

# Deposit Growth Outpaces Credit Offtake Against December 2023

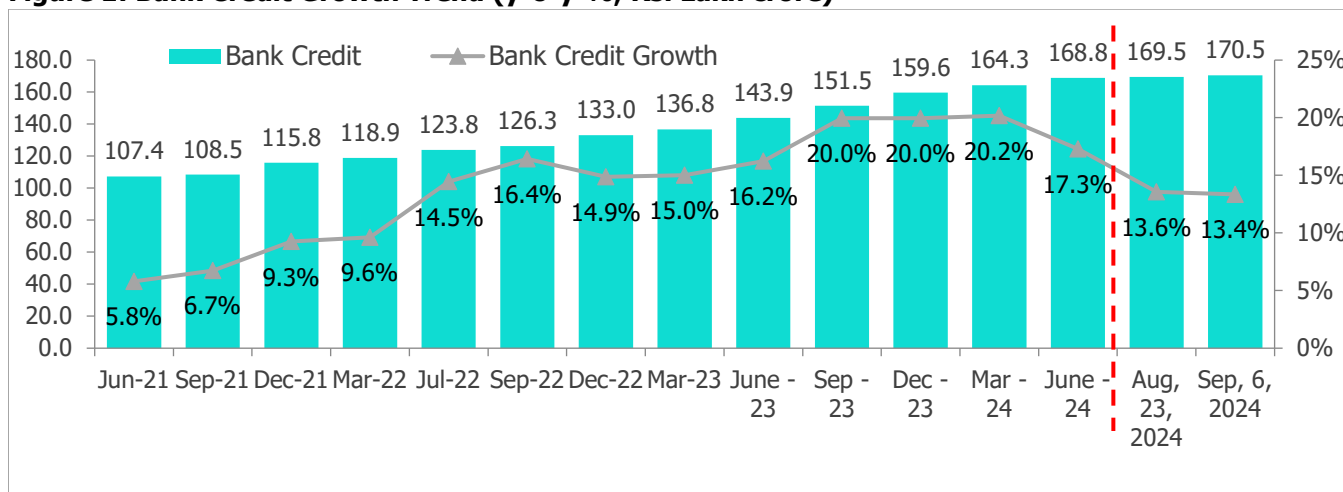
September 24, 2024 | BFSI Research

## Synopsis

- Credit growth is trending down and continues to converge with deposit growth on an annual basis. Meanwhile, if we observe the growth rate compared with December 2023, deposits have outpaced credit offtake.
  - Credit offtake increased by 6.8% compared to December 2023, reaching Rs. 170.5 lakh crore as of September 6, 2024. Personal loans and MSMEs account for the majority of this growth. Meanwhile, sequential credit growth was 0.6%. This slowdown can be attributed to RBI measures, including higher risk weights on unsecured loans and the impact of a higher base effect. Additionally, the proposed LCR norms may present challenges to bank credit growth in the coming months.
  - Deposits rose at 7.3% compared to December 2023 and reached 215.5 lakhs crore as of reported Sep 6, 2024, driven by growth in time deposits. Sequentially deposits increased by 1.1%.
- The Short-term Weighted Average Call Rate (WACR) has remained the same at 6.54% as of September 13, 2024, compared to 6.71 as of September 15, 2023.

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

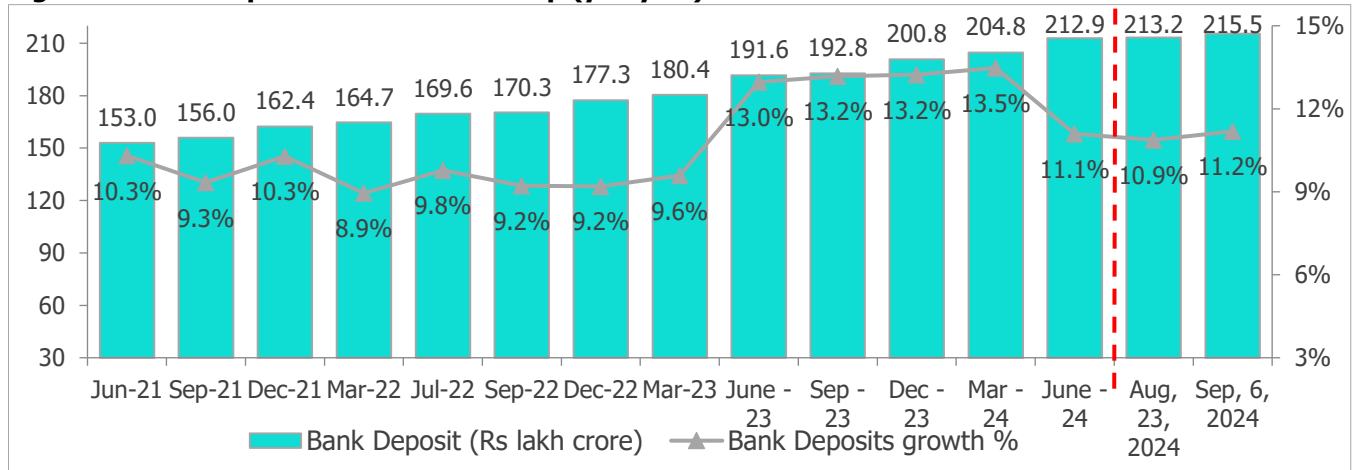
**Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)**



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 6.8% compared to December 2023 and sequentially increased by 0.6% for the fortnight ended September 6, 2024. In absolute terms, over the last 8 months, credit offtake expanded by Rs. 10.9 lakh crore to reach Rs. 170.5 lakh crore as of September 6, 2024. Personal loan demand along with demand in MSME and Commercial Real estate has supported credit growth.

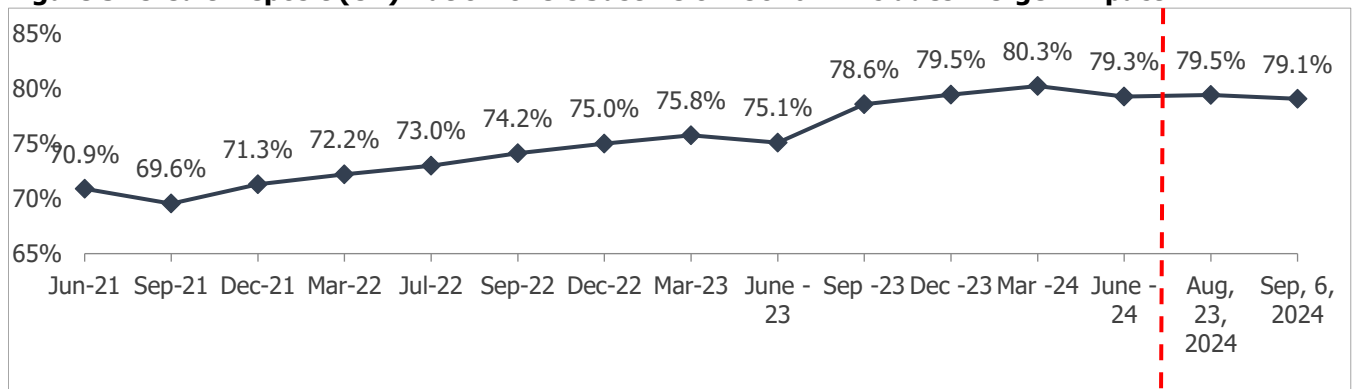
**Figure 2: Bank Deposit Growth Inches Up (y-o-y %)**



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

- Deposits rose at 7.3% compared to December 2023 and reached Rs 215.5 lakhs crore as of September 6, 2024, and sequentially witnessed a marginal uptick of 1.1%. Meanwhile, in absolute terms, deposits have expanded by Rs. 14.7 lakh crore over the last 8months. 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.
- According to RBI, CD issuances grew by more than 65% y-o-y to reach Rs 4.51 lakh crore during FY25 (till September 06), significantly higher than Rs 2.72 lakh crore same period last year to meet funding requirements of banks to bridge the gap between credit and deposit growth. CP issuances also increased to Rs 6.28 lakh crore during FY25 (till August 31), higher than Rs 5.88 lakh crore in the corresponding period of the previous year. CP issuances by NBFCs increased as they diversified their funding sources beyond banks in response to the RBI’s increasing of risk weights on bank loans to NBFCs,

**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 saw a decline of 36 bps, compared to the previous fortnight, and stood at 79.1% for the fortnight (July 26, 2024), compared to 77.6% on September 9, 2023. Further, SCBs’ incremental credit-deposit ratio declined from 95.8% as at end-March 2024 to 95.3% as on September 6, 2024.

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

	Outstanding as on			Abs. Growth (Rs lakh cr)		Abs. Growth (In %)	
	Dec 29, 23	May 3, 24	Sep 6, 24	Since Dec	Since May	Since Dec	Since May
Credit	159.6	164.3	168.8	10.9	4.2	6.8%	2.5%
Deposit	200.8	210.0	213.3	14.7	6.1	7.3%	2.9%

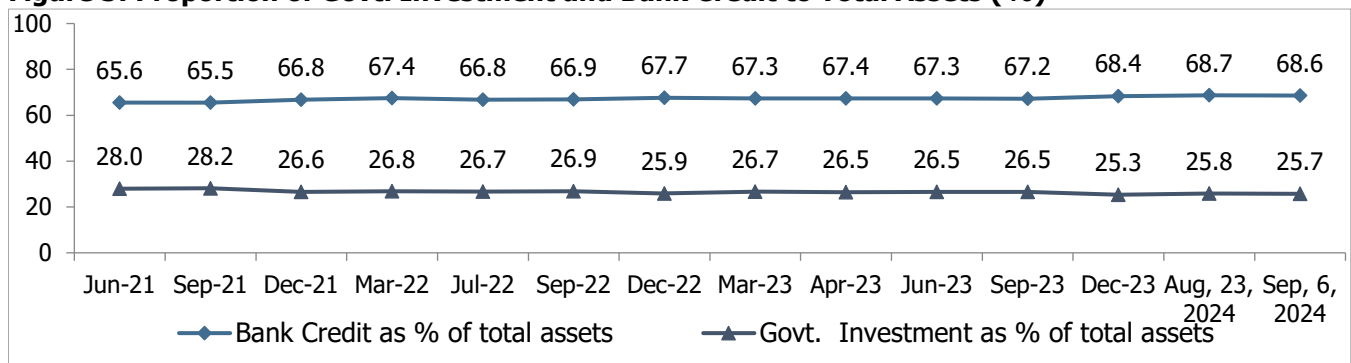
Source: RBI, CareEdge

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 the CD Ratio. Additionally, we can also see that the CD Ratio on these flows from January would be 74% and from May would be approximately 69%. 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 13.4%, which was relatively slow compared to last year which saw a growth of 19.8% (excluding merger growth stood at 15.1%), on the other hand, deposits saw a growth of 11.2%. Deposit growth, though showing improvement, has continued to lag credit growth in the past year

**Proportion of Credit to Total Assets and Govt. Invest. to Total Assets Decline**

**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 marginally decreased by 7 bps compared to the previous fortnight and stood at 68.6% for the fortnight (September 6, 2024). Also, the Government Investment to Total Assets Ratio witnessed a downtick of 11 bps and stood at 25.7%. Meanwhile, overall government investments stood at Rs 63.8 lakh crore as of September 6, 2024, reporting a growth of 6.7% y-o-y, and a growth of 0.3% sequentially.

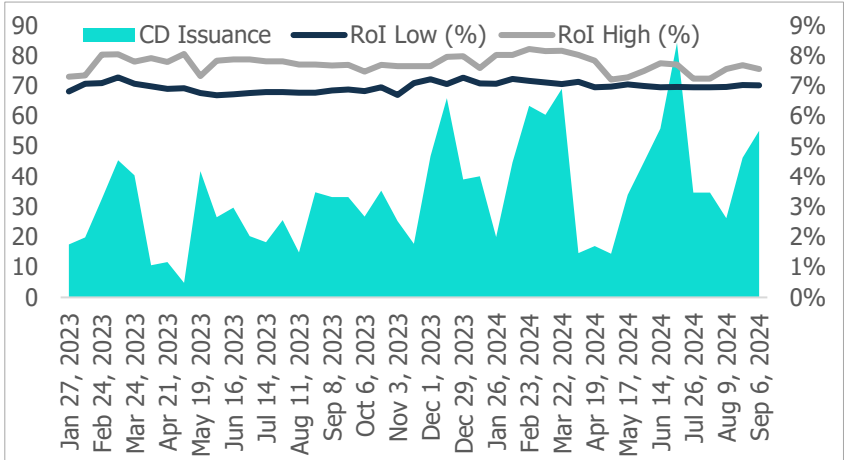
**O/s CDs and CPs Continue to Remain at Elevated Levels**

**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
Sep 6, 2024	463.0	55.5

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**

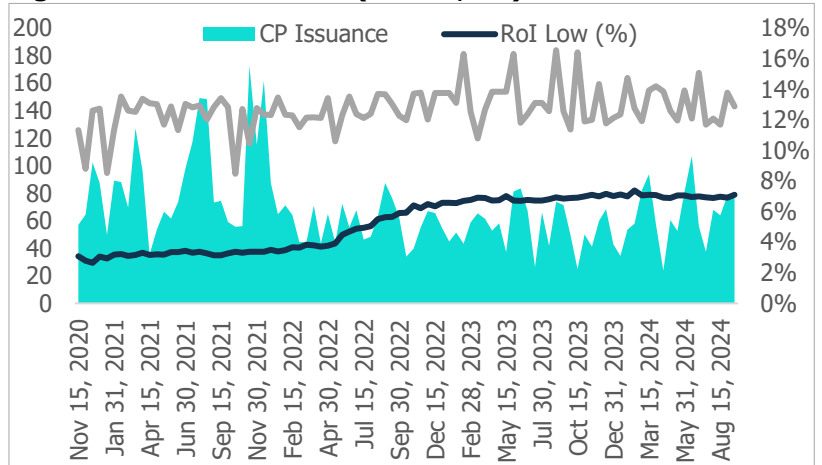


**Figure 8: Commercial Paper Outstanding**

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
Sep 15, 2024	440.9	1.9

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

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 - 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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