

Credit-Deposit Ratio Beats 80% Mark

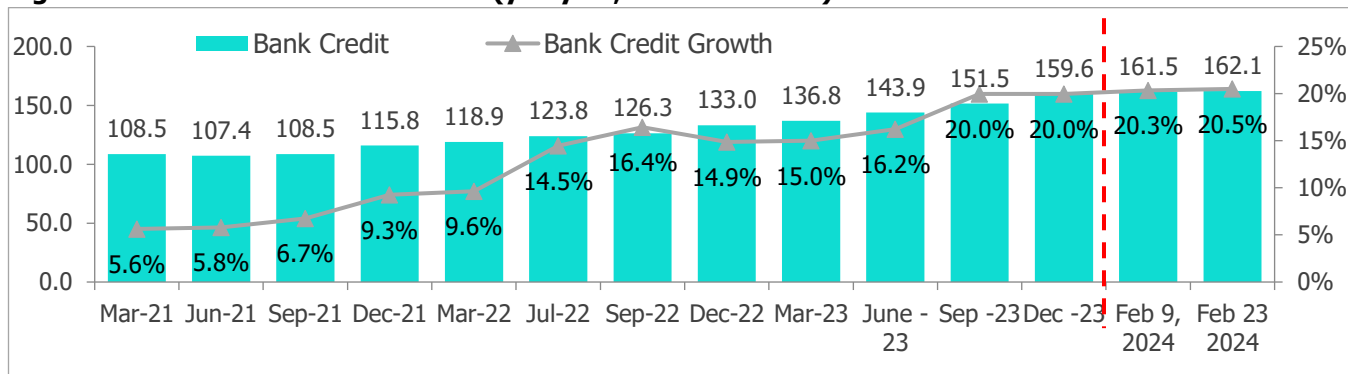
March 12, 2024 | BFSI Research

Synopsis

- Credit offtake continued to grow, increasing by 20.5% year-on-year (y-o-y) to reach Rs. 162.1 lakh crore, for the fortnight ending February 23, 2024. This rise can continue to be attributed to the impact of HDFC’s merger with HDFC Bank along with the growth in personal loans. If we exclude the impact of the merger, credit grew at 16.5% y-o-y for the fortnight compared to last year’s growth of 15.5%. Meanwhile, the outlook for bank credit offtake continues to remain positive.
- Deposits too grew by 13.1% y-o-y for the fortnight (including the merger impact) and reached Rs. 202.0 lakh crore as on February 23, 2024, driven by growth in time deposits. Excluding the merger impact, growth stood at 12.5%. Sequentially it remained flat. Deposit growth is expected to improve compared to earlier periods as banks look to shore up their liability franchise and ensure that deposit growth does not constrain credit offtake.
- The Short-term Weighted Average Call Rate (WACR) stood at 6.61% as of March 01, 2024, compared to 6.47% on March 3, 2023, due to liquidity and pressure on short-term rates.

Bank Credit Growth Continues to Remain Elevated

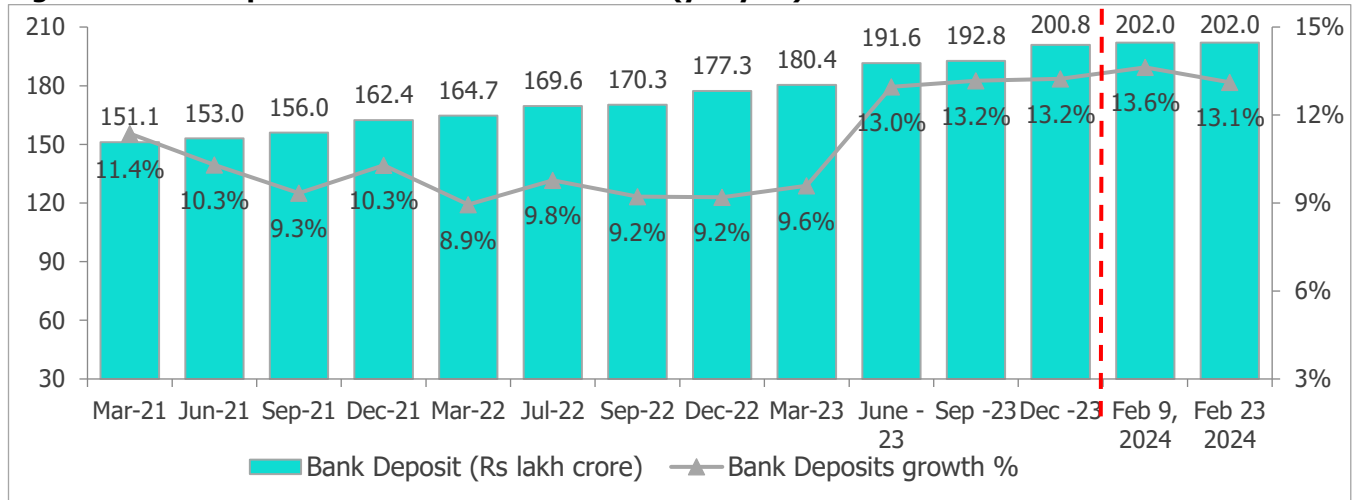
Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



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 20.5% y-o-y and 0.4% sequentially for the fortnight ended February 23, 2024. It is important to note that the y-o-y figures are not directly comparable, as the data reported by the RBI as of February 23, 2024, includes the impact of the merger of HDFC with HDFC Bank. In absolute terms, over the last twelve months, credit offtake expanded by Rs. 27.6 lakh crore to reach Rs. 162.0 lakh crore as of February 23, 2024. Excluding the impact of the merger, the growth stood at 16.5% y-o-y for the fortnight, which is above last year’s growth rate of 15.5%. This growth continues to be primarily driven by continued demand for personal loans.
- The outlook for bank credit offtake continues to remain positive, supported by factors such as economic expansion and a continued push for retail credit.

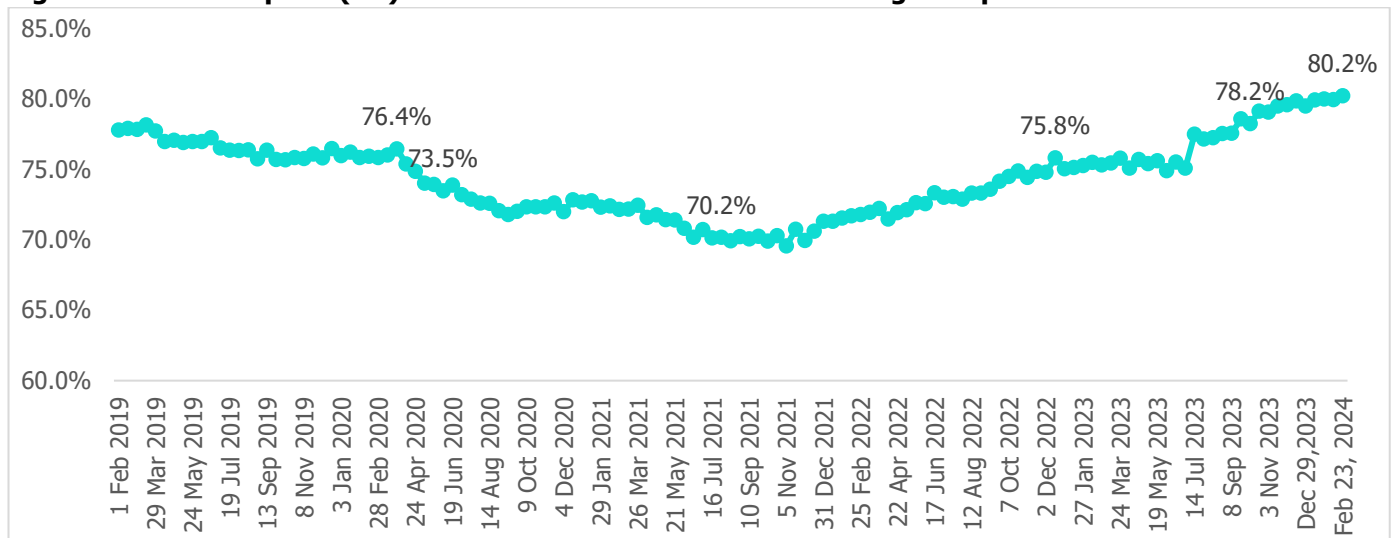
Figure 2: Bank Deposit Growth Continues to Rise (y-o-y %)



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

- Deposits rose at 13.1% y-o-y for the fortnight (reported February 23, 2024), and sequentially remained flat. Without considering the merger, growth was 12.5%. Meanwhile, in absolute terms, deposits expanded by Rs. 23.7 lakh crore and reached Rs. 202.0 lakh crore as of February 23, 2024, compared to February 24, 2023.
- Liquidity continues to remain tight in the system. RBI has been conducting both VRR & VRRR auctions to manage liquidity, in line with its accommodation withdrawal stance while also meeting the credit needs of the economy. (Source: [Economic Pathway](#))

Figure 3: Credit-Deposit (CD) Ratio Breaches 80% – Includes Merger Impact



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

- The CD ratio has been generally hovering around 80% since September 2023. The CD ratio saw an uptick of 26 bps, compared to the previous fortnight, and stood at 80.2% for the fortnight (February 23, 2024), The HDFC merger mainly drives this growth. If we exclude the merger impact, the CD ratio for the current fortnight stood at 78.0% compared to 75.3% on February 24, 2023.

Figure 4: Trend in Credit and Deposit Movement (y-o-y,)

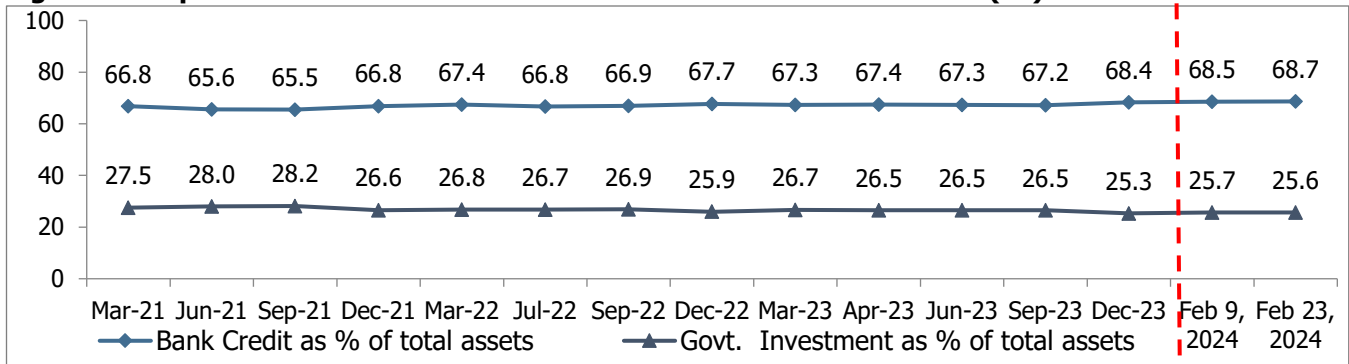
	Feb 26, 2021	Feb 25, 2022	Feb 24, 2023	Feb 23, 2024
Credit	5.6%	9.1%	15.5%	20.5%
Deposit	12.1%	8.6%	10.1%	13.1%

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 a comparatively lower base in credit as well as an increase in demand.

Proportion of Credit to Total Assets Rises, However Govt. Investment to Total Assets Marginally Drop

Figure 5: 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

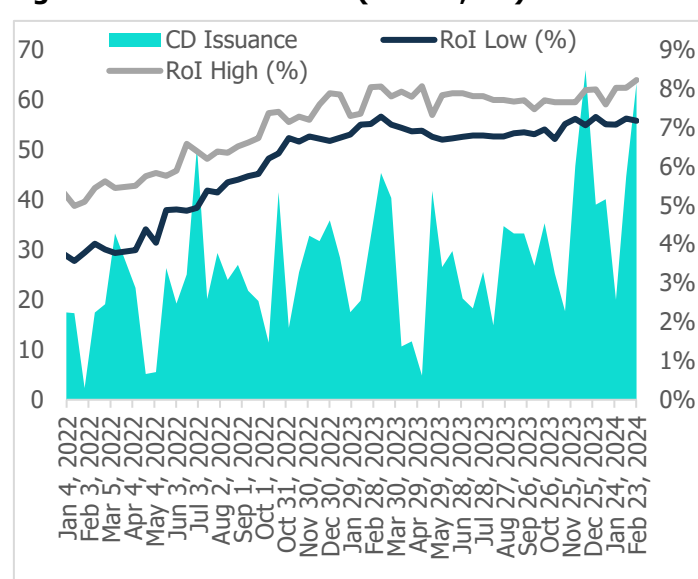
- The credit to total assets ratio witnessed a growth of approx. 13 bps compared to the previous fortnight and stood at 68.7% for the fortnight (February 23, 2024). Meanwhile, government investments stood at Rs 60.5 lakh crore as of February 23, 2024, reporting a growth of 13.3% y-o-y, however sequentially it witnessed a downtick of 0.1%.

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

Figure 6: Certificate of Deposit Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
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
Jan 12, 2023	351.1	20.1
Feb 23, 2024	381.4	36.1

Figure 7: Trend in CD Iss. (Rs'000, Cr.) and RoI



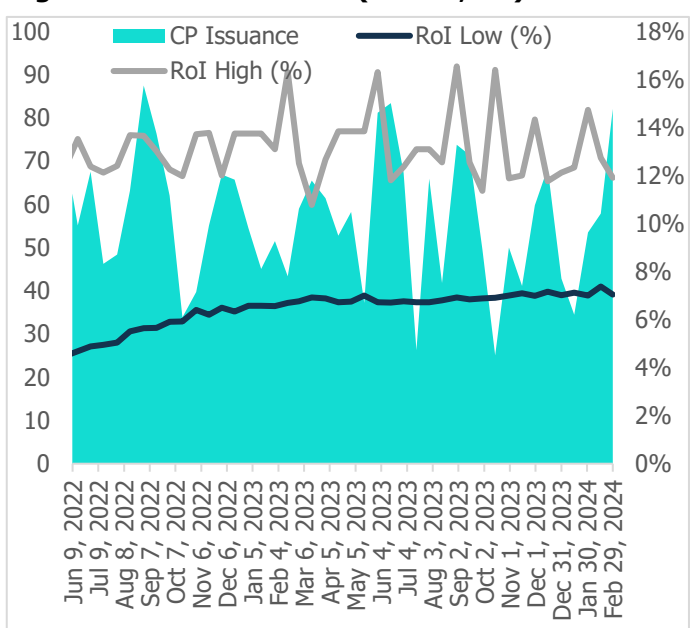
Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

Figure 8: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
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
Jan 15, 2024	378.6	-0.7
Feb 29, 2024	408.0	11.9

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

Figure 9: Trend in CP Iss. (Rs'000, Cr.) and RoI



Contact

Sanjay Agarwal	Senior Director	sanjay.agarwal@careedge.in	+91 - 22 - 6754 3582 / +91-81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careedge.in	+91 - 22 - 6754 3519 / +91-90049 52514
Tejas Poojary	Lead Analyst – BFSI Research	tejas.poojary@careedge.in	+91 - 22 - 6754 3629 / +91-97699 93903
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

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