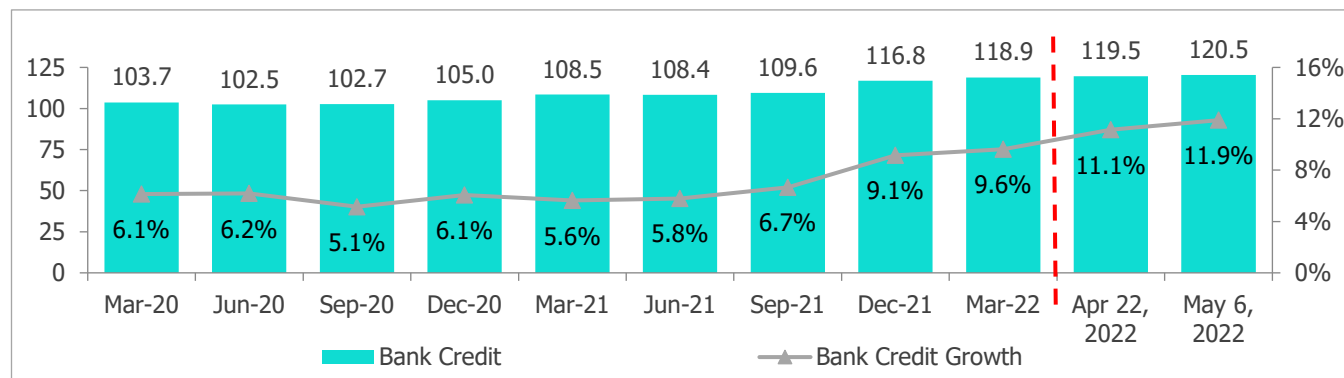


# Banking Credit and Deposits: On Solid Ground, Crosses Rs.120 L-Cr Mark

May 30, 2022 | BFSI Research

## Bank Credit Sees Double-Digit Growth

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

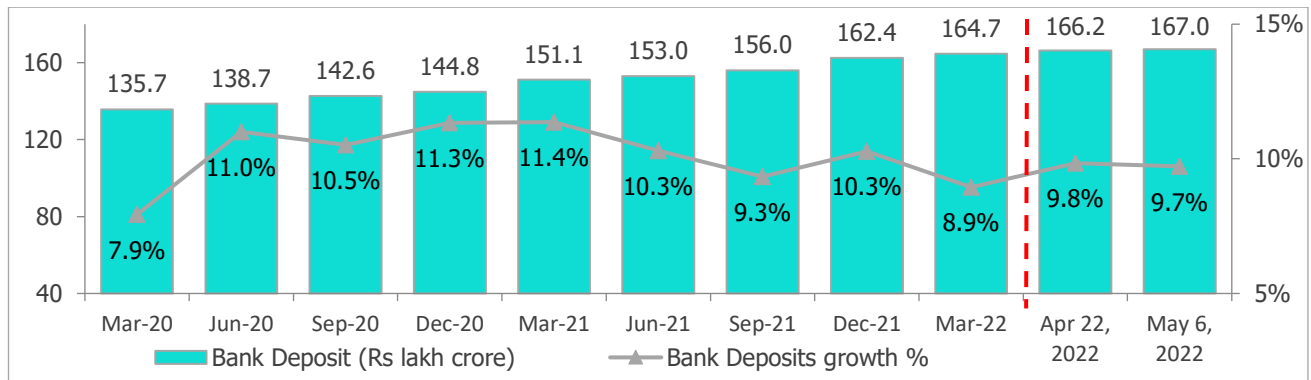


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). However, RBI has not yet updated these numbers in its database except for fortnightly documents. The quarter-end data reflect,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

- Bank credit continued to witness strong traction at 11.9% year-on-year (y-o-y), expanding by a significant 580 basis points (bps) for the fortnight ended May 06, 2022, up from 6.1% in the year-ago period (reported May 07, 2021). Sequentially, bank credit also improved by 0.8% from the immediate fortnight (reported April 22, 2022). **In absolute terms, credit outstanding crossed Rs.120 lakh crore threshold as of May 06, 2022, expanding by Rs.12.8 lakh crore over the last 12 months.** This was driven by the low base effect, shift to bank borrowings due to high capital market rates, sustained rise in retail loans and higher working capital requirements owing to elevated inflation. Retail growth has been relatively higher due to the improvement in the job market and economic activities.
- Credit outstanding of the retail segment rose by 12.4% y-o-y in March 2022 due to growth in other personal loans, loans against gold jewellery, credit card receivables and consumer durable loans. Moreover, credit outstanding of the industry segment registered a growth of 7.1% y-o-y in March 2022 from a drop of 0.4% the year ago mainly on account of robust growth in the micro and small (21.5%), and medium (71.4%) segments, which were driven by ECLGS. Credit for the services sector also accelerated by 8.9% y-o-y in March 2022 from 3.0% in the year-ago period.
- CPI inflation stood at an almost 8-year high of 7.8% in April 2022, much higher than RBI's upper-level target of 6%. With the elevated inflation and uncertainties surrounding it, the bond yield of 10-Year G-Sec rose from 6.19% in March 2021 to 7.38% on May 04, 2022. To manage the situation, RBI increased the repo rate by 40 bps and the cash reserve ratio (CRR) by 50 bps in its meeting held on May 04, 2022. In view of the tightening interest rate scenario, many banks have also raised their marginal cost of lending rate (MCLR) and deposit rates. The rise in the repo rate will increase the cost of lending and borrowing.
- The gross banking credit picked up in the last couple of months and witnessed a double-digit growth in the fortnight (reported May 06, 2022). After a modest credit growth in recent years, the outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capital expenditure, rising commodity prices and retail credit push. The medium-term prospects look promising with

diminished corporate stress and a substantial buffer for provisions. CPI too is trending up, which is likely to add to the credit growth. On the other hand, rising rates could offset this growth to some extent by curbing the demand for credit. The Retail loan segment is expected to do well as compared with the industry and service segments. The ongoing Russia-Ukraine war is likely to have a limited impact on the credit growth in India. Meanwhile, any subsequent Covid-19 variants, if severe, could lead to lockdowns and cause a slowdown in the economy.

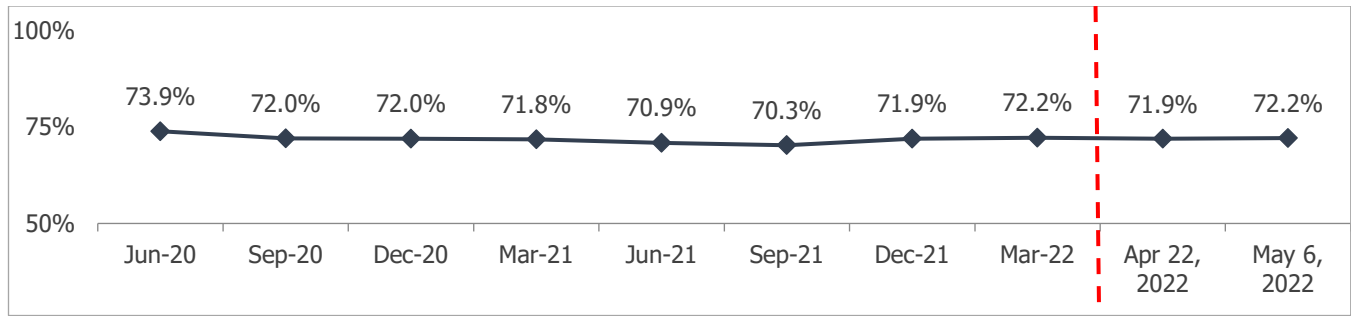
**Figure 2: Growth of Bank Deposits (y-o-y %, Rs. lakh crore)**



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

- Deposits stood at Rs.167.0 lakh crore for the fortnight ended May 06, 2022, registering a stable growth of 9.7% y-o-y. Meanwhile, in absolute terms, bank deposits have increased by Rs.14.8 lakh crore over the last twelve months. It expanded by a marginal 0.4% from the immediately preceding fortnight (reported April 22, 2022). The time deposits grew by 8.8% y-o-y, while demand deposits rose by 17.3% in the reporting fortnight when compared with 9.9% and 17.9% y-o-y, respectively, reported in the previous fortnight (reported May 07, 2021).
- The banking system has been sustaining a liquidity surplus since June 2019 on account of build-up deposits due to higher growth in bank deposits versus the credit disbursement, except for the last couple of fortnights. The outstanding (net) liquidity surplus stood at Rs 4.71 lakh crore on May 06, 2022, down from 5.51 lakh crore on April 22, 2022, as RBI is reducing available liquidity in the system to control inflation.
- The Credit to Deposit (CD) ratio stood at 72.2%, expanding by 24 bps from the previous fortnight (reported April 22, 2022), and 140 bps y-o-y basis (reported April 23, 2021) as the credit base improved, overall, the CD ratio has been increasing since October 2021, which is encouraging for the banks.
- If we assume credit investments to be at Rs.8.6 lakh crore (as of March 25, 2022, as per the latest data released by RBI) for the fortnight ended May 06, 2022, then the CD ratio would be around 77.3% higher than the 77.1% in the previous fortnight (reported April 22, 2022) and 76.4% in the fortnight ended on April 07, 2021.

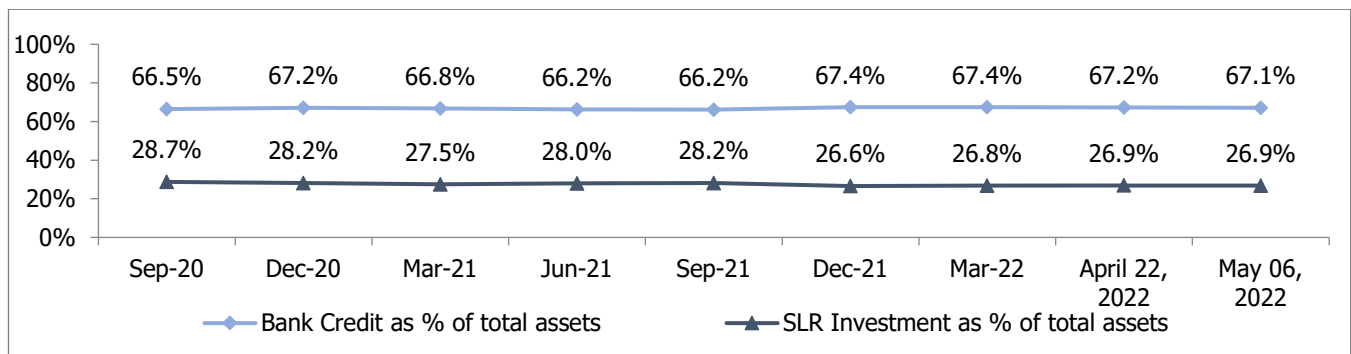
**Figure 3: Credit to Deposit (CD Ratio Trend)**



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

**The proportion of SLR Investments to Total Assets Rises; Bank Credit to Total Assets Falls**

**Figure 4: 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, CareEdge

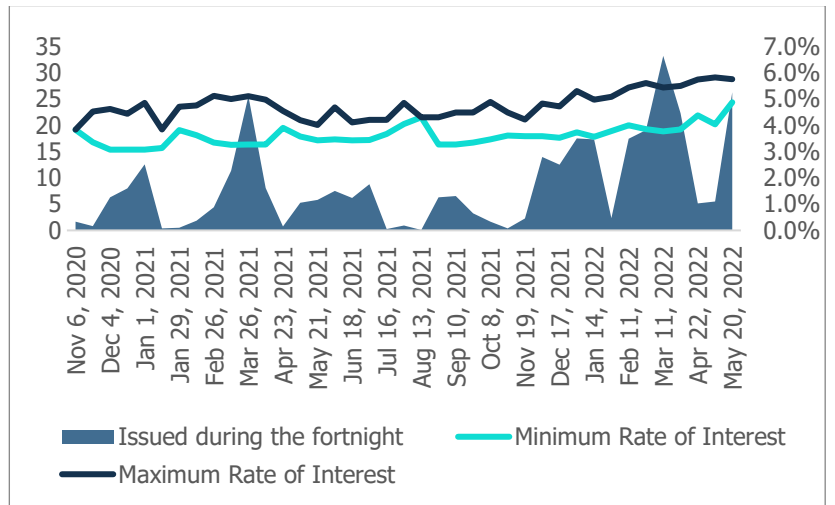
- The share of bank credit to total assets stood at 67.1%, contracting by 13 bps in the fortnight ended May 06, 2022, as compared with the previous fortnight (reported April 22, 2022). However, it was higher by 109 bps on a y-o-y basis (reported May 07, 2021) due to higher credit growth.
- Considering credit investments to be at Rs.8.6 lakh crore (as of March 25, 2022, as per the latest data released by RBI), bank credit (including credit investments) to total assets would have been around 71.9% for the fortnight ended May 06, 2022, contracting by 17 bps as compared with previous fortnight (reported April 22, 2022). However, it was up by 53 bps y-o-y from the fortnight ended on May 07, 2021.
- Proportion of SLR investment to total assets expanded marginally by 3 bps in the fortnight ended May 06, 2022, compared to the previous fortnight (reported April 22, 2022). SLR investments stood at Rs.48.3 lakh crore as of May 06, 2022, reporting a 5.6% y-o-y growth and marginally up by 1.1% from the fortnight ended on April 22, 2022.

**O/s CDs Report Significant Rise, meanwhile O/s CPs Fall Marginally**

**Figure 5: CD Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 27, 2020	173.0	-36.5%
Sep 25, 2020	75.6	-59.8%
Mar 26, 2021	80.1	-53.7%
Sep 24, 2021	60.2	-20.3%
Oct 08, 2021	59.2	-20.9%
Nov 19, 2021	55.6	-17.9%
Dec 31, 2021	84.7	13%
Feb 11, 2022	112.6	93.4%
Mar 11, 2022	154.4	168.9%
Apr 22, 2022	201.4	134.8%
May 6, 2022	185.3	112.6%
May 20, 2022	193.0	113.7%

**Figure 6: Trend in CD Issuances (Rs'000, crore) and RoI**

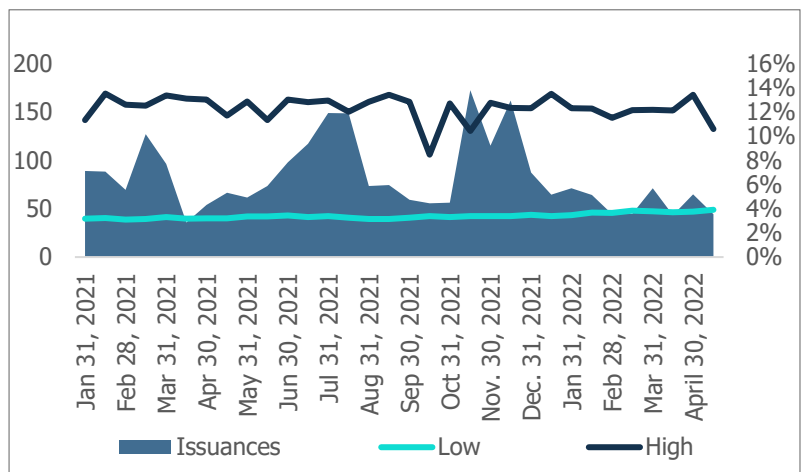


Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

**Figure 7: Commercial Paper Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 31, 2019	483.1	11.5%
Sep 30, 2019	459.7	-22.7%
Mar 31, 2020	344.5	-39.9%
Sep 30, 2020	362.3	-25.5%
Mar 31, 2021	364.4	5.8%
Sep 30, 2021	371.0	2.4%
Nov 30, 2021	388.4	-0.6%
Dec 31, 2021	350.1	-4.1%
Mar 31, 2022	352.3	-3.3%
April 30, 2022	365.0	-2.6%
May 15, 2022	384.4	-5.0%

**Figure 8: Trend in CP issuances (Rs'000, crore) and RoI**



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

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