

Deposits growth led by growth in current account, while credit growth continues to decelerate in Q4FY21

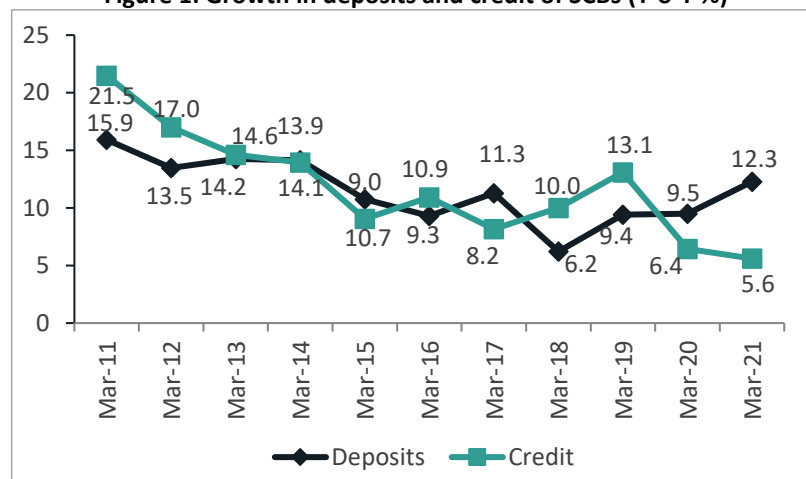
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The quarterly Scheduled Commercial Bank (SCB) performance review is an update on the credit and deposit situation of banks derived using data extracted from RBI's *Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs) as on March 31, 2021*.

Introduction

In absolute terms, overall bank deposits as on March 31, 2021, touched a new high of Rs.154.4 lakh crore as compared with Rs.137.5 lakh crore on March 31, 2020. The outstanding bank credit stood at Rs.110.4 lakh crore at the end of March 2021 vis-à-vis Rs.104.5 lakh crore as of March 31, 2020. The rise in the overall deposits of the SCBs as of March 31, 2021, stood at 12.3% y-o-y (compared with last year's level of 9.5%), significantly outpacing the credit growth of 5.6%. The overall credit growth in the banking sector slowed down in the quarter-ended March 2021 compared with last year's level of 6.4% (March 2020), reflecting risk aversion and continued parking of excess liquidity with RBI.

Figure 1: Growth in deposits and credit of SCBs (Y-o-Y %)



Source: RBI

The incremental deposit growth of SCBs continued to be higher than the incremental credit growth as of March 31, 2021 (Figure 2). The increase in deposit growth during the period under review could be supported by outflows in equity mutual fund primarily due to profit booking by investors. Also, in the unforeseen pandemic situation deposits are considered as safer financial instrument as one can receive predictable returns.

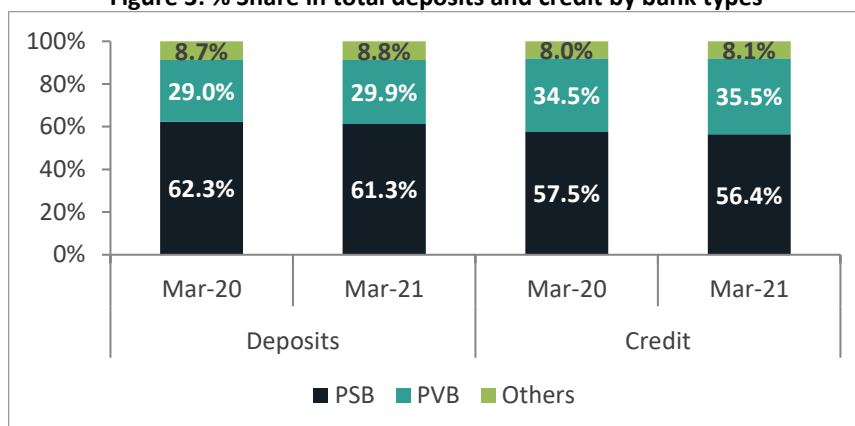
The 5.6% growth in credit at the end of March 2021 compared with 2.4% incremental growth in December 2020 was owing to growth in retail sector (10.2% incremental growth in March 2021 from 4.3% in December 2020) especially housing and vehicle loan segment (housing: 9.0% incremental growth in March 2021 from 4.1% in December 2020; vehicle: 9.5% incremental growth in March 2021 from 4.4% in December 2020), and agriculture & allied activities (12.3% incremental growth in March 2021 from 7.6% in December 2020).

Figure 2: Incremental growth %*

Incremental Growth	Dec-20	Mar-21
Deposit	7.4%	12.3%
Credit	2.4%	5.6%

* over March 2020, Source: RBI

Figure 3: % Share in total deposits and credit by bank types



Note: Other banks include Foreign Banks (FBs), Regional Rural Banks (RRBs) and Small Finance Banks (SFBs)
Source: RBI

As seen in figure 3, the share of Private Sector Banks (PVBs) in the total deposits of SCBs increased marginally on y-o-y as well as q-o-q basis (29.5% in December 2020), whereas PVB's share in credit offtake of SCBs increased by 1% on y-o-y basis.

Figure 4: Rates of deposit and credit for SCBs

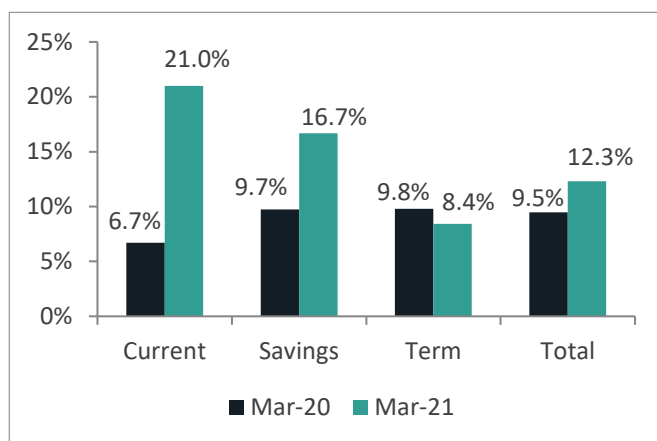
Month	Policy Repo rate (%)	Change in Repo (bps)	TDR* (%)	Change in TDR (bps)	WALR (%)	Change in WALR (bps)
Dec-17	6.00		6.60		9.44	
Mar-18	6.00	0	6.75	15	9.46	2
Jun-18	6.25	25	6.83	8	9.52	6
Sep-18	6.50	25	6.88	5	9.76	24
Dec-18	6.50	0	7.00	12	9.91	15
Mar-19	6.25	-25	7.01	1	9.87	-4
Jun-19	5.75	-50	7.01	0	9.79	-8
Sep-19	5.40	-35	6.95	-6	9.67	-12
Dec-19	5.15	-25	6.66	-29	9.40	-27
Mar-20	4.40	-75	6.46	-20	8.97	-43
Jun-20	4.00	-40	6.10	-36	8.48	-49
Sep-20	4.00	0	5.79	-31	8.39	-9
Dec-20	4.00	0	5.66	-13	8.23	-16
Mar-21	4.00	0	5.51	-15	8.26	3
Apr-21	4.00	0	5.48	-3	8.28	2
Change in Mar-21 over Mar-20 (bps)		-40		-95		-71

*TDR for greater than one-year deposits and is an average of PSBs and PVBs rate, TDR : Mean Term Deposit Rate , WALR: Weighted Average Lending Rates on Fresh Rupee loans; All rates given as at end of the respective quarters
Source: RBI

SCBs have witnessed a consistent growth in deposits over the last few quarters despite a declining deposit rate scenario since July 2019 (6.97%) to April 2021 as SCBs have been lowering their deposit rates to protect margins. On the credit side, growth remains low despite availability of ample liquidity in the banking system along with fall in the weighted average lending rates (WALR) (Figure 4). Moreover, the WALR of all SCBs has been the lowest as per the data released by RBI (for the duration between September 2014 and December 2020), however, WALR has increased marginally in March 2021 and April 2021.

Deposits

Figure 5: % Growth (y-o-y) in deposits held by SCBs



Source: RBI

Figure 6: Incremental deposit* (%) growth

Deposit Type	Dec-20	Mar-21
Current	2.9	21.0
Savings	10.9	16.7
Term	6.1	8.4
Total	7.4	12.3

*over March 2020; Source:RBI

The current and savings deposits which account for around 9.9% and 34.1% share of total deposits held by SCBs grew at 21.0% and 16.7%, respectively, on y-o-y basis. The growth of term deposits which accounts for the balance 56.0% share of total deposits grew at 8.4% in the period under review compared with 9.8% growth in the previous year. In absolute terms, the bank deposits have increased by around Rs.16.9 lakh by end March 2021 compared with Rs.11.9 lakh crore increase in the previous year. Additionally, as per our interaction with market participants, the level of growth in current account deposit is far higher as compared with overall growth in deposits; as corporates forms a larger part of the current account deposits.

Based on the geographic concentration of current account (CA) deposits, the top five states account for more than 60.0% share of the CA deposits in Q4FY21. These states include Maharashtra (30.0%), Delhi (10.0%), Karnataka (8.0%), Tamil Nadu (7.0%) and Telangana (7.0%). During Q4FY21, Maharashtra and Delhi lost their ownership share by 224 bps and 37 bps, respectively, compared with previous year, while states with higher industrial activity like Tamil Nadu, Telangana, Karnataka and Gujarat gained CA deposit share by 26 bps, 260 bps, 22 bps and 8 bps, respectively.

In terms of savings account (SA) deposits, the top five states contributed nearly 45% of total SA deposits. These states include Maharashtra (13.0%), Uttar Pradesh (12.1%), Karnataka (7.2%), Tamil Nadu (6.5%) and Delhi (6.3%) during quarter ended Q4FY21. However, Bihar, Uttar Pradesh and Odisha posted the largest decline in their ownership proportion by 39 bps, 24 bps and 22 bps, respectively, while Maharashtra, Madhya Pradesh and Gujarat reported the highest increase in their SA deposit share by 27 bps, 17 bps and 13 bps, respectively, in the last one year.

Bank Group

Figure 7: Bank group-wise deposits (Rs lakh crore)

Deposits (Bank Type)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %	
						Q-o-Q	Y-o-Y
PSB	85.68	88.35	90.04	91.17	94.60	3.8%	10.4%
PVB	39.87	40.66	42.14	43.58	46.24	6.1%	16.0%
FB	6.60	6.76	6.94	7.14	7.52	5.4%	13.9%
SFB	0.63	0.65	0.75	0.79	0.88	11.5%	40.3%
RRB	4.73	4.85	4.94	4.96	5.17	4.2%	9.3%
All SCB	137.5	141.3	144.8	147.6	154.4	4.6%	12.3%

Source: RBI

Deposits of all SCBs rose by 4.6% in q-o-q terms, because of 3.8% q-o-q growth in PSBs deposits which account for 61.3% share of the overall deposits of SCBs followed by PVBs which account for 29.9% share. Small Finance Banks (SFBs) and RRBs grew at 11.5% and 4.2%, respectively, compared with 6.1% and 4.8% in the previous year, however, together they account for a small share (around 4%) of the total deposits of the SCBs. The increase in overall deposits can be owing to outflows witnessed in equity mutual fund during January and February 2021 coupled with outflows in debt mutual fund (during the quarter under review), indicative of risk aversion by investors which could partially support the rise in bank deposits.

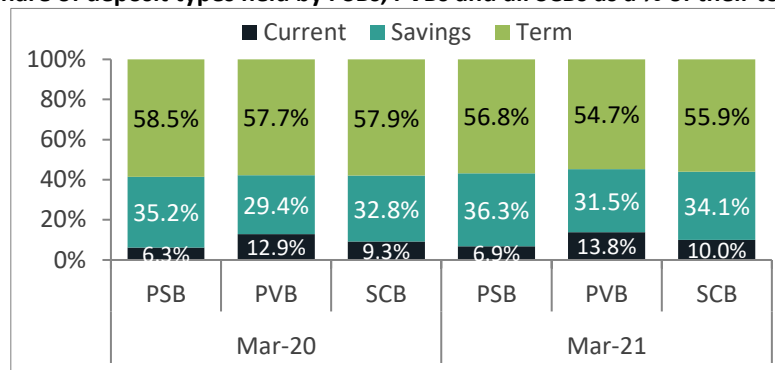
The y-o-y growth of PSBs increased from a year-ago level of 8.2% and PVBs growth increased from 10.4% (as of March 31, 2020). Deposits with the FBs decreased from a year-ago level (13.9% y-o-y growth in March 2020), also deposits with RRBs grew at a marginally slower rate compared with 10.4% y-o-y growth in March 2020.

Figure 8: Bank type-wise incremental deposits* (%) growth

Bank Type	Dec-20	Mar-21
PSB	6.4%	10.4%
PVB	9.3%	16.0%
FB	8.1%	13.9%
SFB	25.8%	40.3%
RRB	5.0%	9.3%
All SCB	7.4%	12.3%

*over March 2020; Source: RBI

Figure 9: Share of deposit types held by PSBs, PVBs and all SCBs as a % of their total deposits



Source:RBI

The deposit growth of SCBs over March 2020 rose to 12.3% in March 2021 (7.4% incremental deposit growth in December 2020), was majorly fueled by the PSBs that recorded 10.4% growth at the end of Q4FY21. In absolute terms, the incremental deposits of PSBs grew by Rs.8.9 lakh crore compared with Rs.6.3 lakh crore of PVBs (despite of healthy growth of 16.0% in Q4FY21); as being government banks, the safety perception is generally higher for PSBs.

Current and Savings Deposits (CASA)

Figure 10: Bank group-wise CASA (Rs lakh crore)

Deposits (Bank Type)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %	CASA Ratio Mar-21
						Q-o-Q	Y-o-Y
PSB	35.54	36.90	37.59	38.36	40.82	6.4%	14.8%
PVB	16.85	16.87	18.03	19.04	20.96	10.1%	24.4%
FB	2.79	2.80	2.81	2.83	3.14	11.0%	12.6%
RRB	2.54	2.63	2.65	2.66	2.81	5.6%	10.7%
SFB	0.13	0.13	0.16	0.20	0.26	28.2%	103.8%
All SCB	57.8	59.3	61.3	63.1	68.0	7.8%	17.6%

Source: RBI

The CASA ratio for SCBs stood at 44.1% (compared with 42.1% witnessed in the quarter ended March 2020) on account of growth in the overall savings deposit, at the end of Q4FY21. Also, the CASA deposit growth witnessed almost 13-quarter high, growing at 17.6% in Q4FY21. Moreover, due to liquidity surplus in the system, most major PSBs as well as PVBs have been reducing the rates offered on term deposits which resulted in moderation in growth of term deposits (8.4% y-o-y growth in March 2021 against 9.8% y-o-y growth in March 2020). As given in the table above, the CASA of SCBs as of March 31, 2021 stood at Rs.68.0 lakh crore, i.e., a growth of 17.6% y-o-y. Share of PSBs in CASA has declined marginally from 61.4% during end March 2021 to 60.0% in the period under review, while losing its share to PVBs (share of PVBs in CASA increased from 29.1% during end March 2020 to 30.8% in March 2021).

Regions

Figure 11: Region-wise deposits (Rs lakh crore)

Deposits (Region)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %
						Q-o-Q
Northern	28.44	29.57	30.48	31.36	32.47	3.5%
North Eastern	2.66	2.71	2.75	2.77	2.89	4.3%
Eastern	17.97	18.29	18.73	18.88	19.58	3.7%
Central	18.68	19.10	19.57	19.84	20.89	5.3%
Western	36.03	36.69	37.29	38.15	39.99	4.8%
Southern	33.72	34.93	35.99	36.63	38.59	5.4%
Total	137.5	141.3	144.8	147.6	154.4	4.6%

Source: RBI

All regions recorded a marked improvement in their deposit growth in q-o-q and y-o-y terms for the quarter ending March 2021. Banks in the southern region continue to account for the highest y-o-y growth amongst all regions at 14.4%, followed by the northern region at 14.2% and central region at 11.8%. The north-eastern region observed marginal moderation in growth compared with previous year (9.6% y-o-y growth in March 2020). The western, southern and northern regions house a major part of the organized sector.

Population Group

Figure 12: Population group-wise deposits (Rs lakh crore)

Deposits (Population Group)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %	
						Q-o-Q	Y-o-Y
Metropolitan	68.87	71.52	73.04	74.93	79.13	5.6%	14.9%
Urban	29.80	30.54	31.51	31.88	33.20	4.1%	11.4%
Semi-urban	23.17	23.59	24.25	24.61	25.32	2.9%	9.3%
Rural	15.66	15.64	16.01	16.21	16.75	3.3%	6.9%
Total	137.5	141.3	144.8	147.6	154.4	4.6%	12.3%

Source: RBI

Banks in the metropolitan region recorded the largest share in total deposits at around 51.0% and also recorded the highest y-o-y growth compared with 6.9% in March 2020, followed by the urban region that grew at 11.4% (higher compared with last year's level of 10.5%). The PSBs continue to hold major share (around 53%) of the total metropolitan deposits at Rs.29.4 lakh crore as of March 31, 2021. Also, in the metropolitan region, people have been able to stay at home and save more, especially in IT hubs such as in Pune and Bengaluru. In addition, companies are saving cash and sitting on more liquidity, causing sharp deposit growth. The rural population which accounts for 11.0% share witnessed slow growth as compared with 15.5% growth in the earlier year. The urban bank deposits which accounts for 22.0% share grew at 11.4% compared with 10.5% in the year-ago.

Credit

Sector-wise Credit Growth

Figure 13: Trend in y-o-y growth (%) in sector-wise Non-Food Bank Credit

Sector	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	5-Year CAGR
1. Agriculture & Allied Activities	15.3	12.4	3.8	7.9	4.2	12.3	8.0
2. Industry*	2.7	-1.9	0.7	6.9	0.7	0.4	1.3
3. Services	9.1	16.9	13.8	17.8	7.4	1.4	11.3
4. Personal Loans (Retail)	19.4	16.4	17.8	16.4	15.0	10.2	15.1
Non-food Credit (1 to 4)	9.1	8.4	8.4	12.3	6.7	4.9	10.7

Source: Monthly Bulletin, RBI

The agriculture & allied segment recorded highest growth of 12.3% y-o-y in March 2021 as compared with the last four years led by strong monsoon, good harvest season and government measures.

The retail segment growth has been lower as compared to the growth registered in the previous year (the growth rate was lower by 480 bps as compared with March 2020). Housing loans continues to remain the single-largest segment at 51.9% share of lending in the outstanding credit to retail/personal loan portfolio. Housing loan segment grew by 9.1% in March 2021 as compared with a growth of 15.4% in the year-ago period. Despite the retail credit push and concession on home loan interest rates (also the benefit announced by government of Maharashtra on March 08, 2021, and expired on March 31, 2021 to reduce 1.0% of stamp duty if the property is bought in the name of women), there was a reduction in housing loan growth.

The credit to services sector registered a significantly slower growth (y-o-y), largely due to deceleration in growth of NBFCs and Commercial Real Estate (CRE) segment. NBFCs which form the largest part in the total credit outstanding to the services sector (35.9% share in March 2021) has registered a growth of 4.5% (29.0% growth in March 2020). Trade and commercial real estate segment registered a growth of 11.8% and 2.5% (slower y-o-y growth due to pandemic) as compared with a growth of 4.6% and 13.6% respectively in March 2020.

Credit to the industrial sector (accounts for 26.8% share in non-food credit) registered marginal growth on the back of negative growth in large industries of 0.8% (large industries accounts for 82.2% share in the total outstanding credit to industries, the balance 17.8% accounts towards micro, small & medium industries). Micro, small & medium (MSME) industries grew by 6.7% in March 2021 (which offset the fall in large segments) as compared with a growth of 1.1% in March 2020. This was supported by ECLGS disbursements of Rs.1.81 lakh crore (as on February 28, 2021) which is around 60.0% of the Rs.3.0 lakh crore. The bank credit growth has been mainly supported by disbursements in ECLGS scheme which has been extended till September 30, 2021 (disbursement till December 31, 2021).

Bank Group

Figure 14: Bank group-wise outstanding credit (Rs lakh crore)

Credit	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %	
(Bank Type)						Q-o-Q	Y-o-Y
PSB	60.13	59.66	59.78	61.19	62.29	1.8%	3.6%
PVB	36.06	35.57	36.55	37.44	39.17	4.6%	8.6%
FB	4.35	4.18	3.89	4.06	4.36	7.5%	0.4%
SFB	0.95	0.94	0.97	1.03	1.14	10.5%	19.7%
RRB	3.01	2.98	3.13	3.24	3.39	4.6%	12.7%
All SCB	104.5	103.3	104.3	107.0	110.4	3.2%	5.6%

Source: RBI

Credit growth of the SCBs decelerated to 5.6% in the quarter-ended March 2021 compared with last year's level of 6.4% (March 2020) and 6.2% in December 2021. Despite the low base of previous year (initial period of lockdowns), bank credit failed to report pick-up in bank credit owing to the risk aversion from both borrowers and lenders. All bank groups registered slowdown in the y-o-y growth with PSBs registering a decrease in growth from 4.2% in the quarter ended March 2020 to 3.6% in March 2021. PSBs account for 56.0% share of the total credit followed by PVBs accounting for 36.0% share, FBs accounting for 4.0% share; and RRBs and SFBs accounting for the balance 3.0% share. In q-o-q terms, the overall credit outstanding registered growth at 3.2% (compared with 3.8% q-o-q growth in March 2020) on the back of slow growth in all categories of bank type.

Figure 15: Bank type-wise incremental credit* growth (%)

Bank Type	Dec-20	Mar-21
PSB	1.8%	3.6%
PVB	3.8%	8.6%
FB	-6.6%	0.4%
SFB	8.3%	19.7%
RRB	7.8%	12.7%
All SCB	2.4%	5.6%

* March 2020; Source: RBI

The PSBs recorded negative incremental growth in the quarter ended June 2020 (-0.8%) and September 2020 (-0.6%), while the incremental growth turned positive in December 2020 and March 2021. Amongst all PSBs, SBI which accounts for around 35% share, posted a growth of 4.8% in March 2021, while other PSBs (excluding SBI) grew at 2.5% during the same period. The PVBs have, however, improved their credit disbursements, growing at 8.6% incrementally. Also, the SFBs continued to record a considerable rise in their incremental credit.

Region

Figure 16: Region-wise outstanding credit (Rs lakh crore)

Credit	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %	
(Region)						Q-o-Q	Y-o-Y
Northern	23.59	23.13	23.27	23.48	24.04	2.4%	1.9%
North Eastern	1.09	1.09	1.14	1.20	1.26	5.2%	15.4%
Eastern	7.46	7.34	7.59	7.80	8.01	2.7%	7.4%
Central	8.99	9.03	9.23	9.64	10.01	3.9%	11.3%
Western	33.95	33.33	32.95	33.78	35.03	3.7%	3.2%
Southern	29.42	29.42	30.14	31.08	32.00	3.0%	8.8%
Total	104.5	103.3	104.3	107.0	110.4	3.2%	5.6%

Source: RBI

The western region accounts for the largest share (32%) in the region-wise credit deployment in March 2021, however, it grew at a slower rate compared with other regions. The southern region accounts for 29.0% share of the total outstanding credit followed by northern region accounting for 22.0% share, central region accounting for 9.0% share, eastern region accounting for 7.0% share and north-eastern region accounting for just 1% share. However, all regions registered moderate growth compared with the previous year, apart from north-eastern region and central region that observed increase in growth. In q-o-q terms, north-eastern region registered the highest growth with the sector focus being on MSME industry, while other regions grew at a comparatively lower rate.

Population

Figure 17: Population group-wise outstanding credit (Rs lakh crore)

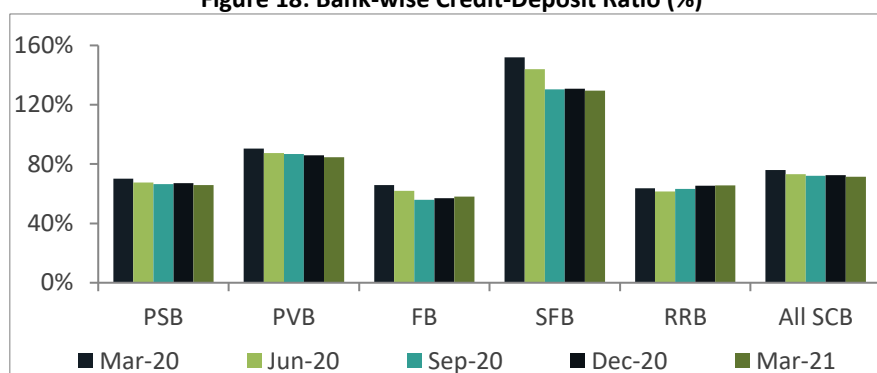
Credit	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Growth %	
(Population Group)						Q-o-Q	Y-o-Y
Metropolitan	66.15	65.03	64.58	65.55	67.29	2.7%	1.7%
Urban	16.10	15.92	16.45	17.02	17.61	3.5%	9.4%
Semi-urban	13.16	13.14	13.70	14.27	15.04	5.4%	14.3%
Rural	9.09	9.24	9.60	10.13	10.41	2.8%	14.5%
Total	104.5	103.3	104.3	107.0	110.4	3.2%	5.6%

Source: RBI

A major part of the outstanding credit is deployed in the metropolitan region with around 61.0% share recording a growth of 1.7% in March 2021, the growth rate came in lower by 310 bps as compared with March 2020. The slow growth in metropolitan region has been led by repayment of debt done by large corporates pushing the growth downwards. The urban and semi-urban region accounted for 16.0% and 13.5%, respectively, recorded increase in y-o-y growth compared with 8.8% and 8.4% in the quarter ended March 2020. The balance 9.5% share accounted for rural region, which grew at 14.5% y-o-y higher than last year growth of 11.5%. The semi-urban and rural region recorded relatively higher growth compared with previous year as these regions were less affected by the spread of Covid-19. In q-o-q terms, the metropolitan region recorded the lowest growth amongst all other population groups, while rural and semi-urban region witnessed an increase in growth by 190 bps and 350 bps compared with last year (rural region grew by 0.9% and semi-urban region grew by 1.9% in previous year). The growth in credit was supported by ECLGS scheme that helped in improving credit flow to MSME segment.

Credit-Deposit Ratio (CDR)

Figure 18: Bank-wise Credit-Deposit Ratio (%)



Source: RBI, CARE Ratings Calculations

The CDR stood at 71.5% compared with 76.0% in March 2020 owing to slower growth in credit. Similarly, all bank types have recorded a moderation in their CDR as of March 2021. Furthermore, y-o-y moderation in CDR is also observed across regions and population in the period under review. The CDR of metropolitan region has been the highest compared with all other regions, while urban region stands at only 53.0%. The CDR stood above 100% for Andhra Pradesh and Tamil Nadu, whereas CDR ratio of Chandigarh, Maharashtra, Telangana, and the National Capital Territory (NCT) of Delhi stood between 90% and 95%. Region-wise and population-wise CDR is given below (figure 19 and figure 20).

With limited liability franchisee, the CD ratio of SFBs has remained very high, though some moderation can be seen with the growth in deposits in the recent periods (129.5% in March 2021 compared with 151.9% in March 2020).

Figure 19: Region-wise Credit-Deposit Ratio (%)

Region	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Northern	82.9%	78.2%	76.4%	74.9%	74.0%
North Eastern	41.0%	40.2%	41.5%	43.3%	43.6%
Eastern	41.5%	40.1%	40.5%	41.3%	40.9%
Central	48.1%	47.3%	47.1%	48.6%	47.9%
Western	94.2%	90.8%	88.4%	88.5%	87.6%
Southern	87.2%	84.2%	83.7%	84.9%	82.9%
Total	76.0%	73.1%	72.0%	72.5%	71.5%

Source: RBI, CARE Ratings Calculations

Figure 20: Population group-wise Credit-Deposit Ratio (%)

Population Group	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Metropolitan	96.0%	90.9%	88.4%	87.5%	85.0%
Rural	58.0%	59.1%	60.0%	62.5%	62.2%
Semi-urban	56.8%	55.7%	56.5%	58.0%	59.4%
Urban	54.0%	52.2%	52.2%	53.4%	53.0%
Total	76.0%	73.1%	72.0%	72.5%	71.5%

Source: RBI, CARE Ratings Calculations

Concluding remarks and outlook:

The bank credit growth remained low at the end of March 2021, despite the availability of ample liquidity in the banking system along with rate cuts by SCBs leading to low weighted average lending rates (WALR) for fresh loans of all SCBs. Though the interest rates (monthly fresh loans WALR) of SCBs have reduced by 42 bps from April 2020 to April 2021, the overall credit growth continued to remain low due to risk aversion and continued parking of excess liquidity with RBI. Additionally, as mentioned above the rate cuts would work more effectively when credit growth picks up substantially, as banks have been selective in giving fresh loans due to asset quality concerns especially to corporate segment. Also the borrowers have remained risk-averse and unwilling to raise debt.

In recent times, the bank credit growth has returned to the levels observed in March 2020 growing by around 6.0% in May 2021. The bank credit growth remained at 6.0% (May 2021) and has been supported by the various schemes/measures by the government (e.g., rate cuts, extension in TLTRO, additions to the ECLGS scheme, liquidity support along with special liquidity facility (announced on June 04, 2021) of Rs.16,000 crore to be provided to SIDBI for on-lending over and above Rs.15,000 crore which was provided in April 2021 would help support disbursements in MSME segment and on-tap liquidity window of Rs.50,000 crore for health care infrastructure to boost provision of immediate liquidity for Covid-related health care infrastructure and services in the country).

The credit growth for FY22 is likely to remain in low double digit on the back of muted economic activity which could further delay the anticipated pick-up in credit growth, apart from the likely impact on asset quality. Also, sector's medium-term prospects however look promising with diminished corporate stress and increased provisioning levels across banks. Retail loan segment is expected to do well as compared with industry and service segment; supported by retail credit push. The downside risks include partial/complete lockdown in key states, which may impact the industrial as well as service segments. Additionally, the credit growth will be supported by ECLGS scheme that has been extended till September 2021 (disbursement extended till December 31, 2021).

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