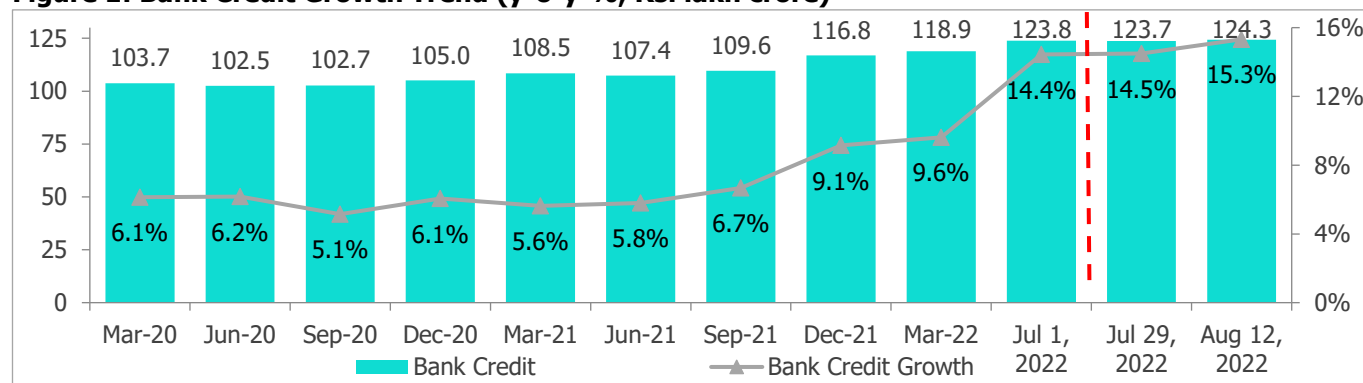


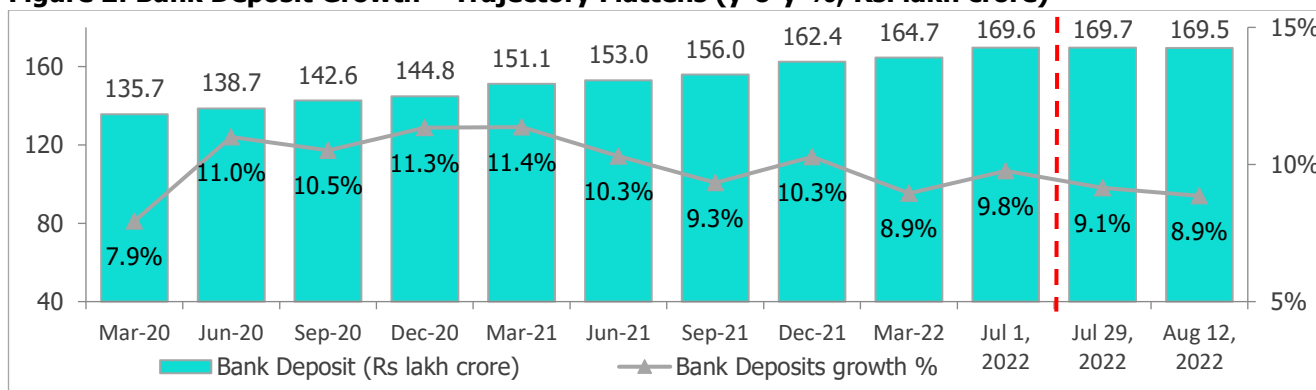
Bank Credit Growth Continues to Accelerate

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

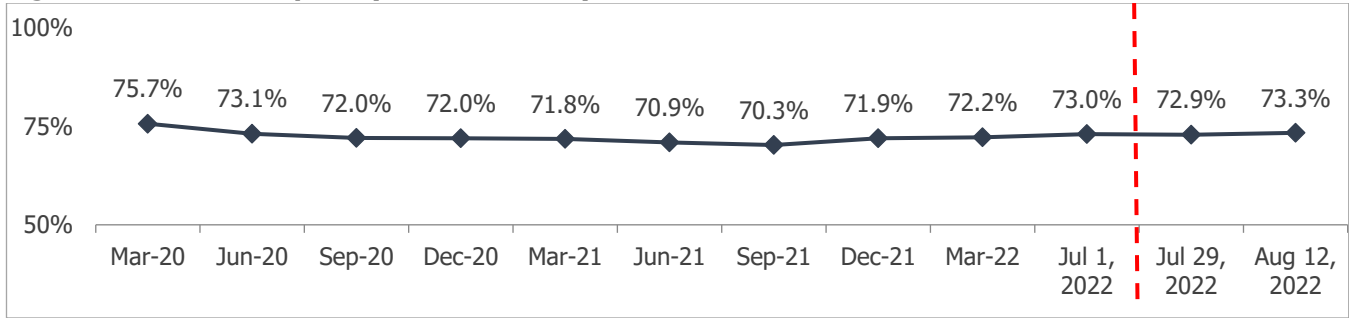
- Credit offtake continued to witness increased growth at 15.3% year-on-year (y-o-y), expanding by a significant ~980 basis points (bps), for the fortnight ended August 12, 2022, up from 5.5% in the year-ago period (reported August 13, 2021) and increasing sequentially by 0.5% from the immediate fortnight (July 29, 2022). In absolute terms, credit outstanding stood at Rs.124.3 lakh crore as of August 12, 2022, growing by Rs.16.5 lakh crore over the last 12 months. Low base, small ticket size loans, working capital requirements, and a shift to bank borrowings on account of high yields in the capital market continue to drive growth.
- Small ticket loans, credit card receivables, housing, vehicle and consumer durable loans continue to account for the growth of retail credit. Apart from personal loans (driven by the miniaturization of credit), the major driver of this growth has been the MSME segment (which resulted in wholesale credit reporting double-digit growth after witnessing a significant slowdown last year).
- CPI inflation eased to a five-month low of 6.71% in July due to lower edible oil and vegetable prices. It, however, has continued to remain above the 6.0% mark for several months. Hence, RBI has already increased the repo rate several times in FY23. Further, the 10-year benchmark G-Sec yield rose from 6.79% as of March 31, 2022, to 7.29% as of July 31, 2022, leading to an increase in market borrowing costs. Further, banks too have raised their lending rates.
- After a modest credit growth in recent years, the outlook for bank credit offtake is positive due to the economic expansion tracking nominal GDP growth, rise in government & private capital expenditure, rising commodity prices, implementation of the PLI scheme, the extension of ECLGS for MSME and retail credit push. The medium-term prospects look promising with diminished corporate stress and a substantial buffer for provisions. Hence, CareEdge estimates the credit growth to be in the range of 12%-13% during FY23, however, inflation and rate hikes could adversely impact credit growth.

Figure 2: Bank Deposit Growth – Trajectory Flattens (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.169.5 lakh crore for the fortnight ended August 12, 2022, registering a growth of 8.9% y-o-y. Meanwhile, in absolute terms, bank deposits have increased by Rs.13.8 lakh crore over the last twelve months. However, deposits decreased by 1% from the immediately preceding fortnight (reported July 29, 2022). The time deposits grew by 9.1% y-o-y, while demand deposits rose by 10.3% in the reporting fortnight when compared with 9% and 22.6% y-o-y, respectively, reported in the fortnight ended August 13, 2021.
- The banking system has been sustaining a liquidity surplus since the initial months of FY20 as a result of a faster build-up of deposits versus credit disbursement, however, this trend has reversed in the last few months. Currently, liquidity has generally been trending down with RBI seeking to reduce excess liquidity from the system to manage inflation. This is also reflected in an increase in short-term funding through Certificates of Deposits (CD) by banks. The outstanding CDs stand at Rs 2.4 lakh crores as of August 12, 2022, as compared to just Rs 0.63 lakh crore a year ago. Further, CareEdge anticipates that the deposit rate increase would start gaining speed given the fact that the credit growth has picked up and the liquidity is narrowing in the banking system.
- The Credit to Deposit (CD) ratio which has been increasing since October 2021, stood at 73.3%, expanding by 411 bps y-o-y from the similar fortnight last year (reported July 30, 2021) and by 40 bps over the immediate fortnight (reported July 29, 2022) due to faster growth in credit as compared to deposits.
- If we assume credit investments to be at Rs. 7.97 lakh crore (as of June 17, 2022, as per the latest data released by RBI) for the fortnight ended August 12, 2022, then the CD ratio would be around 78%, higher than the 69.2% in the similar fortnight last year (reported August 13, 2021) due to higher credit growth and was tempered by a fall in investments.

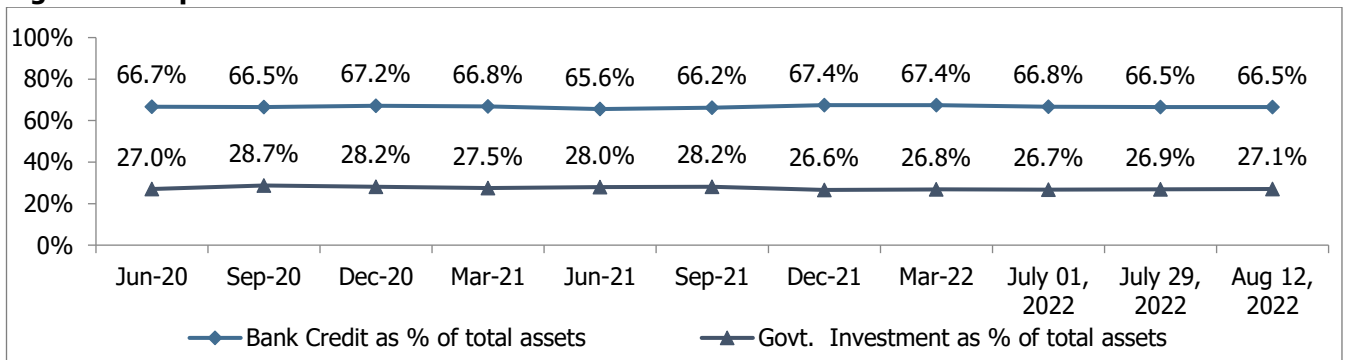
Figure 3: Credit to Deposit (CD Ratio Trend)



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

Proportion of Govt. Investments to Total Assets Moves Up

Figure 4: Proportion of Govt. 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 66.5%, remaining constant on a sequential basis compared to the fortnight ended July 29, 2022, and increased by 110 bps when compared with the same fortnight last year (reported August 13, 2021) due to higher credit growth.
- Considering credit investments to be at Rs. 7.97 lakh crore (as of June 17, 2022, as per the latest data released by RBI), bank credit (including credit investments) to total assets would have been around 70.72% for the fortnight ended August 12, 2022, which was marginally lower by around 10 bps to the previous fortnight (reported July 29, 2022). However, it was up by around 5 bps y-o-y from the fortnight ended on August 13, 2021, due to faster growth in credit as compared to total assets, which however was partially offset by a drop in credit investment (credit investment currently stood at Rs.7.97 lakh crore down from Rs.8.6 lakh crore).
- Proportion of Govt. investment to total assets increased by 17 bps for the fortnight ended August 12, 2022, compared to the previous fortnight (reported July 29, 2022). The Govt. investments stood at Rs.50.7 lakh crore as of August 12, 2022, reporting a 9.9% y-o-y growth. It also rose by 1.2% from the immediate fortnight ended on July 29, 2022.

O/s CDs Continue to Post an Increase, while O/s CPs Maintain a Fall

Figure 5: CD Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 26, 2021	80.1	-53.7%
Sep 24, 2021	60.2	-20.3%
Oct 08, 2021	59.2	-20.9%
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 20, 2022	193.0	113.7%
July 1, 2022	223.8	222.9%
July 15, 2022	235.2	264.2%
July 29, 2022	249.1	287.3%
Aug 12, 2022	242.2	281.4%

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

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

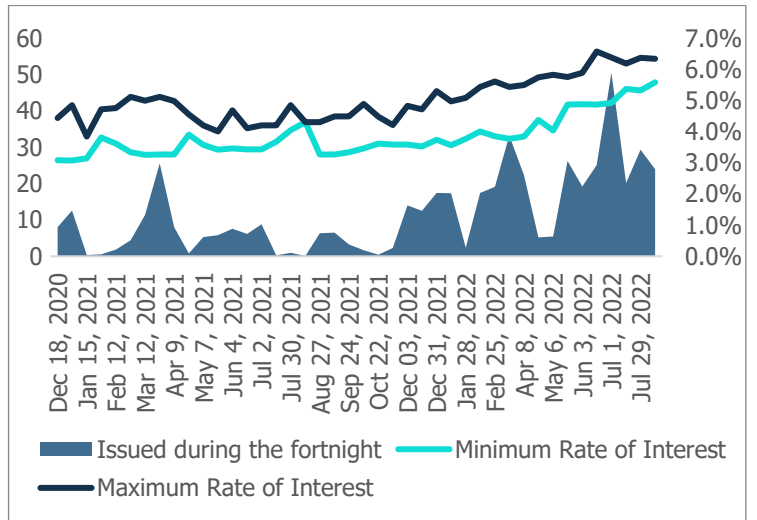
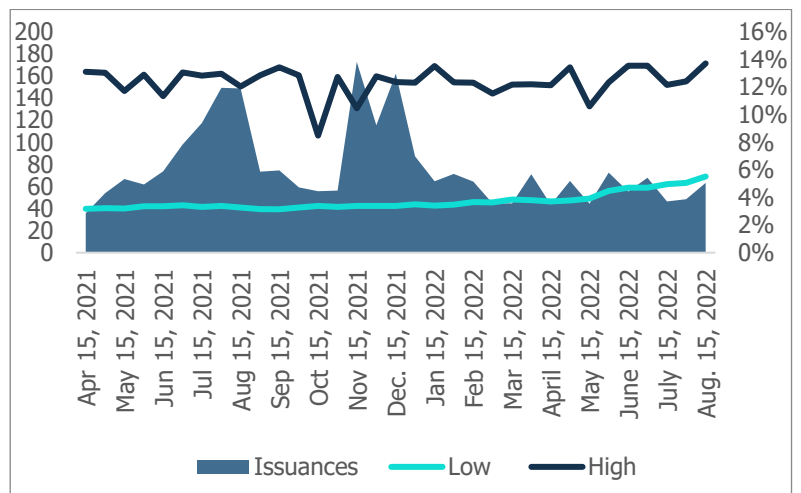


Figure 7: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
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%
Jun 30, 2022	372.5	-1.0%
July 15, 2022	381.5	-19.0%
July 31, 2022	374.2	-9.8%
Aug 15, 2022	411.2	-2.0%

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

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



Contact

Sanjay Agarwal	Senior Director	sanjay.agarwal@careedge.in	+91-22-6754 3582 / +91-81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careedge.in	+91-22-6754 3519 / +91-900 495 2514
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91-22-6754 3596

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East),
Mumbai - 400 022

Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

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