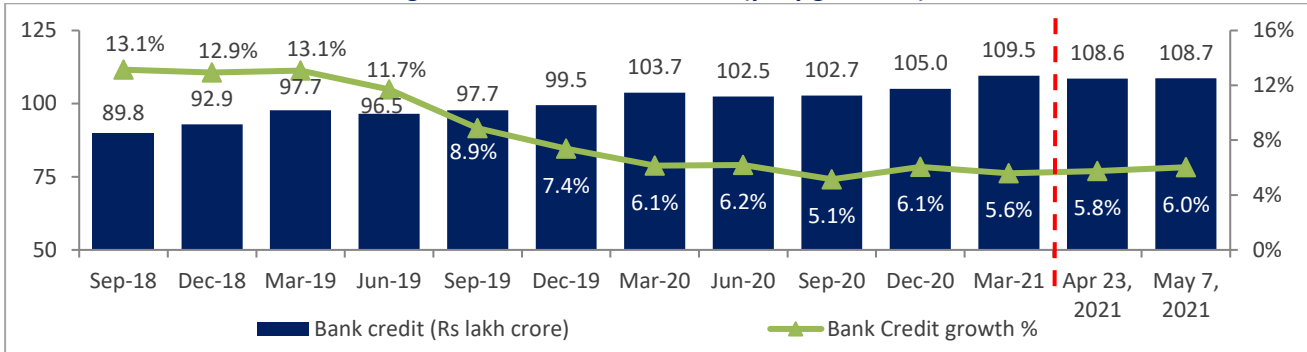


**The addition in deposits was 2.2 times the addition in credit outstanding over last 12 months**

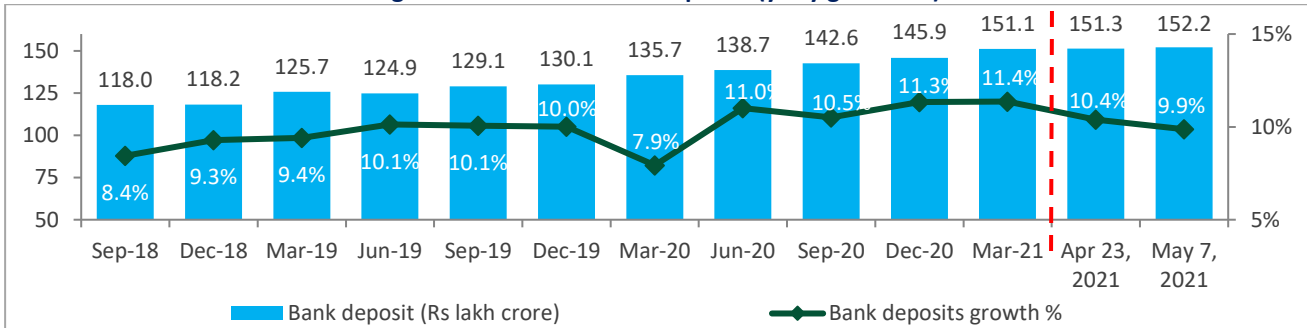
**Figure 1: Growth of Bank Credit (y-o-y growth %)**



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

- The bank credit y-o-y growth rate has improved marginally as compared with previous fortnight. This increase can be partly ascribed to the lower base of previous year (Apr-May 2020 was initial period of strict nationwide lockdown) and disbursements under ECLGS scheme (Rs.1.81 lakh crore of Rs.3 lakh crore disbursed as of February 28, 2021). In absolute terms, bank credit increased by Rs.6.2 lakh crore as compared with fortnight ended May 8, 2020. If we compare it with previous fortnight, bank credit has increased by Rs.0.1 lakh crore. The incremental credit growth for FY22 stood at -0.2% as compared with -0.8% in FY21 (April to May) and -0.2% in FY20 (April to May).
- The bank credit growth stood at 6.0% and 5.8% on y-o-y basis during the last two fortnights as compared with last year’s level of 6.5% and 6.7% for the similar periods. The overall credit growth remains subdued due to risk aversion and continued parking of excess liquidity with RBI. In addition, credit de-growth in large industries and slower growth in services segment (growth of 1.4%) has restricted the overall bank credit growth.
- Banks are being incentivised for credit delivery under various schemes/measures (e.g. rate cuts, extension in TLTRO, ECLGS scheme, liquidity support, CRR exemption on credit disbursed to new MSME borrowers etc.). The credit growth for FY22 is likely to remain in low double digit led by growth in the economy and base effect coming into play. The downside risks include play out of the lockdown in key states, which impacts the industrial as well as service segments.

**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

- Deposits grew by 9.9% y-o-y for the fortnight ended May 7, 2021, which was lower when compared with fortnight ended April 23, 2021 and fortnight ended May 8, 2020. In absolute terms, the bank deposits have increased by around Rs.13.7 lakh crore over the previous year. If we compare it with previous fortnight, bank deposits grew by Rs.0.9 lakh crore. The lower growth rate (y-o-y) in deposits can be partly attributed to base effect and fall in deposits rate of banks (e.g. weighted average domestic term deposit rate of SCBs fell by 100 bps from March 2020 to March 2021)
- Moreover, as on May 7, 2021, the liquidity surplus in the banking system stood at Rs.4.8 lakh crores. The liquidity surplus can be primarily attributed to deposit growth consistently outpacing credit growth. The bank Certificate of Deposits have reduced by over 53% on y-o-y basis, due to surplus liquidity in the system. However, government borrowings (Central: Rs.62,835 crore and State: Rs.16,100 crore) has limited the banking system liquidity surplus.
- As given in figure 3, time deposits account for 88.7% of aggregate deposits (89.5% share as on May 8, 2020) grew at a slower pace compared to demand deposits, which accounted for the balance 11.3% (10.5% share as on May 8, 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	Mar-21	Apr 23, 2021	May 7, 2021
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.7	18.6	17.3	17.2
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	15.7%	15.1%	17.6%	17.9%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.2	132.5	134.1	135.0
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.8%	10.9%	9.5%	8.9%

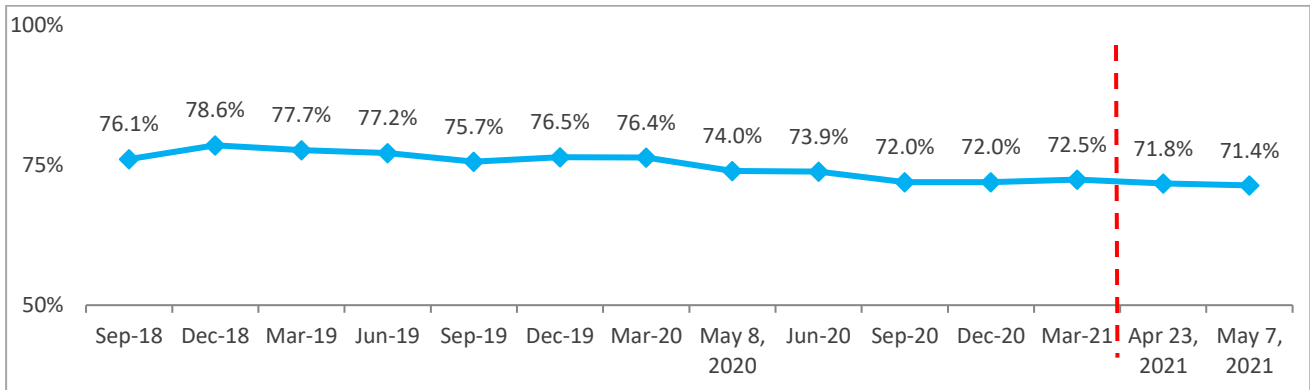
Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The Credit to Deposit (CD) ratio of 71.4% stood at similar levels as compared to last fortnight and remained marginally low when compared to March 2021, 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.8.6 lakh crores (At March 2021 level as per latest data released by RBI) for the fortnight ended May 7, 2021, then the CD ratio would be around 77% (which was last observed in July 2019).

- The addition in deposits (Rs.13.7 lakh crore over last 12 months ended May 7, 2021) was 2.2 times more than the addition in credit outstanding (Rs.6.2 lakh crore over last 12 months ended May 7, 2021). If we observe last five similar 12 months period, there was only one period (ending May 2018) where addition in credit outstanding was more than the addition in deposits.

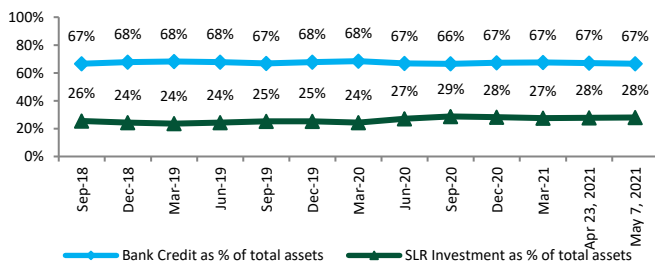
Figure 4: Credit to Deposit (CD) ratio trend



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 continue to remain at similar levels

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 (since September 2020) at 67% for fortnight ended May 7, 2021.

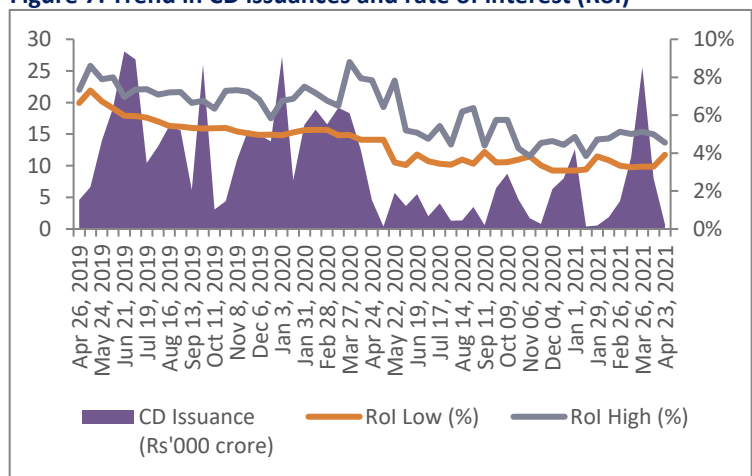
- Considering credit investments to be at Rs.8.6 lakh crore (as on March 26, 2021), bank credit (including credit investments) to total assets would have been around 72% for the fortnight ended May 7, 2021.
- Proportion of SLR investment to total assets stood at similar levels during last two fortnights. In absolute terms, SLR investments grew by 12.8% YoY as compared with a growth of 15.9% in the previous fortnight and 14.9% 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.

## Over last fortnight, o/s Level of CPs increased even as CDs declined

Figure 6: Certificates of Deposit Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Sep 28, 2018	151.0	31.9%
Mar 29, 2019	272.3	46.6%
Sep 27, 2019	188.1	24.6%
Mar 27, 2020	173.0	-36.5%
Sep 25, 2020	75.6	-59.8%
Dec 18, 2020	68.8	-57.9%
Mar 26, 2021	80.1	-53.7%
Apr 9, 2021	88.7	-50.8%
Apr 23, 2021	85.8	-52.6%

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

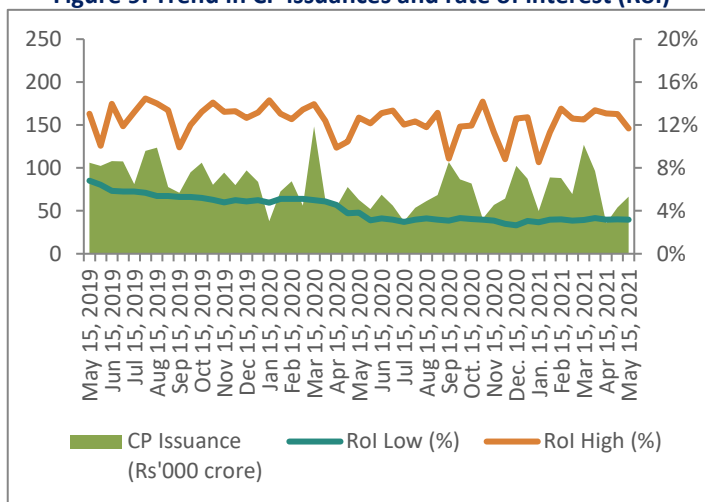


Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

Figure 8: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Sep 30, 2018	556.2	16.0%
Mar 31, 2019	483.1	11.5%
Sep 30, 2019	459.7	-22.7%
Mar 31, 2020	344.5	-39.9%
Jun 30, 2020	391.5	-28.2%
Sep. 30, 2020	362.3	-25.5%
Dec. 31, 2020	365.2	-20.1%
Mar. 31, 2021	364.4	5.8%
Apr. 30, 2021	374.8	-10.2%
May. 15, 2021	404.4	-6.7%

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

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