

Credit Offtake Ends FY23 on 11-Year High of 15%, Beats Covid-induced Lag

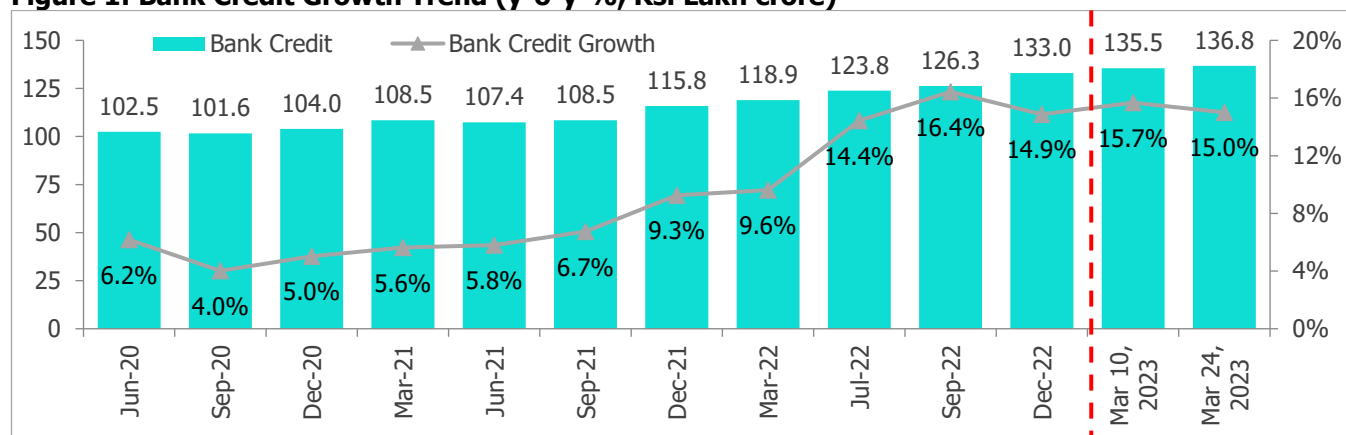
April 10, 2023 | BFSI Research

Synopsis

- Credit offtake rose by 15.0% year on year (y-o-y) for the fortnight ended March 24, 2023. In absolute terms, credit offtake expanded by Rs.17.8 lakh crore to Rs.136.8 lakh as of March 24, 2023, from March 2022. The growth has been driven by personal loans, robust growth in NBFCs, and higher working capital requirements due to inflation.
- Deposit growth witnessed a slower growth at 9.6% y-o-y compared to credit growth for the fortnight ended March 10, 2023. Deposit rates have already risen and are expected to go up even further due to elevated policy rates, intense competition between banks for raising deposits to meet strong credit demand, a widening gap between credit & deposit growth, and lower liquidity in the market. The short-term Weighted Average Call Rate (WACR) has reached 6.78% (as of March 31, 2023) from 3.34% as of April 01, 2022, due to a rise in policy rates and lower liquidity in the system.

Bank Credit Growth Remains Strong

Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)

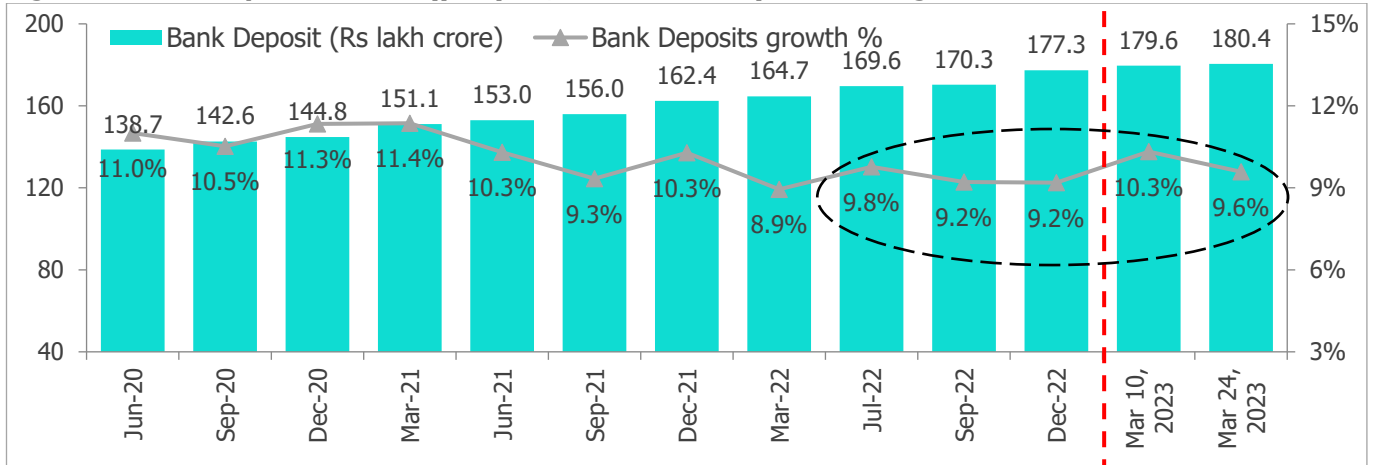


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). However, RBI has not yet updated these numbers in its database except for fortnightly documents. The quarter-end data reflect, the last fortnight's data of that particular quarter; Source: RBI, CareEdge

- Credit offtake rose by 15.0% y-o-y for the fortnight ended March 24, 2023, compared to 9.6% from the same period in the last year (reported March 25, 2022). Sequentially, it increased by 0.9% for the fortnight. In absolute terms, credit outstanding stood at Rs.136.8 lakh crore as of March 24, 2023, rising by Rs.17.8 lakh crore from March 2022 vs 10.4 lakh crore in the same period from the last year. The credit growth has been robust in FY23 driven by lower base of the last year, unsecured personal loans, housing loans, auto loans, higher demand from NBFCs, higher working capital requirements due to elevated inflation from select industries and depreciation of Indian Rupee (INR).
- Credit Offtake at 15% for FY23 stood at an 11-year high (year-end numbers) and has overcome the Covid-induced lag Relative to deposit growth. Additionally, it has remained robust even amid the significant rise in interest rates, and global uncertainties related to geo-political, and supply chain issues. The growth has been broad-based across the segments. Personal Loans and NBFCs have been the key growth drivers for FY23.

Meanwhile, credit growth is expected to be in sync with the GDP growth in FY24. A slowdown in global growth due to rising interest rates, and rate hikes in India could impact credit growth.

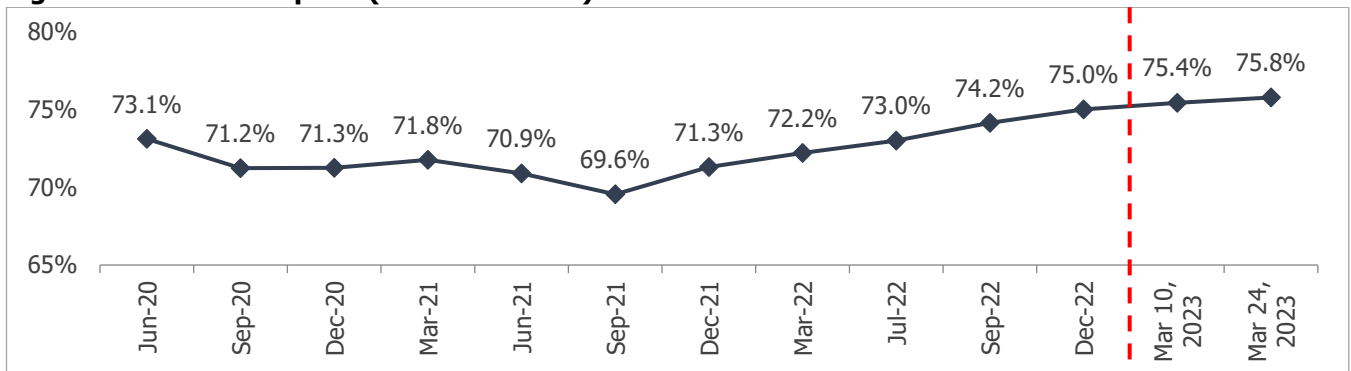
Figure 2: Bank Deposit Growth (y-o-y %, Rs. Lakh crore) – Still Rangebound



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

- Deposits stood at Rs.180.4 lakh crore for the fortnight ended March 24, 2023, registering a growth of 9.6% y-o-y. Time deposits grew by 10.2% y-o-y, while demand deposits rose by 5.2% in the reporting fortnight vs. 8.6% and 11.4% y-o-y, respectively, reported in the fortnight ended March 25, 2022. Meanwhile, in absolute terms, bank deposits have increased by Rs.15.8 lakh crore from March 2022. It also increased by Rs.0.85 Lakh crore from the immediate previous fortnight (reported March 10, 2023). With liability franchise gaining importance, due to a high credit-deposit growth gap, bank deposits rates have risen, and deposit growth would continue to be monitored.
- According to [CareEdge Economics](#), liquidity has tightened significantly on account of strong credit growth, advance tax outflows and LTRO and TLTRO redemptions. The extent of tightness is evident from the sharp spike in yields on short-term instruments and overnight call rates rising above the repo rate. Given that LTRO/TLTRO redemptions of Rs 61,000 crore are due in April, liquidity conditions could remain strained.

Figure 3: Credit to Deposit (CD Ratio Trend)



Note: The quarter-end data reflect the last fortnight’s data of that quarter; Source: RBI, CareEdge

- The Credit to Deposit (CD) ratio has been generally trending upward since November 2021 and reached 75.8% in the fortnight, expanding by ~350 bps y-o-y from March 25, 2022, due to continued faster growth in credit as compared to deposits. Sequentially, it rose by 34 bps from the immediate previous fortnight. The CD ratio has been hovering near the pre-pandemic level of 75.8% in Feb 2020 and 75.7% in March 2020.

Figure 4: Trend in y-o-y Movement

	Mar 27, 2020	Mar 26, 2021	Mar 25, 2022	Mar 24, 2023
Credit	5.1%	5.6%	9.6%	15.0%
Deposit	7.9%	11.4%	8.9%	9.6%

Source: RBI, CareEdge

- Credit growth generally began picking up in H2FY22 and surpassed deposit growth in Q4FY22, since then it has continued the momentum. A part of the funding gap has been met by mobilisation of Certificates of Deposits (CDs). A wide gap in credit and deposit growth, lower liquidity and strong credit demand have been driving for higher issuance of CDs. Banks are keeping their CD issuance elevated to meet short-term requirement amid lower liquidity and focusing on shoring up the deposits to meet robust credit demand. The outstanding CDs stood at Rs 3.0 lakh crores as of March 24, 2023, as compared to Rs.1.5 lakh crore a year ago.

Figure 5: Growth in Credit overcomes Covid-induced Lag relative to Deposit growth (Rs. Lakh Crore)

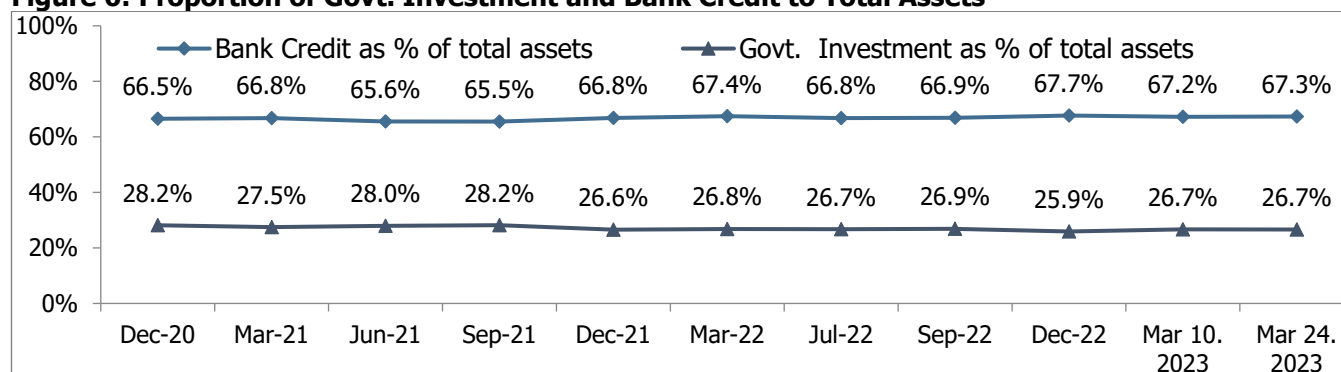
	Deposit	Credit
March 27, 2020	135.7	102.7
March 24, 2023	180.4	136.8
Growth over the period (in abs. terms)	33.0%	33.2%

Source: RBI, CareEdge

- In terms of absolute growth, credit offtake rose by 33.2% from March 27, 2020, whereas deposit growth came in at 33%. Credit growth overtook deposit growth in the period. Major growth has been reported in FY23 compared to FY22 and FY21.

Proportion of Credit to Total Assets and Govt. Investment to Total Assets Decrease (y-o-y)

Figure 6: Proportion of Govt. Investment and Bank Credit to Total Assets



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

- The share of bank credit to total assets decreased by 13 bps y-o-y to 67.3% in the fortnight, compared to the fortnight ended March 25, 2022. Meanwhile, share of bank credit to total assets increased sequentially by 12 bps. Total assets of banks rose by 15.2% y-o-y in the last one year and moved ahead of credit growth a tad.
- The proportion of government investment to total assets declined by 17 bps y-o-y for the fortnight ended March 24, 2023, compared to a similar fortnight in the last year (reported March 25, 2022) due to higher assets growth compared to the investments. The Govt. investments stood at Rs.54.2 lakh crore as of March 24, 2023, reporting a 14.5% y-o-y growth.

O/s CDs Remain at Elevated levels, while O/s CPs growth remains flat (y-o-y)

Figure 7: CD Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Oct 08, 2021	59.2	-20.9%
Dec 31, 2021	84.7	13.0%
Mar 11, 2022	154.4	168.9%
May 20, 2022	193.0	113.7%
July 1, 2022	223.8	222.9%
Sep 23, 2022	252.2	318.7%
Dec 30, 2022	294.0	247.1%
Jan 27, 2023	279.8	180.6%
Feb 10, 2023	269.7	139.6%
Feb 24, 2023	280.4	120.4%
Mar 10, 2023	290.4	88.4%
Mar 24, 2023	304.5	50.4%

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

Figure 8: Trend in CD Issuances (Rs'000, Cr.) and RoI

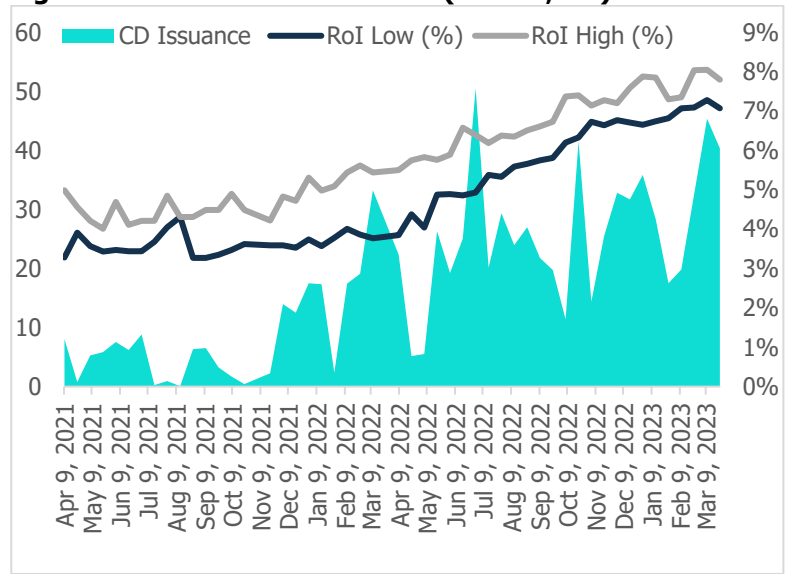
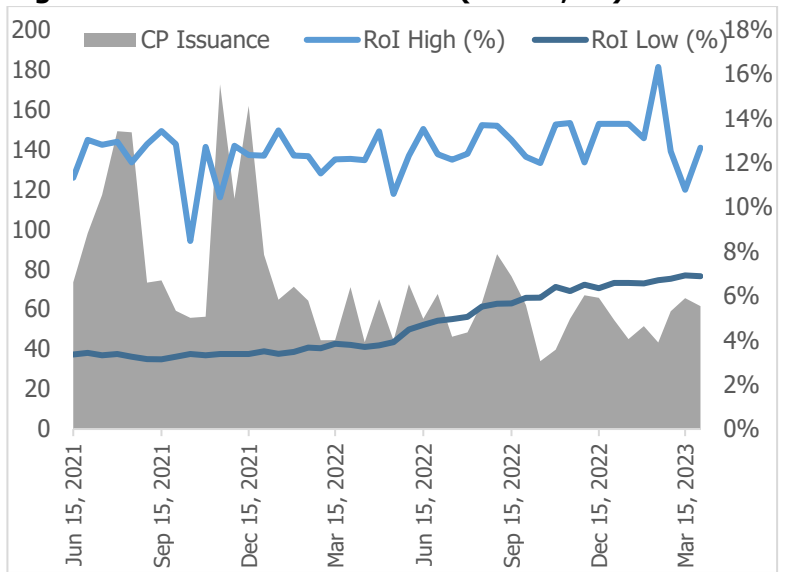


Figure 9: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Nov 30, 2021	388.4	-0.6%
Dec 31, 2021	350.1	-4.1%
Mar 31, 2022	352.3	-3.3%
Jun 30, 2022	372.5	-1.0%
Aug 31, 2022	410.1	4.7%
Sep 30, 2022	400.9	8.1%
Oct 31, 2022	373.3	-1.6%
Dec 31, 2022	359.7	2.7%
Jan 31, 2023	363.9	-8.1%
Feb 28, 2023	364.5	-0.03%
Mar 15, 2023	371.3	0.9%
Mar 31, 2023	353.7	0.4%

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

Figure 10: Trend in CP Issuances (Rs'000, cr.) and RoI



Select RBI Announcements

Announcement	Details
<p>Monetary Policy Outcome – April 2023</p>	<p>Key Highlights of the Monetary Policy Committee meeting include:</p> <ul style="list-style-type: none"> • RBI left the policy repo rate unchanged at 6.5%. • Policy stance maintained at ‘withdrawal of accommodation’. • In the current tightening cycle, repo rate has been hiked by 250 bps in total. • The FY24 growth projection revised upward to 6.5% (from 6.4%). • Inflation projection for FY24 revised down to 5.2% (from 5.3%).
<p>Issuance of consolidated circulars</p>	<p>RBI has issued consolidated master circulars on the following topics:</p> <ul style="list-style-type: none"> • Master Circular - Asset Reconstruction Companies • Master Circular - Bank Finance to Non-Banking Financial Companies (NBFCs) • Master Circular – Housing Finance • Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023 • Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances • Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs) • Master Circular on Credit Facilities to Minority Communities

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