a focus on the retail credit market. Moreover, PVBs growth was the highest over the last 9 quarters and reached almost close to pre-covid levels. WALR on O/s loans for PVBs dropped by 7 bps to 9.85% in Q1FY23. In absolute terms, PVB credit expanded by Rs.7.0 lakh crore and reached Rs.46 lakh crore in Q1FY23 over a year ago.
- PSBs reported a healthy rise of 11.5% as compared to 3.1% over a year ago period due to retail credit, inflation-induced working capital requirement, MSMEs driven by ECLGS, and low-interest rates. Moreover, the reported growth was the highest between Q1FY19-Q1FY23. In absolute terms, credit expanded by Rs.7.3 lakh crore to Rs.68.3 lakh crore in Q1FY23.
- In terms of credit growth performance, PVBs outperformed by a wide margin of 650 bps in Q1FY23. It also gained the market share from PSBs by 120 bps y-o-y and reached 36.8% due to higher retail credit growth and aggressive capturing of the credit market.

Region

Figure 7: Region-Wise Outstanding Credit – Western Region Gained the Market Share

Region	Rs lakh crore						Growth (%)	Abs. Growth (%)
	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Y-o-Y	Over Mar-20
Northern	23.6	23.9	24.2	25.0	26.2	26.6	11.5	12.9
North-Eastern	1.1	1.2	1.3	1.3	1.4	1.4	15.4	31.5
Eastern	7.5	7.9	8.1	8.5	9.1	9.2	16.7	23.0
Central	9.0	10.0	10.2	10.8	11.5	11.7	16.8	30.0
Western	33.9	34.5	35.1	36.5	38.6	39.8	15.4	17.2
Southern	29.4	32.0	32.8	33.9	35.5	36.3	13.4	23.5
Total	104.5	109.5	111.6	116.0	122.3	125.0	14.2	19.6

Source: RBI

- In terms of regional performance, the central region reported the highest growth at 16.8% y-o-y and reached Rs.11.7 lakh crore. The growth is also higher than the pre-Covid level.
- The Western region accounted for the largest share at 31.8% as of June 30, 2022, and gained the market share by 34 bps y-o-y. The Southern region accounted for a 29.1% share of the total outstanding credit and lost market share by 20 bps. The northern region held a 21.3% share and it too lost market share by 51 bps.

Population

Figure 8: Group-Wise Outstanding Credit – Urban Outperforms and Gains Market Share

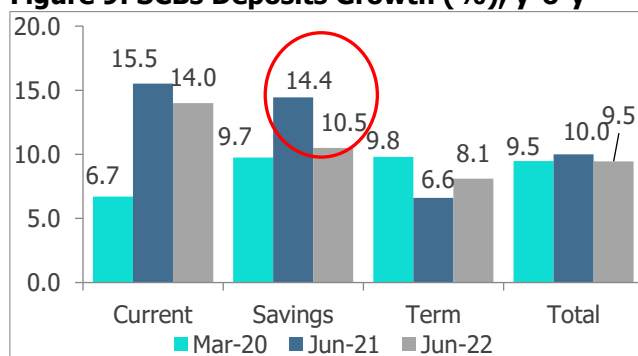
Population	Rs lakh crore						Growth (%)	Abs. Growth (%)
	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Y-o-Y	Over Mar-20
Metropolitan	66.1	66.8	67.5	69.8	73.8	75.6	13.2	14.3
Urban	16.1	17.5	18.1	19.1	20.2	20.7	18.4	28.9
Semi-urban	13.2	14.7	15.2	15.9	16.7	17.0	15.4	29.3
Rural	9.1	10.4	10.7	11.2	11.5	11.6	11.6	28.0
Total	104.5	109.5	111.6	116.0	122.3	125.0	14.2	19.6

Source: RBI

- In terms of credit market share, the urban segment gained the market share by 59 bps to 16.6% in Q1FY23 followed by semi-urban by 14 bps to 13.6%, whereas metropolitan (held the largest market share of 60.0%) and rural (held the smallest market share of 9.3%) lost the market share by 51 and 22 bps, respectively.

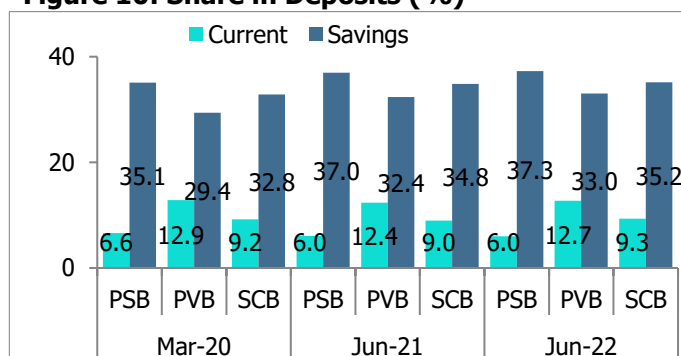
Deposits

Figure 9: SCBs Deposits Growth (%), y-o-y



Source: RBI

Figure 10: Share in Deposits (%)



- SCBs current account deposits saw the highest growth at 14.4% y-o-y in Q1FY23. In absolute terms, it increased by Rs.1.95 lakh crore to Rs.15.9 lakh crore. The segment held a share of 9.3% of the total deposits in Q1FY23 and gained 37 bps driven by growth in PVB deposits. Term account deposits saw growth of 8.1% y-o-y. In absolute terms, it increased by Rs.7.1 lakh crore to Rs.94.5 lakh crore at the end of Q1FY23. The segment held a share of 55.5% of the total deposits, losing 70 bps due to slower growth. Savings accounts witnessed a healthy growth at 10.5% y-o-y, but slower than 14.4% in the year-ago period. In absolute terms, it increased by Rs.5.7 lakh crore to Rs.59.8 lakh crore. The segment held a share of 35.2% of total deposits and gained 33 bps driven by growth in PVBs deposits.

Figure 11: Bank Group-Wise Deposits

Bank Group	Rs lakh crore						Growth (%)	Abs. Growth (%)
	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Y-o-Y	Over Mar-20
PSBs	85.7	95.0	96.6	97.4	102.2	101.5	6.9	18.5
PVBs	39.9	46.8	48.6	50.1	52.9	53.2	13.6	33.5
FBs	6.6	7.5	7.9	7.9	8.3	8.5	13.3	28.3
SFBs	4.7	0.9	0.9	1.1	1.2	1.3	39.4	104.4
RRBs	0.6	5.1	5.2	5.2	5.5	5.4	6.0	14.7
SCBs	137.5	155.4	159.4	161.9	170.2	170.1	9.5	23.7

Source: RBI

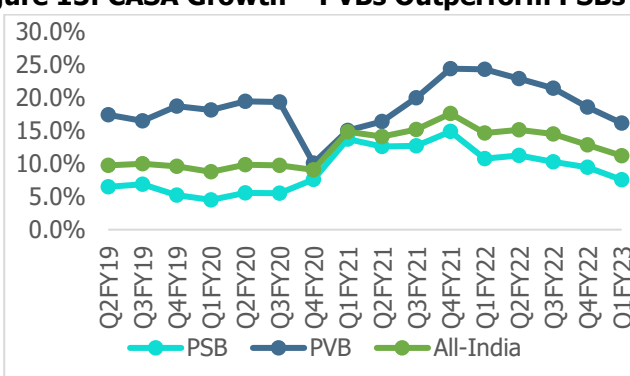
- PVBs deposits saw a healthy growth of 13.6% in Q1FY23 due to aggressively increasing deposits from the market to meet the credit demand. The WADTDR of PVBs stood at 5.25% in the quarter as compared to 5.17% of PSBs. In addition, offering higher interest rates on saving accounts helped them to outperform PSBs (6.9%).
- In terms of deposits market share, PVBs accounted for a 31.3% share gaining 115 bps y-o-y in Q1FY23, whereas PSBs held a 59.9% share, losing 144 bps y-o-y. PVBs have been continuously gaining market share due to the aggressive acquisition of clients and offering better services.

CASA Deposits

Figure 12: Bank Group-Wise CASA

Bank Groups	Rs lakh crore			CASA Ratio (%)		
	Mar-20	Jun-21	Jun-22	Mar 31, 20	Jun 30, 21	Jun 30, 22
PSB	35.5	40.9	44.0	41.5	43.0	43.3
PVB	16.9	21.0	24.4	42.3	44.8	45.8
FB	2.8	3.1	3.6	42.2	41.1	42.9
RRB	2.5	2.8	3.0	53.8	55.0	55.6
SFB	0.1	0.3	0.6	20.0	31.9	44.3
All SCB	57.8	68.0	75.7	42.1	43.8	44.5

Figure 13: CASA Growth – PVBs Outperform PSBs



- In absolute terms, CASA rose by Rs.7.6 lakh crore in Q1FY23 reaching Rs.75.7 lakh crore as of June 30, 2022. PVBs and PSBs expanded their CASA by Rs.3.4 lakh crore and Rs.3.1 lakh crore, respectively during the quarter. SCBs CASA rose by 11.2% y-o-y primarily driven by PVBs.
- PVBs reported a robust CASA growth at 16.2% y-o-y in Q1FY23 whereas PSBs reported a slower growth at 7.6% due to strong growth in the current account (23.7%) and the saving accounts (15.9%).
- SCBs CASA ratio expanded by 70 bps and stood at 44.5% as compared to 43.8% over a year ago. Within this, PVBs reported a healthy expansion of 100 bps to 45.8% whereas PSBs expanded by 27 bps. SFBs CASA, a small base, ratio expanded massively by 1,240 bps y-o-y to 44.3% as they offered high rates on deposits.
- PSBs CASA accounted for 54.9% share of the total CASA and lost the share by 132 bps y-o-y to PVBs and SFBs.

Regional Deposits

Figure 14: Trend in Deposits - Region-Wise

Regions	Rs. Lakh Crore						Growth (%)	Abs. Growth (%)
	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Y-o-Y	Over Mar-20
Northern	28.4	32.8	33.7	34.6	35.2	35.8	9.1	25.8
North Eastern	2.7	2.8	2.9	2.9	3.1	3.1	8.8	16.0
Eastern	18.0	19.8	20.1	20.4	21.4	21.3	7.6	18.7
Central	18.7	21.0	21.5	21.9	22.9	22.7	8.4	21.6
Western	36.0	40.3	41.3	42.1	45.4	45.0	11.7	24.8
Southern	33.7	38.7	39.8	40.0	42.2	42.2	9.1	25.2
Total	137.5	155.4	159.4	161.9	170.1	170.1	9.5	23.7

Source: RBI

- Banks in the Western region reported the highest deposit growth at 11.7% y-o-y in Q1FY23 to Rs.45.0 lakh crore vs. 9.7% over the year-ago period. The growth for the Western region reached pre-Covid levels in the quarter, moreover, it came at 13.4% in Q4FY22 which is the highest growth over the last four years.
- The Southern reported deposit growth at 9.1% y-o-y and it is the lowest growth in the last 15 quarters. Eastern region reported the lowest growth at 7.6%, and it is still below pre-Covid levels.
- In terms of market share, the Western region held the largest share at 26.4% of total deposits, expanded by 52 bps y-o-y whereas all other regions reported a drop. The Eastern region lost its market share by 22 bps to 12.5%, while the central region dropped by 14 bps to 13.4% in the quarter.

Population Group

Figure 15: Population Group-wise Deposits

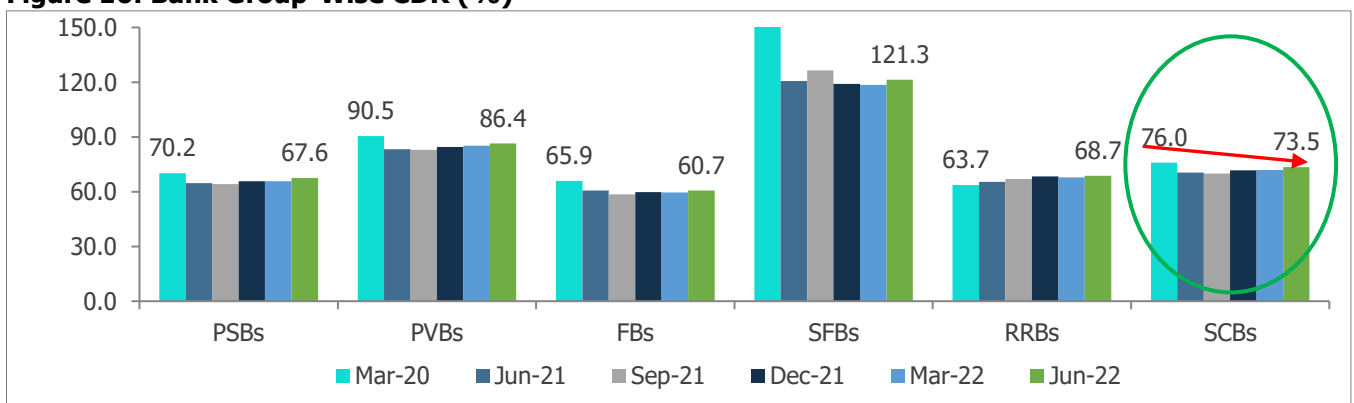
(Population Group)	Rs. Lakh crore						Growth (%)	Abs. Growth (%)
	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Y-o-Y	Over Mar-20
Metropolitan	68.9	79.2	81.6	82.9	88.3	87.7	10.8	27.4
Urban	29.8	33.7	34.6	35.1	36.5	36.8	9.2	23.3
Semi-Urban	23.2	25.7	26.1	26.5	27.3	27.5	7.2	18.7
Rural	15.7	16.8	17.1	17.4	18.0	18.1	7.5	15.4
Total	137.5	155.4	159.4	161.9	170.2	170.1	9.5	23.7

Source: RBI

- Banks in the Metropolitan reported the highest y-o-y growth at 10.8%. The region has been performing well since Q1FY21 and reporting higher growth than the pre-Covid period. The Urban region too saw a 9.2% deposit growth, but it is the lowest growth since Q2FY19. The Semi-Urban region reported the lowest deposit growth (within the group) at 7.2%, and it is also the lowest since Q1FY19. Metropolitan gained market share in deposits by 60 bps and reached 51.6% as of June 30, 2022.

Credit-Deposit Ratio (CDR)

Figure 16: Bank Group-Wise CDR (%)



Source: RBI

- The Credit to Deposit (CD) ratio has been increasing since October 2021. In Q1FY23, all groups expanded their CD ratio as the credit growth was much higher than the deposit growth. PVBs reported the highest rise of 321 bps in their CD ratio to 86.4%. The central region reported the highest expansion by 370 bps to 51.5 followed by the Eastern region which reported a rise of 335 bps to 43.0.

Figure 17: Region-wise Credit-Deposit Ratio (%)

Population	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Northern	78.2	72.8	71.7	72.3	74.4	74.4
North-Eastern	40.2	43.6	44.5	46.4	44.7	46.2
Eastern	40.1	39.6	40.3	41.4	42.4	43.0
Central	47.3	47.8	47.4	49.4	50.2	51.5
Western	90.8	85.6	84.8	86.7	85.1	88.5
Southern	84.2	82.7	82.3	84.6	84.3	86.0
Total	73.1	70.5	70.0	71.6	71.9	73.5

Source: RBI

Figure 18: Population group-wise Credit-Deposit Ratio (%)

Population	Mar-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Metropolitan	96.0	84.3	82.8	84.2	83.6	86.2
Urban	54.0	52.0	52.5	54.4	55.5	56.4
Semi-urban	56.8	57.4	58.4	59.9	61.1	61.8
Rural	58.0	62.0	62.4	64.5	63.8	64.4
Total	80.3	70.5	70.0	71.6	71.9	73.5

Source: RBI

Concluding Remarks

- In terms of credit and deposit growth, PVBs outperformed PSBs with a wide margin in Q1FY23 which is expected to continue due to the aggressive acquisition of clients and offering of higher interest rates on deposits (particularly on saving accounts).
- SCBs CASA deposit growth outperformed term deposit growth in the quarter. However, the banks are also expected to focus on bulk deposits due to meet credit demand. In addition, interest rates on terms deposits have already risen, and are expected to increase further as the impact of a rise in policy rate comes with a lagged effect. Hence going forward, term deposits are expected to gain pace.
- The metro group held the largest market share of 60.5% in credit, however, it lost 282 bps since March 2020 due to deleveraging done by corporates and disruption caused by Covid-19. However, the credit demand from the corporates is expected to rise due to capital expenditure build out and improvement in capacity utilisation ratio, consequently helping to improve the share.
- As of June 30, 2022, the Western region accounted for the largest share at 31.8% in the credit market, and gained the market share by 34 bps y-o-y. It is expected to continue to gain share in the coming quarters.

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