

# Bank Credit Growth Slows to 18.2% as Quarter-End Gains Unwind

October 28, 2026 | BFSI Research

## Synopsis

- Bank credit and deposit growth eased sequentially in the fortnight ended October 15, 2026, as the quarter-end build-up unwound. Deposits fell by Rs 5.19 lakh crore to Rs 278.8 lakh crore, after the Rs 7.73 lakh crore rise in the previous fortnight. Credit fell by Rs 2.52 lakh crore to Rs 227.4 lakh crore.
- The y-o-y credit-deposit growth gap narrowed sequentially by 1 bps to 151 bps, while the loan-to-deposit ratio (LDR) rose to 81.6% from 81.0%, its third consecutive increase.
- The weighted average call rate (WACR) rose 44 bps to 5.56% in the week ended October 16 from 5.12% two weeks earlier, 6 bps above the 5.50% repo rate.
- Banks cut Certificates of Deposit (CDs) issuance to Rs 0.45 lakh crore on October 15 from Rs 0.74 lakh crore at September-end, while CD rates eased to 5.50%–6.92% from 5.77%–7.33%.

## Numbers at a Glance

| Indicator                                   | Latest Fortnight (Oct 15, 2026) | Previous Fortnight (Sep 30, 2026) | Year Ago (Oct 17, 2025) | Change (latest vs previous fortnight) |
|---------------------------------------------|---------------------------------|-----------------------------------|-------------------------|---------------------------------------|
| <b>1 CREDIT</b>                             |                                 |                                   |                         |                                       |
| Bank credit outstanding (Rs lakh crore)     | <b>227.4</b>                    | 229.9                             | 192.4                   | –2.52                                 |
| Credit growth, y-o-y                        | <b>18.2%</b>                    | 19.4%                             | 11.6%                   | –120 bps                              |
| <b>2 DEPOSITS</b>                           |                                 |                                   |                         |                                       |
| Bank deposits outstanding (Rs lakh crore)   | <b>278.8</b>                    | 284.0                             | 238.9                   | –5.19                                 |
| Deposit growth, y-o-y                       | <b>16.7%</b>                    | 17.8%                             | 9.5%                    | –110 bps                              |
| <b>3 CREDIT-DEPOSIT GAP AND LDR</b>         |                                 |                                   |                         |                                       |
| Credit growth minus deposit growth          | <b>~151 bps</b>                 | ~152 bps                          | ~210 bps                | –1 bps                                |
| Loan-to-deposit ratio (LDR)                 | <b>81.6%</b>                    | 81.0%                             | 80.5%                   | +61 bps                               |
| Incremental LDR, FY27 so far                | <b>84.0%</b>                    | 75.5%                             | 76.1%                   | +850 bps                              |
| <b>4 SHORT-TERM RATES</b>                   |                                 |                                   |                         |                                       |
| Repo rate (raised on Oct 7)                 | <b>5.50%</b>                    | 5.25%                             | 5.50%                   | +25 bps                               |
| Weighted average call rate (WACR)           | <b>5.56%</b>                    | 5.12%                             | 5.53%                   | +44 bps                               |
| 91-day T-bill yield                         | <b>5.73%</b>                    | 5.52%                             | 5.46%                   | +21 bps                               |
| <b>5 CERTIFICATES OF DEPOSIT (CDs)</b>      |                                 |                                   |                         |                                       |
| CDs outstanding (Rs lakh crore)             | <b>5.86</b>                     | 5.74                              | 5.02                    | +0.12                                 |
| CDs issued in the fortnight (Rs lakh crore) | <b>0.45</b>                     | 0.74                              | 0.25                    | –0.28                                 |
| Lowest CD issuance rate                     | <b>5.50%</b>                    | 5.77%                             | 5.55%                   | –27 bps                               |
| Highest CD issuance rate                    | <b>6.92%</b>                    | 7.33%                             | 6.40%                   | –41 bps                               |

Previous = fortnight ended Sep 30, 2026, except the call rate and T-bill yield (weeks ended Oct 16 and Oct 2) and the repo rate (before the Oct 7 increase). Year ago = the same fortnight of 2025; outstanding amounts and the LDR are derived from the latest level and y-o-y growth. y-o-y = year-on-year; pp = percentage points; bps = basis points. Incremental LDR = credit added as a share of deposits added since April 1. Source: RBI;

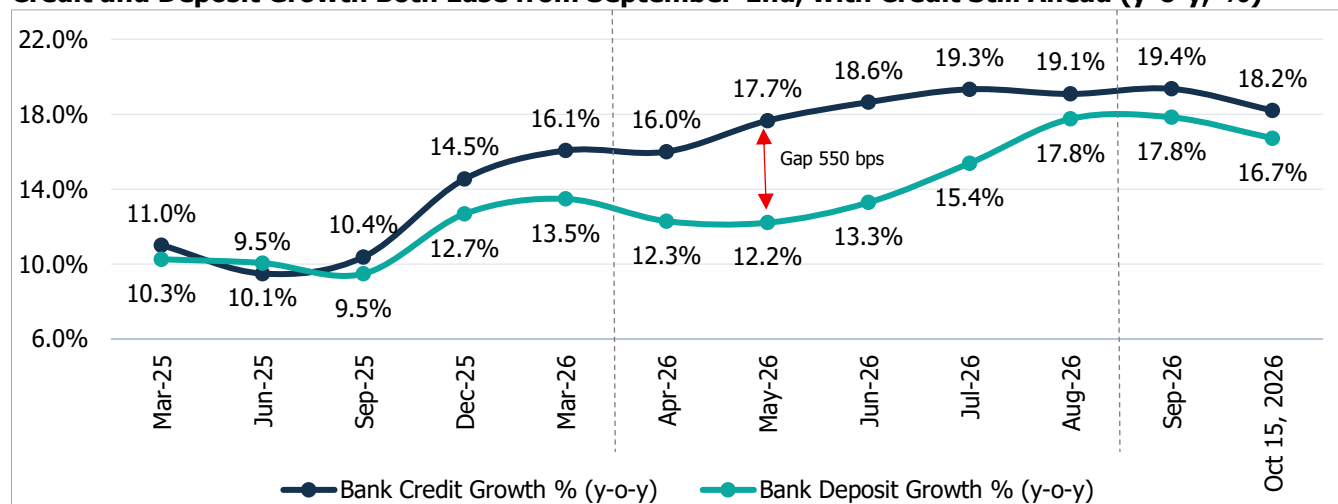
### Credit Falls Rs 2.52 Lakh Crore; Growth Eases to 18.2%

Credit fell as part of the quarter-end build-up unwind, but over the two fortnights since September 15 it is up Rs 4.14 lakh crore (1.9%). Growth of 18.2% is down from 19.4% at September 30 but well above the 11.6% a year earlier. The festive season, running through Diwali, should support near-term lending, as retail loans (auto, gold, consumer durables, personal) and corporate working capital typically pick up in October and November. However, the base becomes less favourable in H2FY27, while the repo rate hike is expected to raise lending rates, initially on external benchmark-linked loans and subsequently on MCLR-linked loans as funding costs rise, potentially moderating retail and corporate credit demand. CareEdge retains its FY27 bank credit growth forecast of 15.0%–16.0%. With Diwali falling on November 8, the next two fortnights will indicate the extent of festive demand.

### Deposits Fall Rs 5.19 Lakh Crore; Growth Eases to 16.7%

Deposits fell 1.8% in the fortnight, reversing most of the Rs 7.73 lakh crore quarter-end rise; demand deposits fell by Rs 4.37 lakh crore, about 84% of the decline, and time deposits by Rs 0.82 lakh crore. Deposit growth is 16.7%, down from 17.8% at September 30 but up from 13.3% in June. Deposits added in FY27 so far total Rs 16.47 lakh crore, against Rs 13.03 lakh crore, compared to same period last year.

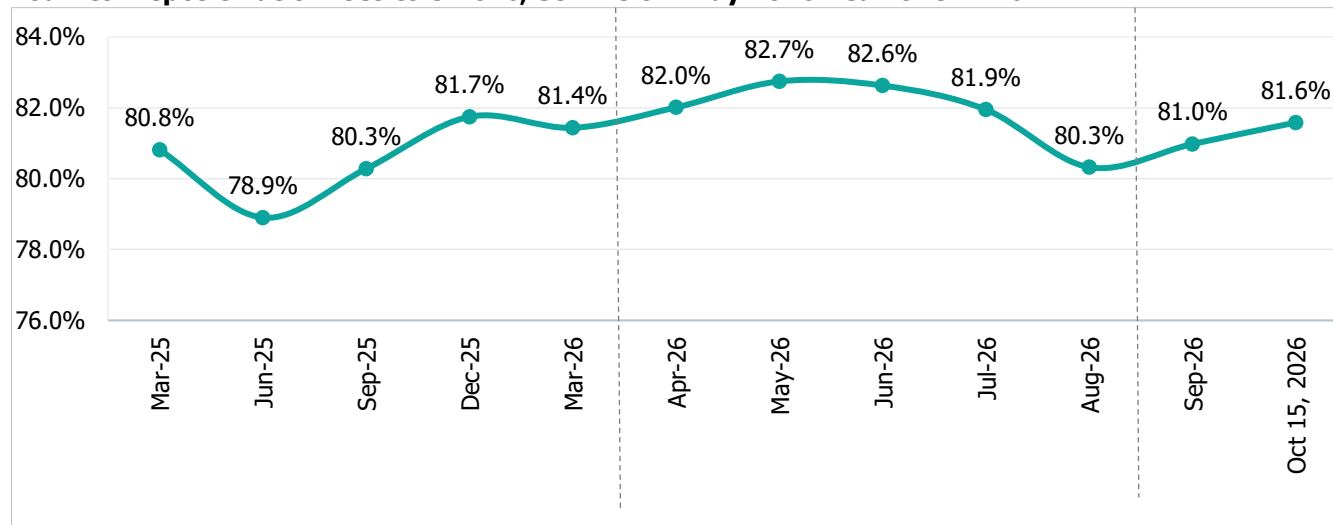
### Credit and Deposit Growth Both Ease from September-End, with Credit Still Ahead (y-o-y, %)



Source: RBI; CareEdge Ratings

### Credit-Deposit Growth Gap Holds at 151 bps as Credit Falls 1.1% and Deposits 1.8%

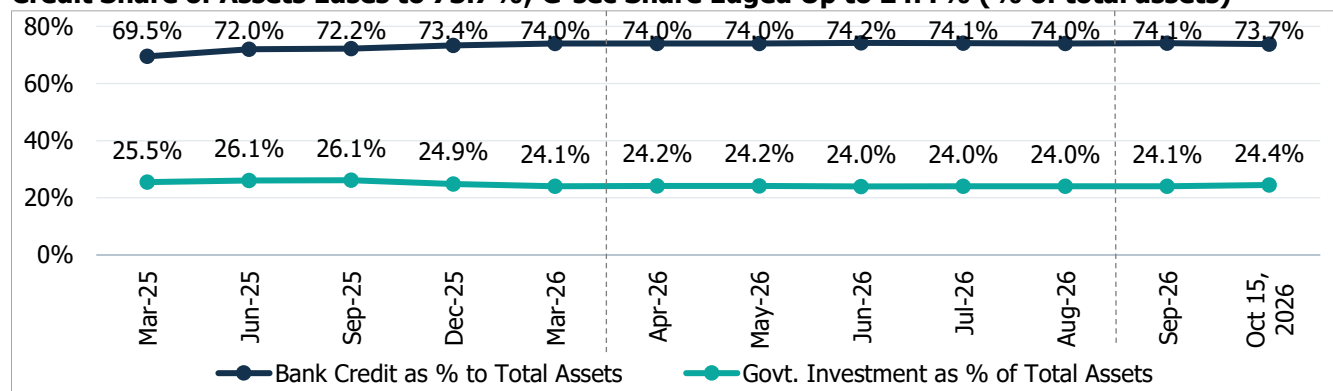
The gap between credit and deposit growth has narrowed sharply since June and has little changed in the last fortnight (about 151 bps against about 152 bps on September 30), as credit and deposits both fell. Credit fell 1.1% while deposits fell 1.8%, so the LDR rose by 61 bps to 81.6%, its third consecutive increase, though still below the May 2026 peak of 82.7%. With the current repo rate at 5.50% and the surplus shrinking, funding further loan growth is likely to cost banks more.

**Loan-to-Deposit Ratio Rises to 81.6%, Still Below May 2026 Peak of 82.7%**


Source: RBI; CareEdge Ratings

**Advances and G-sec Mix**

Bank credit eased to 73.7% of total assets from 74.1% at September 30, while government securities rose to 24.4% from 24.1%. Investments grew by Rs 0.69 lakh crore even as credit fell by Rs 2.52 lakh crore, and the investment-deposit ratio rose to 27.0% from 26.3%.

**Credit Share of Assets Eases to 73.7%; G-sec Share Edged Up to 24.4% (% of total assets)**


Source: RBI; CareEdge Ratings

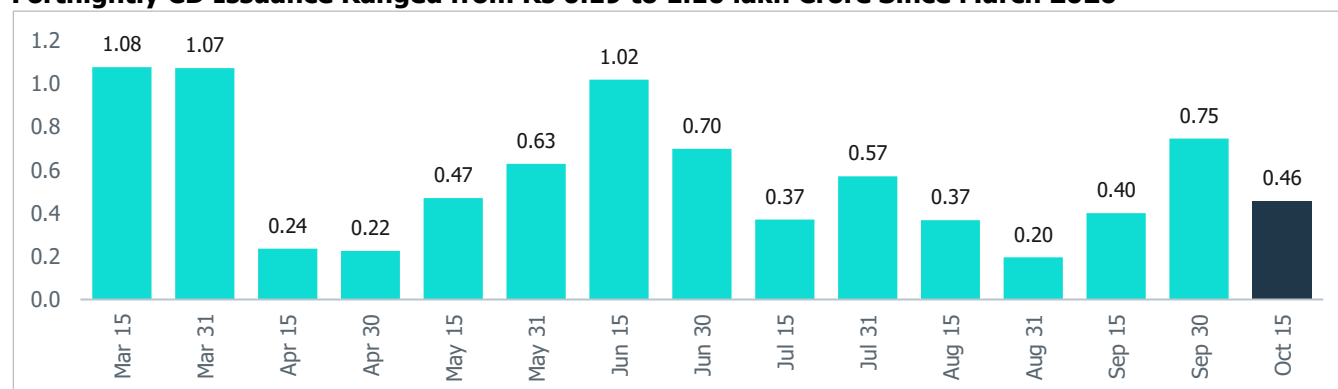
**Call Rate Rises 44 bps to 5.56% as Liquidity Surplus Narrows**

The liquidity surplus peaked at about Rs 11.2 lakh crore in early September, after banks swapped dollars raised through FCNR(B) deposits for rupees with the RBI and has since narrowed. The RBI's net absorption of liquidity was Rs 1.86 lakh crore on October 15, compared with Rs 4.86 lakh crore on September 30 and Rs 1.34 lakh crore on October 18. Most of it was through the Standing Deposit Facility (Rs 1.80 lakh crore on October 15), with Rs 9,562 crore of variable rate reverse repo (nil from October 16) and an outright bond sale of Rs 25,000 crore on October 14. The call rate rose to 5.56% in the week ended October 16, 6 bps above the repo rate after being 27 bps below it a week earlier, and the 91-day T-bill yield rose to 5.73% from 5.52%. Term deposit rates (6.00%–6.75% for tenors above one year) and MCLR were unchanged at the latest reading. The higher daily CRR minimum from October 16 should keep overnight rates firm.

### CD Issuance Falls 38.6% to Rs 0.45 lakh Crore

Banks issued Rs 0.45 lakh crore of CDs in the fortnight, down 38.6% from Rs 0.74 lakh crore at September-end. CDs outstanding rose by Rs 0.12 lakh crore to Rs 5.86 lakh crore. CD rates eased at both ends, to 5.50% from 5.77% at the lower end and to 6.92% from 7.33% at the upper end, narrowing the spread to 142 bps from 156 bps, even though the repo rate was raised to 5.50%. With the lower end now at the repo rate and the surplus narrowing, CD rates are likely to rise, adding to the cost of wholesale funding for banks bridging the gap between credit and deposit growth.

### Fortnightly CD Issuance Ranged from Rs 0.19 to 1.10 lakh Crore Since March 2026



Source: RBI; CareEdge Ratings

### RBI Announcements

| Measure                              | What it does                                                                                                                                                                                                                                                                                                                                                                                                                             | Date and reference                                                       |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Daily minimum CRR                    | Banks must hold at least 99% of the required cash reserve ratio (CRR) on every day of the reporting fortnight, up from 90%. The fortnightly average must still meet the prescribed CRR. This leaves banks less room to manage cash day-to-day.                                                                                                                                                                                           | Effective fortnight beginning Oct 16, 2026. RBI/2026-27/290, Oct 9, 2026 |
| Foreign Exchange Risk Reserve (FERR) | Authorised dealers must keep cash with the RBI equal to 20% of the INR notional value of forex derivative contracts above USD 2 million that users enter to buy foreign currency against INR for hedging current-account transactions, until the contract ends. Splitting deals to avoid the threshold is a violation; dealers report reserves daily through CIMS.                                                                       | Contracts entered after issuance. RBI/2026-27/292, Oct 10, 2026          |
| AIFI capital adequacy norms          | Aligns capital norms for All India Financial Institutions (AIFIs) with international standards: a 2% risk weight on trade exposures to qualified central counterparties (QCCPs) for OTC derivatives, exchange-traded derivatives and securities financing transactions, and on client-clearing exposures where the AIFI must reimburse clients for QCCP default losses. Replaces the legal-opinion requirement in paragraph 77(6)(i)(a). | Effective from the date of issue.                                        |

Source: RBI

## Contact

|                  |                          |                              |                                        |
|------------------|--------------------------|------------------------------|----------------------------------------|
| Vineet Jain      | Senior Director – BFSI   | vineet.jain@careedge.in      | +91-99876 88674                        |
| Saurabh Bhalerao | Director – BFSI Research | saurabh.bhalerao@careedge.in | +91 - 22 - 6754 3519 / +91-90049 52514 |
| Ankush Pathrabe  | Analyst – BFSI Research  | ankush.pathrabe@careedge.in  | +91 - 22 - 6754 3629 / +91-90399 84978 |
| 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

Connect:



Locations: Ahmedabad | Andheri-Mumbai | Bengaluru | Chennai | Coimbatore  
Hyderabad | Kolkata | Noida | Pune

Join on WhatsApp



## About Us:

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and holding leadership positions in high-growth sectors such as BFSI and Infra. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd, (II) CARE ESG Ratings Ltd, and (III) CareEdge Global IFSC Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings (Africa) Private Ltd in Mauritius, CARE Ratings South Africa (Pty) Ltd, and CARE Ratings Nepal Ltd. For more information: [www.careedge.in](http://www.careedge.in).

## Disclaimer:

This report is prepared by CARE Ratings Limited (CareEdge Ratings). CareEdge Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CareEdge Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CareEdge Ratings has no financial liability whatsoever to the user of this report.

Privacy Policy applies. For Privacy Policy please refer to [https://www.careratings.com/privacy\\_policy](https://www.careratings.com/privacy_policy)

© 2026, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information required as per applicable law and regulations and CARE Ratings Limited holds exclusive copyright over the same. Any reproduction, retransmission, modification, derivative works or use or reference to the contents, in whole, in part or in any form, is prohibited except with prior express written consent from CARE Ratings Limited.