Credit to Deposit Ratio Reflects a Downward Trend

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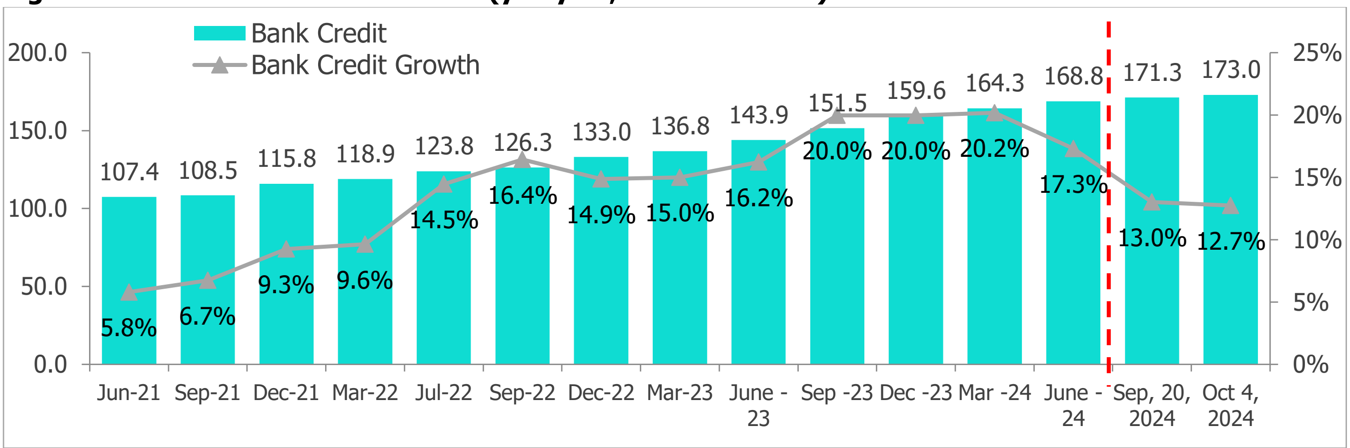
Synopsis

- Credit growth is trending down and continues to converge with deposit growth on an annual basis. Further, if growth rates are compared with December 2023, deposit growth has outpaced credit offtake.
    - Credit offtake increased by 8.3% compared to December 2023 and touched Rs 173.0 lakh crores as of October 04, 2024. Personal loans and MSMEs account for the bulk of this increase. The slowdown compared to last year can be attributed to a higher base effect due to the merger and RBI measures such as higher risk weights and the proposed LCR norms.
    - Deposits rose at 9.1% compared to December 2023 and reached Rs 219.2 lakh crore as of October 04, 2024. This can be attributed to rising term deposit rates of Scheduled Commercial Banks (SCBs).
- The Short-term Weighted Average Call Rate (WACR) has dropped to 6.42% as of October 11, 2024, compared to 6.70% as of October 13, 2023, which indicates the liquidity is in surplus.

Bank Credit Growth Continues to Remain Muted for the Fortnight

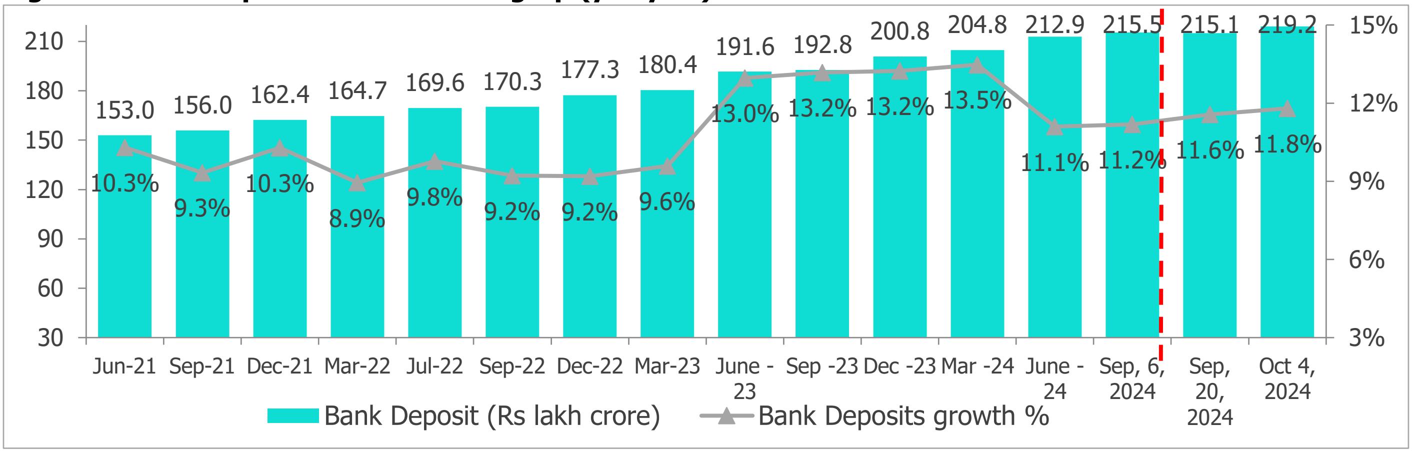
Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



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 quarter; Source: RBI, CareEdge

- Credit offtake increased by 8.3% compared to December 2023 and sequentially increased by 1.0% for the fortnight ended October 04, 2024. In absolute terms, over the last 9 months, credit offtake expanded by Rs 13.3 lakh crore to reach Rs 173.0 lakh crore as of October 04, 2024. Personal loans along with demand from MSMEs, commercial and real estate have driven credit growth. The slowdown compared to last year can be attributed to a higher base effect and RBI measures such as higher risk weights and the proposed LCR norms.

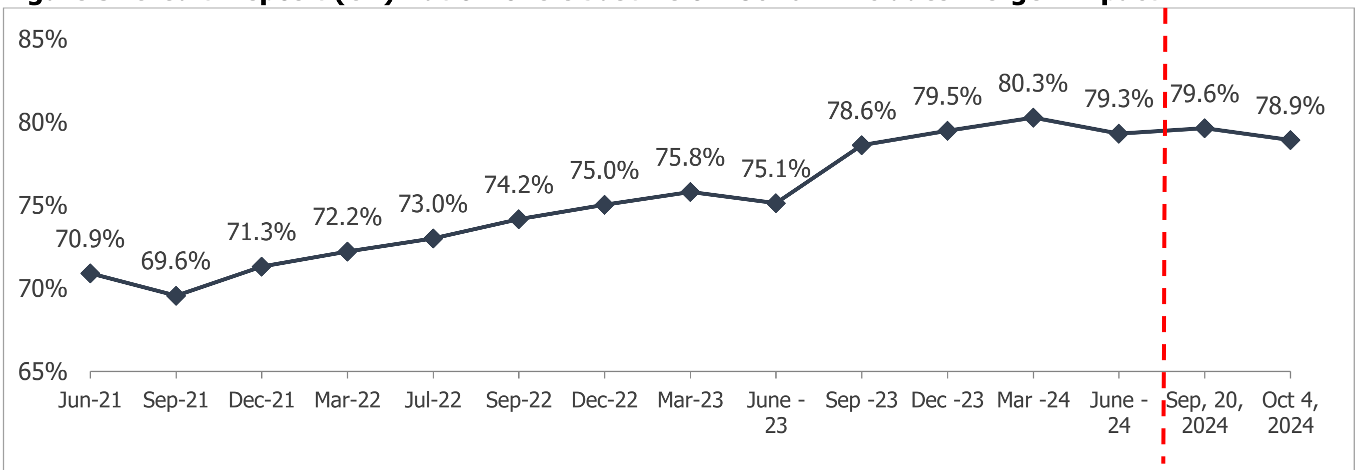
Figure 2: Bank Deposit Growth Inching Up (y-o-y %)



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

- Deposits rose at 9.1% compared to December 2023 and reached Rs 219.2 lakh crore as of October 04, 2024, and sequentially witnessed a significant uptick of 1.9%. Meanwhile, in absolute terms, deposits have expanded by Rs 18.4 lakh crore over the last 9 months. Deposits have remained prominent in FY25 as banks have intensified efforts to strengthen their liability franchise. The banks are also sourcing funds via the certificates of deposits at a relatively higher cost.

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 hovering around 80% since September 2023. The CD ratio witnessed a decline compared to the previous fortnight and stood at 78.9% for the fortnight (October 4, 2024), compared to 79.5% on December 29, 2023.

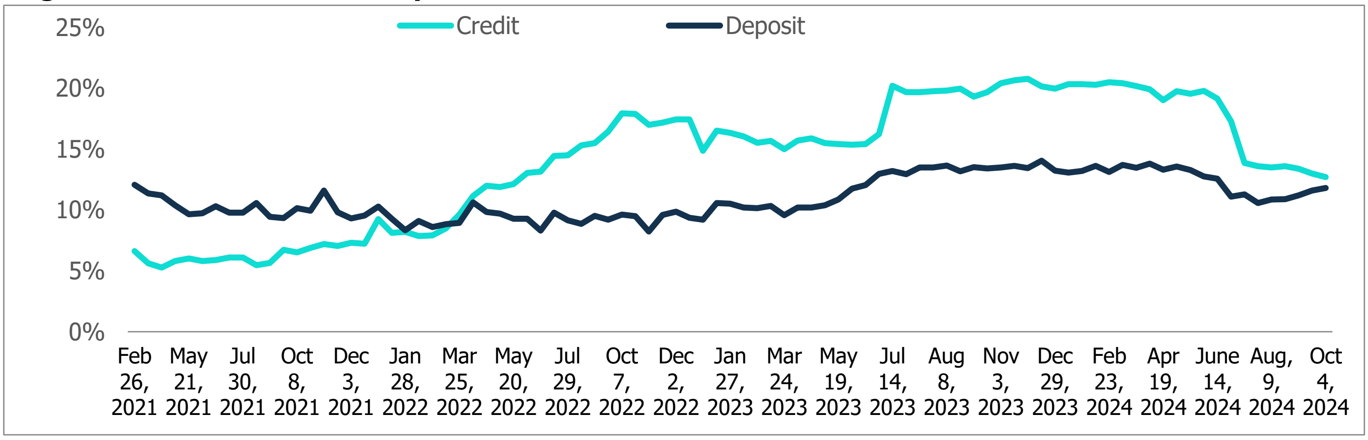
Figure 4: Trend in Bank Credit and Deposit Movement

	Outstanding as on			Abs. Growth (Rs lakh cr)		Abs. Growth (In %)	
	Dec 29, 23	May 3, 24	Oct 4, 24	Since Dec	Since May	Since Dec	Since May
Credit	159.6	164.3	173.0	13.3	8.7	8.3%	5.2%
Deposit	200.8	210.0	219.2	18.4	9.2	9.1%	4.3%

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 January would be 72.2%. This also indicates that the credit offtake could face challenges and be tepid for the year.

Figure 5: Credit Offtake vs Deposit Growth

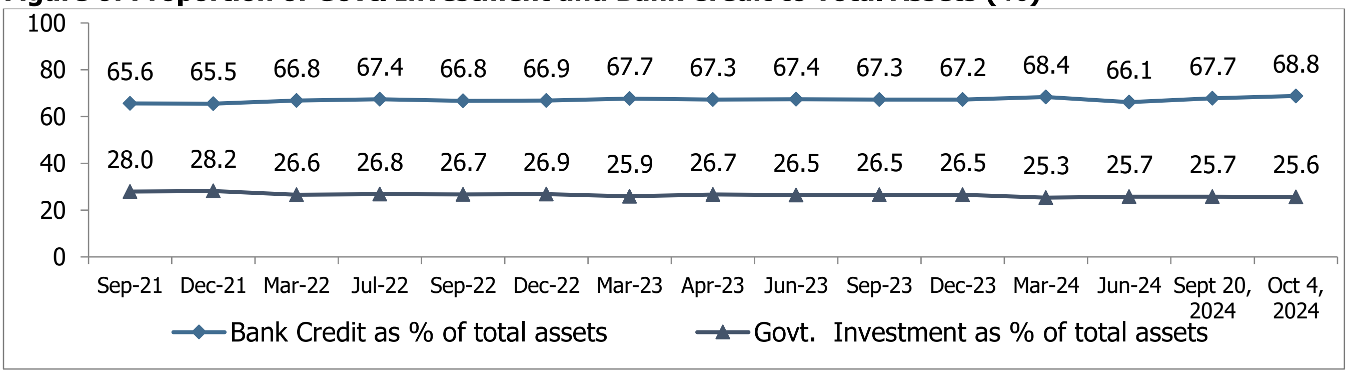


Source: RBI, CareEdge

On y-o-y performance, credit saw a growth of 12.7%, which was relatively slow compared to last year which saw a growth of 19.3%, on the other hand, deposits saw a growth of 11.8%, compared to 13.5% last year. Deposit growth, though showing improvement, has continued to lag credit growth in the past year, however, the growth has considerably narrowed over the past year.

Proportion of Credit to Total Assets Increased, However Govt. Invest. to Total Assets declined

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 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 increased by 10 bps compared to the previous fortnight and stood at 68.8% for the fortnight (October 4, 2024). The Government Investment to Total Assets Ratio declined and stood at 25.6%. Meanwhile, overall government investments stood at Rs 64.5 lakh crore as of October 4, 2024, reporting a growth of 6.5% y-o-y, and a growth of 0.9% sequentially.

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

Figure 7: 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
Sep 20, 2024	474.6	62.7
Oct 04, 2024	468.0	61.2

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

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

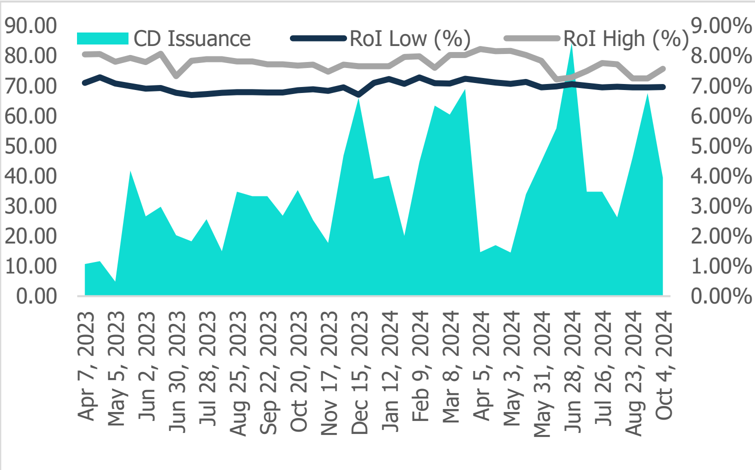
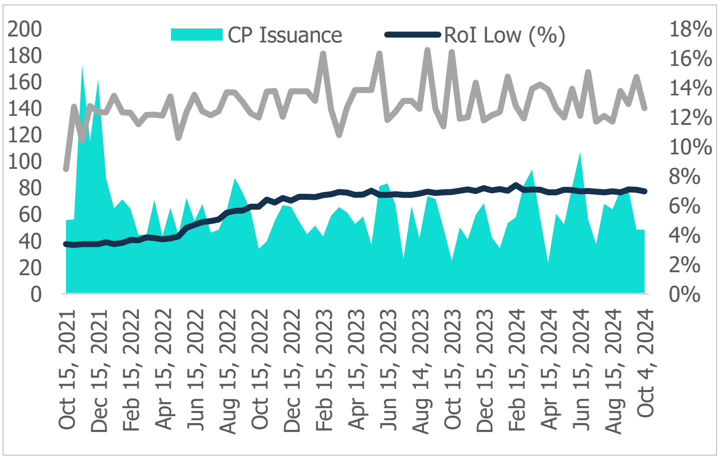


Figure 9: Commercial Paper Outstanding

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 30, 2024	422.4	-2.5
Sep 30, 2024	397.6	-3.6
Oct 04, 2024	438.1	4.6

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

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



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