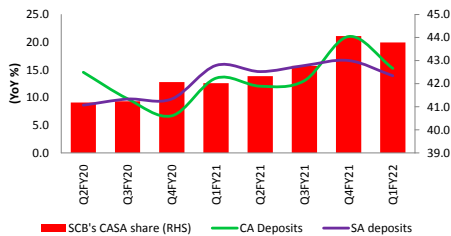


05 September 2021

## SECTOR UPDATE

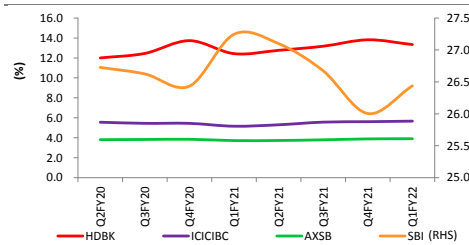
### Industry Banking

#### CA & SA deposit growth rates & CASA composition



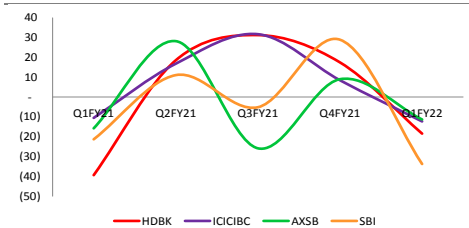
Source: Systematix Institutional Research

#### Banks' SA deposit market shares



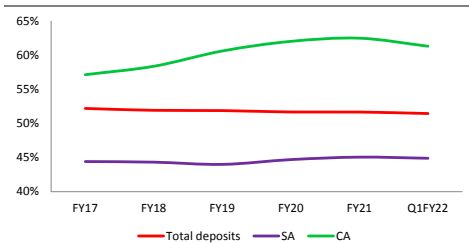
Source: Systematix Institutional Research

#### Top-4 banks constitute nearly 75% of the incremental decline in overall CA deposits



Source: Systematix Institutional Research

#### Overall deposits concentration in top-5 states



Source: Systematix Institutional Research

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## SCBs' CASA mobilization pace moderates

### Moderation in CASA growth; pick-up in economic activities to result in withdrawals

The latest data release indicates that scheduled commercial banks' (SCBs) CASA mobilization pace moderated to 14.2% YoY in 1QFY22 (from 17.6% in 4QFY21 & 15.3% in 1QFY21). CASA composition contracted marginally to 43.8% from 44.1% in 4QFY21 even as TD growth slipped to 6.3% YoY. CA & SA growth momentum moderated to 15.3% & 13.9% (as compared to 21.7% & 16.7% in 4QFY21), respectively. CA & SA sequential growth figures point toward the cyclical nature of the business in the first quarter. On an incremental basis, in overall deposit mobilization, SA deposits gained traction and contributed to ~49% of incremental deposits vs. ~45% in 4QFY21 and 43% in 1QFY21.

We had mentioned in our previous banking sector report that deposit growth, particularly SA deposit mobilization, would fall given the reduction in money multiplier (on broad money M3). The pick-up in economic activities would first result in a pullback of CA deposits (by industrials) followed by SA deposit withdrawals (by households). After the onset of COVID-19, SCBs' CASA composition has increased by 172bps.

### TD mobilization pace slips to a 12-quarter low; increase in TD card rates imminent

The banking system's term deposit-TD (retail & wholesale TDs) mobilization pace declined to a 12-quarter low of 6.3% YoY as against 8.4%/9.5% in 4QFY21/1QFY21. On an incremental basis, the TD mobilization pace has been declining and now contributes to 37.8% of total incremental deposits as against 39.7%/47.5% in 4QFY21/1QFY21.

As indicated in our monthly report on lending and deposits rates ([click here](#)), the real term deposit rates remained at -109bps during April'21-June'21 and at -45bps in July'21, impacting the TD mobilization pace. The continued weak momentum in TD growth could lead to a rise in TD card rates; we need to closely monitor excess liquidity in the system and signs of credit offtake, which could inch up in 2QFY22.

### Large private banks witnessed moderation in their CA market shares

Among large private banks (PVBs), HDFCB, ICICI Bank and AXSB lost CA market share, while KMB increased its market share on a sequential basis. Within PSBs, SBI lost CA market share, while PNB and BOB increased their market shares on a sequential basis.

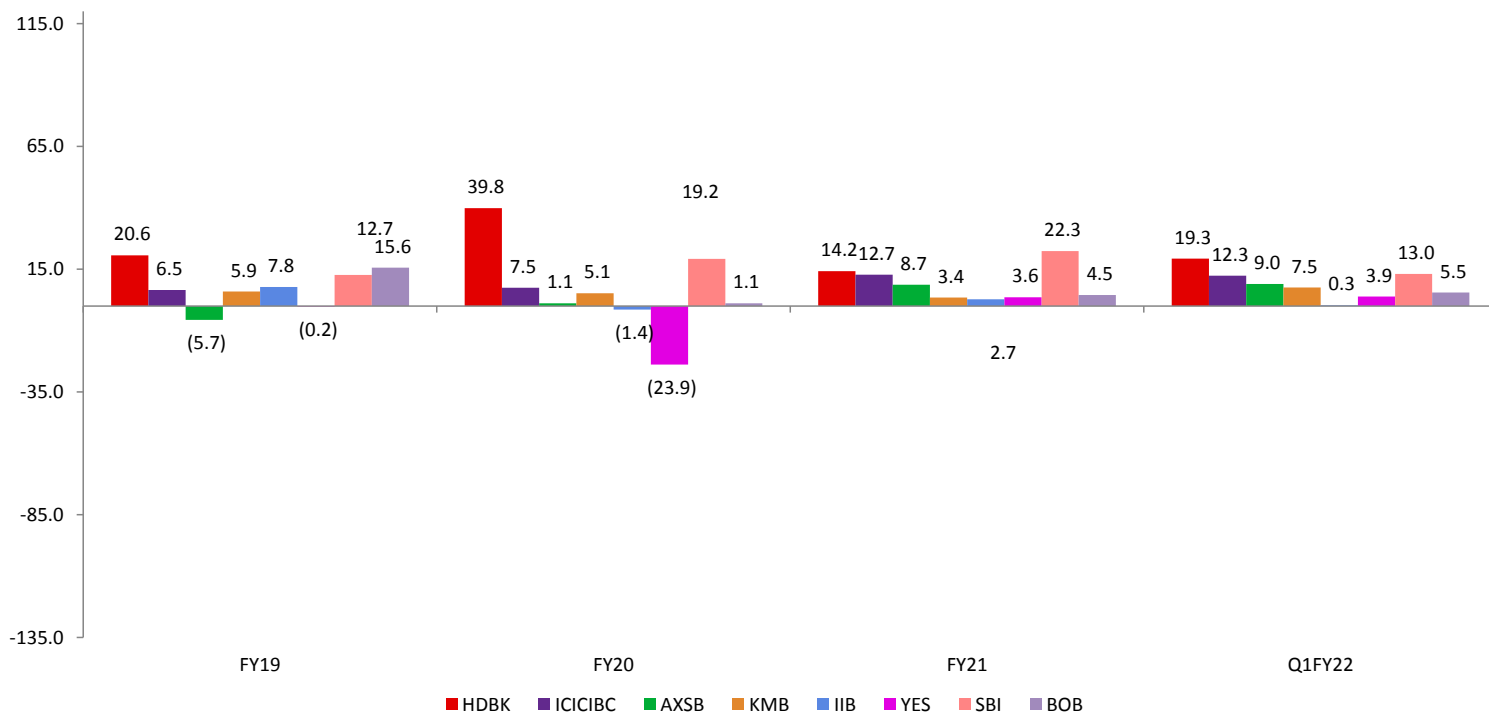
On the SA front, PVBs gained market shares. KMB, which had been losing SA market share for the last four quarters, maintained its share at 222bps.

### High geographic concentration; top-5 states control ~45% of SA & ~60% of CA

On the SA deposit front, the market share of top-5 states improved to 44.9% YoY as against 44.1% in 1QFY21, while declining sequentially by 17bps. The SA deposit ownership share for Maharashtra/UP/Karnataka/Tamil Nadu/Delhi (top-5 states) was at 13.1%/11.7%/7.2%/6.5%/6.4%, respectively, in 1QFY22. The top-20 states contribute to ~95% of the total SA; the states of Bihar/UP/Assam/Odisha continued to lose their ownership shares and witnessed declines of 35bp/23bp/16bp/14bp, respectively. Maharashtra, Karnataka and Delhi reported the highest increase in SA deposit ownership share by 30-36bp over the last year.

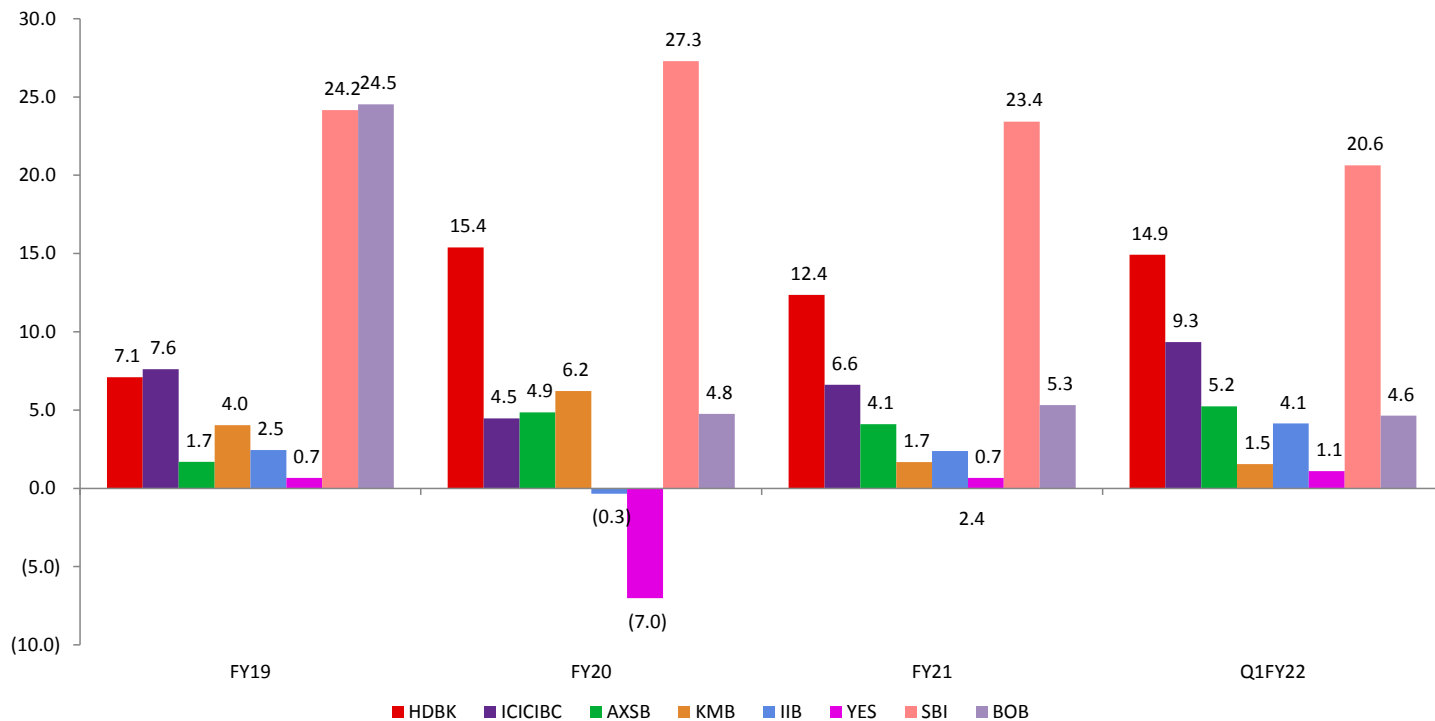
In CA deposits, Maharashtra/Delhi/Karnataka/Tamil Nadu/Telangana (top-5 states) account for more than 60% of CA deposits ownership. These states owned 30.3%/9.7%/8.4%/6.8%/6.1% of SCBs' CA deposits, respectively, in 1QFY22. Over the last year, a new state (Telangana) gained the highest ownership share of nearly 63bps, while Delhi lost its ownership share by 47bps.

**Exhibit 1: Incremental market shares in CA deposits on a YoY basis; HDBK gained the highest incremental market share in 1QFY22 post a strong performance in FY19/FY20/FY21**

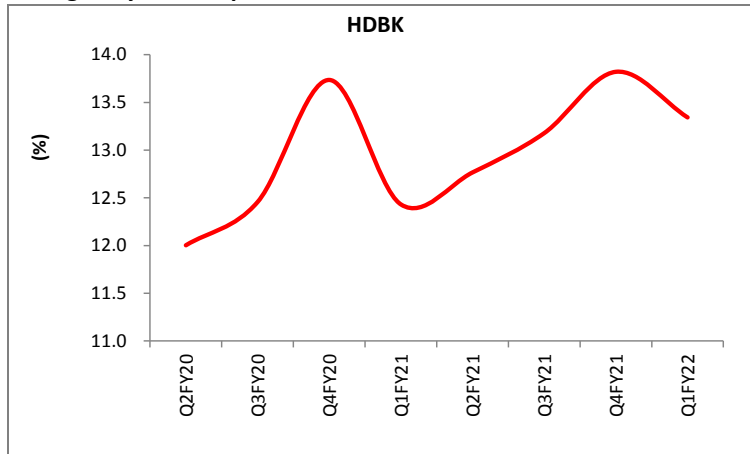


Source: Systematix Institutional Research

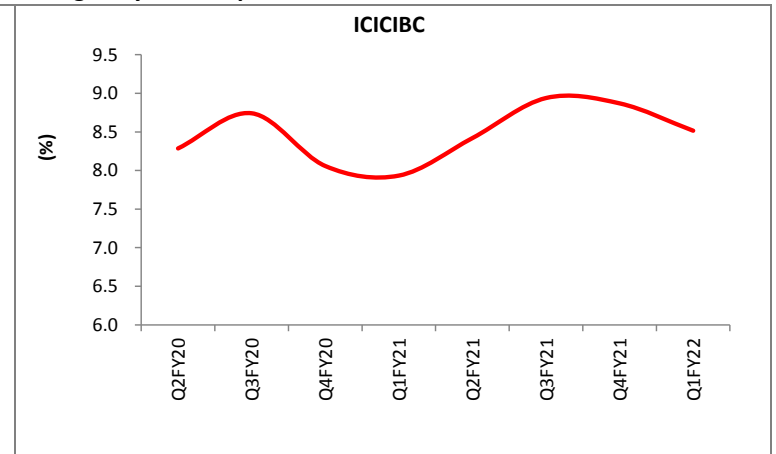
**Exhibit 2: Banks' incremental market shares in SA deposits; HDBK has been a consistent gainer**



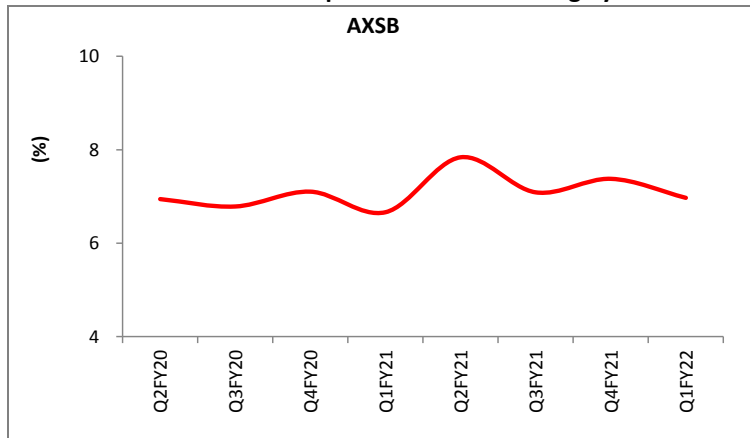
Source: Systematix Institutional Research

**Exhibit 3: HDFC Bank's CA deposit market share declines marginally on a sequential basis**

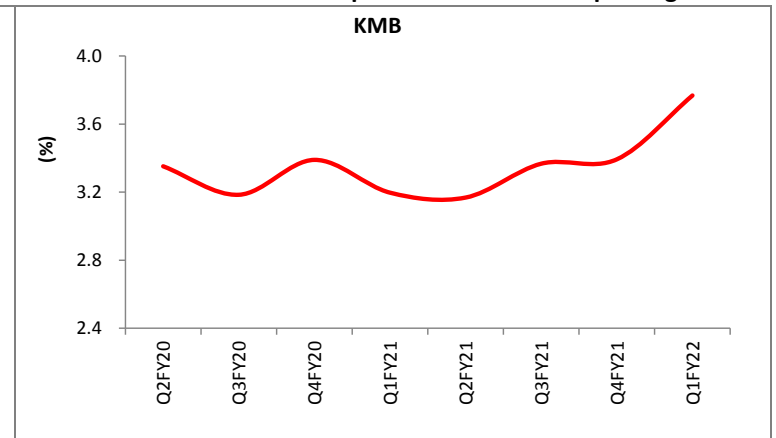
Source: Systematix Institutional Research

**Exhibit 4: ICICI Bank's CA deposit market share declines marginally on a sequential basis**

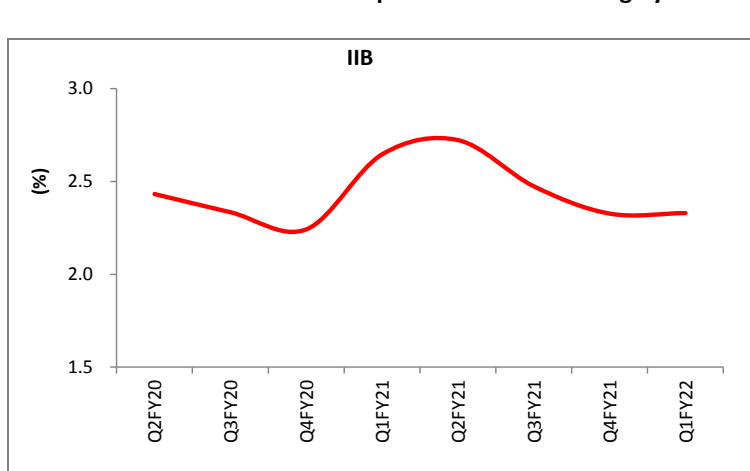
Source: Systematix Institutional Research

**Exhibit 5: Axis Bank's CA deposit market share largely stable**

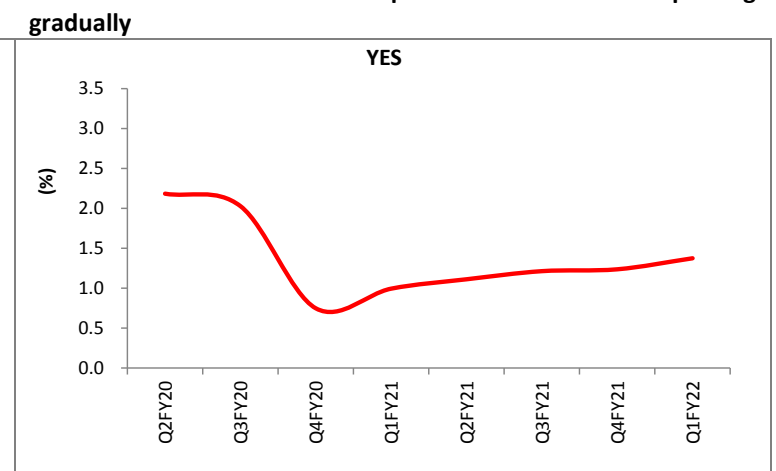
Source: Systematix Institutional Research

**Exhibit 6: Kotak Bank's CA deposit market share improving**

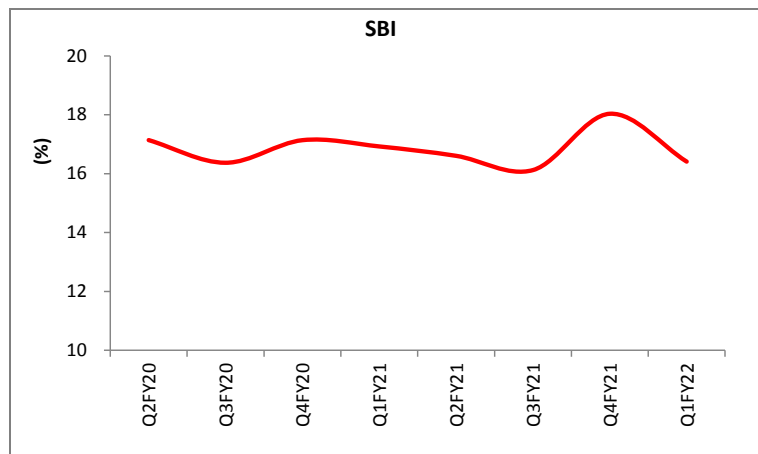
Source: Systematix Institutional Research

**Exhibit 7: IndusInd Bank's CA deposit market share largely stable**

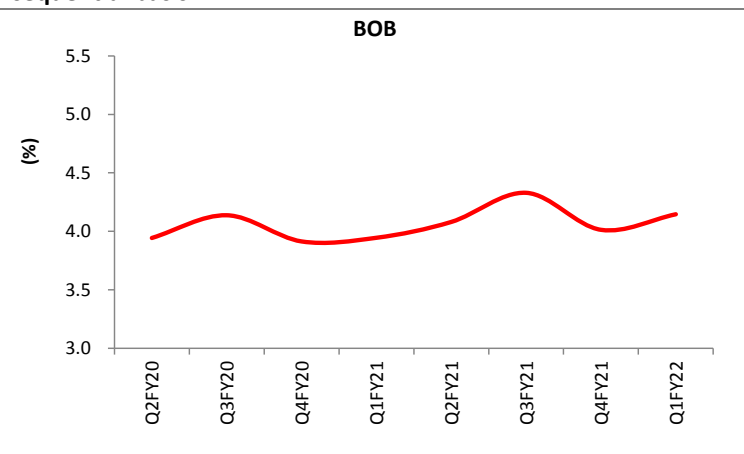
Source: Systematix Institutional Research

**Exhibit 8: YES Bank's CA deposit market share improving gradually**

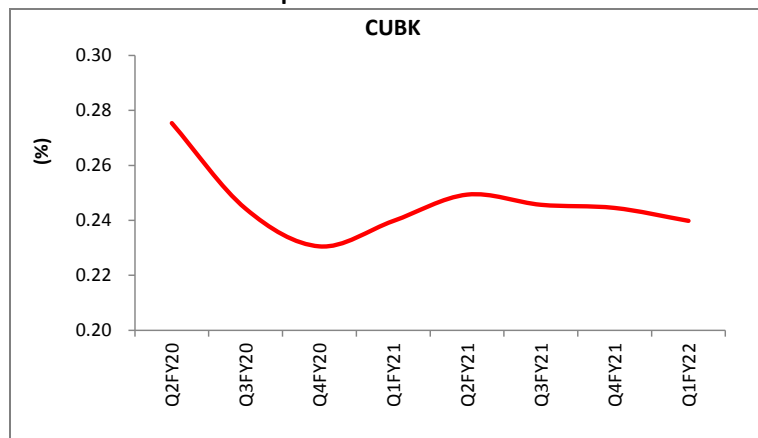
Source: Systematix Institutional Research

**Exhibit 9: SBI's CA deposit market share declines**

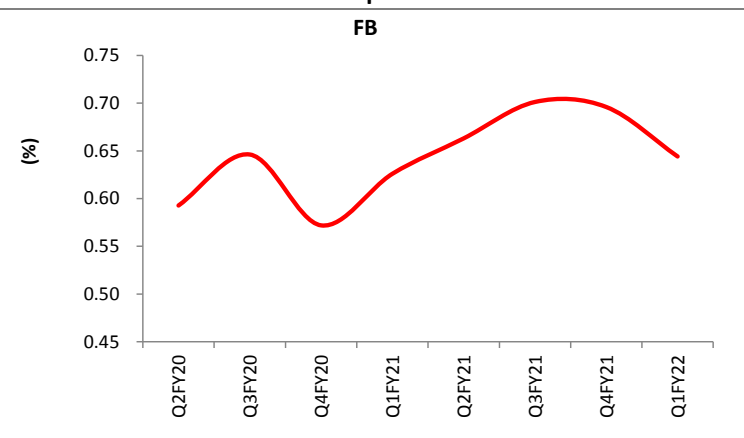
Source: Systematix Institutional Research

**Exhibit 10: BOB's CA deposit market share improves on a sequential basis**

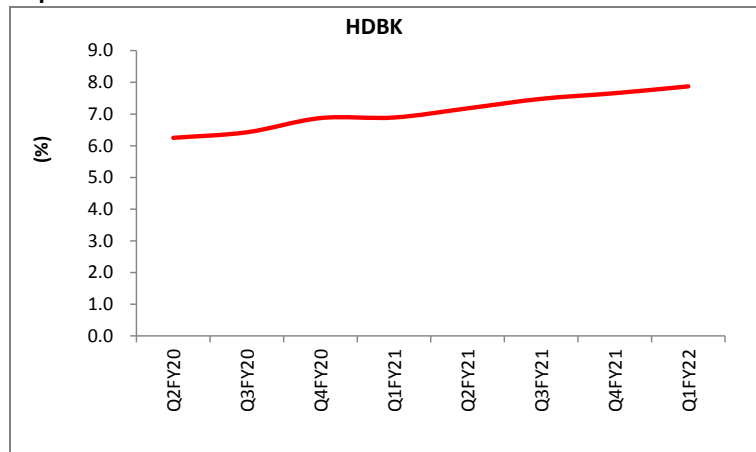
Source: Systematix Institutional Research

**Exhibit 11: CUB's CA deposit market share remains stable**

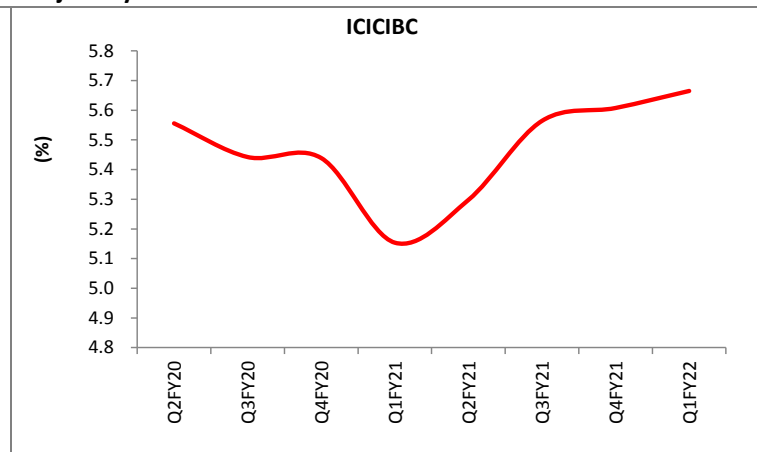
Source: Systematix Institutional Research

**Exhibit 12: Federal Bank's CA deposit market share declines**

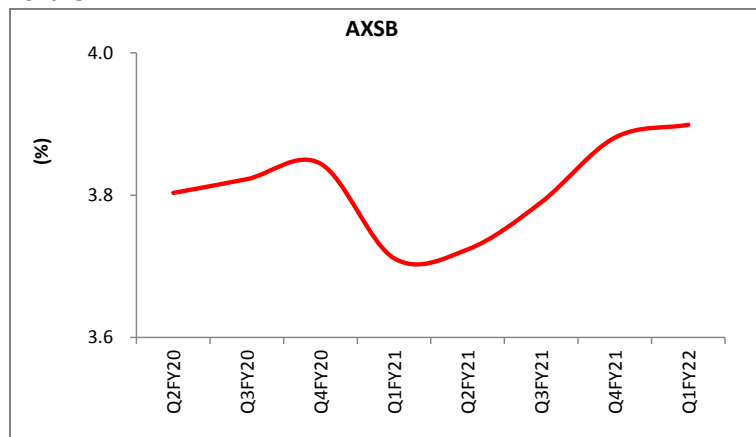
Source: Systematix Institutional Research

**Exhibit 13: HDFC Bank's SA deposit market share on a consistent up move**

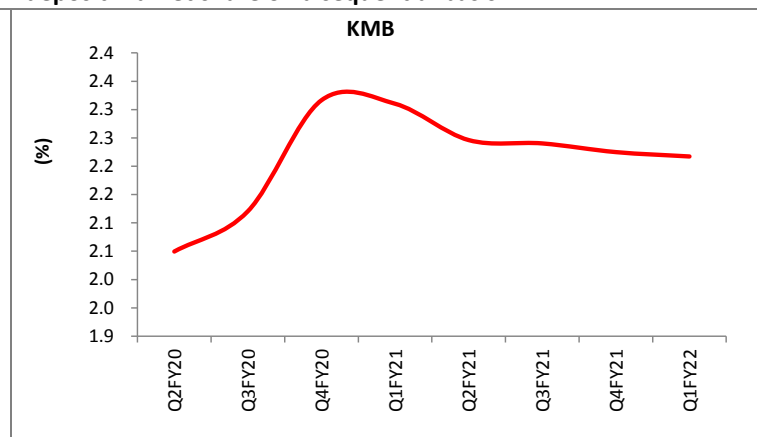
Source: Systematix Institutional Research

**Exhibit 14: ICICI Bank's SA deposit market share on an upward trajectory**

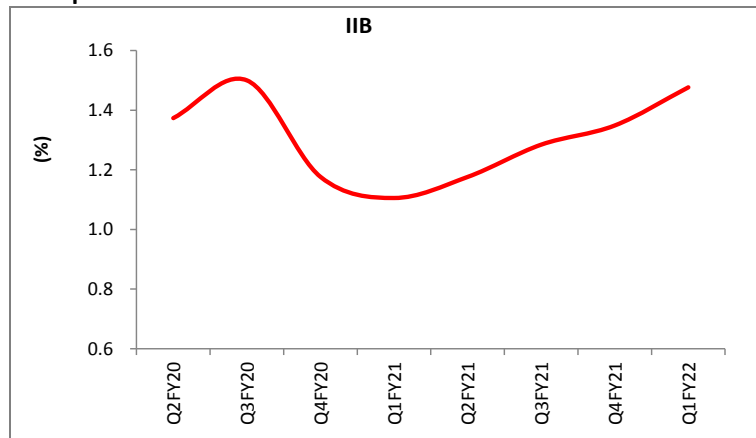
Source: Systematix Institutional Research

**Exhibit 15: Axis Bank witnessed an improvement in SA market share**

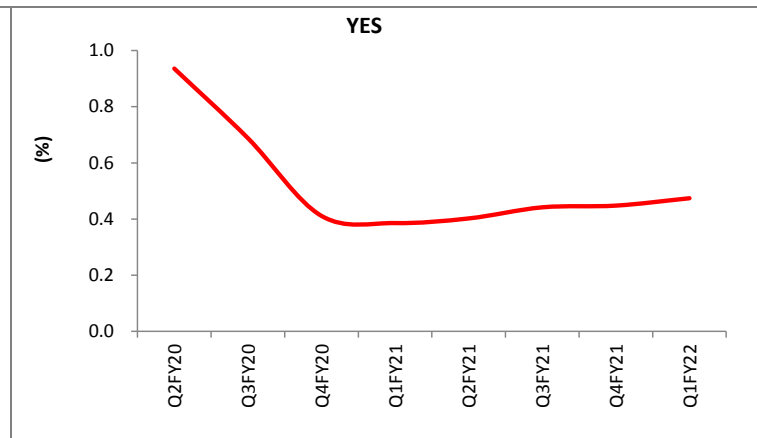
Source: Systematix Institutional Research

**Exhibit 16: Kotak Bank witnessed a marginal decline in SA deposit market share on a sequential basis**

Source: Systematix Institutional Research

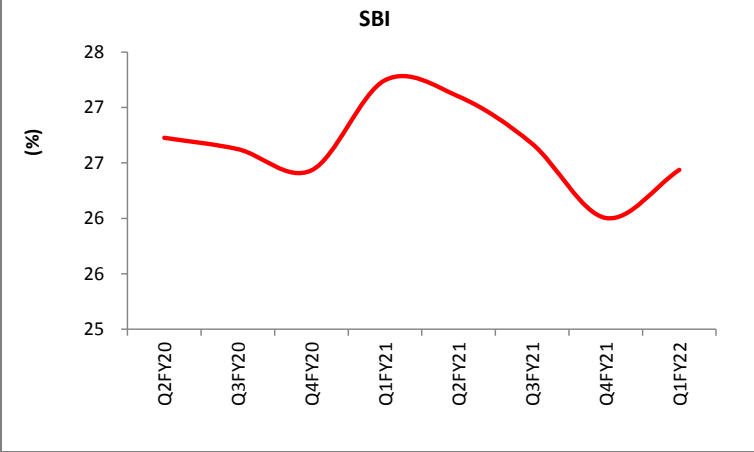
**Exhibit 17: IndusInd Bank's market share uptick continues after a sharp fall**

Source: Systematix Institutional Research

**Exhibit 18: Yes Bank's SA market share stable**

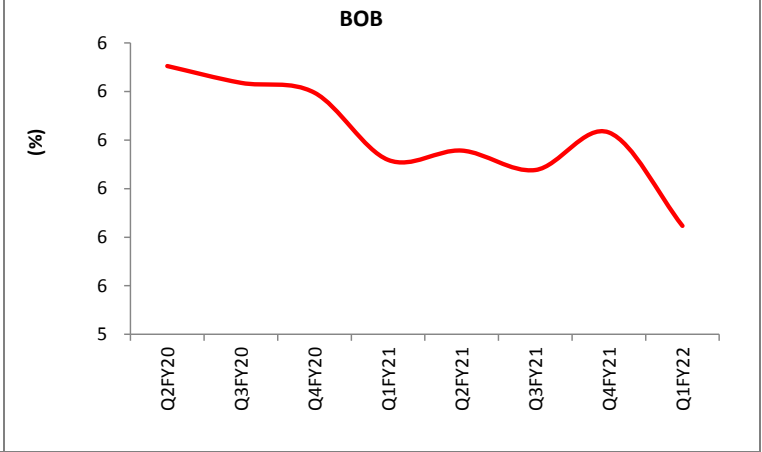
Source: Systematix Institutional Research

Exhibit 19: SBI's SA deposit market share improves in 1QFY22



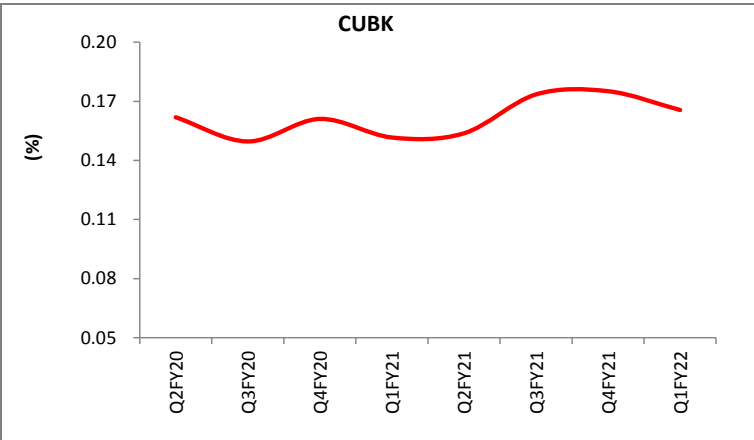
Source: Systematix Institutional Research

Exhibit 20: BOB sees a decline in SA market share



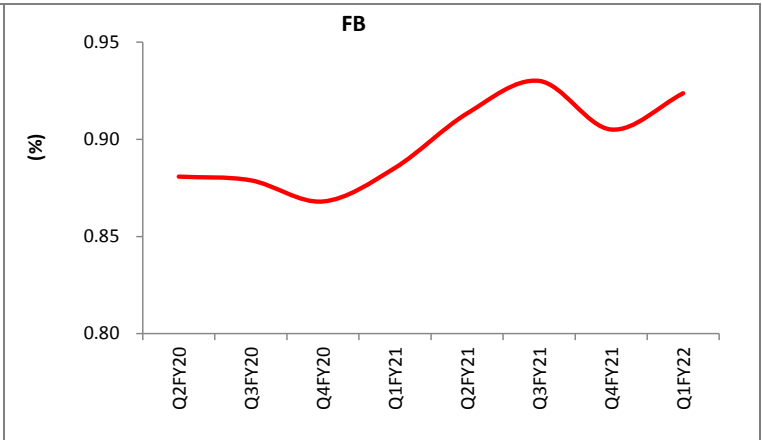
Source: Systematix Institutional Research

Exhibit 21: CUBK's SA deposit market share largely stable



Source: Systematix Institutional Research

Exhibit 22: Federal Bank reported an improvement in SA deposit market share



Source: Systematix Institutional Research

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