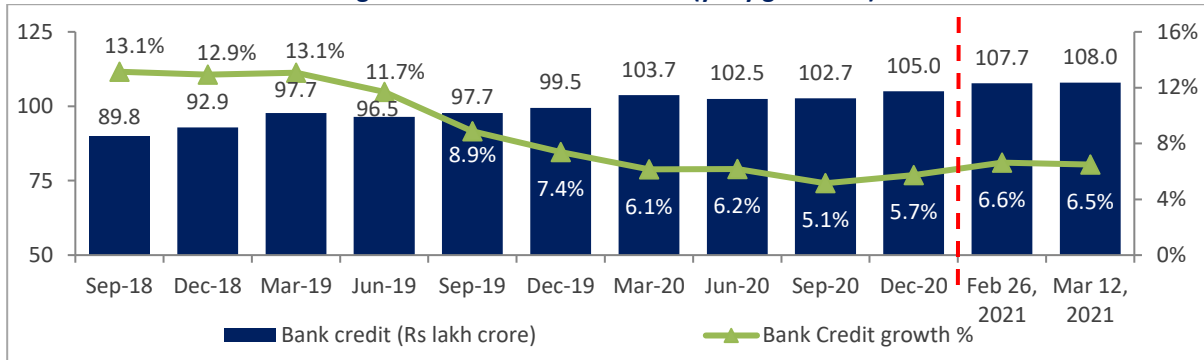


Bank credit and deposits growth stood largely stable vs. the last fortnight

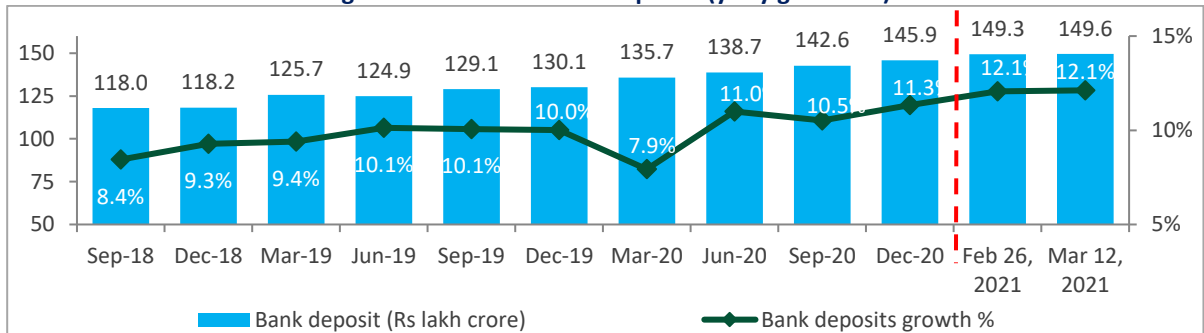
Figure 1: Growth of Bank Credit (y-o-y growth %)



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

- The bank credit growth has stood largely stable compared to the last fortnight and returned to the levels observed in the early months of the pandemic (the bank credit growth ranged between 6.1% to 7.0% during March and February 2020). The credit growth stood at almost similar level during the last two fortnights at 6.6% and 6.5%, marginally higher as compared with last year’s level of around 6.1%, as economic activities gather pace.
- Though the interest rates (Monthly fresh loans WALR) of SCBs have reduced by 122 bps from January 2020 to January 2021, the overall credit growth continued to moderate due to risk aversion and continued parking of excess liquidity with RBI. Also, de growth in large industries and slower growth in Housing and NBFCs segment restricted the overall bank credit growth.
- Increase in the credit outstanding is anticipated as year-end transactions are expected to push up bank credit as SCBs undertake the year-end closing activities.

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

- Deposit growth stood stable during the fortnight ended March 12, 2021 as compared with fortnight ended February 26, 2021 and increased as compared with previous year (9.1% growth during fortnight ended March 13, 2020).
- Moreover, as on March 12, 2021, the liquidity surplus in the banking system stood at Rs.5.7 lakh crores. The liquidity surplus can be primarily attributed to deposit growth outpacing credit growth persistently. However, government borrowings (Central: Rs.57,230 crore and State: Rs.45,551 crore) limited the banking system liquidity surplus.
- As given in figure 3, time deposits account for 88.7% of aggregate deposits (89.1% share as on March 13, 2020) grew at a slower pace compared to demand deposits, which accounted for the balance 11.3% (10.9% share as on March 13, 2020).

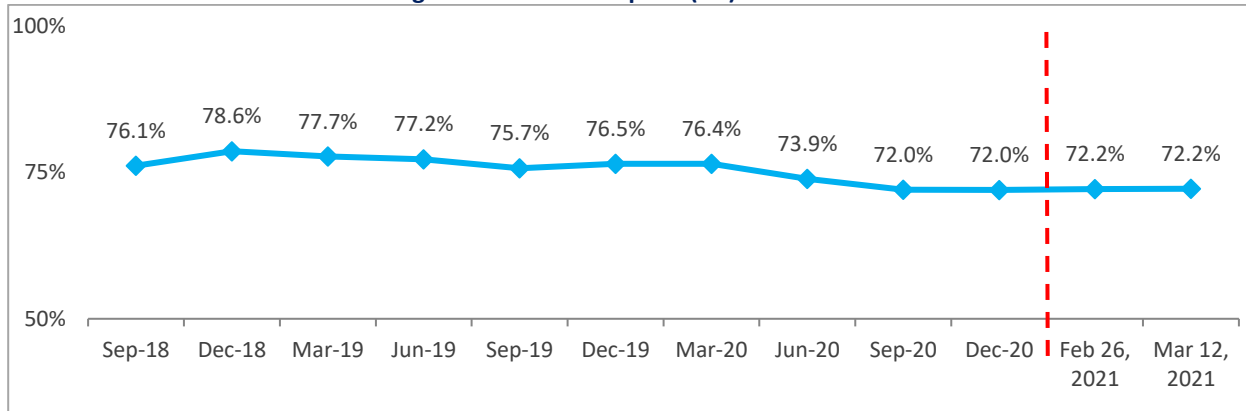
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Feb 26, 2021	Mar 12, 2021
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.7	17.0	17.0
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	15.7%	16.7%	16.4%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.2	132.3	132.6
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.8%	11.5%	11.6%

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 72.2%, stood at similar levels as compared to last fortnight but remained low compared to March 2020, 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.8.3 lakh crores (As on January 29, 2021 level as per latest data released by RBI) for the fortnight ended March 12, 2021, then the CD ratio would be around 78%. On the other hand, if we assume the CD ratio to be constant at 76.0% (which was last observed in March-20) for the fortnight ended March 12, 2021, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5.0 lakh crores.

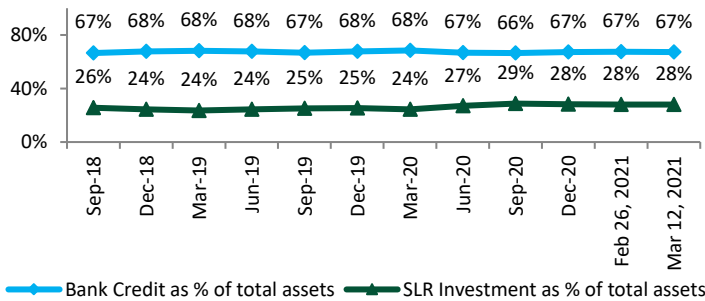
Figure 4: Credit to Deposit (CD) ratio trend



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 remained stable

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 at 67% but declined (by 1%) as compared to Mar-20.

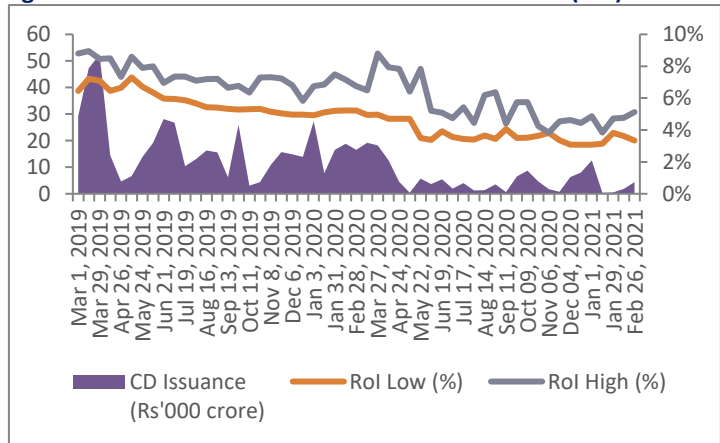
- Considering credit investments to be at Rs.8.3 lakh crore (As on January 29, 2021), bank credit (including credit investments) to total assets would have been around 72% for the fortnight ended March 12, 2021.
- Proportion of SLR investment to total assets stood stable at 28% during last two fortnights. In absolute terms, SLR investments grew by 19.0% YoY as compared with a growth of 18.1% in the previous fortnight and 11.8% 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.

O/s Level of CDs declined, while CPs increased 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 18 2020	68.8	-57.9%
Feb 12 2021	58.2	-68.7%
Feb 26 2021	56.4	-69.7%

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

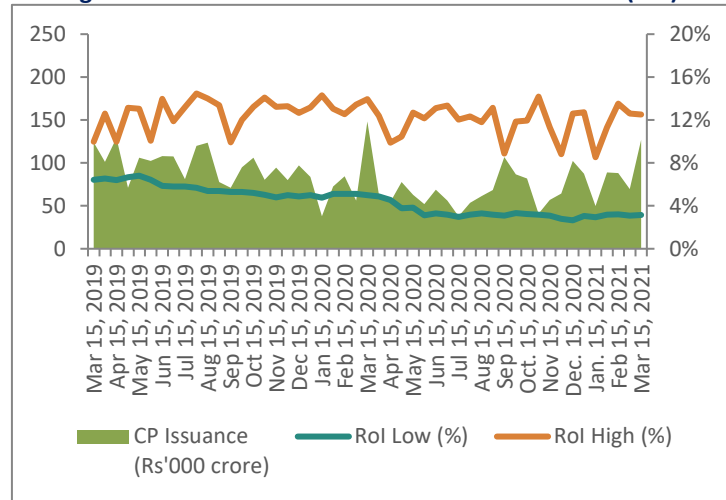


Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

Figure 8: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 30, 2018	491.8	37.2%
Sep 30, 2018	556.2	16.0%
Dec 31, 2018	498.7	6.2%
Mar 31, 2019	483.1	11.5%
Jun 30, 2019	503.9	-10.5%
Sep 30, 2019	459.7	-22.7%
Dec 31, 2019	414.9	-25.1%
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%
Feb. 28, 2021	390.9	-2.3%
Mar. 15, 2021	403.4	0.4%

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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