Diverging Trends: Credit Offtake Up, Deposit Growth Slows

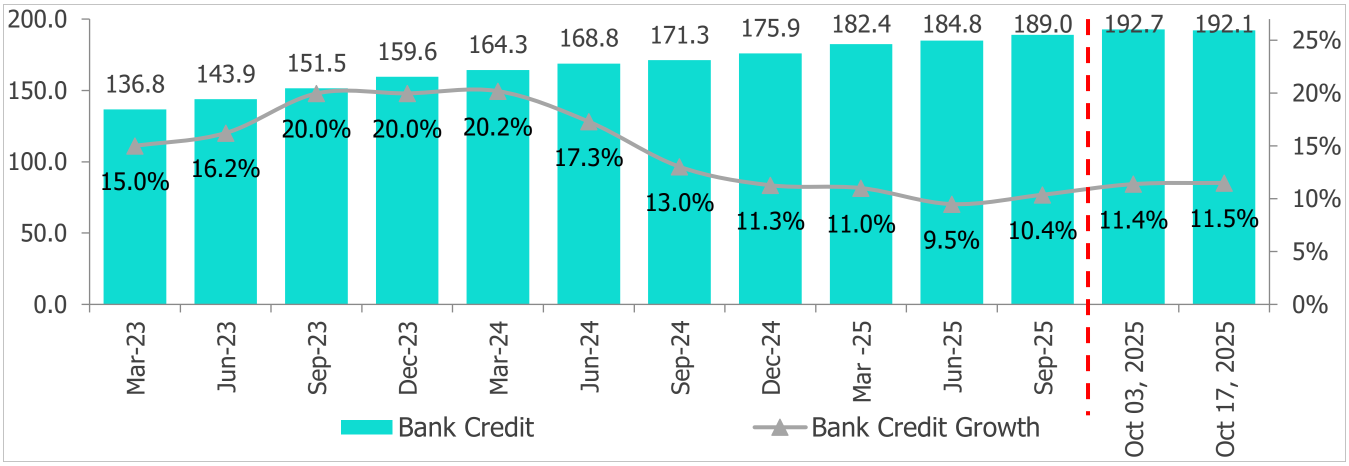
November 03, 2025 | BFSI Research

Synopsis

- Credit growth has continued to outpace deposits in the current fortnight. Meanwhile, deposit growth has remained below the double-digit threshold for the last two months.
  - As of October 17, 2025, total credit off-take reached Rs 192.1 lakh crore, marking an 11.5% year-on-year (y-o-y) growth. This increase was mainly driven by seasonal festive demand, GST rate reductions, retail and MSME sector activity, and some interest from corporates due to rising bond yields. Additionally, strong vehicle financing during the festive season is expected to boost overall credit growth. The current growth rate matches last year's 11.5% (excluding the impact of mergers) effects).
  - Deposits increased by 9.5% y-o-y, reaching Rs 238.8 lakh crore, down from 11.7% growth recorded in the previous year (excluding merger effects). The moderation in deposit growth can likely be attributed to the fact that banks are now in the rate-cutting cycle, and investors are turning to alternative avenues. Furthermore, the moderation in deposit growth in the current fortnight is attributed to a rise in the currency in circulation, rising by about Rs 1 lakh crore y-o-y due to festive-season cash withdrawals.
- As of October 24, 2025, the short-term weighted average call rate (WACR) increased to 5.53%, up from 5.47% in the previous fortnight and is now three basis points (bps) above the repo rate of 5.50%. The rise in WACR reflects tighter liquidity conditions in the banking system, driven by increased credit demand, even as the RBI continues to manage liquidity through variable repo rate operations (VRR).

Bank Credit Growth Maintains Its Upward Trajectory

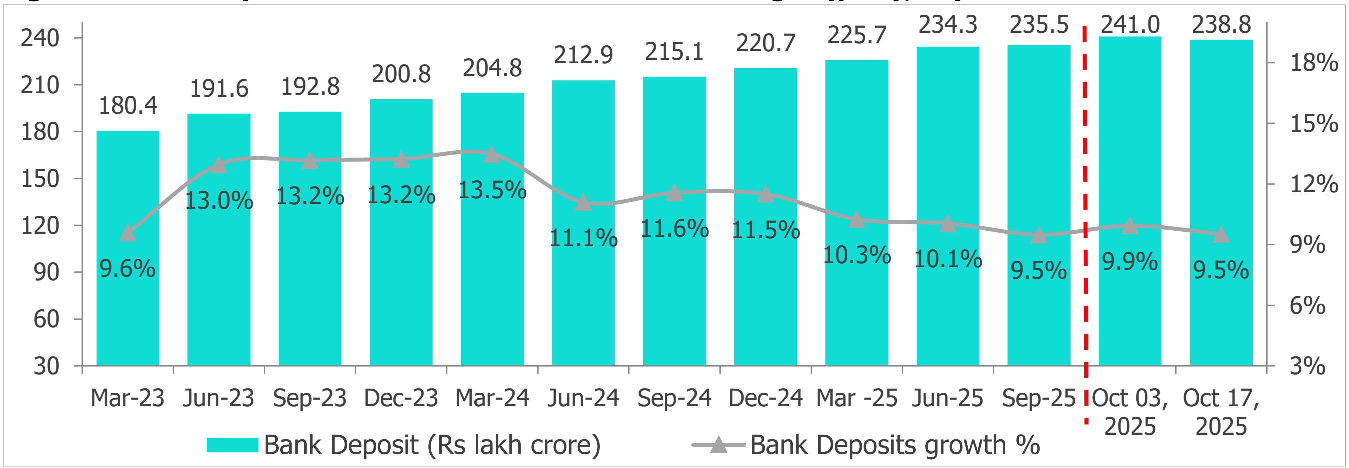
Figure 1: Bank Credit Growth Trend (y-o-y%, Rs lakh crore)



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

- Bank credit off-take increased by 11.5% y-o-y and reached Rs 192.1 lakh crore as of the fortnight ending October 17, 2025. This reflects a slight decline of 0.3% from the previous fortnight. The growth was primarily driven by seasonal festive demand, the significant impact of GST rate reductions, demand from the retail and MSME sectors, and some corporate demand resulting from rising bond yields. Additionally, robust vehicle financing during the festive period is expected to support overall credit growth further. Currently, the growth rate aligns with last year's 11.5% growth, excluding effects from mergers.

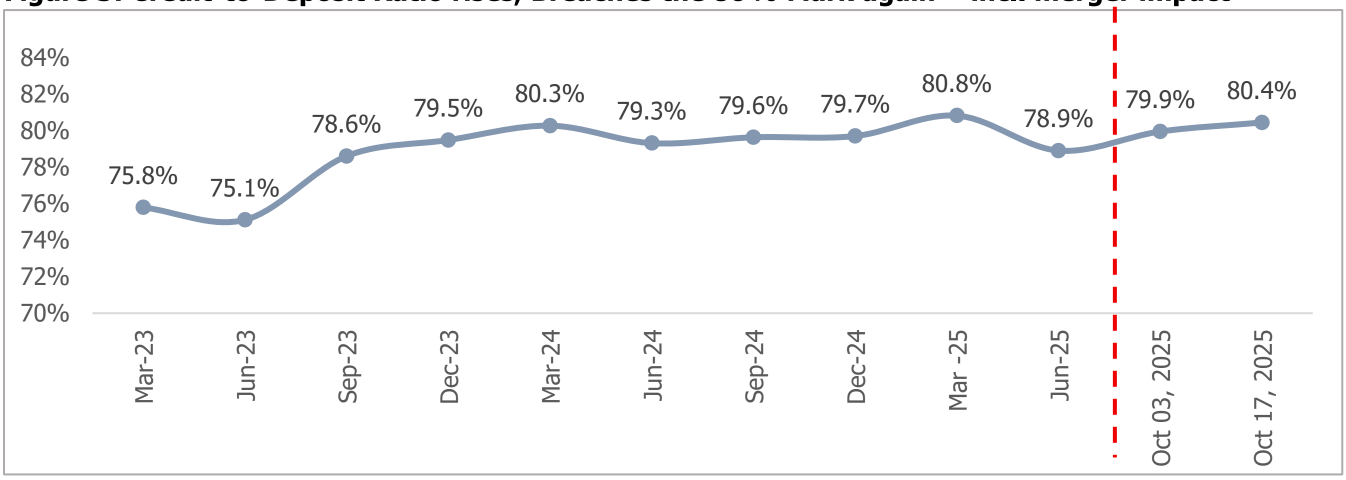
Figure 2: Bank Deposit Growth Rate Falters for the Fortnight (y-o-y, %)



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

- As of October 17, 2025, aggregate bank deposits stood at Rs 238.8 lakh crore, reflecting a 9.5% y-o-y rise and a 1.0% sequential decline over the previous fortnight. The deposit growth remained below the 11.7% (ex-merger) growth seen a year earlier, attributed to investments into alternative avenues yielding higher returns. This decline in deposits during the current fortnight was driven by temporary factors, such as festive-season cash withdrawals and an increase in currency in circulation, which rose by around Rs 1 lakh crore y-o-y. Time deposits, which account for 87.6% of total deposits, grew 8.6% y-o-y to Rs 209.1 lakh crore, marking a slowdown from 11.6% in the corresponding period last year. Meanwhile, demand deposits rose 16.9% y-o-y, compared to 13.0% a year ago, and currently stand at Rs 29.8 lakh crore, comprising 12.4% of the total deposit base.

Figure 3: Credit-to-Deposit Ratio rises, Breaches the 80% Mark again - incl. merger impact

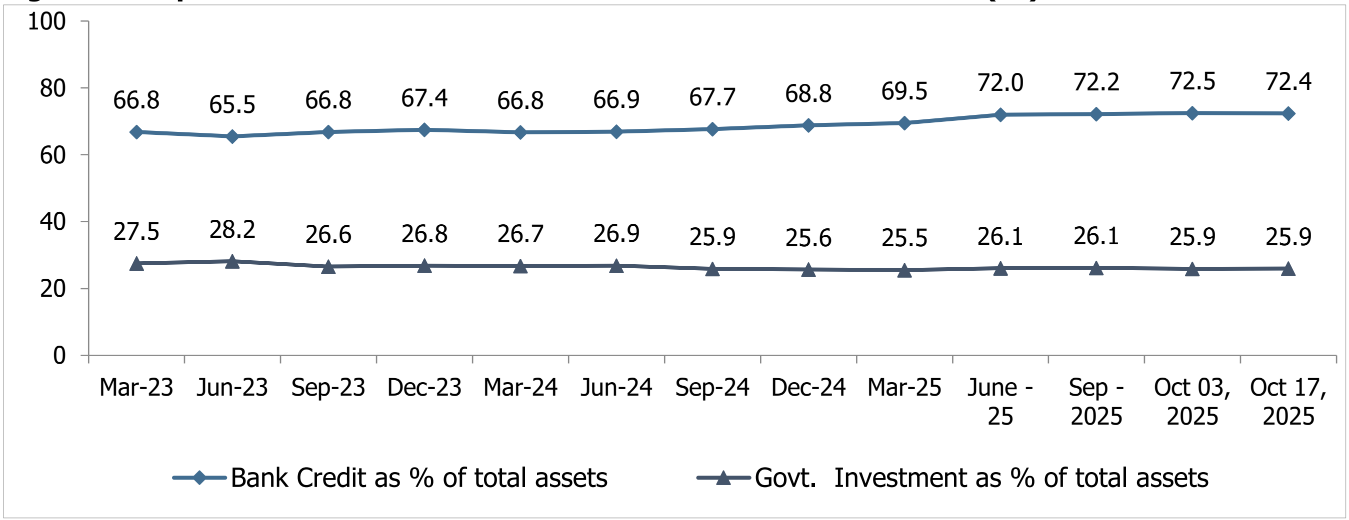


Note: The quarter-end data reflects last fortnight's data of the quarter and compares post-merger figures; Source: RBI, CareEdge Ratings

- The credit-to-deposit (CD) ratio increased to 80.4% in the current fortnight, surpassing the 80% mark. The uptick was led by a sharper expansion in credit offtake compared with the relatively modest growth in deposits.

Bank Credit Share Dips Marginally, while Government Investments Share remains flat

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; Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge Ratings

- The bank credit-to-total-assets ratio marginally declined by one basis point to 72.4%. In contrast, the Government Investment-to-total-assets ratio remained flat, settling at 25.9%. Total government investments stood at Rs 68.8 lakh crore as of October 17, 2025, registering a y-o-y growth of 6.1% and a modest sequential increase of 0.1%.

O/s Commercial Papers (CPs) and Certificates of Deposit (CDs) Increase Sequentially

Figure 5: Certificate of Deposit O/s

Fortnight ended	Amount Outstanding (Rs '000 crore)	Y-o-Y growth %
July 26, 2024	424.8	42.7
September 20, 2024	474.6	62.7
November 29, 2024	491.6	55.7
January 24, 2025	499.3	40.6
February 21, 2025	513.8	34.7
March 21, 2025	532.9	41.8
April 18, 2025	518.7	39.1
May 16, 2025	511.8	39.3
June 13, 2025	483.1	37.1
June 27, 2025	517.4	26.3
July 25, 2025	508.4	19.7
September 05, 2025	495.2	7.0
October 03, 2025	497.9	6.4
October 17, 2025	502.6	3.8

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

Figure 6: Trend in Certificates of Deposit Issued (Rs '000, crore) and RoI

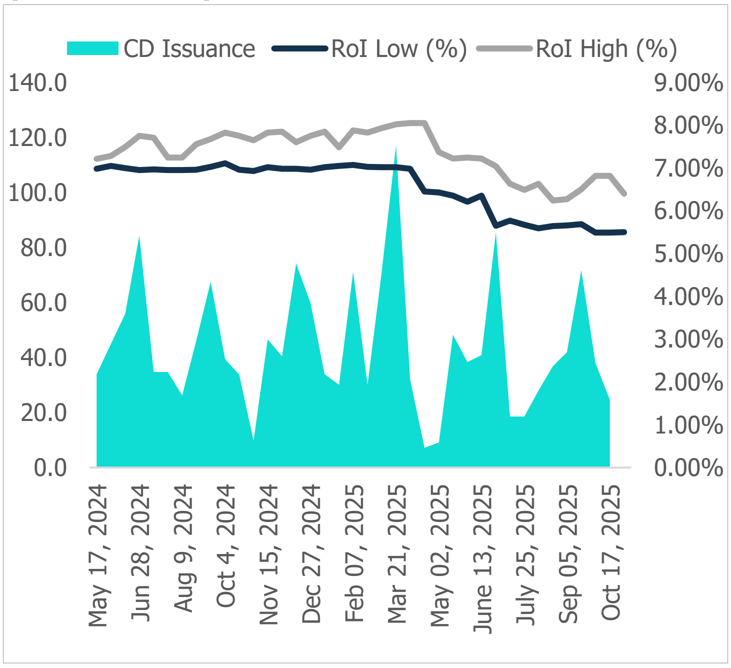
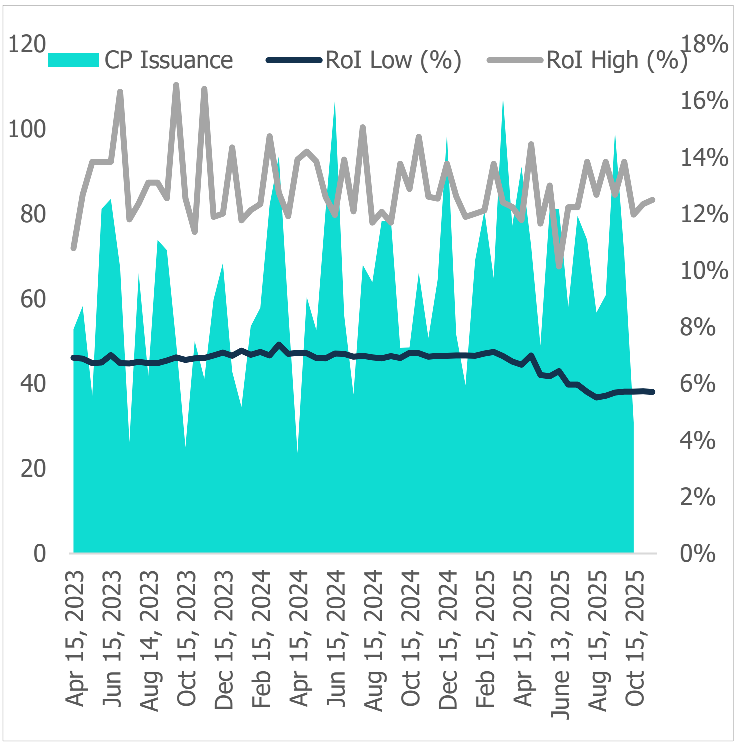


Figure 7: CP Outstanding

Fortnight ended	Amount Outstanding (Rs ' 000 crore)	Y-o-Y growth %
May 31, 2024	404.0	-6.8
June 30, 2024	422.4	-2.5
September 30, 2024	397.6	-3.6
November 30, 2024	445.1	12.7
December 30, 2024	435.8	19.7
February 28, 2025	465.9	14.2
March 31, 2025	442.9	14.0
April 30, 2025	545.6	32.6
May 15, 2025	541.5	28.6
June 15, 2025	549.3	27.4
June 30, 2025	500.0	18.4
July 31, 2025	547.2	19.2
September 15, 2025	526.7	19.4
September 30, 2025	488.2	22.8
October 15, 2025	495.6	13.1

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

Figure 8: Trend in CP Iss. (Rs '000, crore) and Return on Investment (RoI)



RBI Announcements

Announcement	Detail
Draft Reserve Bank of India (Capital Market Exposure) Directions, 2025	Capital Market Exposures (CMEs) by Regulated Entities (REs) involve higher risks, leading to sectoral exposure limits, purpose-specific lending caps, and loan-to-value (LTV) ratios. CME encompasses both direct investments in securities and indirect exposures like lending against securities and financing to capital market intermediaries such as stockbrokers and custodians. The current guidelines have been thoroughly reviewed to better align with market developments and facilitate bank financing of CME. The draft Directions streamline and unify the regulations governing these exposures.
Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Amendment Directions, 2025	These amendments define a new category called "High-quality infrastructure projects" based on strict criteria, which include at least one year of satisfactory post-operations, a 'standard' asset classification, strong creditor protections (such as escrow of cash flows and first legal claim), and primary revenue coming from a Central Government or Public Sector Entity. The draft updates paragraph 84 of the Master Direction to introduce a tiered risk weight system for these high-quality projects: a 50% risk weight is applied if the obligor has repaid at least 10% of the sanctioned amount, while a 75% risk weight applies if the repayment is between 5% and less than 10% repaid.

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 1629 /+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

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 strong position across the segments. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd (previously known as CARE Risk Solutions Pvt Ltd), (II) CARE ESG Ratings Ltd, (previously known as CARE Advisory Research and Training 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.