

# Credit Growth Flattens a Tad in Latest Fortnight but Continues to be Robust

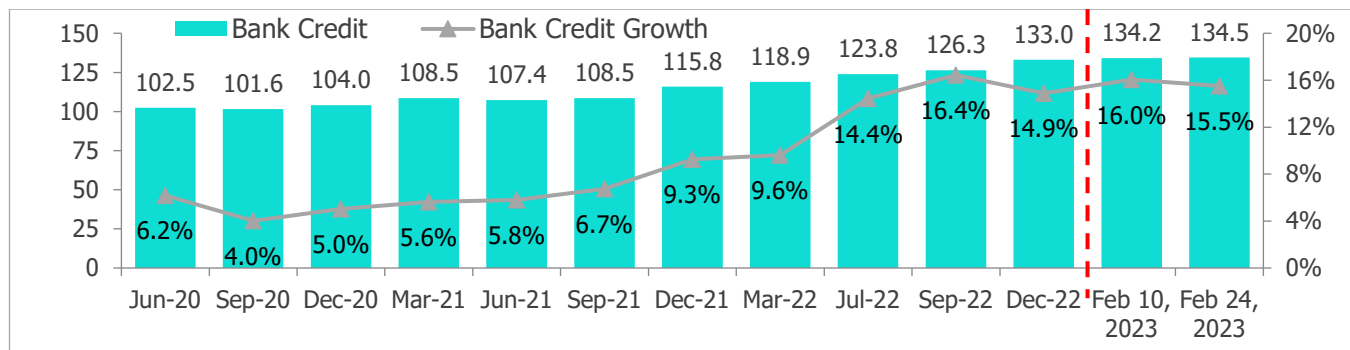
March 14, 2023 | BFSI Research

## Synopsis

- Credit offtake rose by 15.5% year on year (y-o-y) for the fortnight ended February 24, 2023. In absolute terms, credit offtake expanded by Rs.15.6 lakh crore to Rs.134.5 lakh as of February 24, 2023 from March 2022. The growth has been driven by personal loans, robust growth in NBFCs, higher working capital requirements due to inflation and an Indian currency depreciation (INR) and lower borrowings from overseas markets.
- With a larger base, deposit growth witnessed a slower growth at 10.1% y-o-y compared to credit growth for the fortnight ended February 24, 2023. Deposit rates have already risen and are expected to go up even further due to elevated policy rates, intense competition between banks for raising deposits to meet strong credit demand, a widening gap between credit & deposit growth, and lower liquidity in the market. The short-term Weighted Average Call Rate (WACR) has reached 6.72% (as of February 24, 2023) increasing by 104.0% y-o-y and 86.0% from March 31, 2022, due to a rise in policy rates and lower liquidity in the system.

## Bank Credit Growth Remains Strong

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

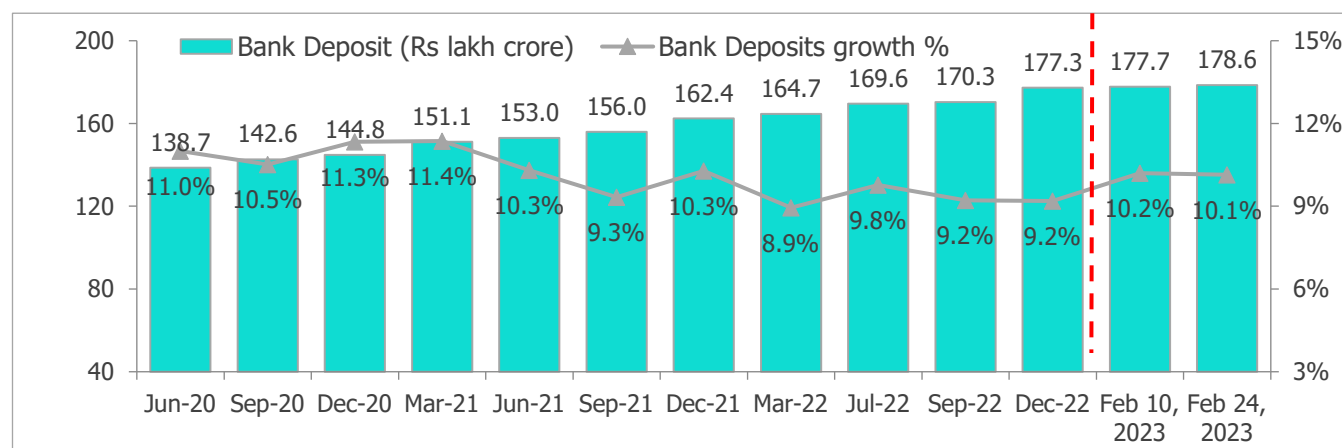


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). However, RBI has not yet updated these numbers in its database except for fortnightly documents. The quarter-end data reflect,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

- Credit offtake rose by 15.5% y-o-y for the fortnight ended February 24, 2023, compared to 9.1% from the same period in the last year (reported February 25, 2022). Sequentially, it increased by 0.2% for the fortnight. In absolute terms, credit outstanding stood at Rs.134.5 lakh crore as of February 24, 2023, rising by Rs.15.6 lakh crore from March 2022 vs 8.0 lakh crore in the same period from the last year. The credit growth has been robust in FY23 driven by personal loans, (unsecured personal loans, housing and auto loans), higher demand from NBFCs due to cost optimisation & requirement for their own growth, higher working capital requirements due to elevated inflation, particularly from petroleum, chemical industries, and also depreciation of Indian currency (INR).
- Credit growth has remained robust even amid the significant rise in interest rates, and global uncertainties related to geo-political, and supply chain issues. The growth has been broad-based across the segments and is expected to be in the mid-teens in FY23. Personal Loans and NBFCs have been the key growth drivers for

FY23. Meanwhile, a slowdown in global growth due to rising interest rates, and rate hikes in India could impact credit growth.

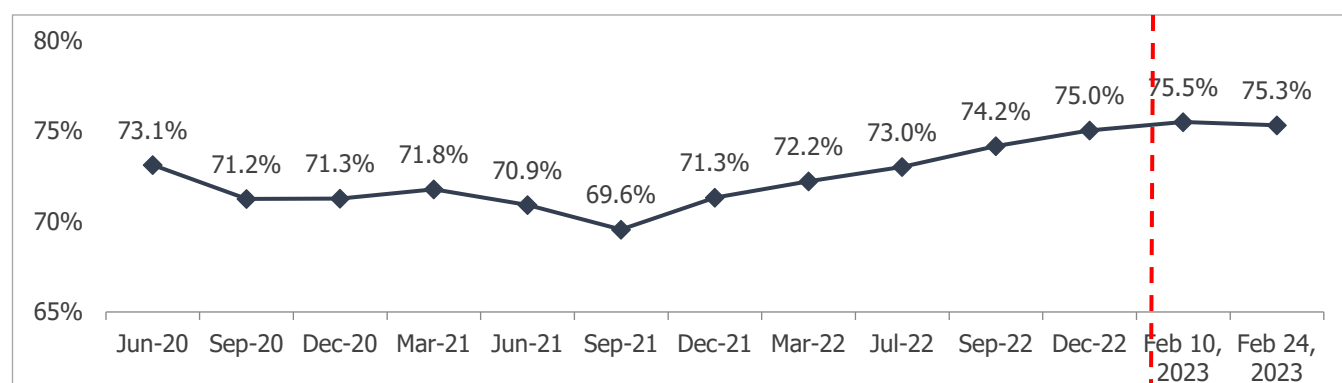
**Figure 2: Bank Deposit Growth (y-o-y %, Rs. Lakh crore) – Still Rangebound**



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

- Deposits stood at Rs.178.6 lakh crore for the fortnight ended February 24, 2023, registering a growth of 10.1% y-o-y. Time deposits grew by 10.2% y-o-y, while demand deposits rose by 9.5% in the reporting fortnight vs. 8.6% and 15.3% y-o-y, respectively, reported in the fortnight ended February 25, 2022. Meanwhile, in absolute terms, bank deposits have increased by Rs.14.0 lakh crore from March 2022. It also increased by Rs.0.9 Lakh crore from the immediate previous fortnight (reported February 11, 2023).
- The banking system liquidity has generally been trending down with RBI seeking to manage elevated inflation. The liquidity deficit stood at Rs.29,480 crore (as of February 24, 2023) as against a surplus of Rs.6.4 lakh crore at the beginning of FY23. Given the liquidity issues and rising interest rates, RBI has conducted a 14 days variable rate Repo auction for Rs.1.0 trillion on March 10, 2022. This is the second auction since February 2020 to manage liquidity.

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



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

- The Credit to Deposit (CD) ratio has been generally trending upward since November 2021 and reached 75.3% in the fortnight, expanding by ~310 bps y-o-y from March 25, 2022, due to continued faster growth in credit

as compared to deposits. Sequentially, it dropped by 20 bps from the immediate previous fortnight. The CD ratio has been hovering near the pre-pandemic level of 75.8% in Feb 2020 and 75.7% in March 2020.

**Figure 4: Trend in y-o-y Movement**

	Feb 28, 2020	Feb 26, 2021	Feb 25, 2022	Feb 24, 2023
Credit	6.1%	5.6%	9.1%	15.5%
Deposit	10.0%	12.1%	8.6%	10.1%

Source: RBI, CareEdge

- Credit growth generally began picking up in H2FY22 and surpassed deposit growth in Q4FY22, since then it has continued the momentum. A part of the funding gap has been met by mobilisation of Certificates of Deposits (CDs). A wide gap in credit and deposit growth, lower liquidity and strong credit demand have been driving for higher issuance of CDs. Banks are keeping their CD issuance elevated to meet short-term requirement amid lower liquidity and focusing on shoring up the deposits to meet robust credit demand. The outstanding CDs stood at Rs 2.8 lakh crores as of February 24, 2023, as compared to Rs.1.3 lakh crore a year ago.

**Figure 5: Growth in Credit almost Reached Covid-induced Lag (Rs. Lakh Crore)**

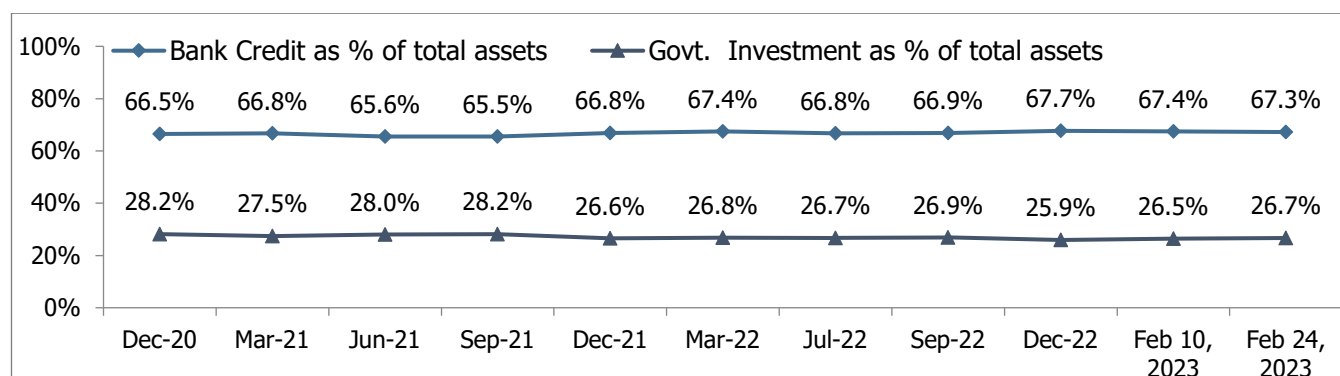
	Deposit	Credit
March 27, 2020	135.7	102.7
February 24, 2023	178.6	134.5
Growth over the period (in abs. terms)	31.6%	31.0%

Source: RBI, CareEdge

- In terms of absolute growth, credit offtake rose by 31.0% from March 27, 2020, whereas deposit growth came in at 31.6%. Credit growth almost reached deposit growth in the period. Major growth has been reported in FY23 compared to FY22 and FY21.

### Proportion of Credit to Total Assets Declined, Govt. Investment to Total Assets Rises

**Figure 6: Proportion of Govt. Investment and Bank Credit to Total Assets**



Note: The quarter-end data reflect the last fortnight's 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 decreased by 11 bps y-o-y to 67.3% in the fortnight, compared to the fortnight ended February 25, 2022. Total assets of the banks rose by 15.7% y-o-y in the last one year and almost caught up with credit growth.

- Proportion of government investment to total assets declined by 33 bps for the fortnight ended February 24, 2023, compared to a similar fortnight in the last year (reported February 25, 2022) due to higher assets growth compared to the investments. The Govt. investments stood at Rs.53.4 lakh crore as of February 24, 2023, reporting a 14.3% y-o-y growth.

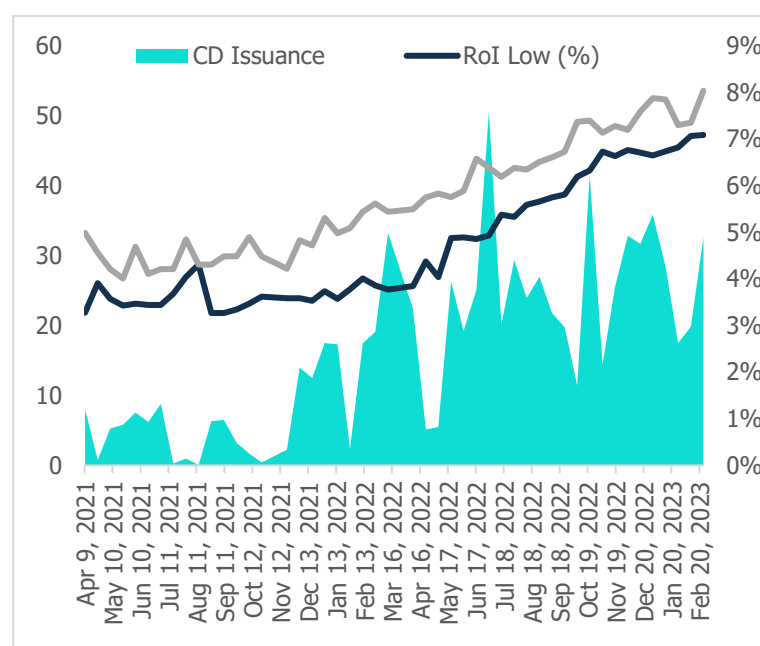
### Growth in O/s CDs Remains Robust, while O/s CPs growth remains flat (y-o-y)

**Figure 7: CD Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Sep 24, 2021	60.2	-20.3%
Oct 08, 2021	59.2	-20.9%
Dec 31, 2021	84.7	13.0%
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%
Aug 26, 2022	237.1	269.3%
Sep 23, 2022	252.2	318.7%
Dec 30, 2022	294.0	247.1%
Jan 27, 2023	279.8	180.6%
Feb 10, 2023	269.7	139.6%
Feb 24, 2023	280.4	120.4%

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

**Figure 8: Trend in CD Issuances (Rs'000, Cr.) and RoI**

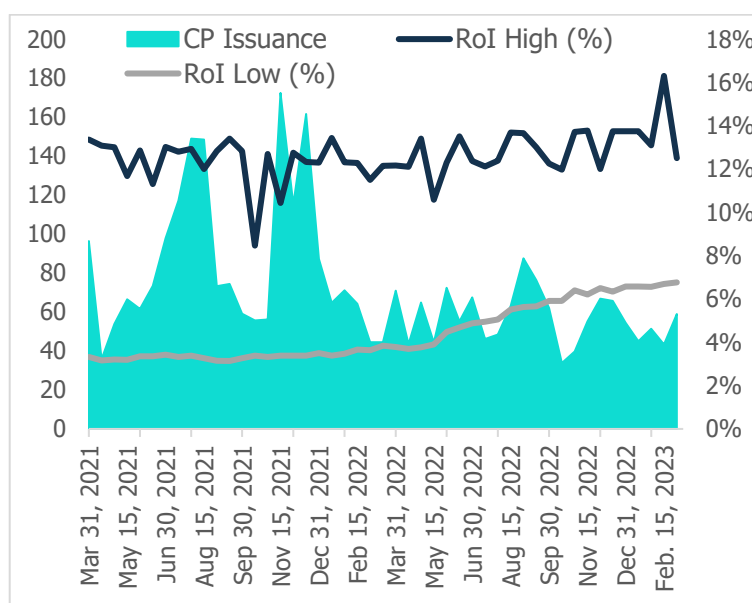


**Figure 9: Commercial Paper Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
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%
Aug 31, 2022	410.1	4.7%
Sep 15, 2022	438.7	9.3%
Sep 30, 2022	400.9	8.1%
Oct 31, 2022	373.3	-1.6%
Dec 31, 2022	359.7	2.7%
Jan 31, 2023	363.9	-8.1%
Feb 15, 2023	368.9	-5.1%
Feb 28, 2023	364.5	-0.03%

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

**Figure 10: Trend in CP Issuances (Rs'000, cr.) and RoI**



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