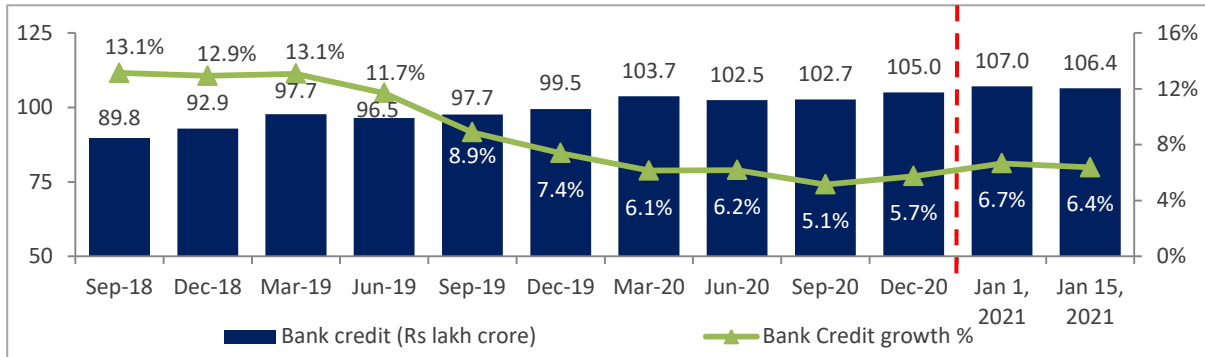


Deposit growth remained flat while credit growth declined marginally over last fortnight

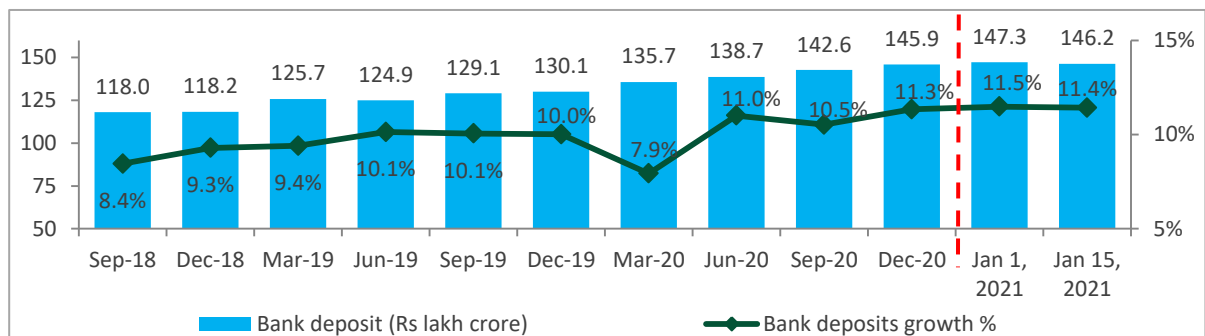
Figure 1: Growth of Bank Credit (y-o-y growth %)



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

- The bank credit growth declined marginally compared to growth witnessed in the last fortnight, however stood at levels observed in early months of pandemic (e.g. average bank credit growth in March and April 2020 was ~6.5%). While the incremental credit growth was lower at 4.9% for the fortnight ended January 15, 2021 as compared with a growth of 5.6% in previous fortnight and in absolute terms it increased by around Rs.5.0 lakh crore. The credit growth is largely supported by the growth in retail segment which was propped up by festive season and various offers announced by banks to push retail credit. Also among industry sector medium segment witnessed a healthy growth. The credit growth remained marginally lower compared with year-ago period (7.2% as of January 17, 2020).

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

- Deposit growth remained flat at 11.4% (as of January 15, 2021) compared to last fortnight’s growth of 11.5%, and on the other hand, increased on y-o-y basis (9.5% as of January 17, 2020). In value terms the bank deposits have declined compared with previous fortnight (decreased by around Rs.1 lakh crore) which can be attributed to statutory payments to be made by businesses. This similar trend has been observed in last 3-4 years wherein deposits (in absolute terms) declined during last fortnight of January.
- As on January 15, 2020 the liquidity surplus in the banking system stood at Rs.5.1 lakh crores. The liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently. Government borrowings (Central: Rs. ~53,000 crores and States: Rs. ~27,000 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 89.2% of aggregate deposits (89.8% share as on January 17, 2020) grew at a slower pace compared to demand deposits which account for the balance 10.8% (10.2% share as on January 17, 2020).

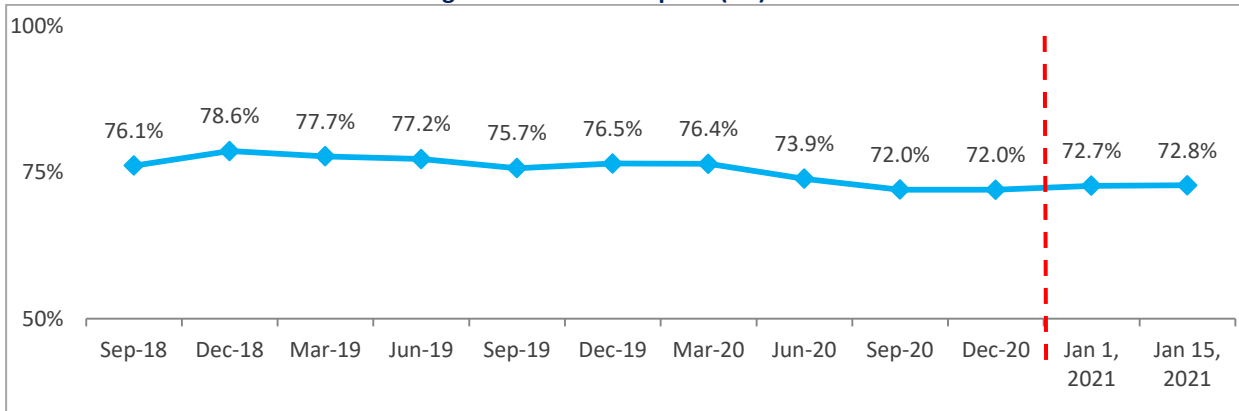
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Jan 1, 2021	Jan 15, 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	15.7
% 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%	18.0%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.2	131.1	130.5
% 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%	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 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 15, 2021 (at November 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 15, 2021, the incremental lending (considering only bank credit) would have been higher by approximately Rs.4.8 lakh crores.

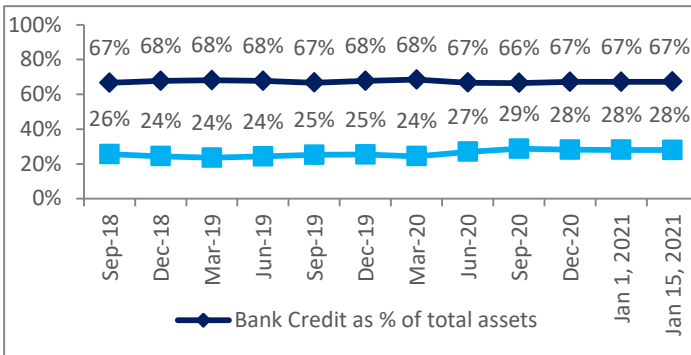
Figure 4: Credit to Deposit (CD) ratio trend



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% for the last two fortnights.
- Considering credit investment to be at Rs.8.3 lakh crore (November 2020 level), the bank credit to total assets (including credit investments) would be ~73% for the fortnight ended January 15, 2021.
- Proportion of SLR investment to total assets stood stable at 28% during last two fortnights. In absolute terms the growth of SLR investments increased to 19.1% YoY as compared with a growth of 18.6% in the previous fortnight (10.4% YoY growth a year ago).

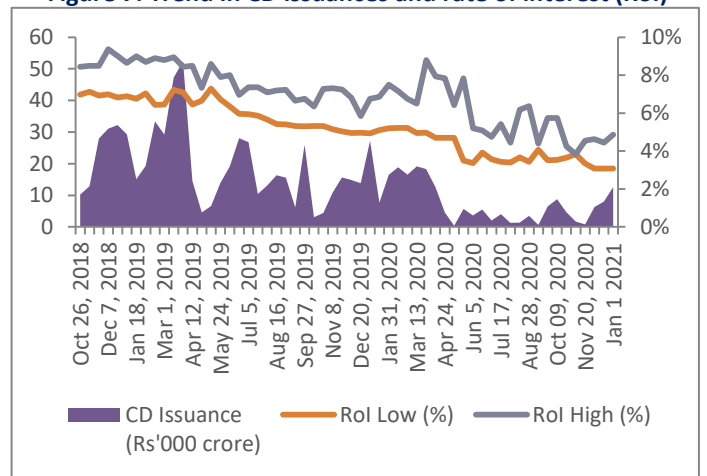
Note: The quarter end data reflects the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CARE Ratings

O/s Level of CDs and CPs 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%
Jan 1, 2021	75.0	-57.3%

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

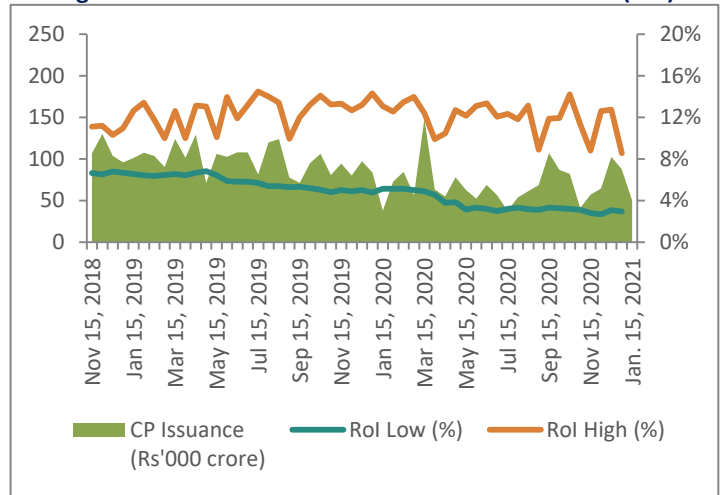


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

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 31, 2020	365.2	-20.1%
Jan 15, 2021	386.2	-6.9%

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 releases Discussion Paper on Revised Regulatory Framework for NBFCs- A Scale-Based Approach	<ul style="list-style-type: none"> RBI has issued a discussion paper to introduce a revised scale-based regulatory framework for NBFCs and has sought comments on the same. (refer report -RBI seeks to introduce Scale-based Regulations for NBFCs)

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