Public Banks Outpace Private Sector in Credit Expansion, Lag on Deposit Growth in Q4FY25

June 11, 2025 | BFSI Research

Synopsis

- Scheduled Commercial Banks' (SCBs) credit offtake rose 11.1% year-on-year (y-o-y) in Q4FY25. In absolute terms, credit expanded by Rs 21.5 lakh crore over the last 12 months. The growth was driven primarily by retail, services, and agriculture sectors, although some moderation was observed compared to previous year.
    - The credit off-take of public sector banks (PSBs) has outpaced private sector banks (PVBs) in Q4FY25, as PVBs have focused on managing their elevated credit-to-deposit ratio.
    - The North-eastern region, with a y-o-y growth of 13.6%, outperformed other regions.
    - In March 2025, credit outstanding in Lower rate brackets (<6%) rose, while high-yield segments (>11%) declined, reflecting a shift in bank lending rates as exposure to costlier loans moderated.
- Deposits compared to credit witnessed slower y-o-y growth at 10.4%, as the rise in term deposits, driven by higher interest rates, was offset by a high base effect and subdued growth in CASA deposits. In absolute terms, deposits expanded by Rs 21.4 lakh crore from March 2024.
    - The growth for term deposits stood at 13.4% y-o-y in Q4FY25, lower than the 18.8% rate in Q4FY24. Meanwhile, CASA saw slower growth of 6.1% y-o-y compared to 6.7% in Q4FY24.
    - The metropolitan region saw the highest growth, at 11.3%, amongst all regions in Q4FY25.
    - In March 2025, domestic term deposits remained concentrated mainly in the 7–8% interest bracket at Rs 8.5 lakh crore, up from Rs 6.7 lakh crore.
- The Credit to Deposit (CD) ratio rose by 50 bps y-o-y at the end of March 2025 and reached 80.2% compared to 79.7% over a year ago. This increase could be attributed to deposit growth lagging credit offtake; however, gap has narrowed compared to the previous year, as credit offtake has slowed.

SCBs Credit Offtake Continues to Outpace Deposit Growth

Figure 1: Share in Total Deposits and Credit (%)

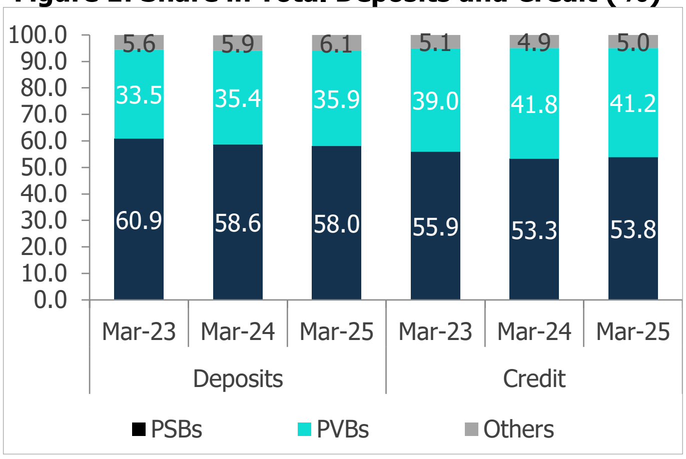
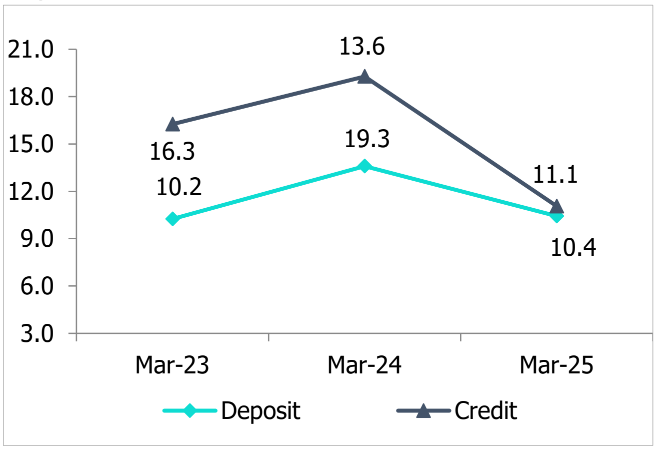


Figure 2: SCBs Growth Trend (y-o-y, %)



Note: Data excluding RRBs; Source: RBI

As of March 31, 2025, credit outstanding touched Rs 182.5 lakh crore, registering a growth of 11.1% y-o-y compared to 19.3% (includes merger impact) in Q4FY24. As of March 2025, PSBs have gained market share in total credit, accounting for 53.8%, compared to 41.2% held by PVBs. This increase in PSBs' share comes amid PVBs' focus on managing their elevated CD ratios during the quarter. The slowdown in overall credit offtake was primarily driven by a decline in lending to NBFCs, following the RBI's move to increase risk weights, wherein credit growth to the NBFC segment dropped sharply to 5.7% in Q4FY25 from 15.3% in Q4FY24. Additionally, credit growth in the services and personal loan segments declined significantly, decelerating to 12.4% and 11.6% in Q4FY25 from 23.5% and 27.5%, respectively, a year earlier.

- As of March 2025, agriculture, industry, services and personal loans (excluding housing) accounted for 13%, 22%, 28% and 17% of the total credit, respectively.
- As of March 31, 2025, outstanding deposits totalled Rs 227.4 lakh crore, reflecting a y-o-y growth of 10.4% wherein term deposits experienced a robust increase of 13.4%, significantly outpacing CASA's growth rate of 6.1% and PVBs achieved a double-digit growth of 12.0%, while PSBs recorded a single-digit growth of 9.3%.

Analysis of Credit across Various Bank Groups

Figure 3: Bank group-wise outstanding credit

Credit	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Growth %
Bank Group	**Rs lakh crore**					**Y-o-Y**
PSB	87.6	88.7	91.2	94.6	98.2	12.2
PVB	68.7	70.0	71.7	73.4	75.2	9.5
FB	5.7	5.8	6.1	6.1	6.3	9.9
SFB	2.4	2.4	2.5	2.6	2.8	16.2
All SCB	**164.3**	**167.0**	**171.5**	**176.8**	**182.5**	**11.1**

Note: Data excluding RRBs; Source: RBI

- PSBs have gained market share by 54 bps y-o-y, reaching 53.8% in Q4FY25 outpacing PVBs in credit growth during Q4FY25, with a difference of approximately 2-3%. This outperformance can be understood as private banks have focused on managing their elevated CD ratio.
    - PSBs reported a rise of 12.2% compared to 13.6% over the same period last year. In absolute terms, credit expanded by Rs 10.6 lakh crore to Rs 98.2 lakh crore in Q4FY25. State Bank of India (SBI), the country's largest lender, still holds approximately. 22% of total credit in Q4FY25.
    - PVBs reported a growth of 9.5% y-o-y in Q4FY25, moderating from 16.0% in the previous year, which was elevated due to merger-related base effects. With the normalisation of this impact, credit expansion has stabilised. This credit growth was also supported by strong retail loan demand, improving corporate credit off-take, and renewed traction in MSME lending. In absolute terms, PVBs' credit expanded by Rs 6.5 lakh crore, reaching Rs 75.2 lakh crore.
- Notably, between March 2020 and March 2025, PVBs marginally outpaced PSBs in credit expansion, increasing their credit base by Rs 39.2 lakh crore compared to Rs 38.5 lakh crore by PSBs. This credit growth by PVBs was primarily driven by their sharper focus on retail and corporate lending, improved asset quality, and digitalisation.
- On the other hand, PSBs led in deposit mobilisation during the same period, with their deposit base rising by Rs 43.7 lakh crore, marginally higher than the Rs 41.0 lakh crore increase recorded by PVBs. PSBs continued

to benefit from their wider branch network and inflows from various government schemes, supporting their dominance in deposit accumulation.

Region

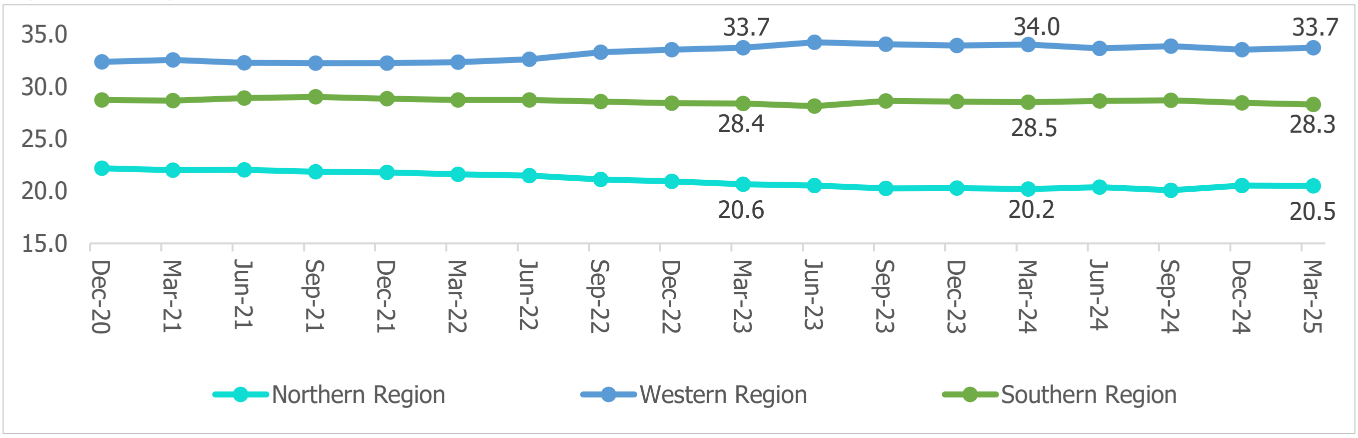
Figure 4: Region-wise Outstanding Credit

Credit	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Growth %
(Region)	**Rs lakh crore**					**Y-o-Y**
Northern	33.2	34.0	34.5	36.3	37.4	12.7
North-Eastern	1.8	1.8	1.9	2.0	2.0	13.6
Eastern	11.6	11.7	12.1	12.5	12.9	11.6
Central	15.1	15.4	15.8	16.5	17.0	12.5
Western	55.9	56.2	58.1	59.3	61.6	10.1
Southern	46.8	47.8	49.2	50.3	51.7	10.3
Total	**164.3**	**167.0**	**171.5**	**176.8**	**182.5**	**11.1**

Note: Data excluding RRBs; Source: RBI

- In terms of regional performance, the North-Eastern region reported the highest growth at 13.6% y-o-y, reaching Rs 2.0 lakh crore, followed by the Northern, Central and Eastern regions growing 12.7%, 12.5% and 11.6% respectively, which benefited from MSME credit support and corporate lending. In contrast, the Western region saw the lowest growth of 10.1% due to a higher base effect and cautious lending by several PVBs due to stress in the unsecured and microfinance segments.

Figure 5: Regional Market Share Trend (%)



Note: Data excluding RRBs Source: RBI

- The Western region continues to hold the largest share at 33.7% as of March 31, 2025. While this is marginally lower than 34.0% in March 2024, it remains the same as the March 2023 levels of 33.7%, indicating a stabilisation after a temporary spike. The increase seen in FY24 was largely driven by PVBs' aggressive regional expansion to support high credit growth and manage elevated CD ratios.

Population

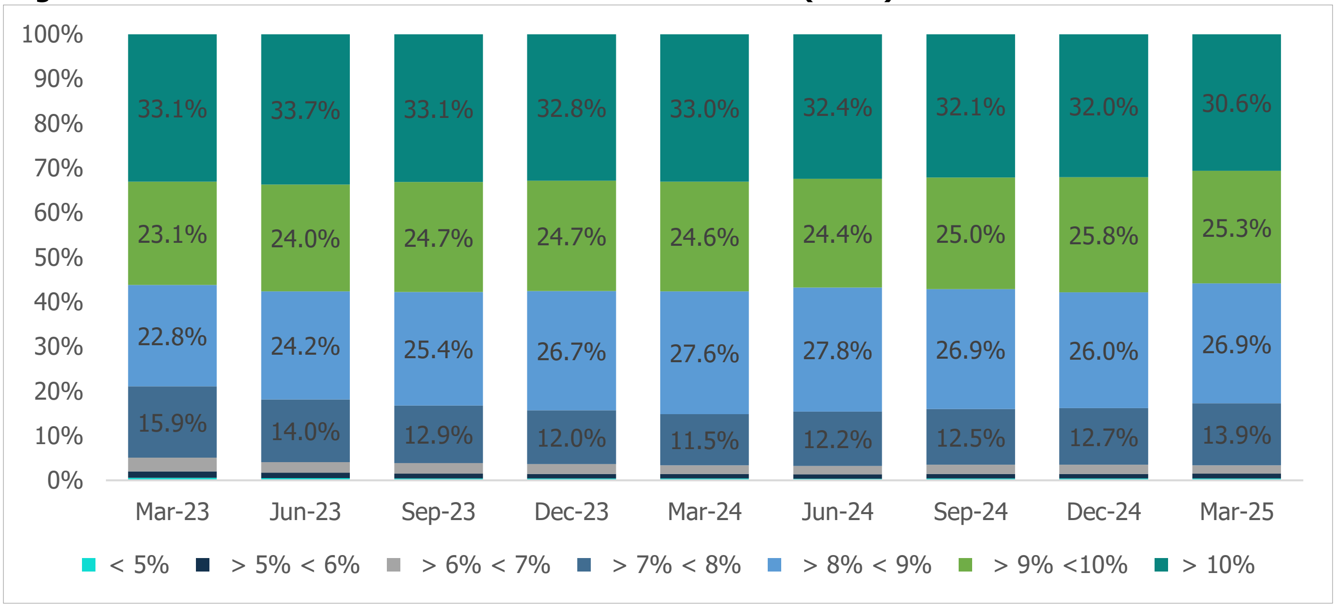
Figure 6: Population Group-Wise Outstanding Credit

Credit	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Growth %
(Population Group)	Rs lakh crore					Y-o-Y
Metropolitan	100.0	101.2	104.0	106.7	110.9	10.1
Urban	29.2	29.9	30.7	31.8	32.8	12.5
Semi-urban	22.6	23.0	23.7	24.5	25.3	12.5
Rural	12.5	12.8	13.2	13.8	14.1	12.8
Total	**164.3**	**167.0**	**171.5**	**176.8**	**182.5**	**11.1**

Note: Data excluding RRBs Source: RBI

- The urban segment reported the highest increase in market share, rising by 23 bps to 18.0% in Q4FY25, followed by the semi-urban segment, which grew by 18 bps to 13.9%. In contrast, the rural segment's share moderated by 12 bps to 7.7%; however, it recorded the fastest y-o-y credit growth at 12.8%, outpacing metropolitan, urban, and semi-urban areas. This rapid expansion in rural credit was driven by strong agricultural lending flows, enhanced access to credit and targeted lending under priority sector norms. In contrast, the metropolitan segment (holding the largest market share of 60.3%) lost market share by 53 bps, primarily due to a slowdown in real estate lending due to cooling demand from escalating housing prices and reduced large corporate borrowings. In contrast, semi-urban and urban areas saw growth higher than metropolitan regions, mainly supported by SME demand and local capex. The credit demand from the metropolitan group is expected to rise further due to the anticipated capex build-out by corporates and improvement in their utilisation.

Figure 7: Movement in Interest Rate Buckets for Advances (In %)

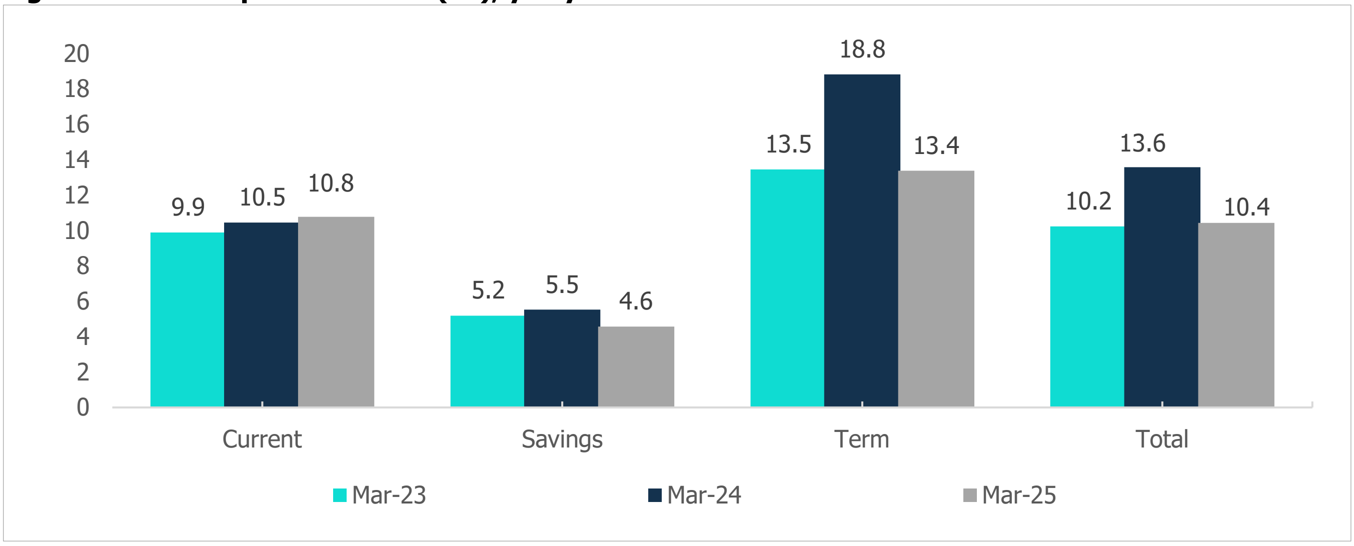


Note: Data excluding RRBs Source: RBI

- For advances, the 5%–7% interest rate bracket remained relatively stable over the period, with a marginal increase in its share from 3.1% in December 2023 to 3.0% in March 2025, indicating limited low-rate lending activity. Lending at rates below 5% remained negligible, maintaining a consistent share of just 0.4% as of March 2025. On the higher end, credit disbursed at rates above 10% saw a slight decline in share from December 2023 to March 2025. However, the absolute volume of high-cost lending increased, suggesting continued demand in segments such as microfinance and unsecured retail loans.

Analysis of Deposits across Various Segments

Figure 8: SCBs Deposits Growth (%), y-o-y



Note: Data excluding RRBs Source: RBI

- Bank deposits growth grew by 10.4% y-o-y in March 2025.
    - Term deposits grew by 13.4%, while CASA grew by 6.1% y-o-y slower than 6.7% in Q4FY24.
    - Households remained the main contributors to bank deposits, accounting for 60.2%. Within this, female depositors hold a 20.7% share, while senior citizens' deposits comprise 20.2% of the total deposits.
- The growth in term deposits for SCB declined to 13.4% y-o-y in Q4FY25, compared to 18.8% in Q4FY24. This slowdown could be attributed to the high base effect of the previous year, as well as a shift in household savings behaviour. Although deposit rates remained elevated due to the delayed transmission of policy rate cuts, the overall rate cycle peaked, leading savers to explore alternative, higher-yielding or more liquid instruments such as debt mutual funds, government small savings schemes, and equities. Despite this, term deposits still saw moderate growth, increasing by Rs 16.4 lakh crore from Q4FY24, reaching Rs 139.0 lakh crore in Q4FY25. Further, their share in total deposits rose to 61.1% in Q4FY25 from 59.5% a year ago.
- Individual depositors predominantly preferred ticket sizes ranging from Rs 1 lakh to Rs 15 lakh, whereas non-individual depositors were concentrated in the higher bracket above Rs 1 crore. A significant 65% of the total deposits were contracted in the 1–3-year maturity bucket, indicating a preference for medium-term tenure. Additionally, there was a noticeable increase in deposits within the 7–8% interest rate range during the quarter, although the momentum in deposit mobilisation from non-individual entities showed signs of moderation.
- The savings segment witnessed a growth of 4.6% y-o-y in Q4FY25, slower than 5.5% over the same period last year. In absolute terms, it increased by Rs 2.9 lakh crore, reaching Rs 65.8 lakh crore as of March 31, 2025. However, the segment lost market share by 161 bps y-o-y. It held a share of 28.9% of total deposits as of March 31, 2025, amid evolving rate dynamics, as the recent policy rate cuts are yet to translate into lower deposit rates fully.
- Current Account witnessed a growth of 10.8% y-o-y in Q4FY25, as against 10.5% in Q4FY24. In absolute terms, it increased by Rs 2.2 lakh crore, reaching Rs 22.7 lakh crore as of Q4FY25.

Figure 9: Bank Group-wise Deposits

Deposits	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Growth %
	Rs lakh crore					Y-o-Y
PSB	120.9	121.3	125.0	126.7	132.1	9.3
PVB	73.0	73.4	76.4	77.6	81.7	12.0
FB	10.0	10.6	10.8	10.7	10.9	9.2
SFB	2.1	2.2	2.4	2.5	2.7	25.4
All SCB	**206.0**	**207.5**	**214.6**	**217.5**	**227.4**	**10.4**

Note: Data excluding RRBs Source: RBI

- PVBs reported a deposit growth of 12.0% in Q4FY25, surpassing PSBs, which recorded a growth of 9.3%. The strong deposit mobilisation by PVBs was largely aimed at managing their rising CD ratios, amid sustained credit demand. This growth was primarily driven by a higher accretion in term deposits, especially at elevated rates as banks attempted to bridge the funding gap. Additionally, faster transmission of deposit rate hikes, enhanced focus on high-yield deposit products, improved digital onboarding, and targeted branch expansion have helped PVBs outpace PSBs in deposit growth.
- In terms of deposits market share, PVBs accounted for a 35.9% share, gaining 52 bps y-o-y in Q4FY25, However, a sizeable portion of this rise, approximately 15–16 bps, is attributable to a one-off increase in term deposits by a single private bank through large-scale issuance of Certificates of Deposit. Excluding this impact, the underlying rise in market share for PVBs is relatively moderate. Meanwhile, PSBs held a 58.1% share, losing 61 bps y-o-y. State Bank of India (SBI) continues to hold approximately. 23% of total deposits in Q4FY25.
- PVBs steadily increased their market share through aggressive client acquisition and branch expansion. Gaining further deposit share is likely to become increasingly challenging for private players, since public banks have started to defend their market share for deposits.

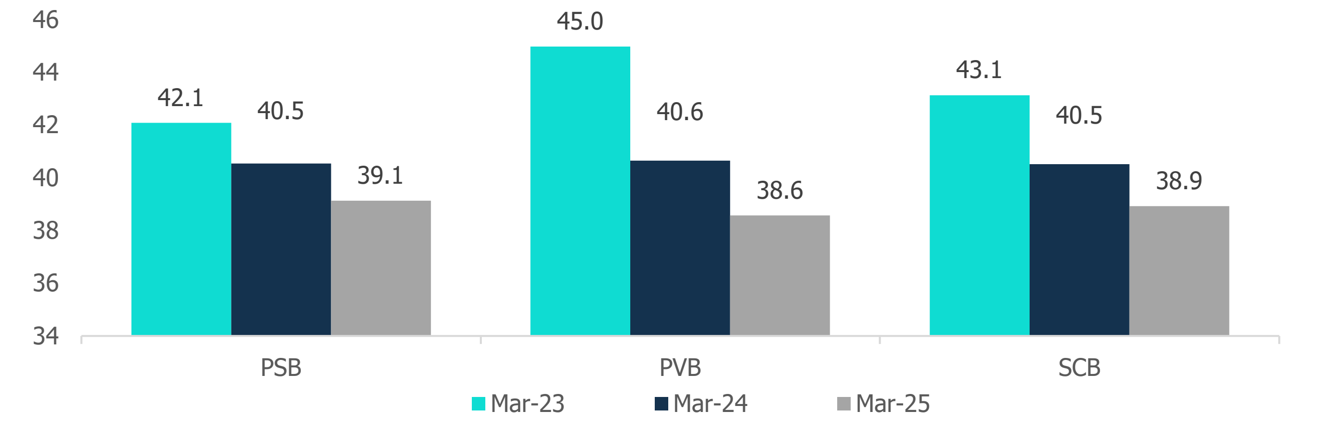
Figure 10: Bank Group- Wise CASA

Deposits	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	CASA Ratio(%)	Growth %
	In lakh Crore						Y-o-Y
PSB	49.0	48.1	49.0	49.0	51.7	39.1	5.5
PVB	29.7	28.8	29.6	29.4	31.5	38.6	6.3
FB	4.0	4.0	4.2	4.2	4.3	39.6	8.6
SFB	0.7	0.7	0.8	0.8	0.8	30.8	16.8
All SCB	**83.5**	**81.7**	**83.7**	**83.4**	**88.6**	**38.9**	**6.1**

Note: Data excluding RRBs Source: RBI

- In absolute terms, CASA rose by Rs 5.1 lakh crore in Q4FY25, reaching Rs 88.6 lakh crore as of March 31, 2025. CASA rose by 6.1% y-o-y and remained sluggish during the Q4FY25. The declining CASA ratio is mainly due to rising interest rates on alternative investment options like FDs and mutual funds, as well as lower savings account rates.
- In Q4FY25, aggregate current account deposits grew by 11.3% y-o-y and savings account deposits by 10.4%, indicating an improvement compared to the previous year when muted savings account growth had weighed on overall CASA performance.

Figure 11: CASA Ratio Trend – Declines by 160 bps y-o-y, PVBs fall below PSBs



Note: Data excluding RRBs Source: RBI

- SCBs CASA ratio declined by 160 bps y-o-y, reaching 38.9% as of March 31, 2025, compared to 40.5% over a year ago. This decline was driven by rising term deposit rates, which led to stronger growth in the term deposit segment. Further, competition for deposits is expected to remain intense as banks focus on increasing deposit growth and preventing it from constraining credit offtake.
- Additionally, the decline in the CASA ratio was also influenced by the reduction in savings deposit rates by many banks, aimed at protecting their margins amid rising costs of term deposits.

Regional Deposits

Figure 12: Trend in Deposits- Region Wise

Deposits	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Growth %
	In lakh crore					Y-o-Y
Northern	42.8	43.7	44.8	45.4	47.5	11.0
North-Eastern	3.4	3.3	3.3	3.4	3.7	8.3
Eastern	24.4	24.3	25.1	25.5	26.5	8.7
Central	26.5	26.5	27.5	27.8	29.1	9.7
Western	59.5	59.8	62.5	63.1	66.0	11.0
Southern	49.6	50.0	51.6	52.5	54.9	10.7
Total	**206.1**	**207.7**	**214.8**	**217.7**	**227.6**	**10.4**

Note: Data excluding RRBs Source: RBI

- The Western and Northern regions reported the highest deposit growth at Rs 66.0 and Rs 47.5 lakh crore, respectively, recording robust growth of 11.0% y-o-y. The Southern region followed closely, while the North-Eastern region posted a strong 8.3% growth despite having the lowest base.

Population Group

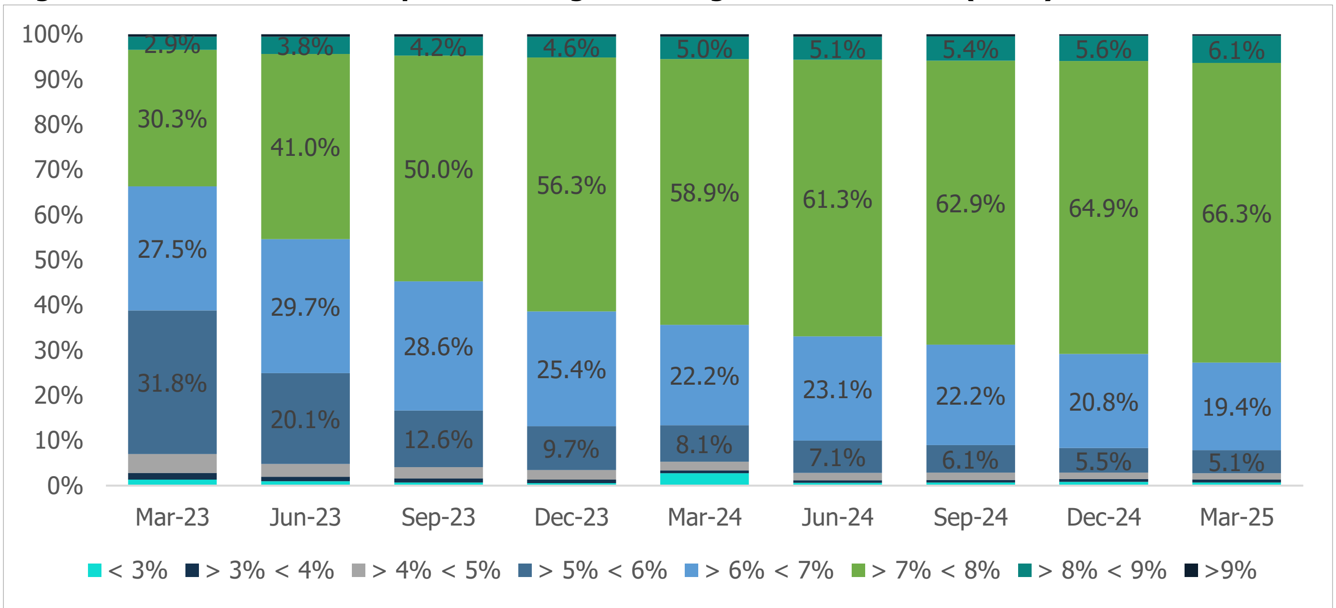
Figure 13: Population Group Wise Deposits

Deposits	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Growth %
Pop. Group	**Rs lakh crore**					**Y-o-Y**
Metropolitan	112.0	112.6	117.2	118.5	124.6	11.3
Urban	43.9	44.4	45.7	46.2	48.0	9.4
Semi-urban	31.8	32.1	32.8	33.4	34.6	8.9
Rural	18.4	18.6	19.1	19.6	20.4	10.6
Total	**206.1**	**207.7**	**214.8**	**217.7**	**227.6**	**10.4**

Note: Data excluding RRBs Source: RBI

- Banks in the metropolitan segment reported the highest y-o-y growth at 11.3%. The region has been performing consistently and gaining market share. The strong growth in the metro region and increased growth in the western region suggest a higher likelihood of large deposits being driven by corporate investments, which comprise 6% of total deposits.
- Savings growth was slower in urban and metro markets, while current account deposits were weak in all regions, term deposit growth was strong across areas.
- The rural and semi-urban regions saw a deposit growth of 10.6% and 8.9%, respectively. The Semi-urban region reported the lowest deposit growth (within the population group) at 8.9%. Metropolitan gained market share by 41 bps, reaching 54.7% as of March 31, 2025.

Figure 14: Domestic Term Deposits Moving to the Higher Rate Buckets (In %)

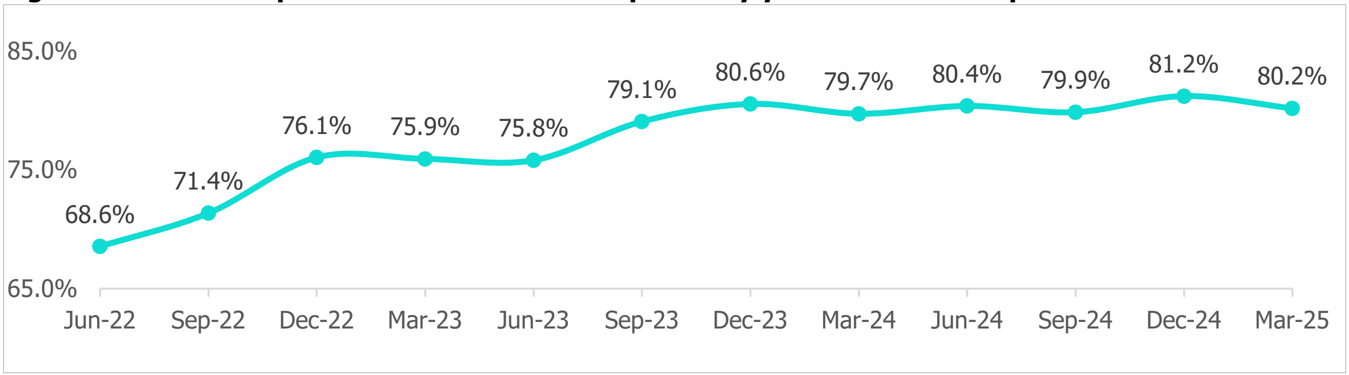


Note: Data excluding RRBs Source: RBI

- Amid the RBI's rate-cut environment, deposit mobilisation has shifted notably towards the greater than 7% interest rate brackets, indicating banks are attracting funds by offering relatively higher rates. Overall, depositors favour moderate-to-high return buckets as banks align pricing with competitive pressures, even in a declining policy rate regime.

Analysis of the Credit-Deposit Ratio Trends

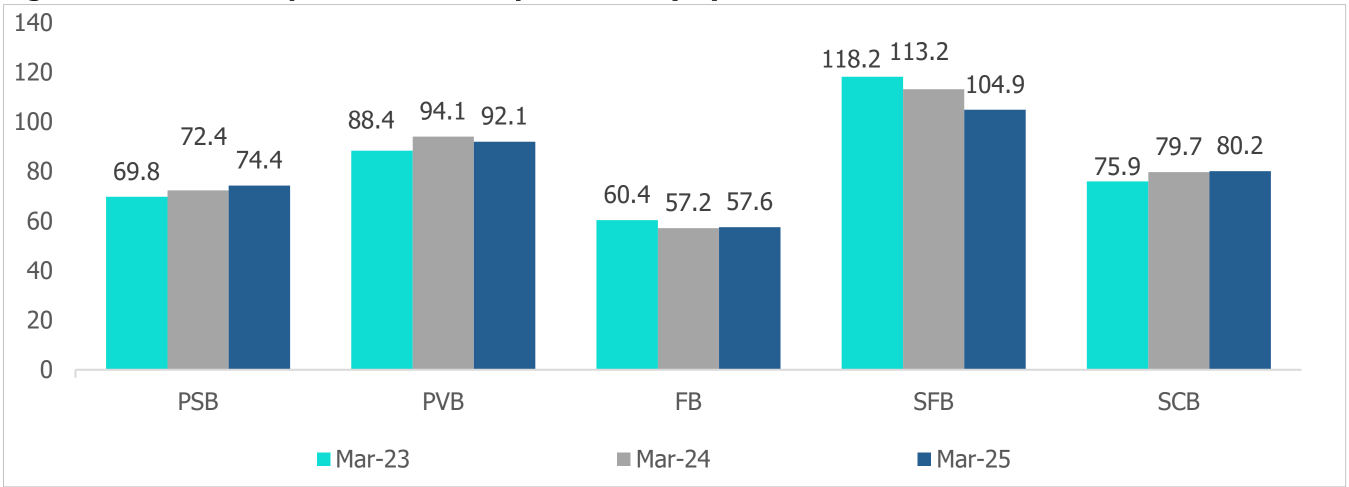
Figure 15: Credit-Deposit Ratio: Moderates Sequentially yet Increases 50 bps Y-o-Y



Note: Data excluding RRBs Source: RBI

- The Credit to Deposit (CD) ratio has increased since June 2022, as credit growth started picking up pace with PVBs and SFBs being the biggest drivers, mainly driven by Higher risk weights and tightened liquidity conditions. Additionally, subdued deposit growth, banks' reliance on certificates of deposits (CDs) and tighter regulatory norms, all combined, have led this ratio to maintain around the 80% mark. The CD ratio stood at 80.2% in March 2025, rising by 50 bps compared to Q4FY24. Sequentially, the CD ratio moderated from 81.2% to 80.2%, as deposit growth nearly converged with credit growth.

Figure 16: Bank Group-Wise Credit Deposit Ratio (%) – PVBs remain elevated



Note: Data excluding RRBs Source: RBI

- PSBs saw a sharper rise to 74.4%, rising 2.8% y-o-y, especially attributed to other PSBs. PVBs maintained a higher CD ratio at 92.1%, though large PVBs saw a marginal decline to 91.2%, largely due to the merger impact of one large PVB. Given increased regulatory and stakeholder attention, some moderation in CD ratios may be seen going forward.

Figure 17: Region-wise Credit Deposit Ratio (%)

Regional Group	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Northern	77.5	77.9	78.9	80.1	78.7
North-Eastern	53.2	55.2	57.2	58.3	55.8
Eastern	47.4	48.1	49.6	49.0	48.7
Central	56.9	58.1	59.4	59.1	58.4
Western	94.0	93.9	97.1	94.0	93.3
Southern	94.4	95.6	98.4	95.7	94.1
Total	**79.7**	**80.4**	**82.6**	**81.2**	**80.2**

Note: Data excluding RRBs Source: RBI

- The Southern and Western regions maintained the highest CD ratios at 94.1% and 93.3%, respectively, reflecting stronger credit demand relative to deposit mobilisation in these zones. The elevated CD ratios in these regions can be attributed to stronger credit demand, driven by a higher concentration of major industrial and commercial hubs. Additionally, these areas benefit from greater banking penetration and more extensive credit outreach than other regions.

Figure 18: Population-wise Group Credit Deposit Ratio (%)

Population Group	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Metropolitan	89.3	89.9	92.3	90.1	88.3
Urban	66.6	67.5	69.3	69.0	68.5
Semi-urban	71.1	71.6	73.7	73.2	73.4
Rural	67.9	68.8	70.7	70.3	69.3
Total	**79.7**	**80.4**	**82.6**	**81.2**	**80.2**

Note: Data excluding RRBs Source: RBI

Concluding Remarks

- In Q4FY25, credit offtake has continued to outpace deposit growth; however, the gap between them has narrowed compared to the previous year. Credit offtake rose 11.1% y-o-y in Q4FY25. The growth was driven primarily by retail, services, and agriculture sectors, although some moderation was observed compared to last year. Further, this growth was also due to credit expansion in MSMEs. Meanwhile, credit offtake of public sector Banks (PSBs) has outpaced Private Sector Banks (PVBs) in Q4FY25 as PVBs have focused on managing their elevated credit-to-deposit ratio. Additionally, the stress in unsecured retail lending and microfinance segments has affected overall credit growth in the banking sector.
- The banking sector has continued to witness a contraction in NIMs in the current quarter. Elevated funding costs and slower CASA growth are further exerting pressure on NIM (majorly PVBs). Despite the slower growth of NII, the banking sector remains resilient, and overall asset quality has improved. With the latest repo rate cut, the pressures on margins are expected to continue in coming quarters
- The repo rate cuts will likely exert downward pressure on lending rates, which could stimulate credit demand, particularly in interest-sensitive sectors. However, this could further lead to NIM compression, especially if the decline in deposit rates lags the transmission of lower lending rates. Meanwhile, the CRR cut has released additional liquidity, enabling banks to deploy more funds toward credit growth without facing immediate pressure to mobilise deposits aggressively.

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