

Indian banks' deposit growth slows to pre-note ban levels

By: **FE Bureau** | New Delhi | Updated: November 9, 2017 4:03 AM



Indian banks' deposit growth, which had surged after demonetisation last November, has slowed to pre-demonetisation levels, while credit growth has gained traction, resulting in the credit-deposit growth beginning to converge. (Photo: Reuters)

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Indian banks' deposit growth, which had surged after demonetisation last November, has slowed to pre-demonetisation levels, while credit growth has gained traction, resulting in the credit-deposit growth beginning to converge. "We expect this trend of convergence between credit and deposit growth to continue," Nomura Global Markets Research said in a note to investors on Wednesday. A cyclical recovery and higher commodity prices should boost working capital needs, while the availability of growth capital after the recently announced recapitalisation plan should also enable public sector banks to extend additional loans, Nomura said. "In turn,



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this should push the credit-deposit ratio higher towards 75% from 72.6% in mid-October and tighten the banking system liquidity incrementally," Nomura wrote in its note.



Nomura said the deposit growth has normalised back to 9.8% year-on-year in mid-October, while credit growth has risen to 7.7%, which is still below its pre-demonetisation trend of about 9% but up from a trough of 4.1% in early March, led by services and personal loans.

The Reserve Bank of India's latest data showed that Indian banks' deposits stood at Rs 108.50 lakh crores as of October 27, while credit was Rs 79.17 lakh crore. A year ago, the deposits were Rs 99.32 lakh crore and credit was Rs 73.84 lakh crore.

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