

Credit-Deposit Ratio Stays Below 80% Mark for Third Consecutive Fortnight

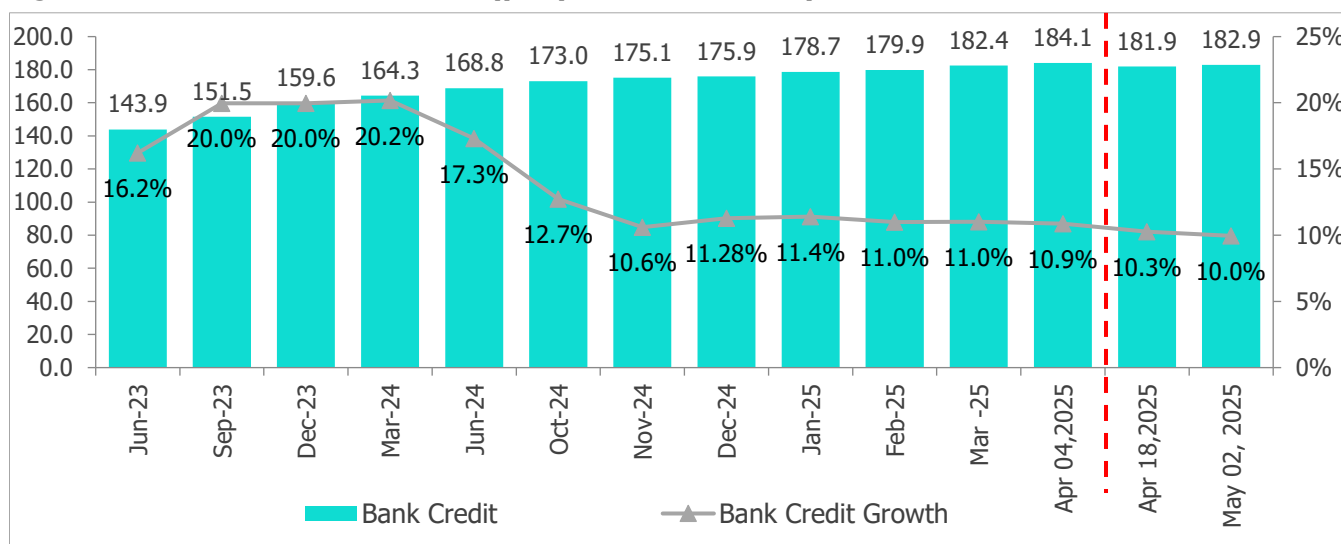
May 20, 2025 | BFSI Research

Synopsis

- Credit offtake and deposit growth slowed over the fortnight. Meanwhile, deposit growth has marginally outpaced credit growth in the current fortnight, resulting in a reversal of the gap to -0.07%. This represents a significant change compared to the same period last year, when the gap was significantly larger at 6.19% (including the merger impact).
 - As of May 02, 2025, credit offtake reached Rs 182.9 lakh crore, marking an increase of 10.0% year-on-year (y-o-y), slower than last year's rate of 15.8% (excluding merger impact). The slowdown can be attributed to a high base effect, muted growth across segments and typical behavior at the beginning of the fiscal year.
 - Deposits rose 10.0% y-o-y, totalling Rs 230.3 lakh crore as of May 02, 2025, a decrease from 13.0% the previous year (excluding merger impact). This slower growth is primarily attributed to a higher base effect and lower deposit interest rates despite special deposit schemes announced by the banks.
- The Short-Term Weighted Average Call Rate (WACR) has decreased to 5.89% as of May 02, 2025, down from 6.59% on May 10, 2024. This decline follows two successive repo rate cuts and liquidity infusion by the Reserve Bank of India (RBI), bringing the WACR below the current repo rate of 6.00%.

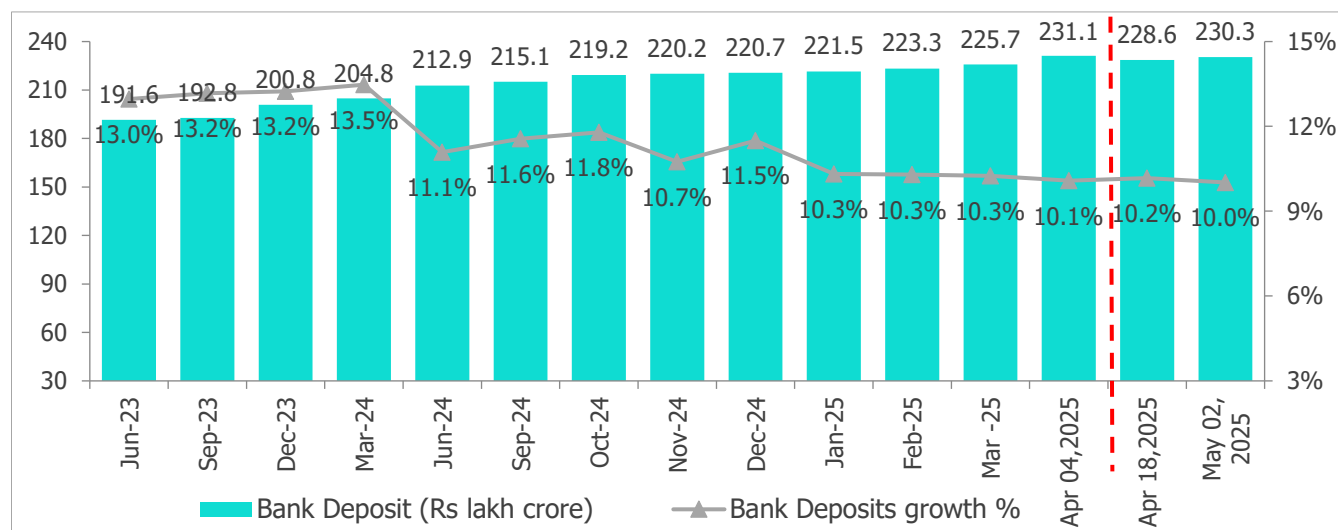
Bank Credit Offtake Declines for the Fortnight

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



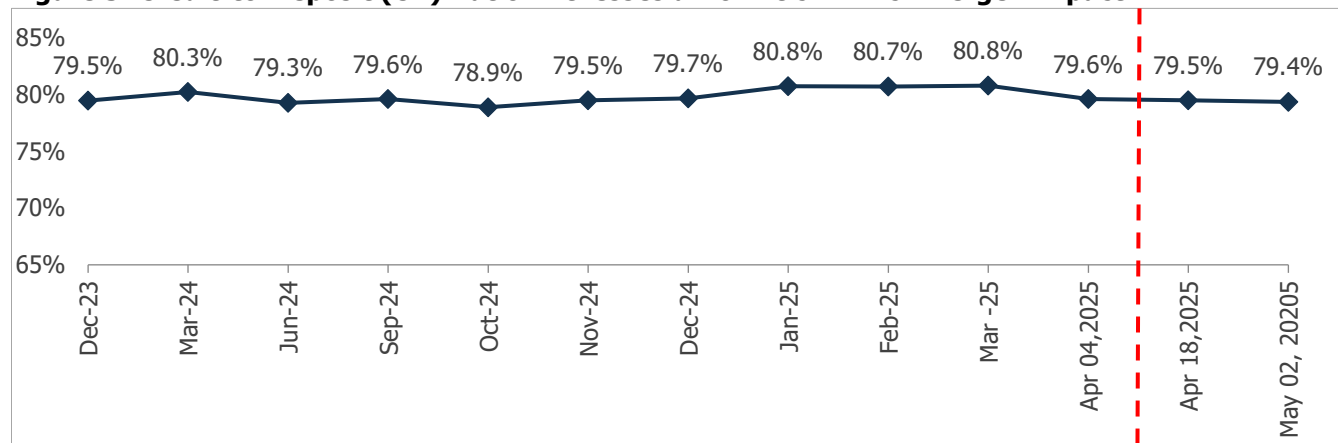
Note: The quarter-end data reflects the quarter's last fortnight's data. Source: RBI, CareEdge Ratings

- Credit offtake rose by 10.0% y-o-y and increased by 0.5% sequentially for the fortnight ending May 02, 2025, yet it came in slower than the previous year's growth of 15.8% (excluding the merger impact). This slowdown can be attributed to a higher base effect, generally slower growth in April, RBI's commentary on a high credit-to-deposit ratio and muted growth across segments.

Figure 2: Bank Deposit Growth Slows for the Fortnight (y-o-y %)

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

- Deposits increased by 10.0% y-o-y and increased by 0.7% sequentially, reaching Rs 230.3 lakh crore as of May 02, 2025, lower than the 13.0% growth (excluding merger impact) recorded last year. According to the RBI, the fresh issuance of CDs increased to Rs 6.6 lakh crore in H2 from Rs 5.4 lakh crore in H1 of 2024-25. Consequently, the total outstanding amount of CD issuances reached Rs 5.13 lakh crore for the fortnight ending May 02, 2025, a growth of 35.0% y-o-y, as banks continued to rely on raising funds through CDs amidst subdued deposit growth.

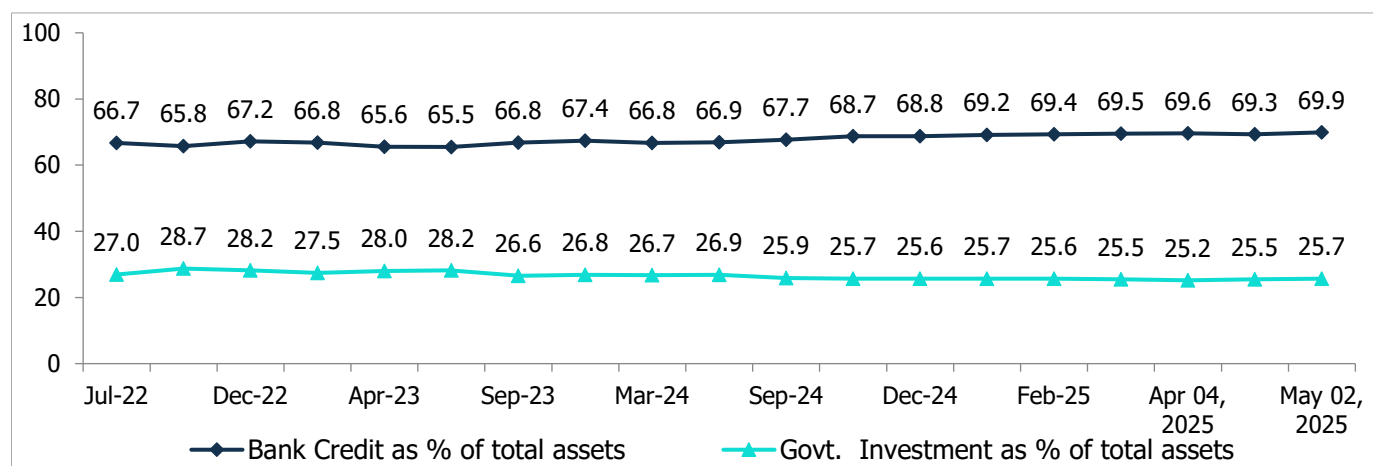
Figure 3: Credit-to-Deposit (CD) Ratio Witnesses a Downtick – Incl. Merger Impact

Note: The quarter-end data reflects last fortnight's data of the quarter and compares post-merger figures; Source: RBI, CareEdge Ratings

- The Credit-Deposit (CD) ratio witnessed a marginal decline, remaining below the 80% mark for the third consecutive fortnight. As of May 02, 2025, the CD ratio stood at 79.4%, down by 10 basis points from the previous fortnight. This decline can largely be attributed to a higher accretion in deposits, which rose by Rs 1.72 lakh crore, compared to a relatively lower credit expansion of Rs 0.99 lakh crore during the fortnight.

The Proportion of Bank Credit and Government Invs. to Total Assets Witness an Uptick

Figure 4: Proportion of Govt. Investment and Bank Credit to Total Assets (%)



Note: The quarter-end data reflects 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 Ratings

- The credit-to-total-assets ratio and Government Investment-to-total-assets ratio witnessed an uptick and increased to 69.9% and 25.7% respectively, for the fortnight ending May 02, 2025. Meanwhile, overall government investments totalled Rs 67.1 lakh crore as of May 02, 2025, reflecting a y-o-y growth of 7.9% and a sequential increase of 0.3%.

O/s Certificate of Deposits decline while CPs remain elevated

Figure 5: Certificate of Deposit O/s

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
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
Jan 24, 2025	499.3	40.6
Feb 21, 2025	513.8	34.7
Mar 21, 2025	532.9	41.8
Apr 18, 2025	518.7	39.1
May 02, 2025	513.0	35.0

Figure 6: Trend in Certificate of Deposits Issued. (Rs'000, Cr.) and RoI

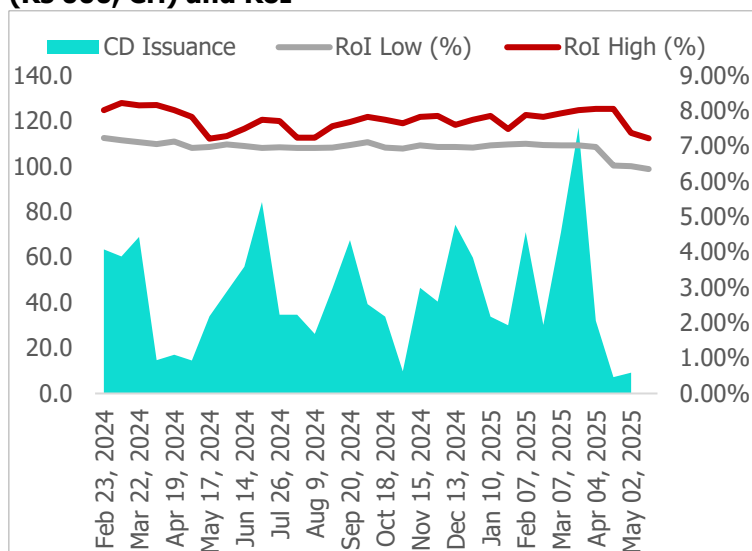
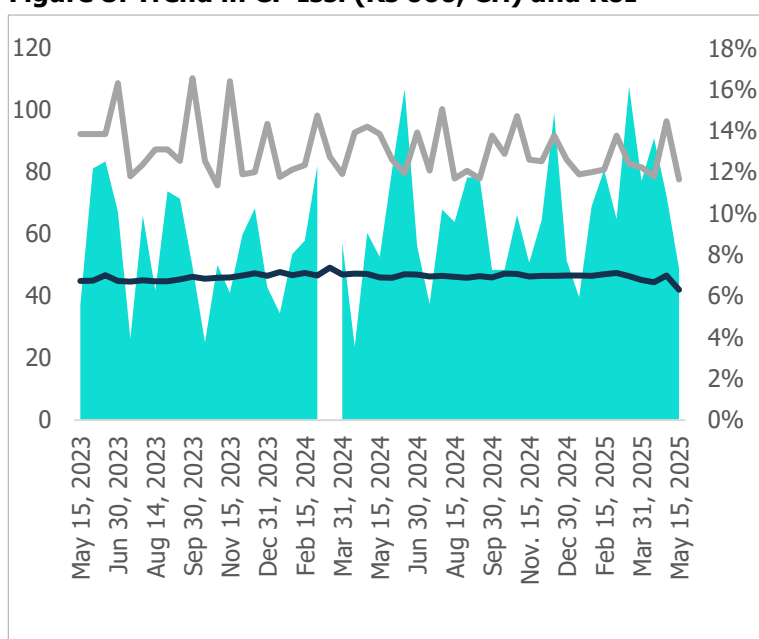


Figure 7: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
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 30, 2024	435.8	19.7
Feb 28, 2025	465.9	14.2
Mar 31, 2025	442.9	14.0
Apr 30, 2025	545.6	32.6
May 15, 2025	541.5	28.6

Note: The quarter-end data reflects the quarter's last fortnight's data. Source: RBI

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

Announcement	Detail
Reserve Bank of India (Digital Lending) Directions, 2025	Certain concerns have emerged regarding the methods of designing, delivering, and servicing digital credit products, which, if not mitigated, may impact borrowers' confidence in the digital lending ecosystem. The concerns primarily relate to the unregulated engagement of third parties, mis-selling, breaches of data privacy, unfair business practices, charging exorbitant interest rates, and unethical recovery methods. To address these concerns, the Reserve Bank has periodically issued guidelines to its regulated entities, as recommended by the "Working Group on Digital Lending," on digital lending. (Refer to RBI Directions on Digital Lending for further details)
Policy Statement: Framework for Formulation of Regulations	This Framework for Formulation of Regulations (hereinafter referred to as 'the Framework') lays down the broad principles for formulation and amendment of Regulations by the Reserve Bank of India (hereinafter referred to as "the Bank"). The Framework aims to standardize the process of creating regulations in a transparent and consultative manner, following an impact analysis, where feasible. (Refer to Framework for Formulation of Regulations for further details)

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