

Credit Offtake and Deposit Growth Gains Pace for the Fortnight

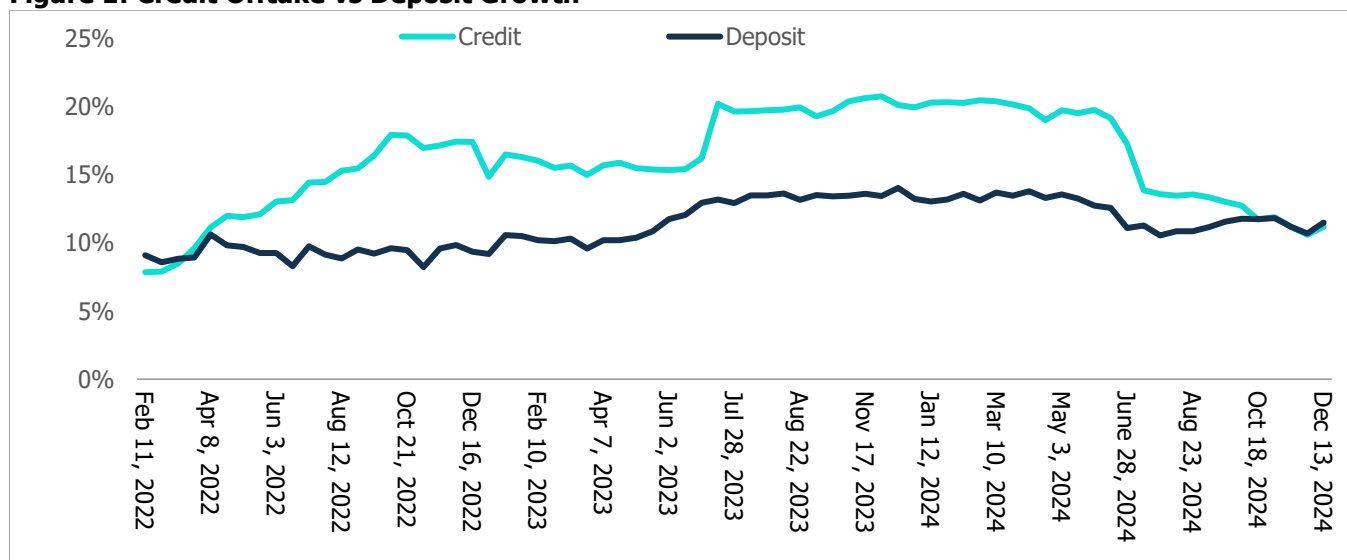


December 30, 2024 | BFSI Research

Synopsis

- Credit offtake and deposit growth for the fortnight are now broadly aligned with each other. Additionally, when comparing growth rates with December 2023, credit offtake has marginally outpaced deposit growth.
 - As of December 13, 2024, credit offtake reached Rs 175.9 lakh crore, representing a 10.2% increase compared to the end of December 2023. This slowdown in growth can be attributed to a higher base effect due to the merger, along with measures from the Reserve Bank of India (RBI), such as higher risk weights and proposed liquidity coverage ratio (LCR) norms.
 - Deposits increased by 9.9% compared to December 2023, reaching Rs 220.7 lakh crore as of December 13, 2024. This growth is largely due to elevated term deposit rates of Scheduled Commercial Banks (SCBs).
- The Short-term Weighted Average Call Rate (WACR) has decreased slightly to 6.71% as of December 20, 2024, down from 6.78% on December 22, 2023.

Figure 1: Credit Offtake vs Deposit Growth

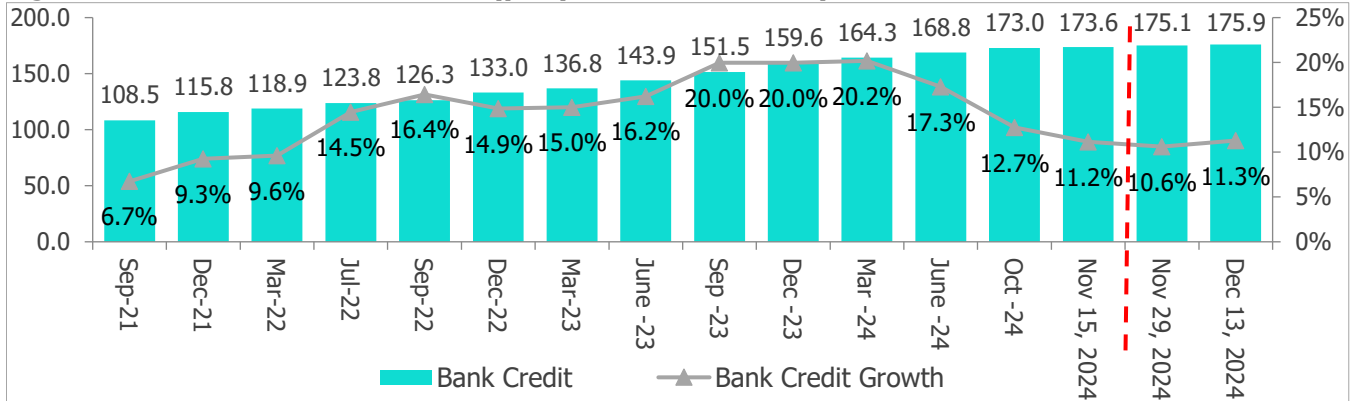


Source: RBI, CareEdge

On a y-o-y basis, credit grew 11.3%, slower than last year's rate of 20.6% (Incl. merger impact). Meanwhile, deposits witnessed a similar increase of 11.5%, compared to 13.6% last year. This movement can be attributed to a higher base effect due to mergers and RBI measures, such as higher risk weights and proposed LCR norms.

Bank Credit Growth Rate witness an uptick for the Fortnight

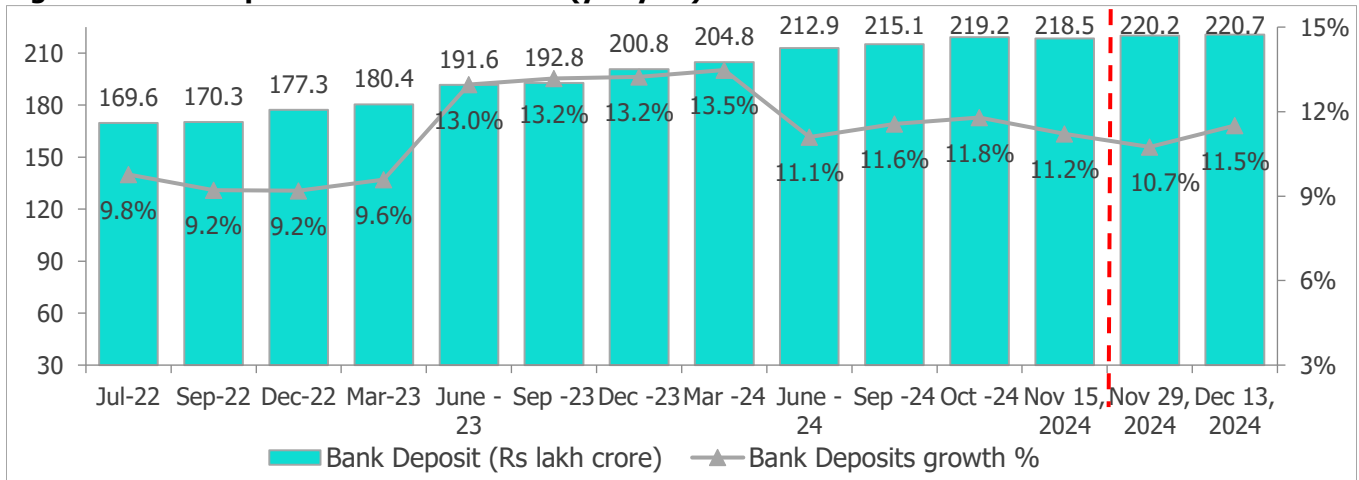
Figure 2: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



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 10.2% compared to December 2023 while increasing sequentially by 0.4% for the fortnight ending December 13, 2024. Compared to the previous year, the slowdown can be attributed to a higher base effect, commentary on a high credit-to-deposit ratio, RBI measures such as higher risk weights, and the proposed LCR norms.

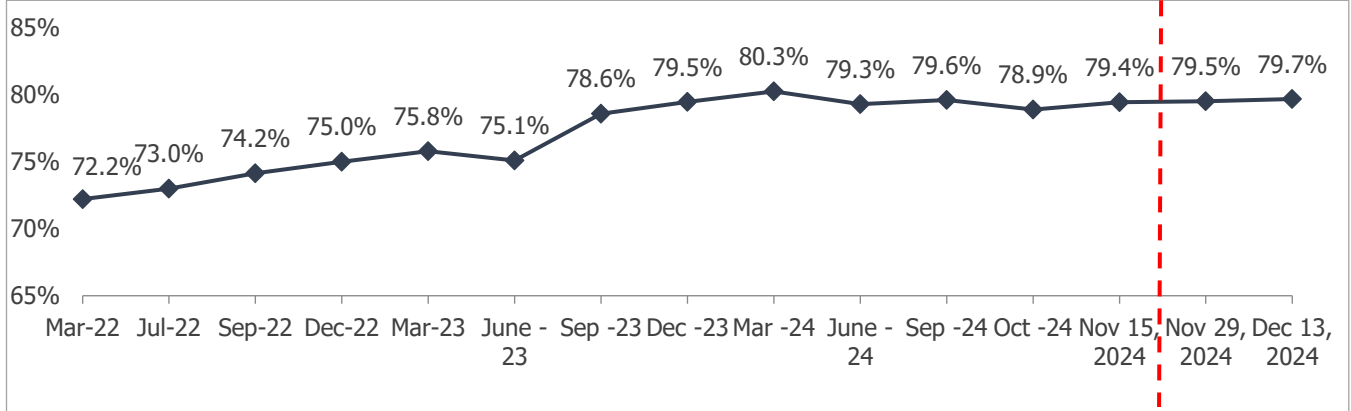
Figure 3: Bank Deposit Growth Continues (y-o-y %)



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

- Deposits grew by 9.9% compared to December 2023, reaching Rs 220.7 lakh crore as of December 13, 2024, and sequentially witnessed a rise of 0.2%. In FY25, deposits have remained strong as banks have intensified their efforts to enhance their liability franchises by offering higher rates on term deposits. . Additionally, banks are sourcing funds through certificates of deposit, although this comes at a comparatively higher cost. According to the RBI, the issuance of certificates of deposit grew by 68% y-o-y to Rs 6.88 lakh crore during April-November 2024, significantly up from Rs 4.09 lakh crore in the same period of the previous year, reflecting banks' funding requirements.

Figure 4: Credit-Deposit (CD) Ratio Hovers Just Below 80% – Includes Merger Impact

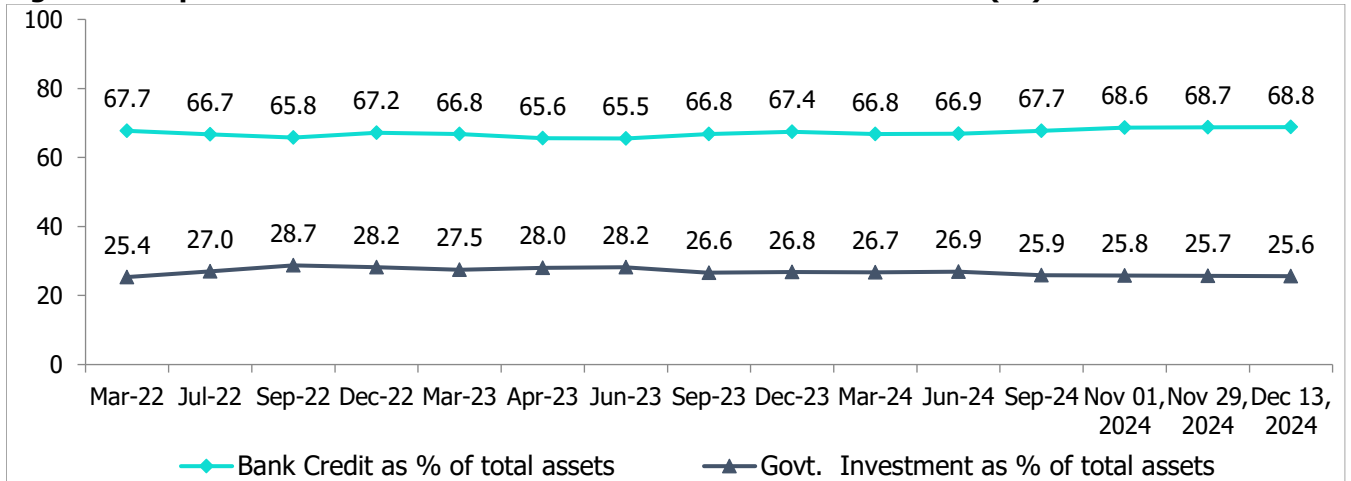


Note: The quarter-end data reflect last fortnight’s data the quarter, and compares post-merger figures; Source: RBI, CareEdge

- The CD ratio has been hovering around 80% since September 2023. The CD ratio witnessed a marginal sequential uptick of 18 bps reaching 79.7% for the fortnight ending December 13, 2024.

The Proportion of Bank Credit to Total Assets rise, while Govt. Invest. to Total Assets witness a downtick

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 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 marginal uptick. It reached 68.8%, and the Government Investment-to-total-assets ratio saw a downtick when compared to the previous fortnight and stood at 25.6% for the fortnight (December 13, 2024). Meanwhile, overall government investments stood at Rs 65.6 lakh crore as of December 13, 2024, reporting a growth of 10.0% y-o-y and a sequential increase of 0.3%.

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
Sep 20, 2024	474.6	62.7
Nov 29, 2024	491.6	55.7
Dec 13, 2024	488.2	42.8

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

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

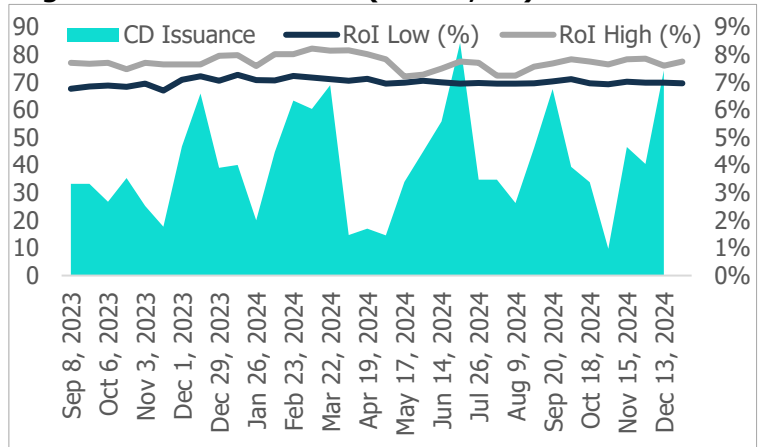
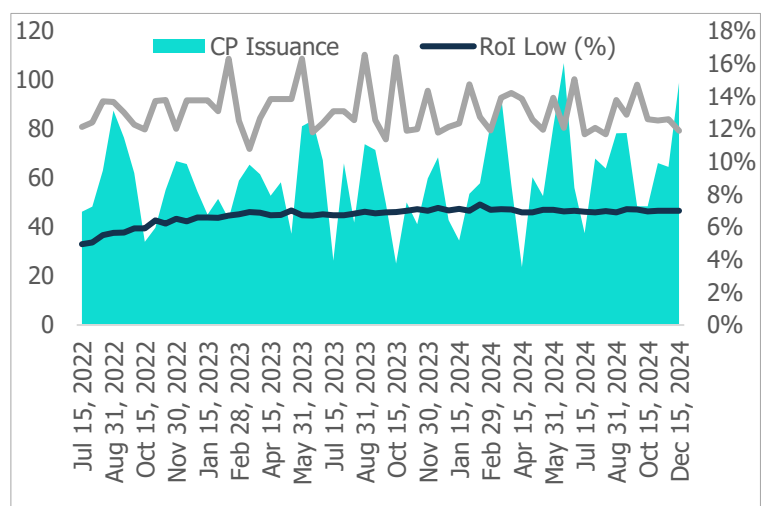


Figure 8: Commercial Paper Outstanding

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 30, 2024	422.4	-2.5
Sep 30, 2024	397.6	-3.6
Nov 30, 2024	445.1	12.7
Dec 15, 2024	463.8	19.8

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

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



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