

C/D Ratio Nudges Downwards as Credit Offtake Moderates

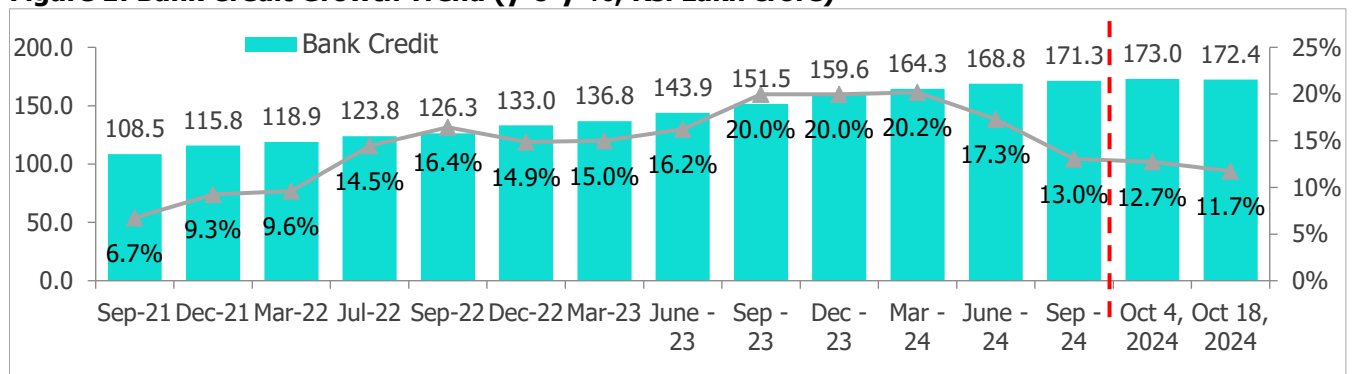
November 04, 2024 | BFSI Research

Synopsis

- Credit growth is trending down and on an annual basis, deposit growth has outpaced credit offtake for the first time in the last 30 months. Additionally, when comparing growth rates with December 2023, deposit growth has continued to outpace credit offtake.
 - Credit offtake increased by 8.0% compared to December 2023, reaching Rs 172.4 lakh crores as of October 18, 2024. Mortgages and MSMEs account for the bulk of this increase. However, the growth 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 8.6% compared to December 2023, reaching Rs 218.1 lakh crore as of October 18, 2024. This growth can be attributed to rising term deposit rates of Scheduled Commercial Banks (SCBs).
- The Short-term Weighted Average Call Rate (WACR) has decreased to 6.43% as of October 18, 2024, compared to 6.74% as of October 27, 2023, indicative of surplus liquidity.

Bank Credit Growth Rate Trends Downwards for the Fortnight

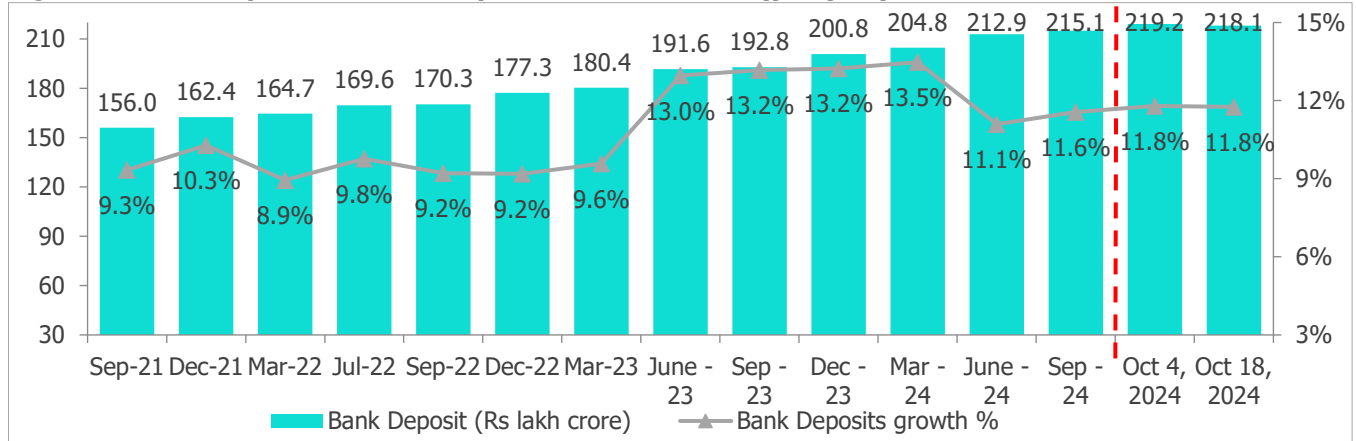
Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



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 8.0% compared to December 2023, while declining sequentially by 0.3% for the fortnight ended October 18, 2024. In absolute terms, Over the last 9 months, credit offtake expanded by Rs 12.7 lakh crore, reaching Rs 172.4 lakh crore as of October 18, 2024. Mortgages, along with demand from MSMEs and commercial real estate, have driven this credit growth. However, the slowdown compared to last year can be attributed to a higher base effect, banks reluctance to lend due to weak deposit growth, lack of confidence in some asset classes such as unsecured lending and RBI measures such as higher risk weights and the proposed LCR norms.

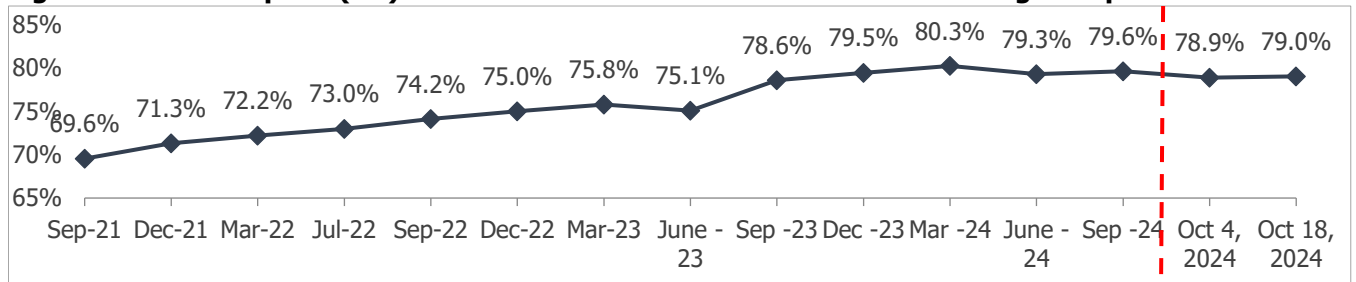
Figure 2: Bank Deposit Growth Outpaces Credit Offtake (y-o-y %)



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

- Deposits rose to 8.6% compared to December 2023, reaching Rs 218.1 lakh crore as of October 18, 2024, and sequentially witnessed a downtick of 0.5%. Meanwhile, in absolute terms, deposits have expanded by Rs 17.3 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 marginal uptick reaching 79.0% for the fortnight ending October 18, 2024, compared to 79.5% in December 2023.

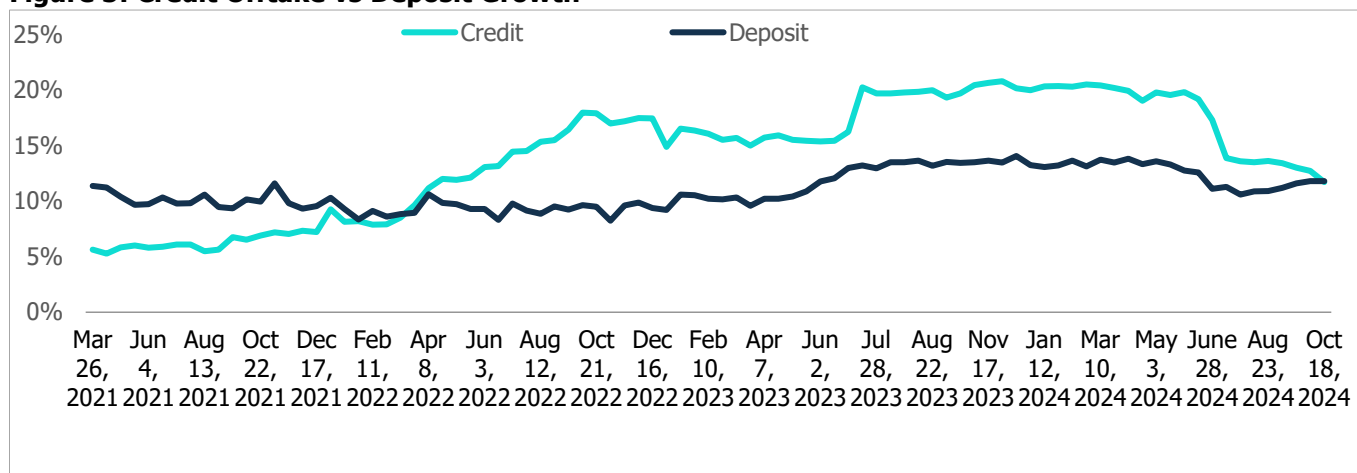
Figure 4: Trend in Bank Credit and Deposit Movement

	Outstanding as on			Abs. Growth (Rs lakh cr)		Abs. Growth (In %)	
	Dec 29, 23	Jun 14, 24	Oct 18, 24	Since Dec	Since June	Since Dec	Since June
Credit	159.6	167.1	172.4	12.7	5.3	8.0%	3.1%
Deposit	200.8	209.0	218.1	17.3	9.1	8.6%	4.3%

Source: RBI, CareEdge

As per the above table, we can observe that in absolute terms, credit growth has moderated relative to deposit growth especially after RBI’s circular on risk weights and comments on reducing the CD Ratio. This also indicates that the credit offtake could face challenges and be tepid for the year.

Figure 5: Credit Offtake vs Deposit Growth

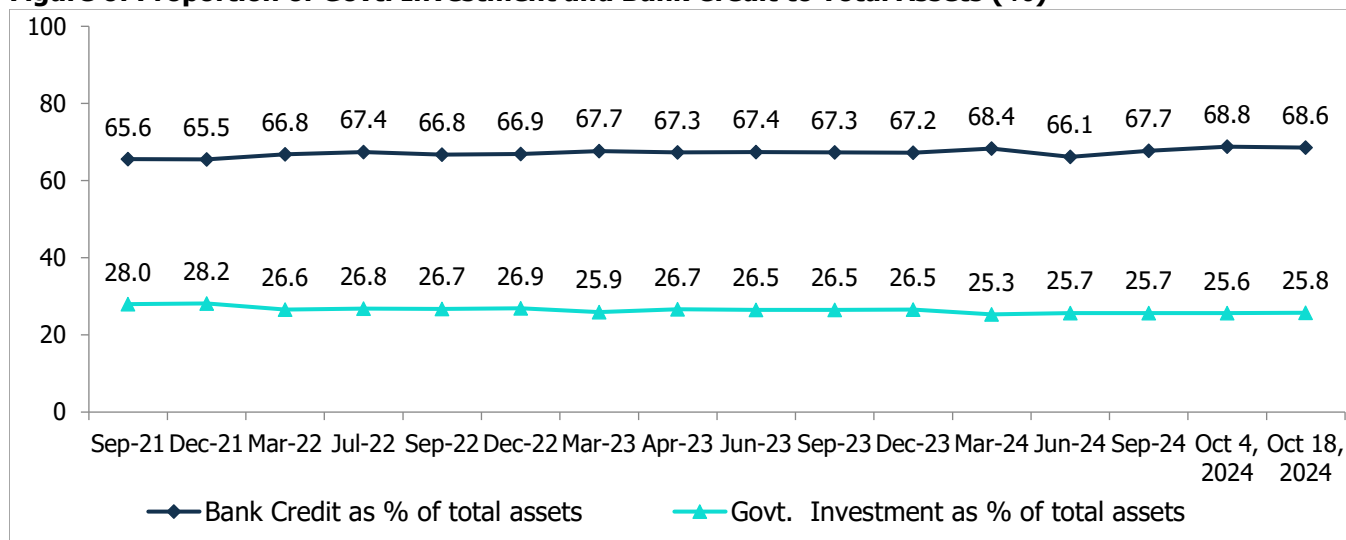


Source: RBI, CareEdge

On y-o-y performance, credit saw a growth of 11.7%, slower than the last year’s rate of 19.7%. Meanwhile, deposits saw a growth of 11.8%, compared to 13.4% last year. Hence credit offtake has moderated relative to deposit growth.

Proportion of Credit to Total Assets decreased, However Govt. Invest. to Total Assets increased

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 decreased by 2 bps compared to the previous fortnight and stood at 68.6% for the fortnight (October 18, 2024). The Government Investment-to-Total Assets ratio increased and stood at 25.8%. Meanwhile, overall government investments stood at Rs 64.8 lakh crore as of October 18, 2024, reporting a growth of 7.0% y-o-y, and a growth of 0.5% 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
Sep 20, 2024	474.6	62.7
Oct 04, 2024	468.0	61.2
Oct 18, 2024	484.1	54.6

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

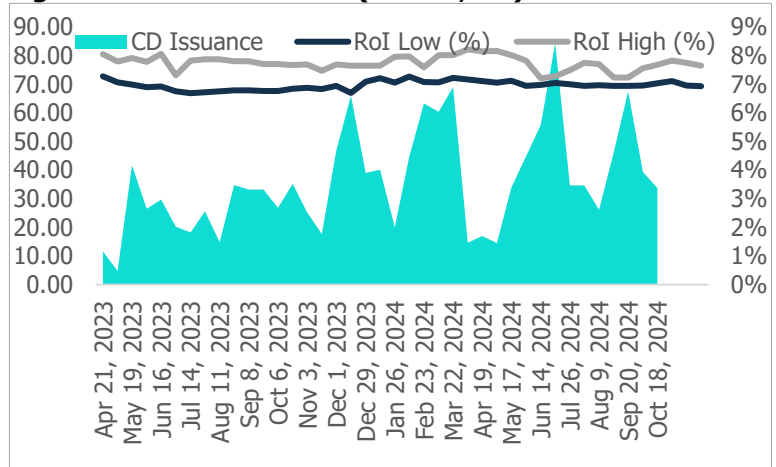
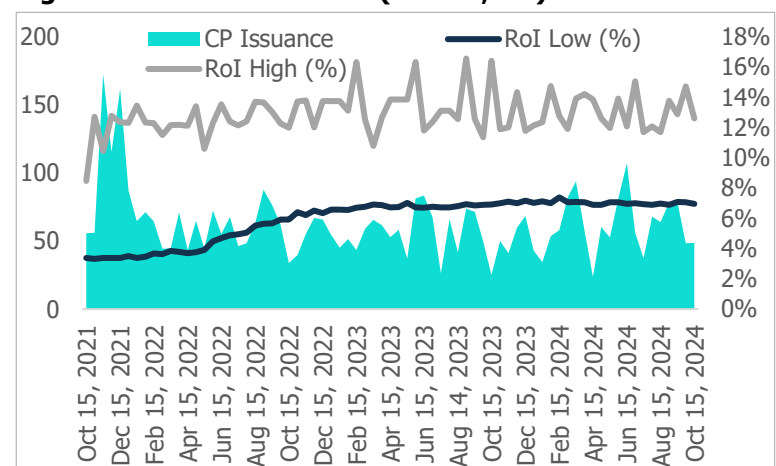


Figure 9: Commercial Paper Outstanding

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 15, 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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