

# Deposit Growth Keeps Pace with Credit Offtake Against Dec 2023

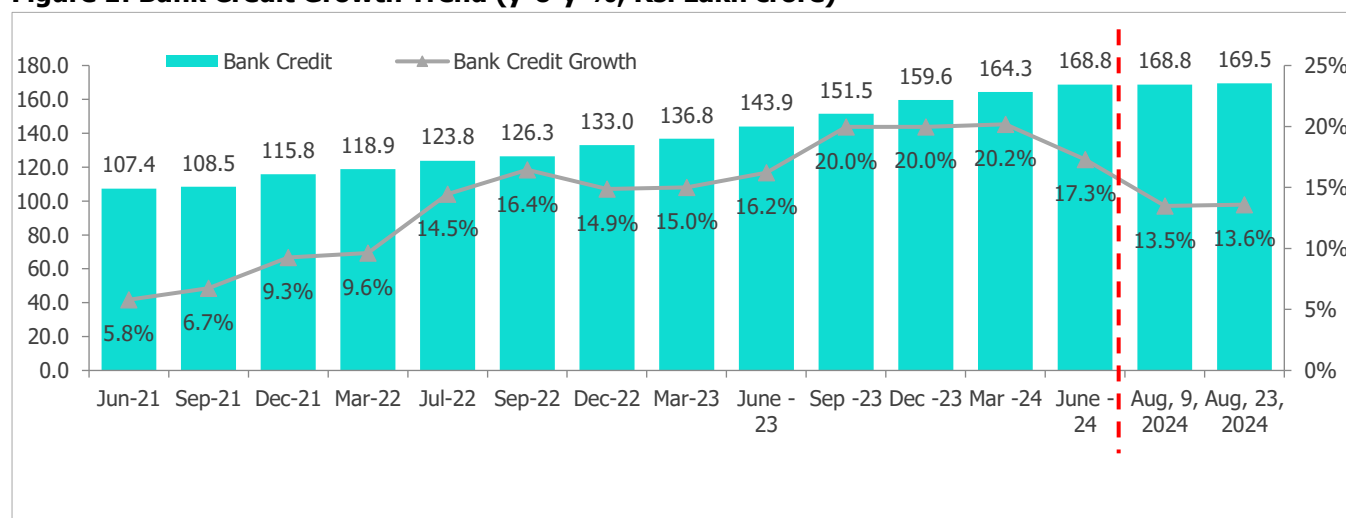
September 10, 2024 | BFSI Research

## Synopsis

- Credit growth is trending down and continues to converge with deposit growth on an annual basis. Meanwhile, if we study the growth rate compared with December 2023, deposits have kept pace credit offtake.
  - Credit offtake increased by 6.2% compared to December 2023, to reach Rs. 169.5 lakh crore as of Aug 23, 2024. Personal loans and MSMEs accounted for the bulk of this increase, with large corporate credit also contributing to the same. Meanwhile, sequentially credit saw a growth of 0.4%. This slowdown can be attributed to RBI measures around higher risk weights on unsecured loans and a higher base effect also by proposed LCR norms bank credit growth could face challenges in coming months.
  - Deposits rose at 6.2% compared to December 2023 and reached Rs 213.2 lakhs crore as of Aug 23, 2024, driven by growth in time deposits. Sequentially deposits fell marginally by 0.02%.
- The Short-term Weighted Average Call Rate (WACR) has narrowed to 6.50% as of August 23, 2024, compared to 6.75% as of August 25, 2023.

## Bank Credit Growth Continues to Remain Muted for the Fortnight

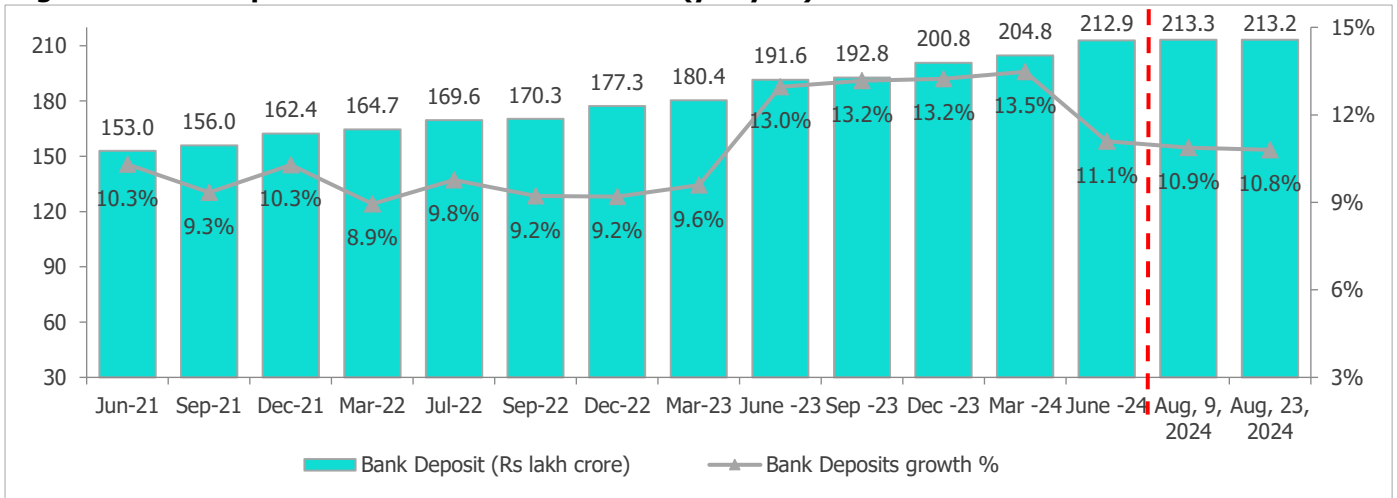
**Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)**



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 6.2% compared to December 2023 and sequentially increased by 0.4% for the fortnight ended August 23, 2024. In absolute terms, over the last 8 odd months, credit offtake expanded by Rs. 9.9 lakh crore to reach Rs. 169.5 lakh crore as of Aug 23, 2024. Personal loans along with MSME and large corporates have supported credit offtake, meanwhile slowing NBFCs and other personal loans segments have partially offset credit growth.

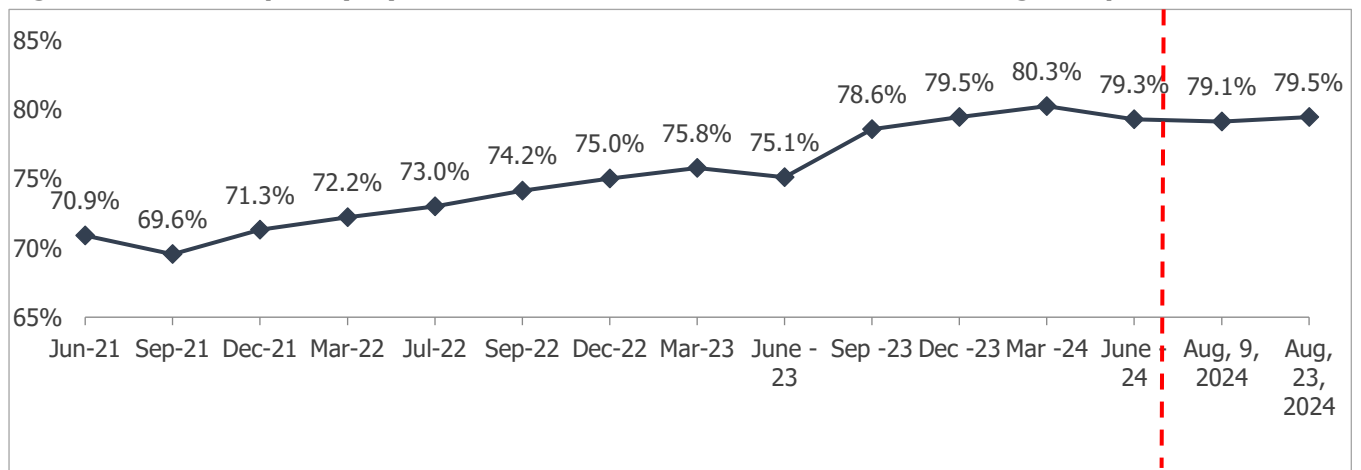
**Figure 2: Bank Deposit Growth Remains Subdued (y-o-y %)**



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

- Deposits rose at 6.2% compared to December 2023 and reached Rs 213.2 lakhs crore as of August 23, 2024, and sequentially witnessed a marginal downtick of 0.02%. Meanwhile, in absolute terms, deposits have expanded by Rs. 12.4 lakh crore over the last 8 odd months. Deposits would continue to be prominent in FY25 as banks intensify efforts to strengthen their liability franchise. The banks are also sourcing funds via the certificates of deposits (at a relatively higher cost) which have shown significant traction.

**Figure 3: Credit-Deposit (CD) Ratio Hovers Just Below 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 increased by 32 bps, compared to the previous fortnight, and stood at 79.5% for the fortnight (August 23, 2024), compared to 77.6% on August 25, 2023.

**Figure 4: Trend in Bank Credit and Deposit Movement**

	Outstanding as on			Abs. Growth (Rs lakh cr)		Abs. Growth (In %)	
	Dec 29, 23	Apr 19, 24	Aug 23, 24	Since Dec	Since Apr	Since Dec	Since Apr
Credit	159.6	164.9	169.5	9.9	4.5	6.2%	2.7%
Deposit	200.8	207.5	213.2	12.4	5.7	6.2%	2.8%

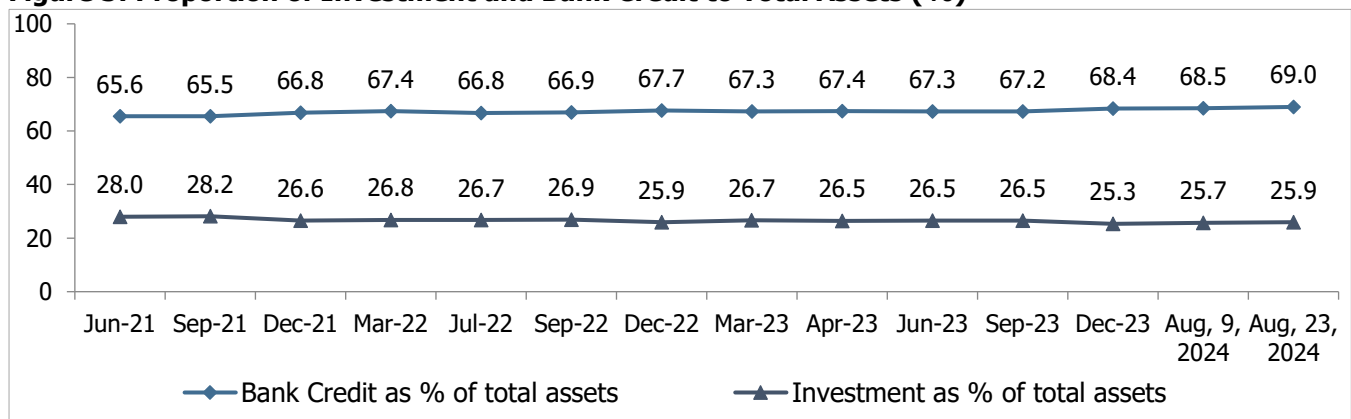
Source: RBI, CareEdge

As per the above table, we can observe that in absolute terms, deposit growth has outpaced credit growth, especially after RBI’s circular on risk weights and comments on reducing the CD Ratio. Additionally, we can also see that the CD Ratio on these flows from December would be 79.2% and from April would be 78.4%. This also indicates that the credit offtake could face challenges and be tepid for the year.

On y-o-y performance, credit saw a growth of 13.6%, which was relatively slow compared to last year which saw a growth of 19.6%, on the other hand, deposits saw a growth of 10.9%. Deposit growth, though showing improvement, has continued to lag credit growth in the past year

**Proportion of Credit and Investment to Total Assets Increases**

**Figure 5: Proportion of 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 increased by 48 bps compared to the previous fortnight and stood at 69.0% for the fortnight (August 23, 2024). The Investment to Total Assets Ratio too witnessed an uptick of 24 bps and stood at 25.9%. Meanwhile, overall investments stood at Rs 63.6 lakh crore as of August 23, 2024, reporting a growth of 7.9% y-o-y, and a growth of 0.6% sequentially.

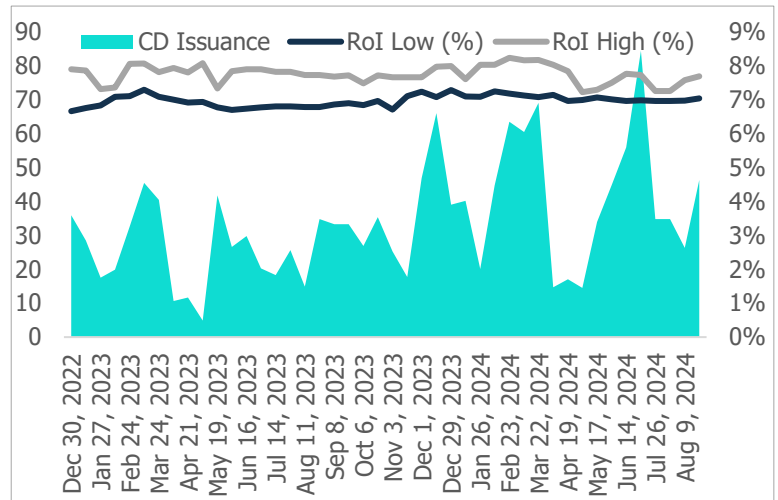
**O/s CDs and CPs Continue to Remain at Elevated Levels**

**Figure 6: Certificate of Deposit O/s**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Jan 12, 2024	351.1	20.1
Apr 5, 2024	361.6	20.0
Apr 19, 2024	372.8	24.1
May 3, 2024	380.0	31.6
May 17, 2024	367.5	21.6
May 31, 2024	369.2	18.2
Jun 14, 2024	352.3	22.6
Jun 28, 2024	409.6	42.6
Aug 9, 2024	435.8	43.3
Aug 23, 2024	446.6	48.2

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

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

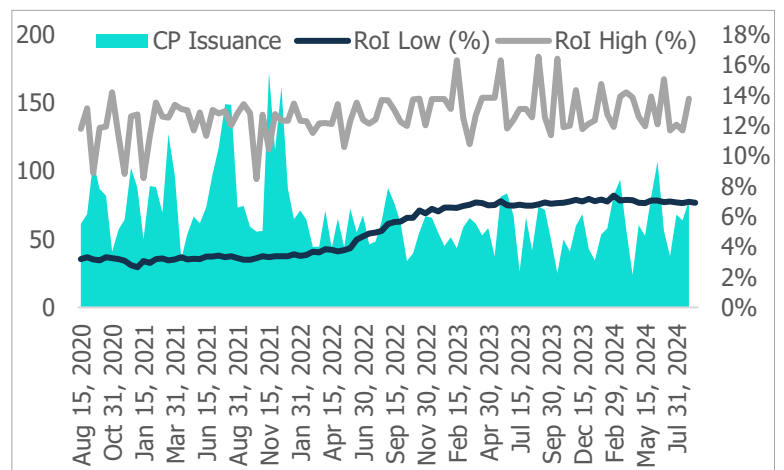


**Figure 8: Commercial Paper Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Sep 30, 2023	412.2	2.8
Dec 31, 2023	364.2	1.3
Mar 31, 2024	388.6	9.9
Apr 30, 2024	411.5	-2.4
May 15, 2024	421.2	-0.1
May 31, 2024	404.0	-6.8
Jun 15, 2024	431.1	-3.5
Jun 30, 2024	422.4	-2.5
Aug 15, 2024	473.2	5.7
Aug 31, 2024	471.1	4.7

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**



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