

Credit offtake continues to clock double-digit growth, shows RBI research

Rating agency Icria, in a note, had said it expected banks to hike deposit rates in the near term, as incremental credit has outpaced deposits over the last quarter

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Credit growth continued to remain in double-digits clocking 10.58 per cent at Rs 81.71 trillion in the fortnight to January 19, according to the latest RBI data.

In year ago fortnight ending January 20, 2017, banks advances had stood at Rs 73.89 trillion.

But credit growth in the reporting period was slightly lower than the previous fortnight when it grew by 11.11 per cent at Rs 82.05 trillion as against Rs 73.84 trillion in the year-ago fortnight.

In December 2017, the non-food credit rose by 10 per cent compared to an increase of 4 per cent in December 2016.

Credit to agriculture and allied activities increased 9.5 per cent in December, in comparison to an increase of 8.2 per cent in December 2016.

Deposits grew 5.10 per cent in the fortnight to January 19, 2018 at Rs 109 trillion as against Rs 104 trillion in the previous fortnight.



The growth in bank credit has outpaced deposits from the last few months.

Rating agency Icria, in a note, had said it expected banks to hike deposit rates in the near term, as incremental credit has outpaced deposits over the last quarter.

The incremental credit in the current financial year (till January 5, 2018) stood at Rs 2.02 trillion, far outpacing additional deposits of Rs 1.27 trillion.

The rating agency further said the recent capital allocation of Rs 881.39 trillion to state-run lenders under the recapitalisation programme will improve the ability of public sector banks to pursue credit growth in the coming months.

It said while banks have an option of reducing their excess SLR holdings and deploying the same towards incremental credit, they may prefer not to do so, as it may trigger an upward movement in bond yields and add to their treasury losses.

"Therefore, we anticipate an imminent increase in competition for deposit mobilisation and an

upward movement in deposit rates," Icria had said in the report.

The nation's largest lender State Bank has raised its bulk deposit rates between 50 basis points to 140 basis points on various maturities on deposits between Rs 10 million and above Rs 100 million.

This is the second revision by the bank in the last two months. It had revised bulk deposit rates in November last year.