

Credit Growth Continues To Outpace Deposit Growth for The Fortnight

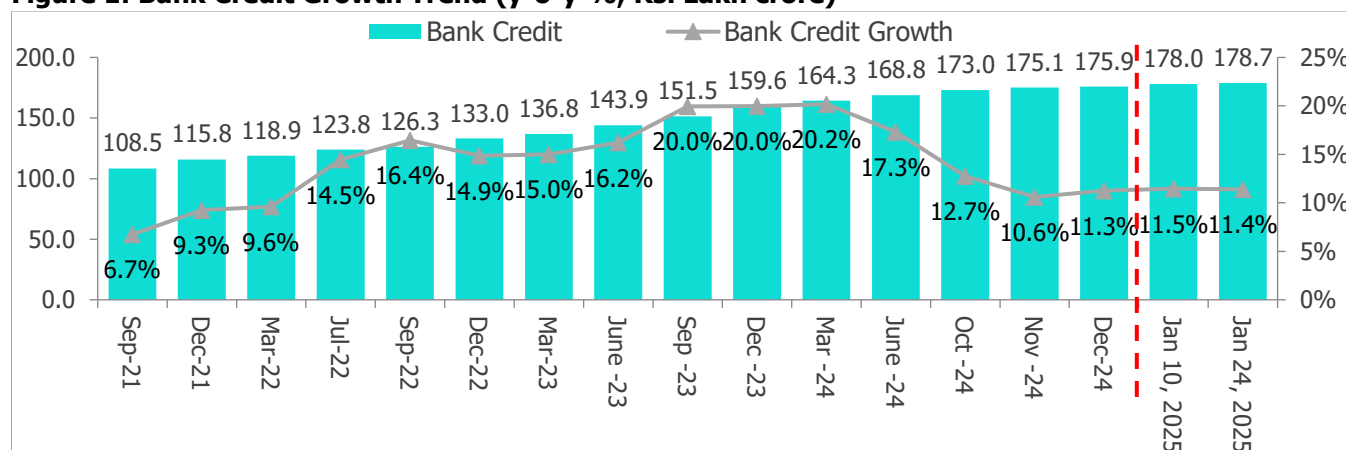
February 11, 2025 | BFSI Research

Synopsis

- Credit growth has continued to outpace deposit growth. Meanwhile, Credit and deposit growth have slowed compared to the previous fortnight.
 - As of January 24, 2025, credit offtake reached Rs 178.7 lakh crore, reflecting an 11.4% y-o-y increase, slower than last year's rate of 12.5% (excluding merger impact). This slowdown can be attributed to a higher base effect, alongside measures implemented by the Reserve Bank of India (RBI), such as increased risk weights on non-banking financial companies (NBFCs) and consumer credit, as well as market concerns regarding elevated credit-to-deposit ratio.
 - Deposits rose 10.3% year-on-year, totalling Rs 221.3 lakh crore as of January 24, 2025, a decrease from 10.6% the previous year. This growth is primarily attributed to the elevated term deposit rates offered by Scheduled Commercial Banks (SCBs).
- The Short-term Weighted Average Call Rate (WACR) has decreased to 6.57% as of January 31, 2025, down from 6.72% on February 02, 2024. This decline is attributed to a liquidity deficit, which has caused call money rates to trade above the repo rate of 6.50%. With the latest repo rate cut by the RBI to 6.25%, the RBI has planned to address the pertaining liquidity deficit through several OMO purchases, repo auctions and currency swaps.

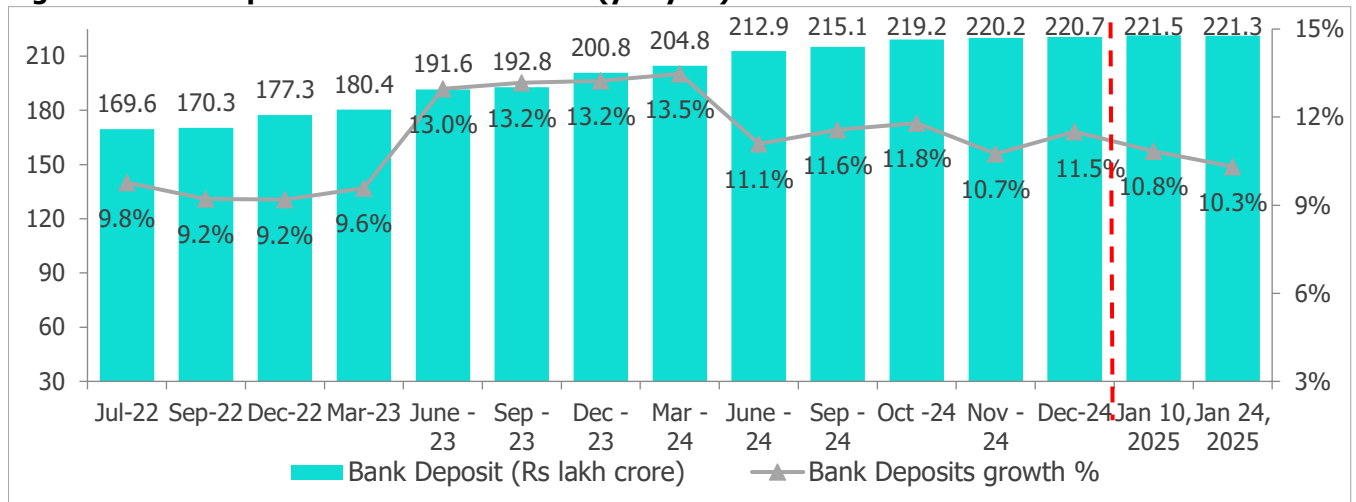
Bank Credit Growth Rate Witness a Marginal Downtick for the Fortnight

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



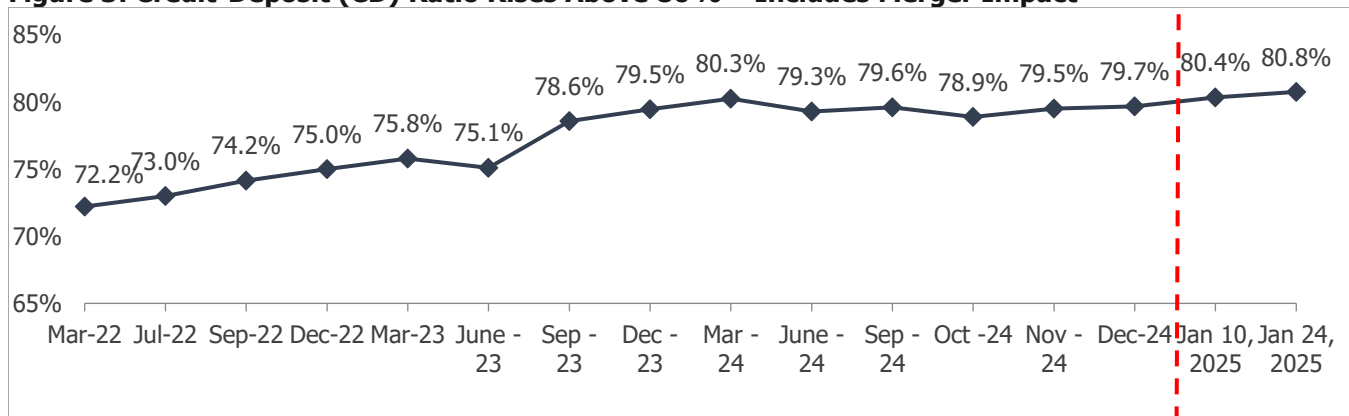
Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). The quarter-end data reflects the previous fortnight's data for that quarter.
Source: RBI, CareEdge

- Credit offtake rose by 11.4% y-o-y and increased sequentially by 0.4% for the fortnight ending January 24, 2025, yet came in slower than the previous year's growth of 12.5% (excluding the impact of the merger). This slowdown can be attributed to a higher base effect, RBI's commentary on a high credit-to-deposit ratio, measures such as higher risk weights, and the proposed LCR norms. The latest repo rate cut by RBI to 6.25% is planned to ensure measures support strong credit demand and smooth rate cut transmission.

Figure 2: Bank Deposit Growth Slows down (y-o-y %)

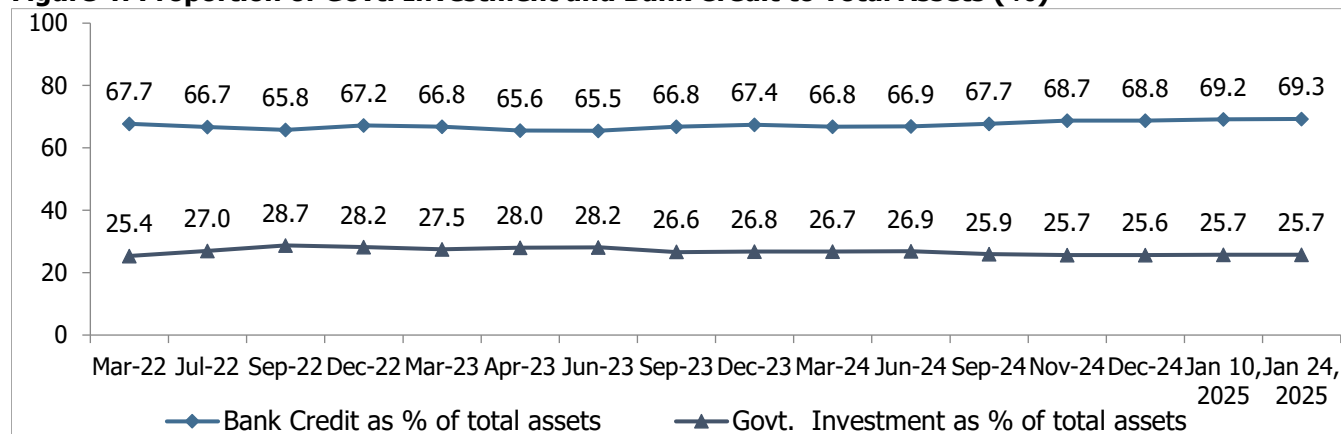
Note: The quarter-end data reflect, the last fortnight's data of that quarter; Source: RBI, CareEdge

- Deposits grew by 10.3% y-o-y, reaching Rs 221.3 lakh crore as of January 24, 2025, while decreasing by 0.1% sequentially and lower compared to the 10.6% growth (excluding the merger impact) recorded last year. In FY25, 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, albeit at a higher cost. Furthermore, a liquidity deficit in the banking system has hampered deposit growth. According to the RBI, the issuance of certificates of deposit increased by 47% y-o-y totalling Rs 8.22 lakh crore during April-December 2024, a significant increase from Rs 5.61 lakh crore in the same period of the previous year. This surge reflects banks' funding requirements.

Figure 3: Credit-Deposit (CD) Ratio Rises Above 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 remains elevated and has increased above 80%. The CD ratio witnessed a significant uptick of 41 bps, reaching 80.8% for the fortnight ending January 24, 2025. This could be attributed to deposit growth lagging in credit growth.

The Proportion of Bank Credit to Total Assets rises and Govt. Invest. to Total Assets remains flat
Figure 4: 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 saw a slight increase to 69.3%, and the Government Investment-to-total-assets ratio remained flat at 25.7%, respectively, for the fortnight ending 24 January 2025. Meanwhile, overall government investments amounted to Rs 66.3 lakh crore as of January 24, 2025, reflecting a year-on-year growth of 11.0% and a sequential rise of 0.2%.

O/s CDs and CPs Continue to Remain at Elevated Levels with Tight Liquidity Conditions and High Short-term CD and CP Rates
Figure 5: 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
Jan 10, 2025	493.9	40.7
Jan 24, 2025	499.3	40.6

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

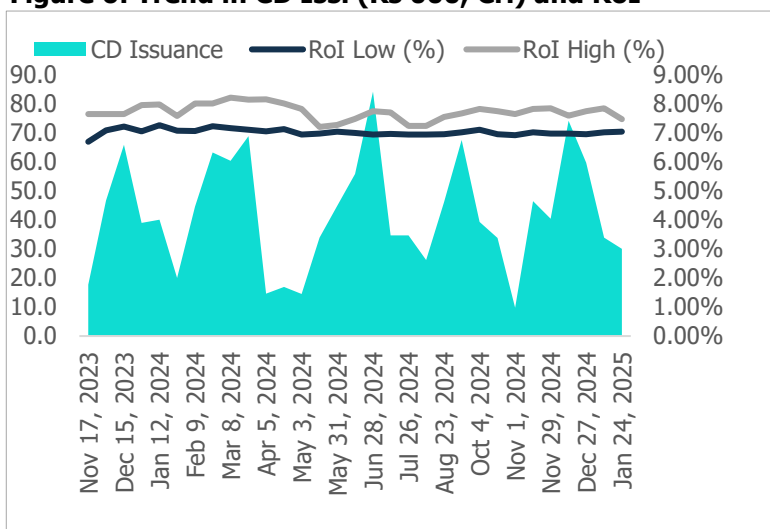
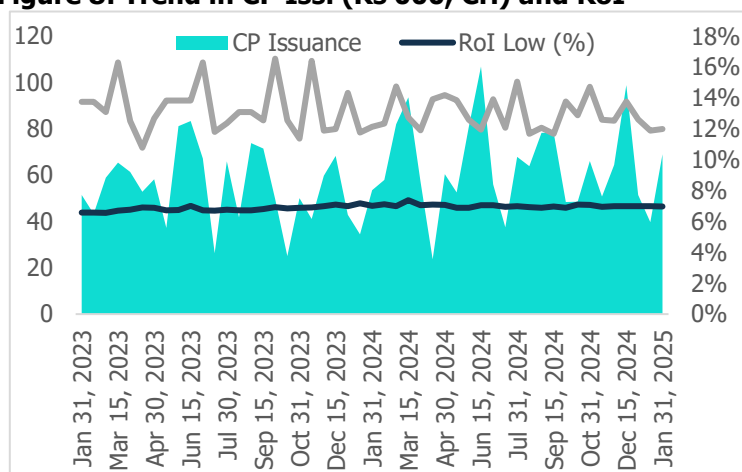
Figure 6: Trend in CD Iss. (Rs'000, Cr.) and RoI


Figure 7: 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
Jan 15, 2025	450.2	18.9
Jan 31, 2025	456.5	20.9

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

Figure 8: Trend in CP Iss. (Rs'000, Cr.) and RoI**RBI Announcement**

Announcement	Detail
RBI Monetary Policy Committee (MPC) Report	<ul style="list-style-type: none"> In its February 2025 meeting, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) reduced the policy repo rate by 25 bps to 6.25% and retained a neutral stance unanimously. This decision to lower the policy rate comes amidst moderating growth momentum, increasing challenges from external factors, and a slowdown in inflationary pressures. The decision to retain the neutral stance will enable the RBI to adjust its policy according to the evolving macroeconomic conditions amid heightened uncertainty, especially from the external sector. In line with our expectations, the GDP growth for the upcoming year (FY26) is projected at 6.7%. (Refer RBI MPC – February 2025 for further details)

Contact

Sanjay Agarwal	Senior Director	sanjay.agarwal@careedge.in	+91 - 22 - 6754 3582 / +91-81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careedge.in	+91 - 22 - 6754 3519 / +91-90049 52514
Sarthak Hirekhan	Analyst – BFSI Research	sarthak.hirekhan@careedge.in	+91 - 22 - 6754 3630 / +91-89567 53551
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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