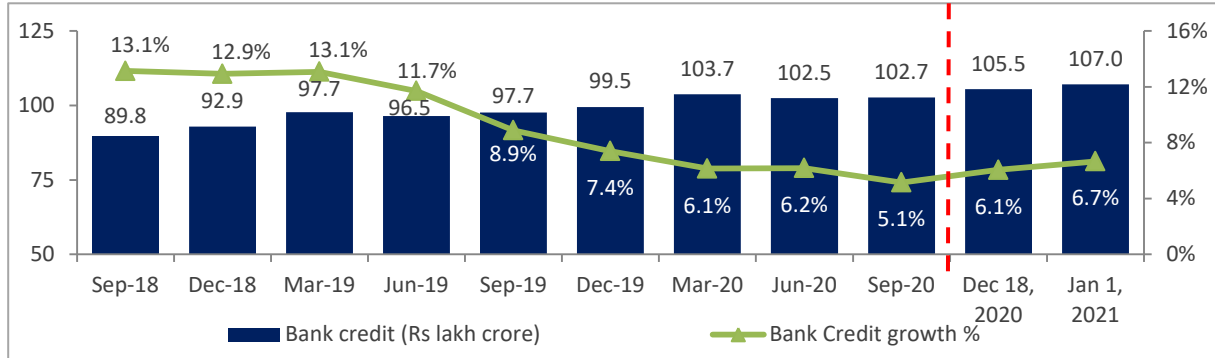


Credit growth improved, even deposits growth remains nearly twice of bank credit growth

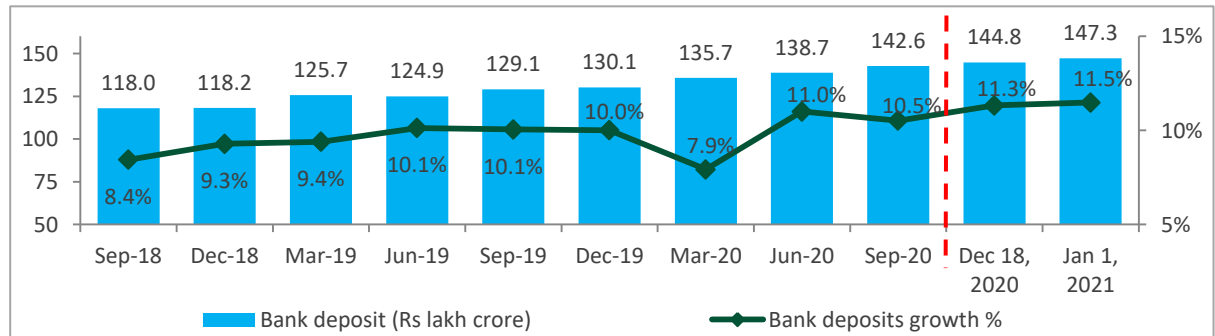
Figure 1: Growth of Bank Credit (y-o-y growth %)



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

- The bank credit growth has returned to the levels observed in early months of the pandemic (e.g. average bank credit growth in March and April 2020 was ~6.5%). The bank credit growth increased compared to last fortnight which can be ascribed to an increase in retail loans. However, the credit growth remained marginally lower compared with year-ago period (7.5% as of January 3, 2020) reflecting subdued demand and risk aversion in the banking system. 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 rose marginally at 11.5% (as of January 1, 2021) compared to last fortnight and increased by 9.8% on y-o-y basis as of January 3, 2020. Whereas, in absolute terms the bank deposits have increased compared with previous fortnight (increased by Rs.2.5 lakh crore). A similar trend has been observed in the last three years wherein deposits (value) increased in first fortnight of December then declined during last fortnight of December and increased in January. Moreover, as on January 1, 2021 the liquidity surplus in the banking system stood at Rs.6.2 lakh crores. The liquidity surplus can be ascribed to inflow of bank deposits outpacing the outflow of bank credit persistently.
- However, government borrowings (Central: Rs.44,957 crores and States: Rs.30,862 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 89.0% of aggregate deposits (89.6% share as on January 3, 2020) grew at a slower pace compared to demand deposits which account for the balance 11.0% (10.4% share as on January 3, 2020).

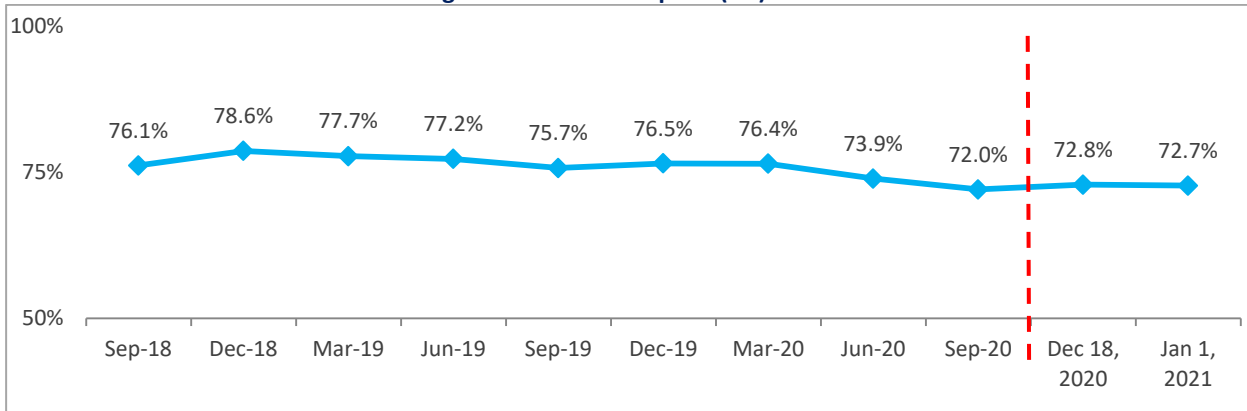
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec 18, 2020	Jan 1, 2021
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.7	16.2
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	15.7%	18.5%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.2	131.1
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.8%	10.7%

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

- The Credit to Deposit (CD) ratio stood almost at similar levels as compared to last fortnight, but remained low compared to March 2020 as well as last year's level; owing to a faster rise in deposits and 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 January 1, 2021 (At October 2020 level as per latest data released by RBI) then the CD ratio would be ~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 January 1, 2021, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5 lakh crores.

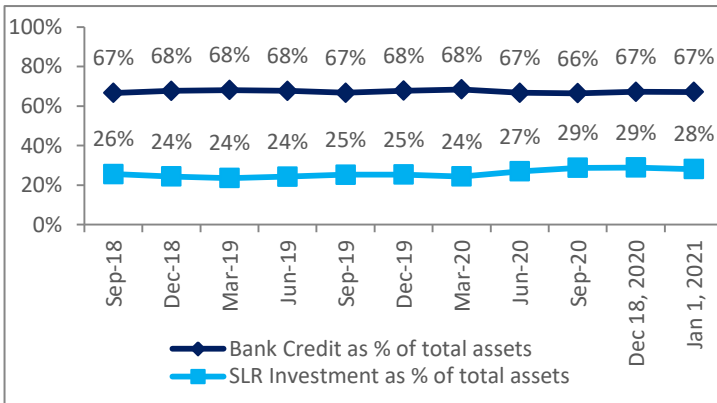
Figure 4: Credit to Deposit (CD) ratio trend



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



- The share of bank credit to total assets has 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 January 1, 2021.
- Proportion of SLR investment to total assets has declined by 1% as compared with last fortnight and stood at 28% for the fortnight ended January 1, 2021. The growth of SLR investments in absolute terms moderated to 18.6% YoY as compared with a growth of 22.1% in the previous fortnight (11.6% YoY growth a year ago).

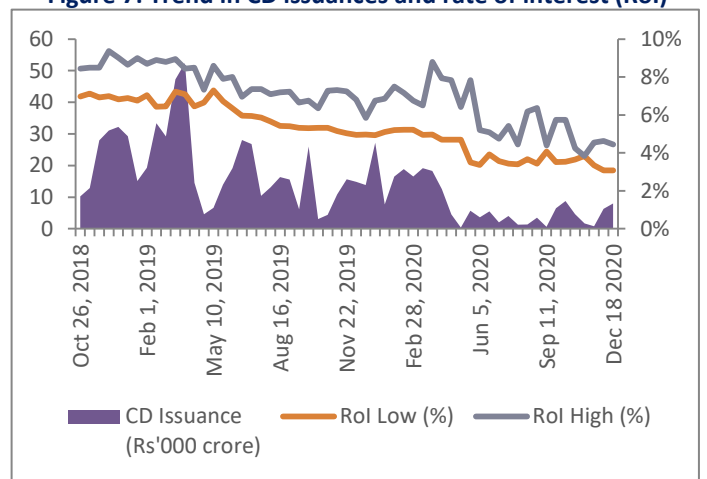
Note: The quarter end data reflects the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CARE Ratings

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%
Dec 04, 2020	69.4	-57.3%
Dec 18, 2020	68.8	-57.9%

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

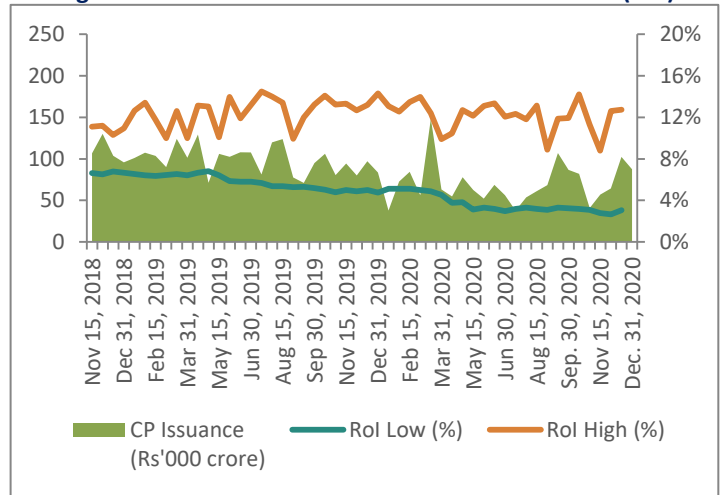


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Figure 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. 15, 2020	390.6	-14.8%
Dec. 31, 2020	365.2	-20.1%

Figure 9: 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
RBI's Financial Stability report	<ul style="list-style-type: none"> The Financial Stability Report of the RBI presents a contemporary picture of the Banking and Financial Services sector which is going through challenging times due to the Covid-19 pandemic and the consequential stressed economic environment. Bank credit growth has remained subdued, with the moderation being broad-based across bank groups. Performance parameters of banks have improved significantly, aided by regulatory dispensations extended in response to the COVID-19 pandemic. The GNPA ratio of all SCBs may increase from 7.5% in September 2020 to 13.5% by September 2021 under the baseline scenario and if the macroeconomic environment worsens into a severe stress scenario, the ratio may escalate to 14.8%. Refer our report (Select Extracts of RBI's Financial Stability Report - January 2021)
Reserve Bank constitutes a Working Group on digital lending	<ul style="list-style-type: none"> Digital lending has the potential to make access to financial products and services more fair, efficient and inclusive. A balanced approach needs to be followed so that the regulatory framework supports innovation while ensuring data security, privacy, and confidentiality and consumer protection. The Group has been advised to submit its report within three months.
Reserve Bank of India introduces the RBI-Digital Payments Index	<ul style="list-style-type: none"> The Reserve Bank of India has constructed a composite Digital Payments Index (DPI) to capture the extent of digitisation of payments across the country. The RBI-DPI comprises of 5 broad parameters that enable measurement of deepening and penetration of digital payments in the country over different time periods.

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