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Market Watch

# Lockdown: 72% of outstanding bank credit in red zones, says report

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MUMBAI: Nearly 72% of outstanding [bank credit](#) and 62 per cent of deposits are in the [red zone](#) districts and any delay in restarting of economic activity could put pressure on the lenders' [balance sheet](#) and [asset quality](#), says a report.

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The Ministry of Health and Family Welfare has classified the country into three zones -- green, orange and red (along with containment zones within districts) based on the [COVID-19](#) cases, with varying levels of economic activity across the zones.

As of December 2019, the overall bank credit stood at Rs 100.7 lakh crore while deposits were at Rs 132.9 lakh crore.

Of this, the outstanding bank credit stood at Rs 72 lakh crore and deposits at Rs 82.5 lakh crore in the red zones, according to the report by Care Ratings.

The share of bank credit and deposits continued to remain more or less similar in the red zones for the quarter ended March 31, 2020, it said.

"As a majority of both credit as well as deposits are in the red zone, any delay in the resumption of economic activity could pressure the banks' balance sheets and impact credit costs," Care Ratings said in the report.

Within the red zone, the western region accounts for the largest share of the credit at 41 per cent, followed by the south (24 per cent) and northern region (23 per cent), the rating agency said.

"**Mumbai** with its two districts accounts for 72 per cent share of western region in the red zone, 30 per cent share of the overall red zone and a 21 per cent share of overall credit," it said.

In the orange zone, the southern region accounts for the largest share of the outstanding credit at 43 per cent, followed by the northern region at 25 per cent.

In the green zone, the southern region accounts for the largest share of credit at 31 percent, followed by the central region at 21 per cent, and western region at 17 per cent.

Similarly, in the red zone, the western region accounts for the largest share of the deposits at 35 per cent, followed by the southern region at 23 per cent and northern region at 22 per cent.

The report further said the overall credit growth in the **banking** sector has continued to moderate due to the rise in risk aversion in the banking system and continued parking of excess liquidity with RBI.

With no substantial improvement in the economy coupled with the **lockdown** due to the COVID-19 pandemic, the banking sector is expected to witness significant impact, the rating agency said.

"The GNPA levels in the banking sector could increase owing to adversities in the economic activities," it said.

The extent of NPAs in the system could push banks to choose their credit portfolios with a higher degree of caution in the coming months, it added.

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