

Bank credit grows at 16.3%

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Bank credit grew at 16.3 per cent year-on-year (YoY) in the fortnight ended January 27 to ₹133.41 trillion, latest data by the Reserve Bank of India (RBI) showed, moderating marginally from the growth witnessed till last fortnight (16.5 per cent).

In the fortnight under consideration, credit growth increased by 0.5 per cent or ₹64,684 crore. It had moderated to 14.9 per cent YoY in the fortnight ended December 30 due to base effect, but picked up subsequently as the effect eased out.

Meanwhile, deposit growth of the banking system came in at 10.5 per cent YoY for the fortnight ended January 27. In the previous fortnight ended January 13, deposit accretion grew at 10.6 per cent YoY.

For the fortnight, deposit accretion saw marginal increase of 0.2 per cent or ₹44,131 crore. The credit-deposit growth gap has now contracted to 580 basis points (bps) from over 800 bps earlier but still remains quite high. Banks have increasingly hiked deposit interest rates over the past few months to mobilise funds for the high credit growth in the economy as liquidity in the system has moderated.

“The difference has narrowed, but there is still a difference. It is really up to the banks to mobilise deposits and make up the gap. They are doing so through certificate of deposits and reducing non-SLR investments but they need to mobilise deposits on their own to meet the gap,” Michael D Patra, deputy governor of RBI, had said in the post-policy press conference.