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Retail credit drops to record low during lockdown: SBI economists

BY PTI | UPDATED: JUN 01, 2020, 04.38 PM IST

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MUMBAI: The COVID-19 [pandemic](#) and the [lockdown](#) have made Indian consumers risk-averse if one were to go by data showing a growth in deposits and [retail credit](#) plummeting to its lowest level since 2008, economists at [SBI](#) said. On the deposit growth front, it has been a mixed bag, but the extension of the lockdown for a fifth time will ensure that the savings continue to surge, the economists said in a note.

Consumer confidence is a deeply-cherished aspect by policy makers because it is the primary driver of growth in the Indian economy for many years now. Even during the [COVID-19](#) pandemic, there has been a lot of commentary about the need to revive confidence and consumer demand.

Retail credit declined by 2.5 per cent, the lowest level since 2008, from when the data series started, it said, expecting that the decline will continue as Maharashtra has extended the lockdown till June 30.

The increase in cash credit during the fourth lockdown is more than Rs 52,000 crore, the economists said, pointing out that this can be because of accrued interests in moratorium turning into loans.

On the deposits front, there was a surge of Rs 4.83 lakh crore during the first lockdown and Rs 3.62 lakh crore in the second lockdown, which is indicative of "significant risk aversion in consumer spending", the note said.

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As the country went into a third lockdown, there may have been a feeling of the lockdowns continuing and the pent up demand for purchases ensured that there was a fall of Rs 1.02 lakh crore in the total deposit base, it said, adding that the same was more than covered up with a Rs 2.38 lakh crore surge during the fourth lockdown that ended on Sunday.

"With Indian going into Lockdown 5, we believe such consumer savings will continue to surge," the note said. The note also had the economists wondering if the Indian consumer is turning more "frugal" in the lockdowns.

The note also warned that while the moratoriums provides some relief to banks from an asset quality perspective, a "prolonged slump" in the economy will make the lenders more vulnerable.

The note also rued that unlike the experience with the global financial crisis after 2008, the government expenditure to fuel spending by the people is lesser during the current ones and directed more at indirect measures.

The combined fiscal deficit of the Centre and states will come at 13 per cent of the GDP for FY2021, it said.

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