

SBI may retain up to 40% of deposits made during note ban: Arundhati Bhattacharya

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scratching their heads over the impact on India's banks of the country's move to ban high-value notes have every right to be puzzled, as estimates offered by the chairman of [State Bank of India](#) BSE -1.09 % indicate.

The bank could retain anything from 15 per cent to 40 per cent of the deposit boost it received after the government withdrew about four-fifths of the banknotes in circulation in November, Arundhati Bhattacharya said in an interview on Wednesday with Bloomberg Television's Erik Schatzker. She was unable to give a precise estimate amid uncertainty about how much of that money came from Indian businesses as opposed to individuals.

If much of the money that came was being used in business, "then much of it will get taken out because people will want to use it in their business again," Bhattacharya, 60, said on the sidelines of the World Economic Forum in Davos, Switzerland.

"But if much of this money is from savings of people, which was sitting in their cupboards or wherever, then obviously it won't go out," she said. "Once it's in the bank, it'll stay in the bank and therefore that's why we have a very wide kind of range."

For weeks, investors have speculated over whether the surging bank deposits caused by the November 9 ban on high-value notes will ultimately benefit lenders. The S&P Bankex Index, which tracks 10 lenders, rose almost 4 per cent following the move, before slumping 13 per cent and has since clawed back much of that slump.

"Retaining more deposits means low cost funds that can be lend out to improve bottom line at banks," Payal Pandya, a Mumbai-based analyst at [Centrum](#) BSE 4.48 % Wealth Management Ltd., said by phone. "Lenders focus should shift to deploying the money as loans as soon as they can."



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Prime Minister [Narendra Modi](#) stunned the nation by banning old Rs 500 and Rs 1,000 notes, a move that dragged cash-intensive businesses to a standstill and had millions of Indians lining up at banks to deposit their now invalidated currencies or exchange them for new notes. The resulting [liquidity](#) surge brought funding costs down for lenders including State Bank of India, giving them scope to cut interest rates.

[SBI](#)'s low-cost deposits had surged by Rs 1.4 lakh crore after the cash ban and the lender is seeing "unprecedented liquidity," Bhattacharya told reporters on Jan. 2 after unveiling a rate cut. While the company's loan book had contracted after the ban, advances in the year to March 31 are expected to expand as much as 9 per cent, compared with about 6.7 per cent as of December 31, she said the same day.