

THE CURIOUS CASE OF RS 3.3 LAKH DEPOSIT BULGE AND THE RS 2.7 LAKH CRORE DEPOSIT SLUMP IN ALTERNATE FORTNIGHTS

Issue No. 49, FY22

Date: 03 Dec 2021

As per the provisional data released by RBI for the fortnight ended 19 November 2021, ASCB's aggregate deposits have slumped by Rs 2.7 lakh crore during the fortnight. The slump in deposits follows an abrupt increase by Rs 3.3 lakh crore during the previous fortnight ended 5 Nov'21. Interestingly, such growth in deposits was around 36% of the incremental deposit growth at that point of time. This increase in deposits and subsequent slump is quite a contrarian trend. While, it may be exactly difficult to decipher the increase and subsequent decline, it does pose questions on liquidity management/financial stability or a shift in behavioural trend in customer payment habits through digitisation and hence lower currency leakage and concomitant deposit bulge or both.

First, the fortnightly increase of Rs 3.3 lakh crores. This has never happened during a Diwali week as there is always a currency leakage and concomitant deposit decline. This is also the 5th largest increase in any fortnight in the last 24 years. Such huge incremental addition has happened only a few times, with higher deposits accretion (than the current year's fortnight) occurring during the fortnight ended 25 Nov'16 (Rs 4.16 lakh crore), 30 Sep'16 (Rs 3.55 lakh crore), 29 Mar'19 (Rs 3.46 lakh crore) and 1 Apr'16 (Rs 3.41 lakh crore). However, increase in Nov'16 was because of demonetisation and the March and April fortnightly increases could be attributed to seasonal year-end bulge. In this respect, the current deposit bulge requires a detailed explanation.

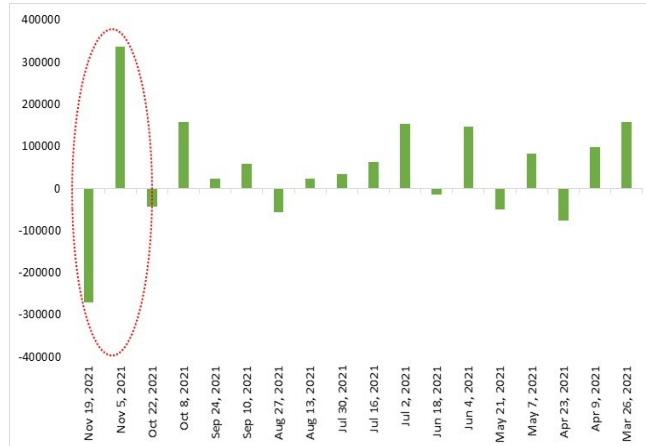
Next, the fortnightly deposit slump in the subsequent fortnight. We believe that it is possible that there was a large influx of deposits into banking system for the fortnight ended 05 Nov'21 in anticipation of a build up in rally in stock markets post primary issuances of new age companies and others. However, when such rally did not materialise, the bulge in banking deposits slumped and almost 80% of deposit bulge was withdrawn. Interestingly, the amount of money parked in fixed reverse repo window jumped from Rs 0.45 lakh crores on 19 Oct to Rs 2.4 lakh crores on 17 Nov'21 and has remained at such level till 01 Dec. However, it must be noted that the significant jump in digital transactions has also resulted in lower usage of cash in current fiscal and ideally could also have resulted in surge in deposits for the Diwali week.

Meanwhile, if we look at the quarterly ASCB data, though the deposits growth remains same in Q2 (2.6%) as compared to Q1 (2.5%), sequentially at all-India level, apart from Metro regions, the deposits growth has decelerated in Q2 as compared to Q1, particularly in rural areas indicating that the current economic recovery is mostly urban led and rural economy is still recouping. Meanwhile, ASCB's credit has increased by Rs 1.18 lakh crore (7.1% YoY) during the fortnight ended 05 Nov, which may be due to festive demands.

ABERRATION IN ASCB'S DEPOSITS GROWTH

- ◆ As per the provisional data released by RBI for the fortnight ended 19 November 2021, ASCB's aggregate deposits has slumped by Rs 2.7 lakh crore during the fortnight (05-19 Nov'21, which had abruptly increased by Rs 3.3 lakh crore (Revised) during the previous fortnight ended 5 Nov'21. Interestingly, that growth in deposits was around 36% of the incremental deposit growth of Rs 9.35 lakh crore till the 05 Nov.
- ◆ This increase in deposits and subsequent slump is quite a contrarian trend. In fact, the Rs 3.3 lakh crore fortnightly deposit bulge (fortnight ended Nov 5 and a Diwali week) is the fifth largest fortnightly increase since 1997 and the Rs 2.69 lakh crore subsequent deposit slump (fortnight ended Nov'19) is the largest since 1997. While, it may be exactly difficult to decipher on the increase and subsequent decline, it does pose questions on financial stability.

Fortnightly Incremental Growth in ASCB Deposits (Rs crore)



Source: SBI Research

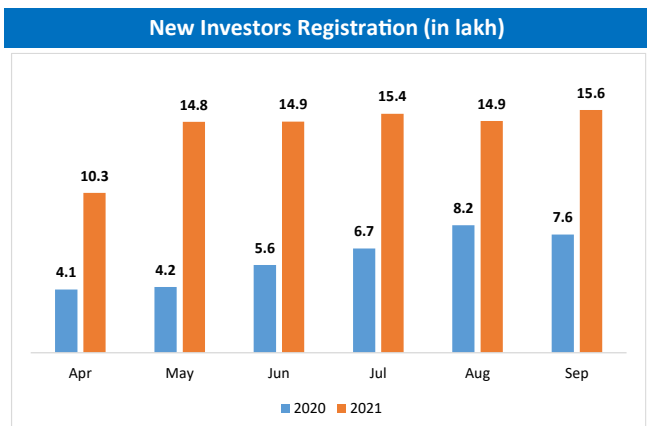
- ◆ First, the fortnightly increase. This has never happened during a Diwali week as there is always a currency leakage and concomitant deposit decline. This is also the 5th largest increase in any fortnight in the last 24 years. Such huge incremental addition has happened only a few times, with higher deposits accretion (than the current year's fortnight) occurring during the fortnight ended 25 Nov'16 (Rs 4.16 lakh crore), 30 Sep'16 (Rs 3.55 lakh crore), 29 Mar'19 (Rs 3.46 lakh crore) and 1 Apr'16 (Rs 3.41 lakh crore). However, increase in Nov'16 was because of demonetisation and the March and April fortnightly increases could be attributed to seasonal year-end bulge.
- ◆ Next, the fortnightly deposit slump in the subsequent fortnight. It may be noted that equity markets have witnessed a large influx of new investors in the past few months even as bank deposits have decelerated. According to NSE data, monthly investor registrations rose to record-high levels in Sep'21 (15.6 lakh) after witnessed a marginal decline in August. Almost 50 lakh additional new investors registered in Apr-Sep'21 as compared to Apr-Sep'20.
- ◆ We believe that it is likely that there was a large influx of deposits into banking system for the fortnight ended Nov'5 in anticipation of a build up in rally in stock markets post primary issuances of new age companies and others. However, when such rally did not materialise, the bulge in banking deposits slumped and almost 80 percent of deposit bulge was withdrawn. Interestingly, the amount of money parked in fixed reverse repo window jumped from Rs 1.6 lakh crores to Rs 2.4 lakh crores on Nov 17th and has remained at such level since Dec1. However, it must be noted that the significant jump in digital transactions has also resulted in lower usage of cash in current fiscal and ideally could also have resulted in surge in deposits for the Diwali week.
- ◆ Meanwhile, ASCB's credit has increased by Rs 1.18 lakh crore (7.1% YoY) during the fortnight ended 05 Nov, which may be due to festive demands. However, it declined by Rs 1157 crore during the fortnight ended 19 Nov'2021.
- ◆ By following this trend, if Deposits & Credit grew by Rs 5.0 lakh crore during the rest of the FY (19 Nov to 25 Mar'2022), then the deposits growth will be around 12% and Credit around 8.5% in 2021-22.
- ◆ Meanwhile, if we look the quarterly ASCB data, though the deposits growth remains same in Q2 (2.6%) as compared to Q1 (2.5%), sequentially at all-India level, apart from Metro regions, the deposits growth has decelerated in Q2 as compared to Q1, particularly in rural areas indicating that the current economic recovery is mostly urban led.

Monthly Change in digital payments (Rs billion)						
	Credit Card		Debit Card		UPI	
	2020	2021	2020	2021	2020	2021
Jan	8	13	1	-20	137	150
Feb	-44	-46	-43	-39	63	-61
Mar	-116	122	-104	82	-161	798
Apr	-298	-133	-250	-112	-553	-112
May	115	-43	147	-130	673	-30
Jun	105	80	97	78	434	567
Jul	28	121	26	100	287	589
Aug	48	28	44	38	78	328
Sep	8	25	6	-23	307	152
Oct	135	133	138	97	571	1171
Nov	-23	-37	-13	-42	49	-30

Source: RBI, NPCI, * October and November 2021 change is from Daily Payment and Settlement Systems data from RBI

Population Group-wise Deposits Growth (%)				
Population Group	% Q-o-Q		% Y-o-Y	
	Q2 FY22	Q2 FY21	Q2 FY22	Q2 FY21
Rural	1.8	2.4	7.0	12.6
Semi-urban	1.7	2.8	7.7	12.0
Urban	2.6	3.2	9.7	11.6
Metropolitan	3.0	2.1	11.7	10.1
All-India	2.6	2.5	10.1	11.0

Source: RBI; SBI Research



Source: NSE Market Pulse; SBI Research

Disclaimer: The Ecowrap is not a priced publication of the Bank. The opinion expressed is of Research Team and not necessarily reflect those of the Bank or its subsidiaries. The contents can be reproduced with proper acknowledgement. The write-up on Economic & Financial Developments is based on information & data procured from various sources and no responsibility is accepted for the accuracy of facts and figures. The Bank or the Research Team assumes no liability if any person or entity relies on views, opinion or facts & figures finding in Ecowrap.

Contact Details:

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in
Phone:022-22742440
 : kantisoumya