

# Bank deposits growth slides for first time in three months; customers stay away from taking loans

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While the deposits grew only 1 percentage point faster than the year-ago level in the fortnight ending-June 19, the growth of bank loans nearly halved from 12 per cent to 6.2 per cent on-year in the same duration.



After continuously rising from 7.9% in April to 11.3% in June, the growth of bank deposits slid to 11% in the fortnight ending-June 19.

The value of bank deposits in June 2020 fell for the first time in the last three months. After continuously rising from 7.9 per cent in April to 11.3 per cent in June, the growth of bank deposits slid to 11 per cent in the fortnight ending-June 19, according to the RBI's weekly supplement. After the nationwide lockdown was announced in the last week of March 2020, deposits in banks started to pick up due to the government's borrowings. Various rating agencies, including Care Ratings and India Ratings and Research (Ind-Ra), had attributed a rise in overall borrowings of both the central and state governments, rather than increased savings, for the spike in deposits.

## Growth of bank loans halved

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While the deposits grew only 1 percentage point faster than the year-ago level in the fortnight ending-June 19, the growth of bank loans nearly halved from 12 per cent to 6.2 per cent on-year in the same duration. Since the last year 2019, the Reserve Bank of India has been continuously cutting the repo rate to make loans cheaper for consumers. However, despite the efforts, subdued demand in the market has kept borrowers away from taking loans.



To quickly transmit the benefits of low-interest rates to the consumers, the RBI had also introduced an external-benchmarking for the loans, but it could not generate more borrowers for the banks. At present, banks have Rs 138.6 lakh crore as deposits while they gave lent Rs 102.4 lakh crore as loans.

Even under the Prime Minister Narendra Modi's 'Atma Nirbhar Bharat' package, the government announced bank guarantees and credit schemes worth lakhs of crores of rupees, including

government-backed guaranteed loans worth Rs 3 lakh crore for MSMEs. Despite the lucrative schemes, the growth of bank credit has fallen from 7.2 in April to 6.2 in mid-June.

Meanwhile, with a high deposit growth compared to the credit off-take, banks' liability to pay interest has also increased, which is affecting the operating margins of scheduled commercial banks (SCBs). The banks have been cutting deposit rates to protect margins, as the banking system remained in the liquidity surplus of over Rs 3.8 lakh crore during the previous fortnight ending-June 5.



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