Credit Offtake Remains High, CASA Share Reduction Continues in Deposits

September 29, 2023 | BFSI Research

Synopsis

- Credit offtake rose by 15.9 % (y-o-y) for the first quarter of FY24. In absolute terms, credit expanded by Rs.9.8 lakh crore from June 2022. The growth has been driven by sustained personal loan demand and NBFCs.
- Deposits witnessed a slower (compared to credit) growth at 12.6% (y-o-y), supported by term deposits which were offset by high base and slow CASA growth.
    - Scheduled Commercial Banks' (SCBs) y-o-y growth in term deposits at 17.4% outperformed current account and saving account (CASA) growth at 6.4% as term deposits have seen a sharper growth in interest rates, and hence customers are shifting, as well as adding funds from low yielding CASA deposits to term deposits.
- In last three years, (i.e., from March 2020) credit offtake has mostly overcome the Covid-induced lag and has grown by around 35.8% to almost catch up with deposit growth of 36.6% over the same period.
- The Credit Deposit (CD) ratio of SCBs rose by 210 bps y-o-y at the end of June 2023, due to higher credit growth and reached 75.8%.
- Meanwhile, the o/s Weighted Average Lending Rate (WALR) on SCBs increased sequentially by 10 basis points (bps) from 9.72% in March 2023 to 9.82% in June 2023. The o/s Weighted Average Term Deposit Rate (WATDR) for SCBs increased sequentially by 31 bps from 6.16% in March 2023 to 6.47% in June 2023. Over the last year, due to the increase in repo rate (210 bps), we have seen a steep increase in o/s WALR and o/s WADTR increasing 90 bps and 134 bps, respectively.

SCBs Credit Offtake Continues to Outpace Deposit Growth

Figure 1: Share in Total Deposits and Credit %

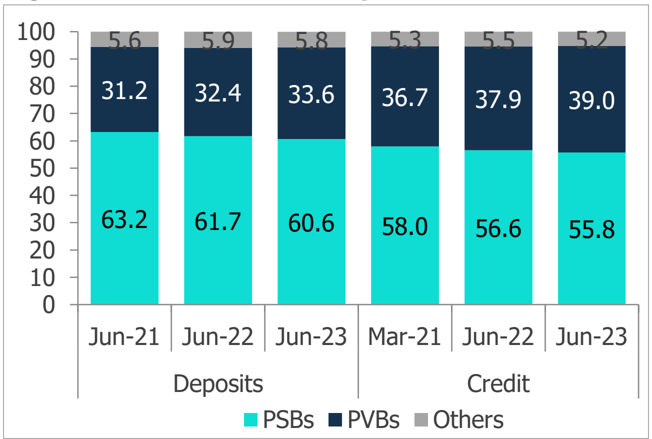
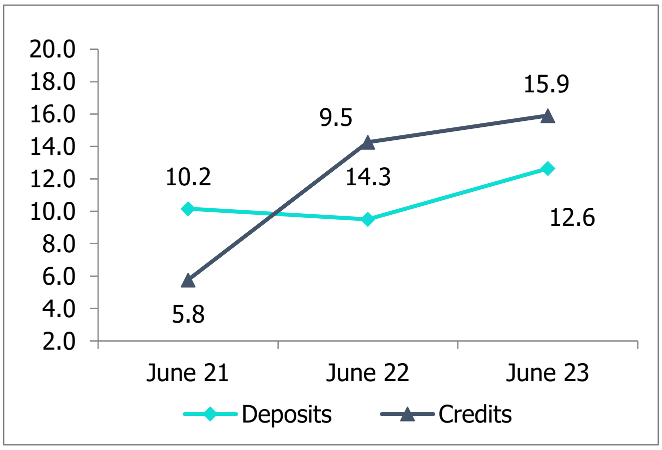


Figure 2: SCBs Growth Trend (y-o-y, %)



Note: Data excluding RRBs Source: RBI

- As of June 30, 2023, the credit outstanding touched Rs 140.5 lakh crore, registering a growth of 15.9% y-o-y as compared to 14.3% in Q1FY23, with private banks continuing to gain market share.

- Outstanding deposits reached Rs.185.3 lakh crore as of June 30, 2023, registering a 12.6% growth y-o-y. Overall deposits of PVBs and PSBs rose in double digits, whereas FBs reported a growth of 6.1%.
    - Term deposits saw a double-digit growth and outperformed CASA.
- In last few years, (i.e., from March 2020) credit offtake has caught up the Covid-induced lag with deposits and has grown by around 38.5% when compared with deposit growth of 39.5% over the period.

Figure 3: Growth in June 2023 vs. March 2020.

Credit			Deposits		
Group	**Credit O/s June-23 (Rs. Lakh-Cr.)**	**Abs. Growth from Mar-20 (%)**	**Group**	**Dep. O/s June-23 (Rs. Lakh-Cr.)**	**Abs. Growth from Mar-20 (%)**
PSB	78.4	30.4	PSB	112.3	31.1
PVB	54.8	52.1	PVB	62.2	56.0
FB	5.3	21.1	FB	9.0	36.5
SFB	2.0	118.1	SFB	1.7	171.5
SCB	**140.5**	**38.5**	**SCB**	**185.2**	**39.5**

Note: Data excluding RRBs, Source: RBI

- Credit growth when compared from pre-Covid period (taken as of March 2020) is gradually reaching deposit growth across bank groups driven by PSBs credit growth post March 2020, was almost at par with deposit growth, growing at 30.4% and 31.1%, respectively for Credit and Deposit. In terms of credit and deposit growth, PVBs grew faster than PSBs.
- However, PSBs sustained performance for credit growth in the coming quarters is expected to slow the pace of gaining share by PVBs.
- SFBs saw a significant increase due to lower base effect.

Lending rates (WALR (o/s)) of SCBs According to Occupation Continue to Shift Up

Figure 4: Agriculture

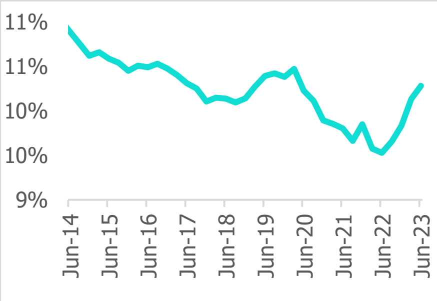


Figure 5: Industry

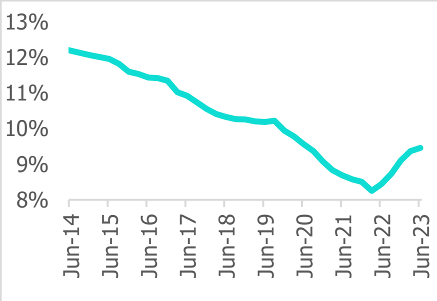


Figure 6: Transport Operators

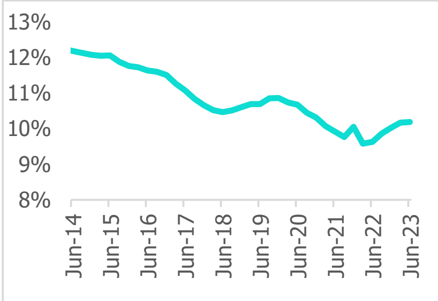


Figure 7: Prof. & Other Services

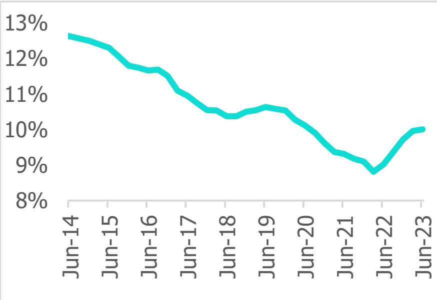


Figure 8: Personal Loans

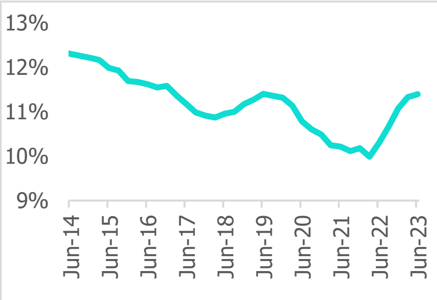


Figure 9: Personal - Housing

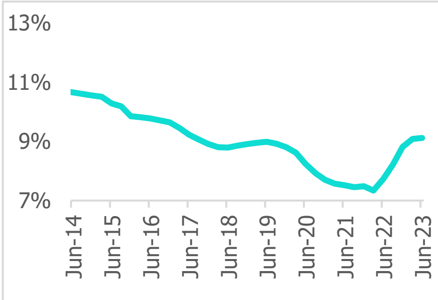


Figure 10: Personal – Credit Card

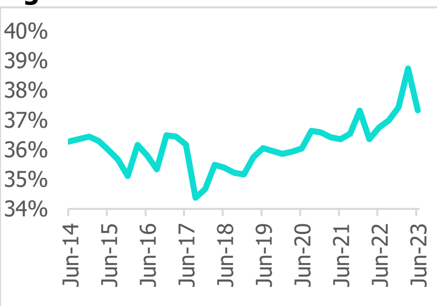


Figure 11: Trade

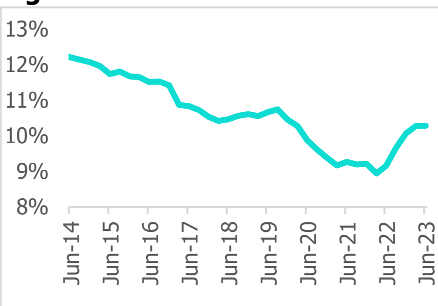


Figure 12: Finance

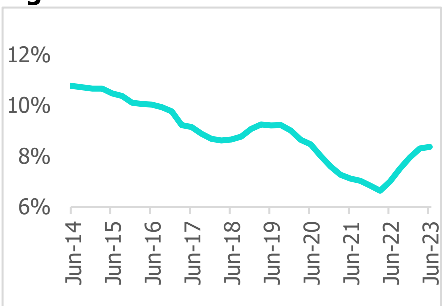


Figure 13: All Others

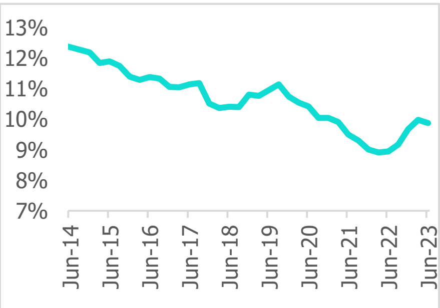
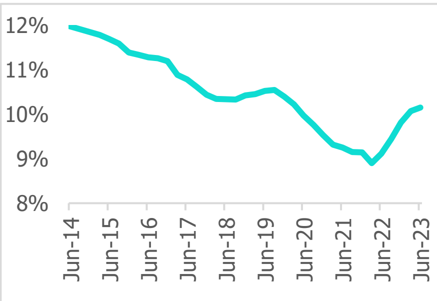


Figure 14: Aggregate



Source: RBI

The figures on interest rates and borrower mix continue to show that the loan portfolio is moving to higher interest rate buckets compared to the rates that prevailed during the Covid pandemic. In the personal loans and trade categories, lending rates have broadly caught up with the pre-pandemic levels, while the rates in other categories are yet to catch up with pre-Covid levels. As banks are shifting to higher rates, however there are still few industries with scope of moving interest rates further.

Outstanding Loans Mix of SCBs by Interest Rates according to occupation moving up steadily

Figure 15: Agriculture

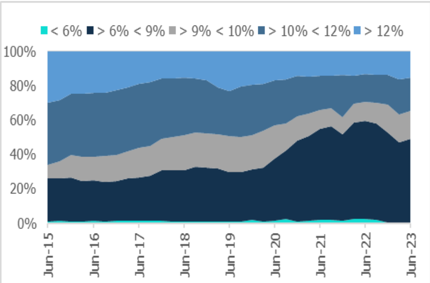


Figure 16: Industry

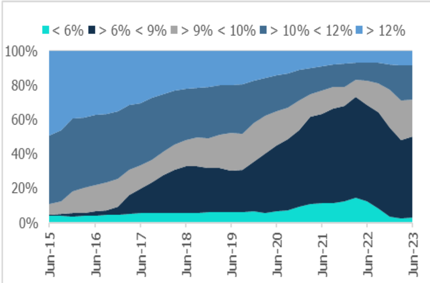


Figure 17: Transport Operators

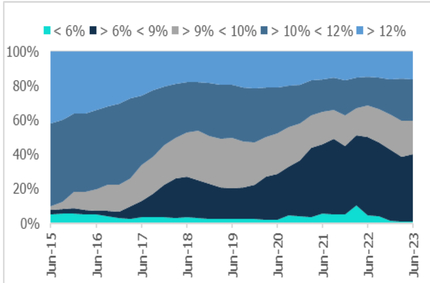


Figure 18: Prof. & Other Services

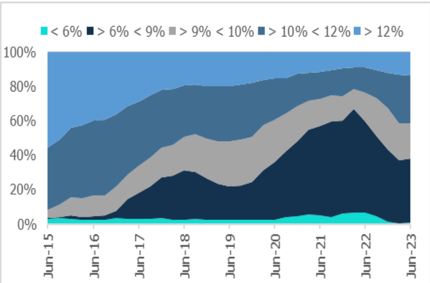


Figure 19: Personal Loans

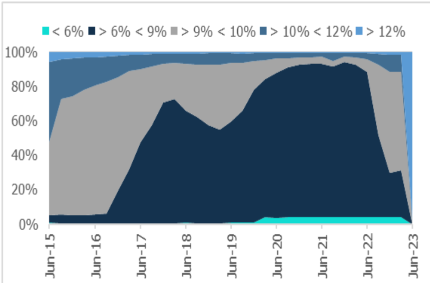


Figure 20: Personal - Housing

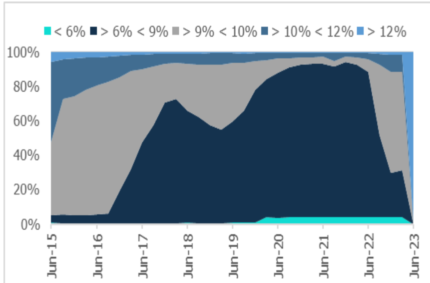


Figure 21: Personal – Credit Card

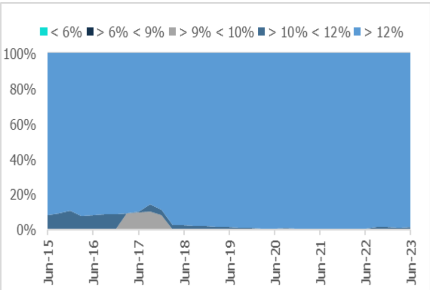


Figure 22: Trade

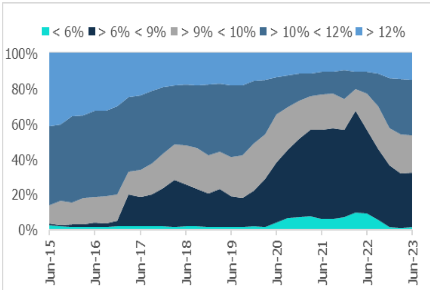


Figure 23: Finance

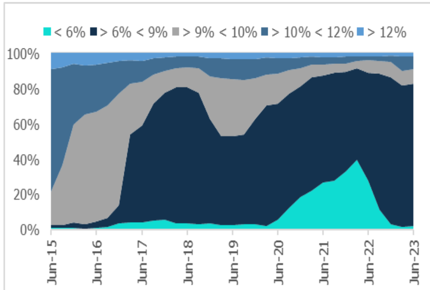


Figure 24: All Others

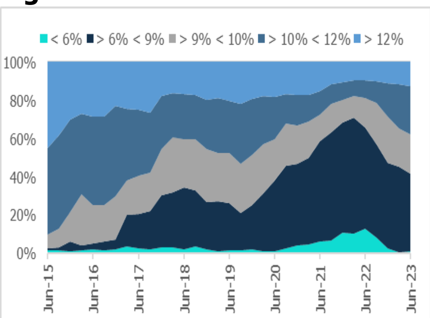
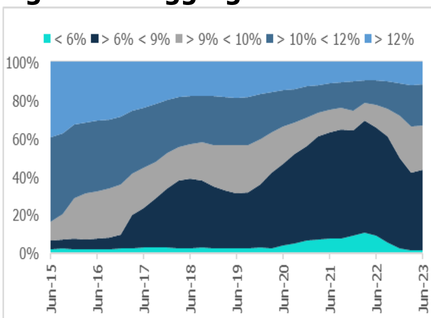


Figure 25: Aggregate



Deposit Rates

Figure 26: Evolution of WADTDR O/s Deposit

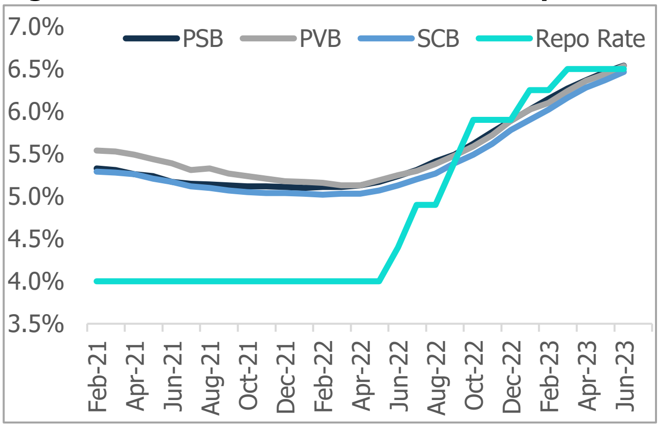
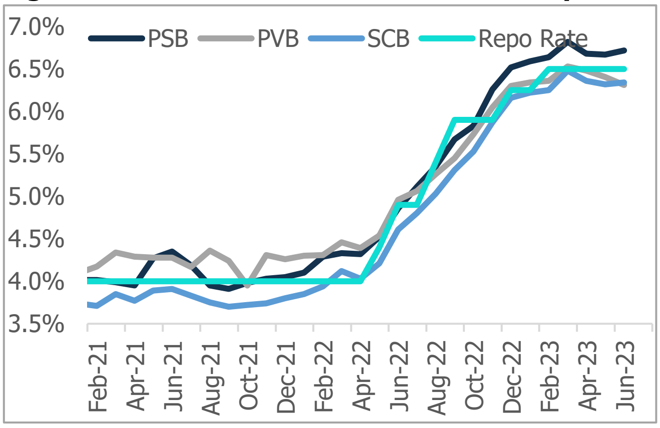


Figure 27: Evolution of WADTDR Fresh Deposits



Source: RBI

- The o/s Weighted Average Term Deposit Rate for SCBs increased sequentially by 31 bps from 6.16% in March 2023 to 6.47% in June 2023. Over the last year, due to an increase in repo rates (210 bps), which has caused a steep growth in o/s WALR and o/s WADTR increasing 90 bps and 134 bps respectively.

Credit

Figure 28: Bank group wise outstanding credit

Credit	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Growth %	
	Rs lakh crore						Over Mar-20	y-o-y
PSB	60.1	68.6	71.3	74.1	77.1	78.4	30.4	14.3
PVB	36.1	46.0	48.8	50.4	53.7	54.8	52.1	19.2
FB	4.3	5.1	5.2	5.2	5.1	5.3	21.1	2.9
SFB	0.9	1.5	1.6	1.8	1.9	2.0	118.1	32.2
SCB	**101.5**	**121.2**	**126.9**	**131.4**	**137.8**	**140.5**	**38.5**	**15.9**

Note: Data excluding RRBs; Source: RBI

- PVBs reported a strong credit growth of 19.2% as compared to 18.0% last year, in absolute terms PVBs credit expanded by Rs. 8.8 lakh crore reaching Rs. 54.8 lakh crore in Q1FY24 over a year ago. Compared to Q4FY20, PVBs grew approx. by 50% outperforming PSBs by a significant margin.
- PSBs reported a healthy rise of 14.3% as compared to 11.5 % over a year ago period driven retail credit, inflation-included working capital requirement. In absolute terms, credit expanded by Rs.9.8 lakh crore to Rs. 78.4 lakh crore in Q1FY24.
- In terms of credit growth performance, PVBs continued to outperform PSBs. PVBs gained market share from FBs and PSBs by 110 bps y-o-y and reached 39.0% as PVBs have been focused on the retail segment.

Region

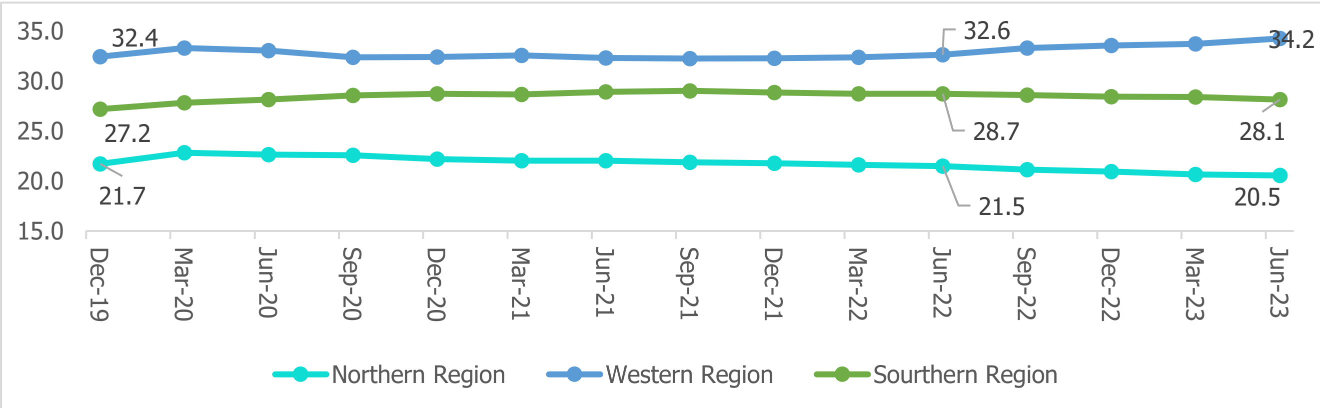
Figure 29: Region wise Outstanding Credit

Credit	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Growth %	
	Rs lakh crore						Over Mar- 20	y-o-y
Northern	23.2	26.1	26.8	27.5	28.4	28.9	24.7	10.7
North Eastern	1.0	1.3	1.4	1.4	1.5	1.6	58.1	19.8
Eastern	7.0	8.7	9.1	9.3	9.9	10.0	41.4	14.8
Central	8.3	10.9	11.2	11.8	12.4	12.5	50.5	14.8
Western	33.8	39.6	42.3	44.1	46.4	48.1	42.5	21.6
Southern	28.2	34.8	36.3	37.3	39.1	39.5	40.0	13.5
Total	**101.5**	**121.3**	**126.9**	**131.4**	**137.8**	**140.5**	**38.5**	**15.8**

Note: Data excluding RRBs; Source: RBI

In terms of regional performance, the western region reported the highest growth at 21.6% y-o-y and reached Rs.48.1 lakh crore. This is mainly attributed to growth seen in Urban population, which has effectively helped western region's growth.

Figure 30: Regional Market Share Trend (%)



Note: Data excluding RRBs Source: RBI

The Western region accounted for the largest share at 34.2% as of June 30, 2023, and gained the market share by 135 bps y-o-y as generally large corporations have historically been headquartered in the region, thereby driving growth. The Northern region accounted for a 20.5% share of the total outstanding credit and lost market share by 96 bps. The Southern region held a 28.1% share and it too lost market share by 33 bps.

Population

Figure 31: Population Group-Wise outstanding Credit

Credit	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Growth %	
	Rs lakh crore						Vs March 20	y-o-y
Metropolitan	66.1	75.5	79.2	81.6	85.2	87.1	31.8	15.3
Urban	15.8	20.4	21.4	22.3	23.5	23.9	50.8	16.9
Semi-urban	12.3	16.0	16.7	17.4	18.5	18.7	51.7	16.9
Rural	7.2	9.3	9.6	10.1	10.7	10.8	49.8	16.1
Total	**101.5**	**121.3**	**126.9**	**131.4**	**137.8**	**140.5**	**38.5**	**15.8**

Note: Data excluding RRBs Source: RBI

- In terms of credit market share, the urban segment gained market share by 16 bps and reached 17.0% in Q1FY24 followed by semi-urban by 13 bps to 13.3%, Rural segment (market share of 7.7%) saw a marginal gain of 2bps, whereas metropolitan (held the largest market share of 62.0%) lost market share by 30 bps.
- The credit demand for the metro group is expected to rise due to new capex build-out by corporates and improvement in their utilisation, consequently helping to improve the share going forward.

Deposits

Figure 32: SCBs Deposits Growth (%), y-o-y

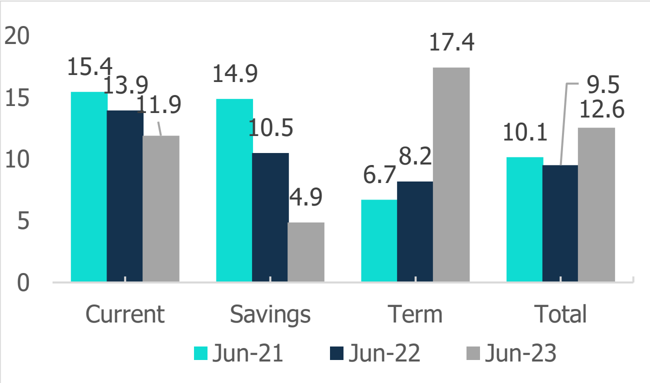
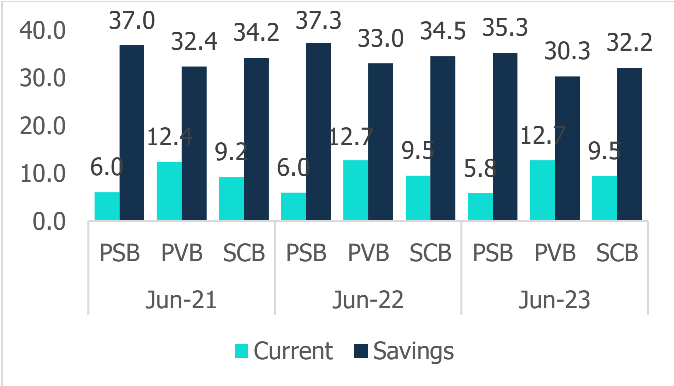


Figure 33: Share in Deposits (%)



Note: Data excluding RRBs Source: RBI

- SCBs term account deposits rose 17.4% y-o-y in Q1FY24 vs. 8.2% in the year-ago period due to a rise in interest rates on deposits driven by elevated inflation. (This is the highest growth seen in the last 5 years) Term deposits outperformed other segments by a wide margin, impacted due to a rise in interest rates. In absolute terms, it increased by Rs.20.6 lakh crore from June 2022 and reached Rs.185.3 as of June 30, 2023.
- Saving account deposits witnessed a moderate growth of 4.9 % y-o-y in Q1FY24 vs 10.5% over a year ago period. In absolute terms, it increased by Rs.2.8 lakh crore in Q1FY24 over Q1FY23 and reached Rs.59.6 lakh crore as of June 30, 2023. The segment lost market share by 240 bps y-o-y in Q1FY24 and held a share of 32.2% of the total deposits as of June 30, 2023. Current and savings accounts reported lower growth compared to the previous year in the same period.

Figure 34: Bank Group wise Deposits

Deposits	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Growth %	
	Rs lakh crore						Vs Mar-20	y-o-y
PSB	85.7	101.6	104.4	106.0	110.5	112.3	31.1	10.6
PVB	39.9	53.2	54.9	56.7	60.7	62.2	56.0	16.8
FB	6.6	8.5	8.6	8.6	8.5	9.0	36.5	6.4
SFB	0.6	1.3	1.4	1.5	1.6	1.7	171.5	31.8
SCB	**132.8**	**164.5**	**169.3**	**172.8**	**181.3**	**185.2**	**39.5**	**12.6**

Note: Data excluding RRBs Source: RBI

- PVBs deposits saw a healthy growth of 16.8% in Q1FY24 due to aggressively increasing deposits from the market to meet the credit demand. In addition, offering higher interest rates on saving accounts helped them to outperform PSBs (10.6%). Compared to Q4FY20, PVBs saw a huge outperformance due to attractive Interest rates offered specially on CASA deposits.

- In terms of deposits market share, PVBs accounted for a 33.6% share gaining 122 bps y-o-y in Q1FY24, whereas PSBs held a 60.6% share, losing 107 bps y-o-y. PVBs have been continuously gaining market share due to aggressive acquisition of clients and offering better services.

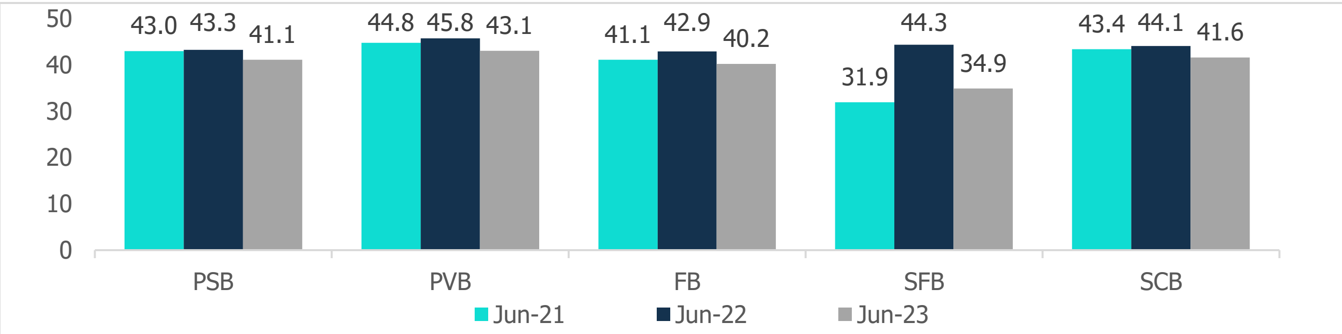
Figure 35: Bank Group- Wise CASA

Deposits	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	June-23
	Rs lakh Crore						CASA Ratio %
PSB	35.5	44.0	44.6	44.5	46.5	46.2	41.1
PVB	16.9	24.4	25.1	25.2	27.3	26.8	43.1
FB	2.8	3.6	3.7	3.6	3.7	3.6	40.2
SFB	0.1	0.6	0.6	0.6	0.6	0.6	34.9
SCB	**55.3**	**72.5**	**74.0**	**73.9**	**78.1**	**77.2**	**41.6**

Note: Data excluding RRBs Source: RBI

- In absolute terms, CASA rose by Rs.4.6 lakh crore in Q1FY24 reaching Rs.77.2 lakh crore as of June 30, 2023. PVBs and PSBs expanded their CASA by Rs.2.4 lakh crore and Rs.2.2 lakh crore, respectively during the quarter. SCBs CASA rose by 6.4% y-o-y primarily driven by PVBs.
- PVBs reported a CASA growth at 9.9% y-o-y in Q1FY24, whereas PSBs reported a slower growth at 5.0%, Current account saw a robust growth of 11.9%, however an uptick of 4.9% in savings account slowed the overall CASA uptick to 6.4%.
- SCBs term deposit growth outperformed CASA deposit growth in the quarter and is expected to gain pace going forward due to a rise in term deposit rates, causing a drop in CASA ratio.

Figure 36: CASA Ratio Trend – Declines by 244 bps y-o-y



Note: Data excluding RRBs Source: RBI

- SCBs CASA ratio declined by 244 bps y-o-y and stood at 41.6% as of June 30, 2023, as compared to 44.1% over a year ago due to a rise in term deposit rates which drove higher growth for the term deposit segment. Further, the term deposit saw growth due to a rise in interest rates. Within this, PVBs dropped 18 bps y-o-y to 45.8% as they offered higher rates on saving accounts whereas PSBs dropped by 59 bps y-o-y. SFBs CASA, a small base, ratio expanded massively by 445 bps y-o-y to 41.8% as they offered high rates on term deposits.

- As mentioned in CareEdge NIM report 1Q24, pressure on NIM can be seen due to an increase in the cost of deposits and is expected to continue in Q2FY24. SCBs yield on advances rose by 23 bps to 9.07% q-o-q while the cost of funds increased by 30 bps to 4.79% in Q1FY24. The increase in cost of funds can also be attributed to muted CASA ratio which contributed to rising cost of funds.
- As of June 30, 2023, PSBs CASA accounted for 59.8% share of the total CASA and lost share by 78 bps y-o-y in Q1FY24 to PVBs and SFBs.

Regional Deposits

Figure 36: Trend in Deposits- Region Wise

Deposits	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Growth %	
Regional Group	**Rs lakh Crore**						**Over Mar-20**	**y-o-y**
Northern	27.8	34.9	36.2	36.8	38.3	39.3	41.6	12.6
North Eastern	2.4	2.8	2.9	2.9	3.1	3.1	27.9	9.6
Eastern	17.1	20.4	20.8	21.2	22.2	22.3	30.6	9.6
Central	17.3	21.2	22.0	22.4	23.5	23.7	36.9	12.0
Western	35.7	44.6	46.0	47.4	50.3	51.8	44.9	16.2
Southern	32.4	40.8	41.6	42.2	44.1	45.1	39.0	10.6
Total	**132.8**	**164.7**	**169.5**	**172.9**	**181.5**	**185.3**	**39.6**	**12.6**

Note: Data excluding RRBs Source: RBI

Banks in the western region reported the highest deposit growth at 16.2% y-o-y in Q1FY24 to Rs 51.8 lakh crore vs. 11.7% over the year-ago period. The growth for the Northen region reached pre-covid levels in the quarter, moreover, it came at 12.6% in Q1FY24 which is the highest growth over the last two years. The southern region reported deposit growth at 10.6% y-o-y. Eastern and central regions reported the lowest growth at 9.6%.

Population Group

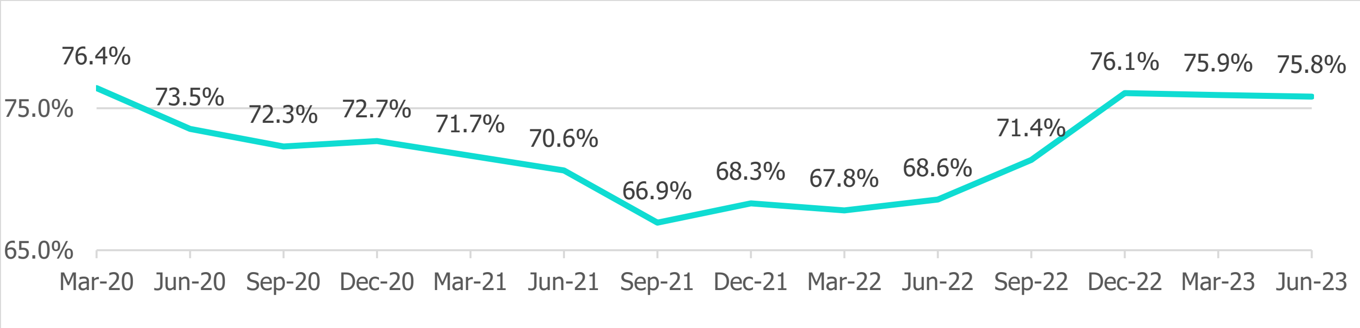
Figure 37: Population group Wise Deposits

Deposits	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Growth %	
Population Group	**Rs lakh crore**						**Over Mar 20**	**y-o-y**
Metropolitan	68.7	87.5	90.4	92.3	97.7	100.0	45.6	14.3
Urban	29.1	35.9	37.0	37.7	39.4	39.9	37.2	11.0
Semi-urban	22.0	26.2	26.8	27.2	28.1	28.7	30.8	9.8
Rural	13.1	15.0	15.4	15.7	16.3	16.7	27.8	10.9
Total	**132.8**	**164.7**	**169.5**	**172.9**	**181.5**	**185.3**	**39.6**	**12.6**

Note: Data excluding RRBs Source: RBI

Banks in the metropolitan reported the highest y-o-y growth at 14.3%. The region has been performing well since Q4FY21 and reporting higher growth than the pre-Covid period. The urban and semi-urban regions too saw a robust deposit growth at 11.0% and 10.9% respectively. The semi-urban region reported the lowest deposit growth (within the group) at 9.8%. Metropolitan gained market share in deposits by 82 bps and reached 54.0% as of June 30, 2023.

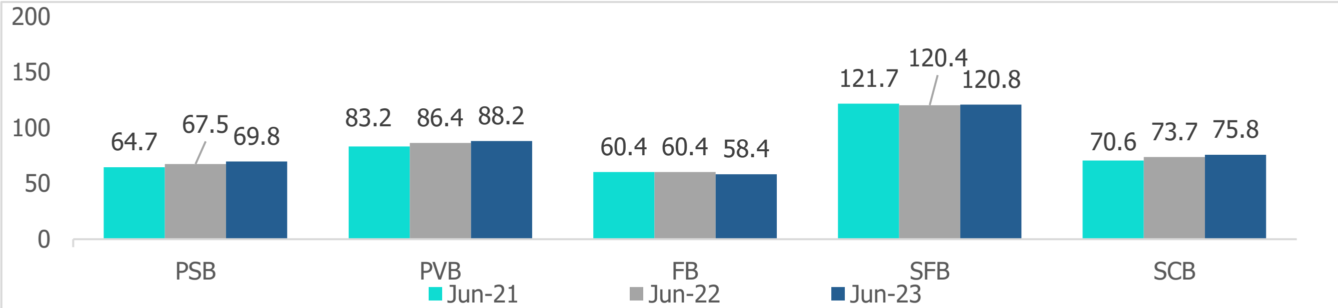
Figure 38: Credit-Deposit Ratio Trend



Note: Data excluding RRBs Source: RBI

The Credit to Deposit (CD) ratio has been increasing since October 2021, as credit growth started picking pace PVBs & SFBs being the biggest drivers. However sequentially we can see a marginal fall in the past 2 quarters.

Figure 39: Bank Group-Wise CDR (%)



Note: Data excluding RRBs Source: RBI

In Q1FY24, all groups expanded their CD ratio as credit growth was much higher than the deposit growth. PSBs have outperformed PVBs due to a lower base effect in PSBs.

Figure 40: Region-wise Credit Deposit Ratio

Regional Group	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
North Eastern	41.2	46.6	47.5	49.1	48.6	50.9
Eastern	41.3	42.6	43.6	43.9	44.5	44.7
Central	47.8	51.2	50.9	52.6	52.9	52.5
Northern	83.3	74.6	74.0	74.8	74.2	73.4
Southern	87.0	85.4	87.1	88.4	88.7	87.7
Western	94.5	88.8	91.8	92.9	92.4	92.9

Note: Data excluding RRBs Source: RBI

Figure 41: Population-wise Group Credit Deposit Ratio

Population Group	Mar-20	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Urban	54.5	56.8	57.7	59.2	59.7	59.9
Semi-urban	56.1	61.1	62.5	63.9	65.7	65.1
Rural	55.5	62.1	62.7	64.2	65.3	65.0
Metropolitan	96.2	86.3	87.6	88.5	87.2	87.1

Note: Data excluding RRBs Source: RBI

Concluding Remarks

- In Q1FY24, credit growth continued to be higher as compared to deposit growth. This can be attributed to the base effect as earlier in the pandemic, deposit growth had outpaced credit. PVBs outperformed PSBs in Q1FY24, which is expected to continue due to the aggressive acquisition of clients and offering of higher interest rates on deposits.
- In Q1FY24, credit o/s of Private Banks (PVBs) grew by 19.2%, Public Sector Banks (PSBs) by 14.3% and Small Finance Banks (SFBs) saw the highest growth of 36.2%, due to lower base.
- The Western region, (within regions) reported the highest credit growth at 21.6% y-o-y in Q1FY24, while Urban & Semi- Urban groups (within population groups) both reported the highest credit growth at 16.9% y-o-y in Q1FY24.
- SCBs CASA ratio stood at 41.1% as of June 30, 2023, as compared to 43.3% over a year ago. The decline in Ratio has come about as banks focused on term deposits, which drove higher growth for the same.
- SCBs deposit and borrowing rates are expected to expand due to a lagged effect compared to the repo rate, strong underlying credit demand, lower liquidity in the banking system, the spread in credit and deposit widened and credit push by the banks in H2FY23.
- In Q1FY24, despite q-o-q moderation, NIMs have been higher on a y-o-y basis and hence NIMs for FY24 are likely to be flattish or incur a marginal decline on y-o-y basis due to a rise in deposits cost along with a reduction in the share of low-cost CASA.

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