

Major portion of our CASA deposits likely to stay, says Canara Bank MD Rakesh Sharma

Anil Urs

Will help in reducing the cost of deposits, says Rakesh Sharma



As banking operations inch towards normalcy, Canara Bank Managing Director and CEO Rakesh Sharma shares with *BusinessLine* the impact of demonetisation on the bank's operations and balance-sheet. Excerpts:

Has normalcy returned to Canara Bank's banking operations?

Generally, yes. We are day-by-day inching towards normalcy in banking transactions. As you know, since November 25, the exchange transactions have been stopped. So, only deposits and withdrawals are taking place.

In the first four days, almost 15 lakh transactions took place in our bank and on an average around Rs. 4,000 crore worth deposits were made. Now the number of transactions has come down to almost six lakh, which works out to about 40 per cent of the total transactions, which means we are slowly getting towards normalcy.

Withdrawals are also taking place at ATMs. So, everything is getting stabilised now, and we have already recalibrated our ATMs to disburse Rs. 2,000 and Rs. 500 notes.

What has been the collection since the announcement of demonetisation on November 8?

So far, total deposits received in our bank is around Rs. 40,000 crore. Of this, after taking into account some withdrawals, almost Rs. 24,000 crore is CASA (current account, savings account) deposits. I think, slowly people will move towards term deposits, but at present, a major portion is CASA deposits.

Compared to Q2, what kind of CASA improvements are you seeing post-demonetisation?

I cannot quantify it at the moment. There may be some withdrawals; so, it is really difficult to guess how much will remain with us by December 31. I feel that a major portion may stay.

Thereafter, in Q4, I think, further withdrawals are likely to happen. As of now, our CASA deposit is 30 per cent, which used to be around 26 per cent a year before. So, overall, CASA will be around 29 per cent. This will help us in reducing the cost of deposits.

With volatility in deposits and withdrawals when do you see credit growth taking place?

Credit growth is happening now. Initially, some of the deposits were of loans coming back, as the withdrawn notes could be deposited into loan accounts. So, some of the amount is coming towards our loans.

We are simultaneously seeing credit growth and we expect that in December some growth will happen.... Fresh disbursements are happening to many industries.

Has demonetisation impacted the bank's treasury yield rates?

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Yes. There has been some increase in treasury rates because of the RBI's decision to increase the cash reserve ratio (CRR), but still the rates are low. Our average yield on investments was around 7.88 per cent as on September 30 and the modified duration was around five years. So, that way, we tend to gain, because whenever there is a reduction in interest rates, there will be some profit in the treasury.

How do you see the NPA position of the bank?

As of September 30, our gross NPA (non-performing asset) was around 9.81 per cent. Our main job is to check slippages, so that there is no addition in NPAs and then, going forward, we have to provide a solution for the large NPA accounts.

In many cases, these are under process, either by way of SDR (Strategic Debt Restructuring) or S4A (Scheme for Sustainable Structuring of Stressed Assets). Where S4A is not applicable, we are going for restructuring also.

So, as these take a little bit of time — because forensic audit and then techno-economic viability study have to be done — I think, by Q4 some solutions will start coming. I am expecting our NPA to come down below 9 per cent by March 2017 and then going forward, I see good improvement towards reducing the NPAs.

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