

# Credit to Deposit Ratio Elevated Even as Deposit Growth Hits 6-year High

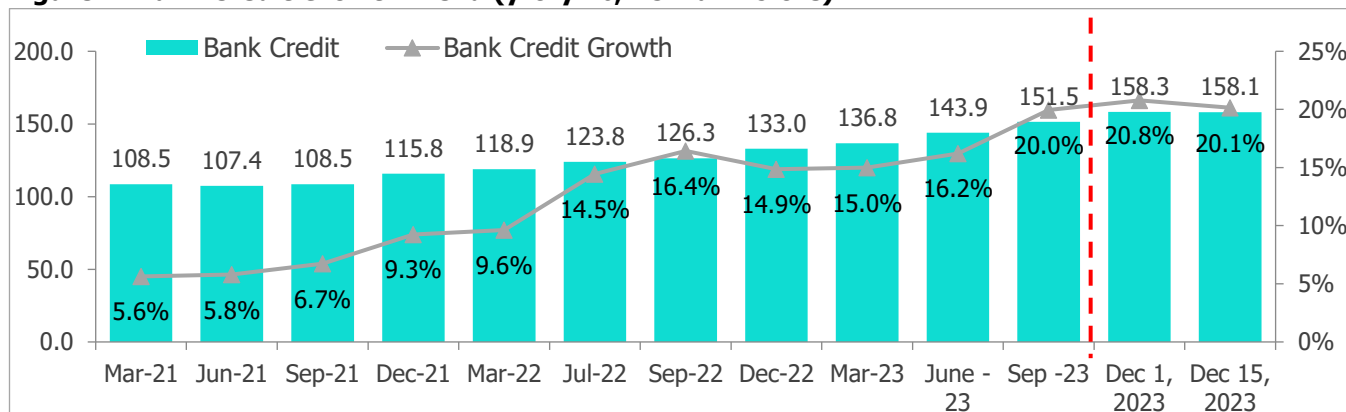
January 02, 2024 | BFSI Research

## Synopsis

- Credit offtake continued to grow, increasing by 20.1% year-on-year (y-o-y) to reach Rs. 158.1 lakh crore, for the fortnight ending December 15, 2023. This surge was due to the impact of HDFC's merger with HDFC Bank along with the festival season and growth in personal loans. If we exclude the impact of the merger, credit grew at a lower rate of 15.8% y-o-y fortnight compared to last year's growth of 17.4%. The outlook for bank credit offtake continues to remain positive for FY24.
- Deposits too grew by 14.1% y-o-y for the fortnight (including the merger impact), reaching a 6-year high. Excluding merger impact growth stood at 13.3%. Sequentially we saw a marginal decline of 0.3%. Deposit growth is expected to improve in FY24 compared to earlier periods as banks look to shore up their liability franchise and ensure that deposit growth does not constrain the credit offtake.
- The Short-term Weighted Average Call Rate (WACR) stood at 6.78% as of December 22, 2023, compared to 6.48% on December 23, 2023, due to pressure on short-term rates.

## Bank Credit Growth Remains Elevated

**Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)**

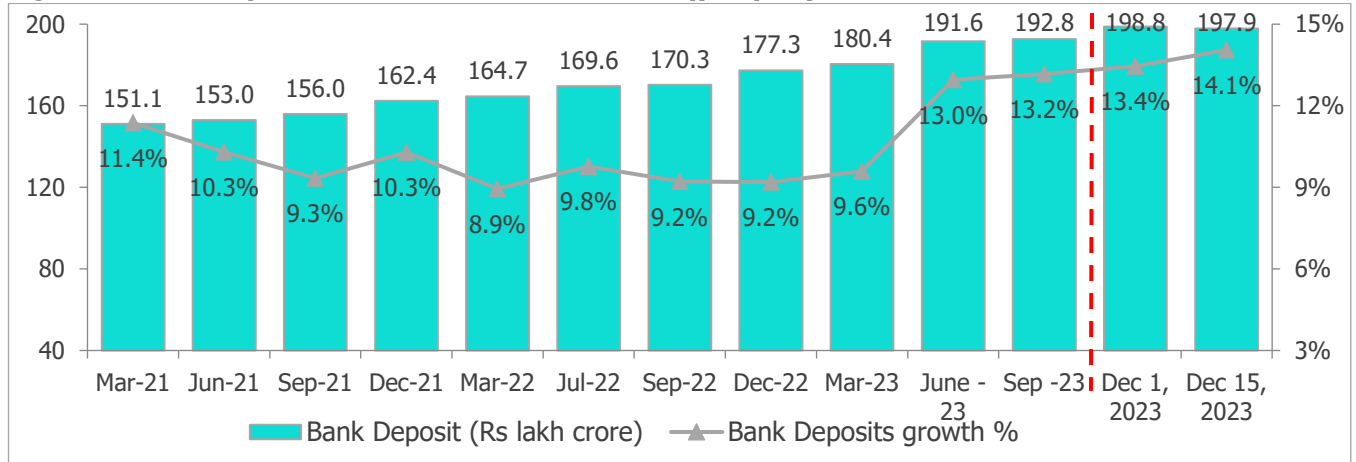


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). The quarter-end data reflect, the last fortnight's data of that particular quarter; Source: RBI, CareEdge

- Credit offtake increased by 20.1% year on year (y-o-y) however, dropped sequentially by 0.2% for the fortnight ended December 15, 2023. It is important to note that the y-o-y figures are not directly comparable, as the data reported by the RBI as of December 15, 2023, includes the impact of the merger of HDFC with HDFC Bank. In absolute terms, over the last twelve months, credit offtake expanded by Rs. 26.5 lakh crore to reach Rs. 158.1 lakh crore as of December 15, 2023. Excluding the impact of the merger, the growth stood at 15.8% y-o-y for the fortnight, which was lower than last year's growth number of 17.4%. This growth continues to be primarily driven by continued demand for personal loans and NBFCs, while the sequential dip can be attributed to advanced tax-related outflows and GST payments.
- The outlook for bank credit offtake continues to remain positive for FY24, supported by factors such as economic expansion and a continued push for retail credit which has been supported by improving

digitalisation. Unsecured personal loans and NBFC segments could witness a certain level of cooling off due to the recent RBI notification on risk weights, Currently, capital levels are quite comfortable for banks and NBFCs. Elevated interest rates, any further rise in the repo rate, inflation, and global uncertainties regarding geo-political issues are other key factors which could weigh on credit growth.

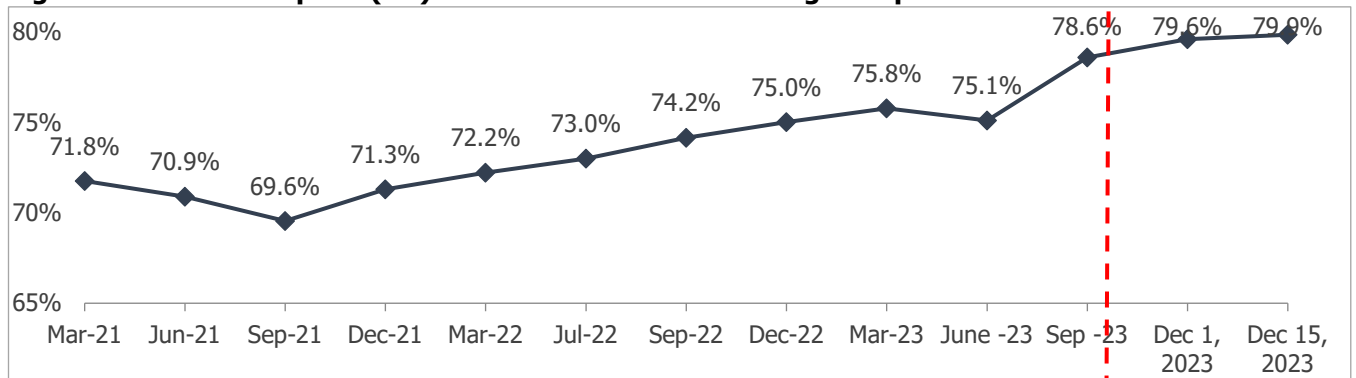
**Figure 2: Bank Deposit Growth Continues to Rises (y-o-y %)**



Note: The quarter-end data reflect, the last fortnight’s data of that particular quarter; Source: RBI, CareEdge

- Deposits rose at 14.1% y-o-y for the fortnight (reported December 15, 2023), reaching a 6-year high driven by strong for the current fortnight, however sequentially we saw a decline of 0.4%. Without considering the merger, growth was 13.3%. Meanwhile, in absolute terms, deposits expanded by Rs. 24.4 lakh crore and reached Rs. 198.8 lakh crore as of December 1, 2023, compared to December 02, 2022.
- Since September 2023, system liquidity has been in deficit due to forex interventions, currency demand during the festive season and outright OMO sales. As a result, the weighted average call rate (WACR) spread over the repo rate has risen. In the near term, advance tax-related outflows and GST payments are expected to keep liquidity in deficit. While government spending and FPI inflows may ease liquidity conditions, the RBI is likely to maintain tight liquidity in accordance with its “withdrawal of accommodation” stance. Please refer [December 2023 Debt Market Update](#) for additional details.

**Figure 4: Credit to Deposit (CD) Ratio Trend – Includes Merger Impact**



Note: The quarter-end data reflect the last fortnight’s data of that quarter, and compares post-merger figures; Source: RBI, CareEdge

- The CD ratio has been generally hovering marginally below 80% since September 2023. The CD ratio saw an uptick of 14 bps, compared to the previous fortnight, and stood at 79.9% in the fortnight (December 15 2023) reaching a three-year high, however, this is mainly driven by HDFC merger, if we exclude the merger impact CD ratio for current fortnight stood at 77.4% compared to 75.8 during December 14, 2022.

**Figure 5: Trend in Credit and Deposit Movement (y-o-y, )**

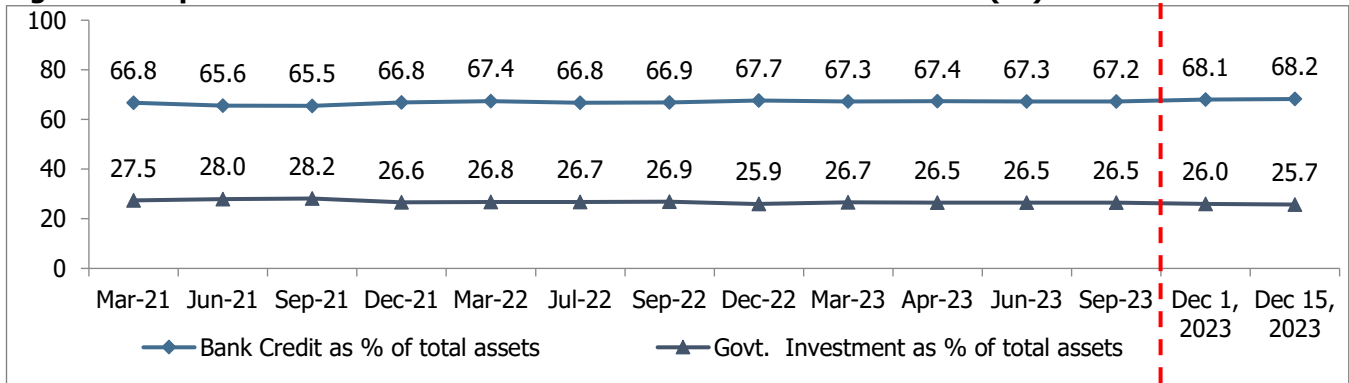
	Dec 18, 2020	Dec 17, 2021	Dec 16, 2022	Dec 15, 2023
Credit	6.1%	6.2%	17.4%	20.1%
Deposit	11.3%	9.6%	9.4%	14.1%

Source: RBI, CareEdge, compares post-merger figures

Deposits have seen relatively steady performance since Covid times. However, in recent years, credit growth has been significantly outperforming deposit growth, this can be mainly attributed to comparatively lower base in credit as well as increase in demand.

**Proportion of Credit to Total Assets Rises, whereas Govt. Investment to Assets Dips**

**Figure 6: Proportion of Govt. Investment and Bank Credit to Total Assets (%)**



Note: The quarter-end data reflect the last fortnight’s data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge

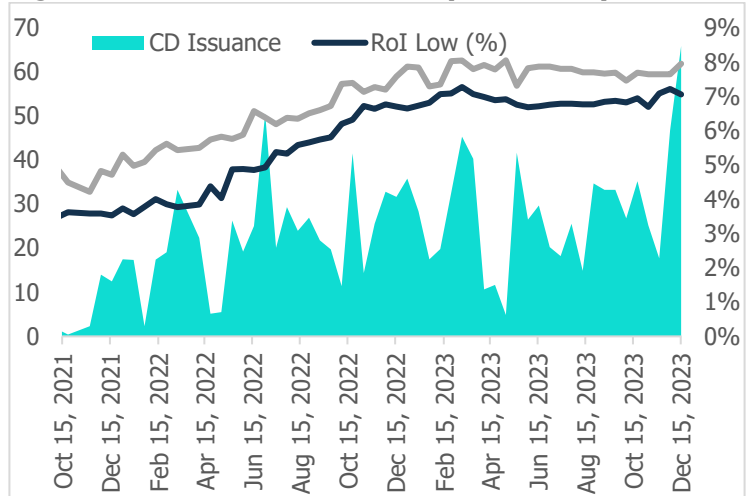
- The credit to total assets ratio witnessed a growth of 16 bps compared to the previous fortnight and stood at 68.2% in the fortnight (Dec 15, 2023). Meanwhile, Govt. Investments stood at 59.6 lakh crore as on December 15, 2023, reporting a growth of 16.2% y-o-y and a decline of 1.2% sequentially.

**O/s CDs and O/s CPs Continue to Remain at Elevated Levels**

**Figure 7: Certificate of Deposit Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Mar 11, 2022	154.4	168.9
May 20, 2022	193.0	113.7
July 1, 2022	223.8	222.9
Sep 23, 2022	252.2	318.7
Dec 30, 2022	294.0	247.1
Jan 27, 2023	279.8	180.6
Feb 10, 2023	269.7	139.6
Feb 24, 2023	280.4	120.4
Mar 24, 2023	304.5	50.4
Apr 07, 2023	301.4	49.6
Nov 17, 2023	314.5	22.1
Dec 15, 2023	341.8	25.4

**Figure 8: Trend in CD Issuances (Rs'000, Cr.) and RoI**

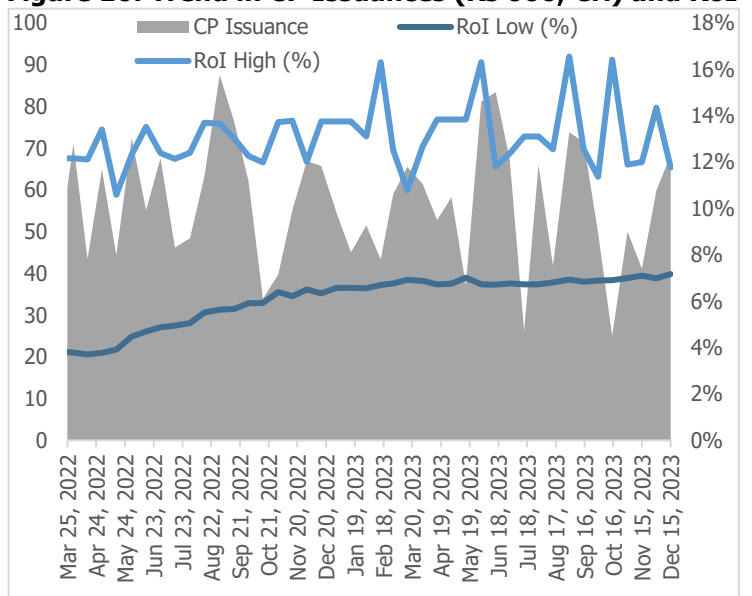


Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

**Figure 9: Commercial Paper Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Mar 31, 2022	352.2	-3.3
May 15, 2022	384.4	-5.0
Jun 30, 2022	372.5	-1.0
Aug 31, 2022	410.0	4.7
Oct 31, 2022	373.3	-1.6
Dec 15, 2022	363.7	-18.6
Jan 31, 2023	363.9	-8.1
Mar 15, 2023	371.3	0.9
Apr 30, 2023	421.7	15.5
May 31, 2023	433.5	12.7
Jun 30, 2023	433.2	16.3
Sep 30, 2023	412.2	2.8
Nov 30, 2023	387.3	6.5

**Figure 10: Trend in CP Issuances (Rs'000, Cr.) and RoI**



Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

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