

Cooling Credit Offtake Continues to Outperform Deposit Growth

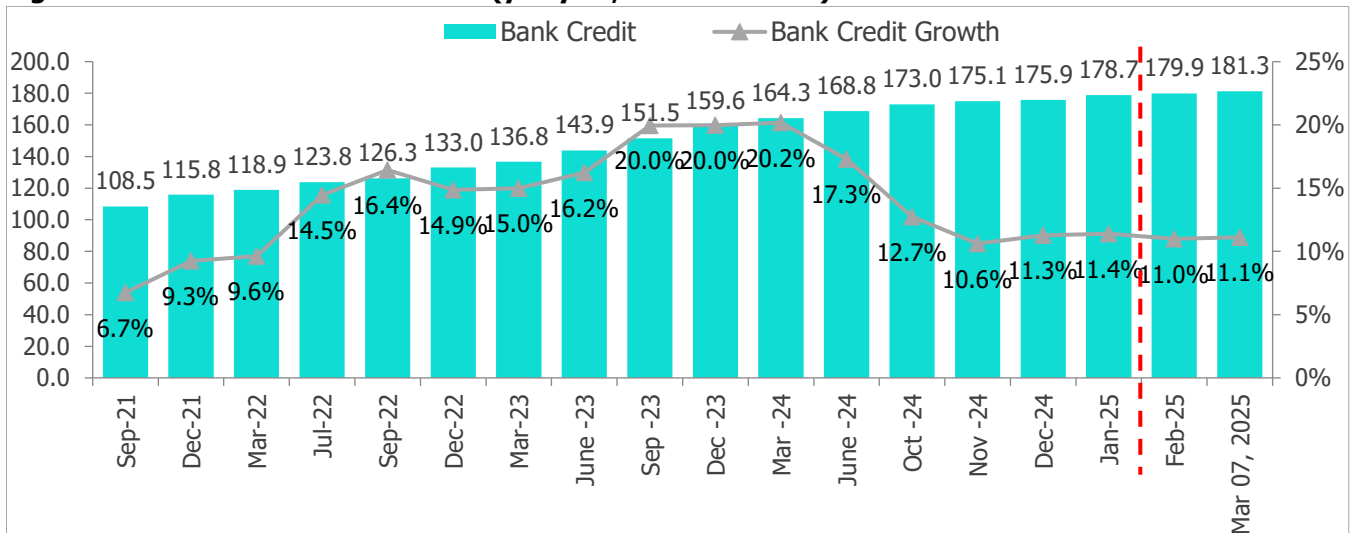
March 25, 2025 | BFSI Research

Synopsis

- Credit offtake picked up marginally, while deposit growth slowed over the previous fortnight. Furthermore, the gap between credit and deposit growth has slightly widened from 0.71% in the last fortnight to 0.88% in the current fortnight, compared to the same period the previous year, when the gap stood significantly higher at 6.70%.
 - As of March 07, 2025, credit offtake reached Rs 181.3 lakh crore, marking an 11.1% year-on-year (y-o-y) increase, slower than last year’s rate of 12.1% (excluding merger impact). This slowdown can be attributed to a higher base effect, alongside measures implemented by RBI, as well as market concerns regarding elevated credit-to-deposit ratio.
 - Deposits rose 10.2% y-o-y, totalling Rs 225.1 lakh crore as of March 07, 2025, a decrease from 10.5% the previous year (excluding merger impact). This slower growth is primarily attributed to a higher base effect and tightened liquidity conditions despite elevated term deposit rates offered by Scheduled Commercial Banks (SCBs).
- The Short-term Weighted Average Call Rate (WACR) has decreased to 6.25% as of March 07, 2025, down from 6.52% on March 15, 2024.

Bank Credit Growth Rate Witness a Marginal Uptick for the Fortnight

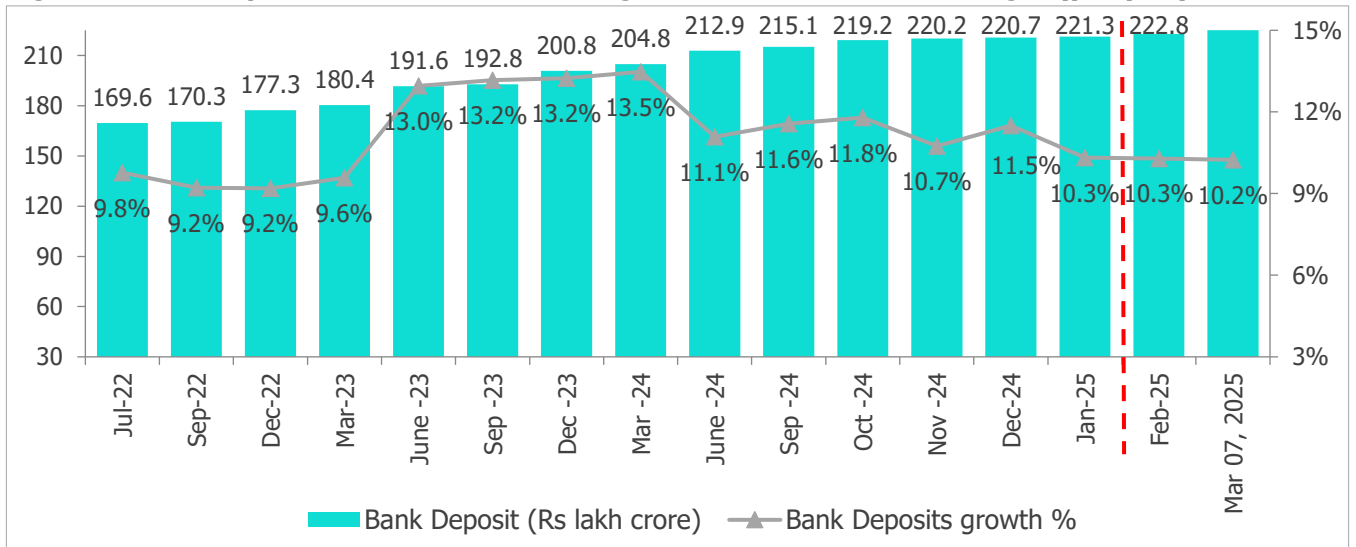
Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



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 11.1% y-o-y and by 0.8% sequentially for the fortnight ending March 07, 2025, yet came in slower than the previous year’s growth of 12.1% (excluding the impact of the merger). This slowdown can be attributed to a higher base effect, as well as RBI’s commentary on a high credit-to-deposit ratio.

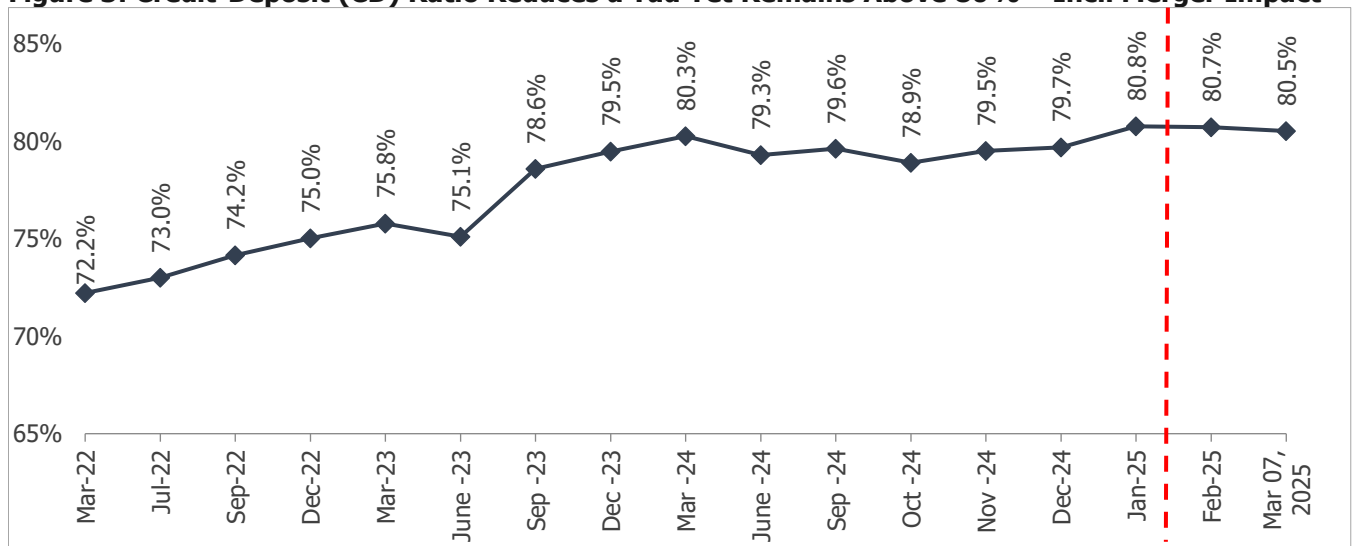
Figure 2: Bank Deposit Growth Witness a Marginal Downtick for the Fortnight (y-o-y %)



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

- Deposits grew by 10.2% y-o-y, reaching Rs 225.1 lakh crore as of March 07, 2025, increasing by 1.0% sequentially and lower compared to the 10.5% 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 (CDs) grew by 34% y-o-y to reach an all-time high of Rs 10.58 lakh crore during 2024-25 (up to March 7, 2025). Similarly, commercial paper issuances at Rs 13.90 lakh crore were 13.5% higher during 2024–25 (up to February 28, 2025) compared with the corresponding period a year ago. Further, The yields on CDs marginally increased from 7.49% to 7.52% during the same period. This surge reflects banks’ funding requirements.

Figure 3: Credit-Deposit (CD) Ratio Reduces a Tad Yet Remains Above 80% – Incl. Merger Impact

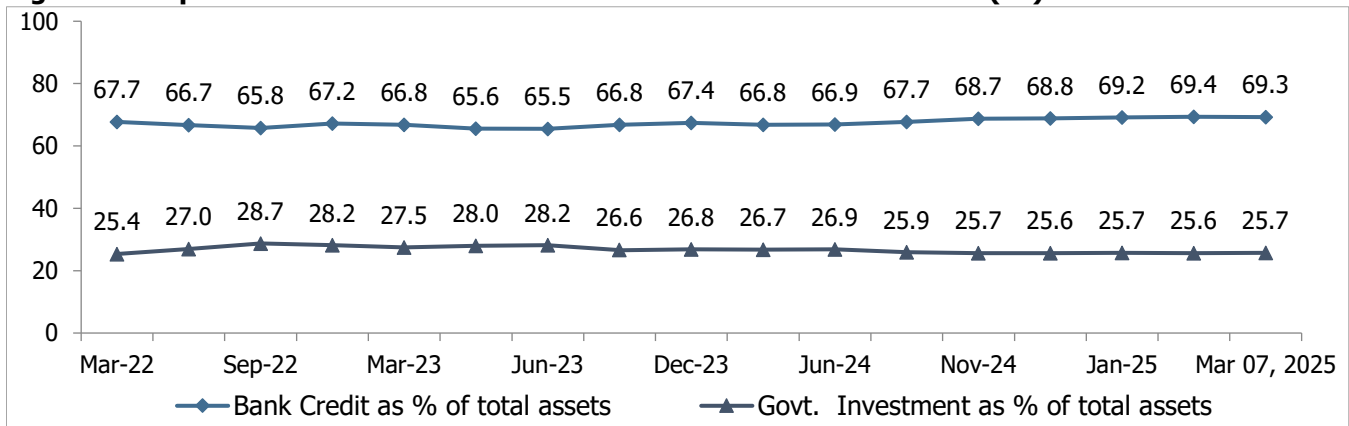


Note: The quarter-end data reflect last fortnight’s data the quarter, and compares post-merger figures; Source: RBI, CareEdge

- The CD ratio remains elevated and has remained above 80%. The CD ratio decreased by 19 basis points over the previous fortnight, reaching 80.5% as of March 07, 2025. This decline was primarily driven by a higher deposit inflow of Rs 2.25 lakh crore compared to a lower credit offtake of Rs 1.38 lakh crore during the same period. Furthermore, this elevated CD ratio can be attributed to tightened liquidity conditions and deposit growth lagging behind credit offtake.

The Proportion of Bank Credit marginally, and Govt. Invest. to Total Assets witness an uptick

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

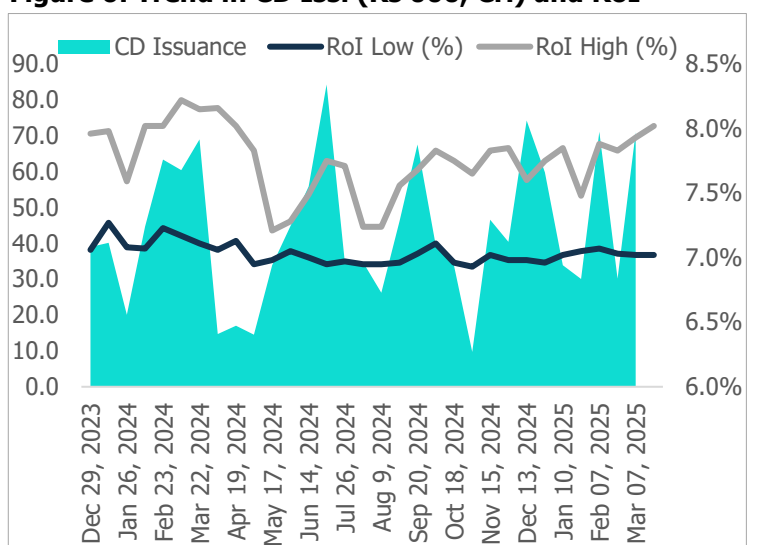
- The credit-to-total-assets ratio decreased marginally to 69.3%, while the Government Investment-to-total-assets ratio witnessed a minor uptick at 25.7% for the fortnight ending 07 March 2025. Meanwhile, overall government investments totaled Rs 67.3 lakh crore as of March 7, 2025, reflecting a year-on-year growth of 10.4% and a sequential increase of 1.3%.

O/s CDs are at all-time high levels, 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
Nov 29, 2024	491.6	55.7
Jan 24, 2025	499.3	40.6
Feb 21, 2025	513.8	34.7
Mar 07, 2025	511.2	34.7

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

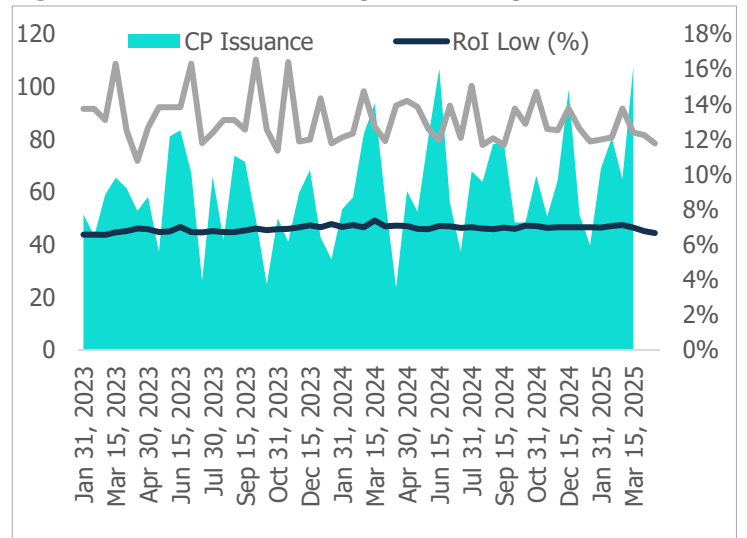


Note: The quarter-end data reflect the last fortnight’s data of that quarter; Source: RBI3

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
Nov 30, 2024	445.1	12.7
Dec 30, 2024	435.8	19.7
Feb 28, 2025	465.9	14.2
Mar 15, 2025	457.1	12.5

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

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