# Credit and Deposits Takes a Breather Post Quarter-End, Yet Momentum Remains Firm

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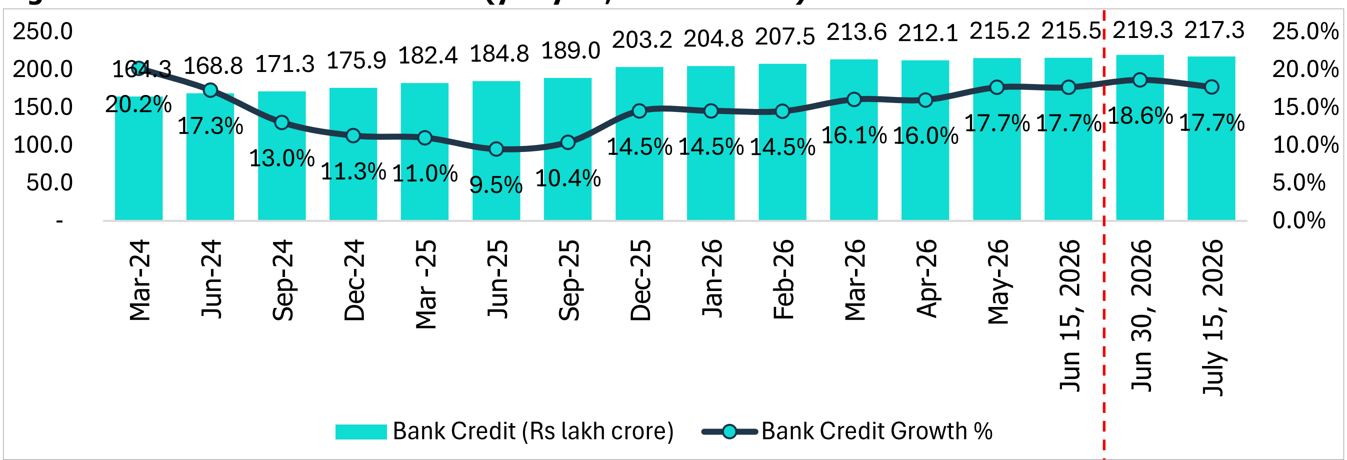
**Synopsis**

- Bank credit growth moderated sequentially as of July 15, 2026, but remained robust at 17.7% y-o-y, significantly above 9.8% in the corresponding period last year. The credit-deposit growth differential also narrowed to around 503 bps from 535 bps in the previous fortnight, although the gap remains elevated. The Loan-to-Deposit Ratio (LDR) increased slightly to 82.7% from 82.6% in the previous fortnight, as both credit and deposits declined sequentially, with deposits contracting slightly faster.
    - Outstanding (o/s) bank credit stood at Rs 217.3 lakh crore, registering 17.7% y-o-y growth, although it declined by 0.9% sequentially during the fortnight. The decline partly reflects the recurring post-quarter-end reduction in credit o/s, while improving access to market-based funding amid softer bond yields may have also moderated incremental bank credit demand. Nevertheless, credit growth remained broad-based, supported by resilient retail and MSME demand, continued lending to NBFCs and sustained corporate credit demand.
    - Aggregate deposits stood at Rs 262.8 lakh crore, rising 12.7% y-o-y compared with 10.1% a year earlier, although they declined by 1.0% sequentially during the fortnight. The reduction is consistent with the recurring post-quarter-end decline in absolute deposit o/s and may also reflect routine early-quarter movements in corporate cash balances and term-deposit maturities. Recent RBI measures to facilitate foreign currency inflows through FCNR(B) deposits, ECBs and OFCBs are expected to provide additional support to banks' funding flexibility and liquidity conditions over the coming quarters.
- As of July 17, 2026, the Weighted Average Call Rate (WACR) decreased marginally to 5.30% compared to 5.31% in the previous fortnight and remained five basis points (bp) above the prevailing repo rate of 5.25%.

**Credit Growth Remains Strong, Despite Sequential Moderation**

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



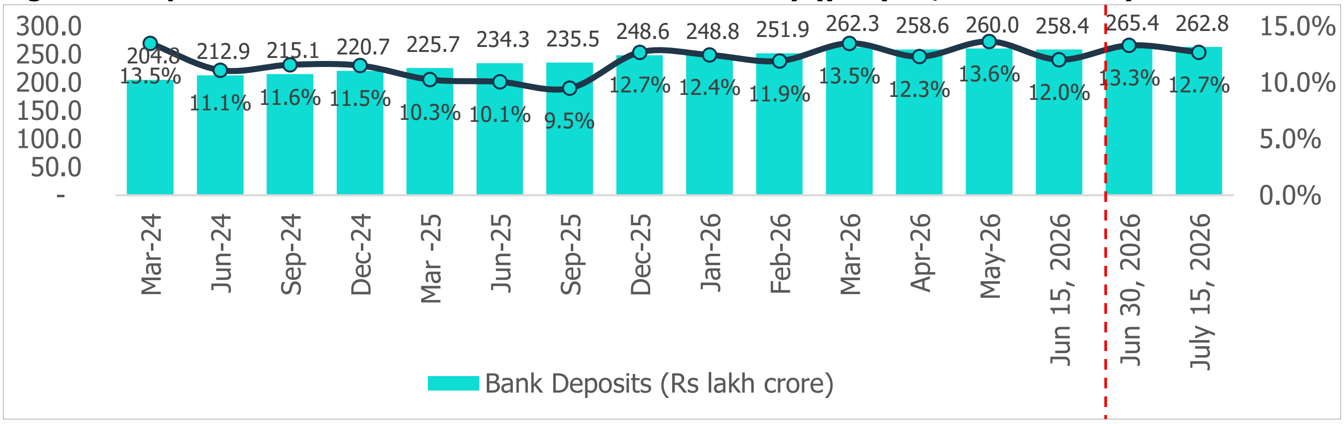

Note: The quarter-end data reflects the quarter's last fortnight's data; Source: RBI, CareEdge Ratings. Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, effective from December 15, 2025.

- Bank credit growth moderated sequentially as of July 15, 2026, with outstanding credit rising 17.7% y-o-y to Rs 217.3 lakh crore, compared with 18.6% in the previous fortnight. Credit o/s declined marginally by Rs 1.95

lakh crore over the fortnight, partly reflecting the recurring seasonal pattern of a reduction in credit balances during the first reporting fortnight following the end of a quarter, after the strong acceleration typically seen towards quarter-end. The sequential decline may also have been supported by improving access to market-based funding, as the 10-year G-Sec yield moderated to 6.7-6.8%, improving borrowing conditions in the bond market and encouraging some large corporates and NBFCs to access market-based funding. Nevertheless, growth remained robust and broad-based, supported by resilient retail credit, continued lending to MSMEs, sustained credit demand from services and infrastructure-linked sectors, and healthy bank funding to NBFCs. Lower policy rates and surplus liquidity continue to support borrowing activity, although sequential moderation indicates that the recent pace of credit expansion may be beginning to normalise.

- Going forward, overall bank credit growth for FY27 is anticipated to moderate to around 14.5%–15.5% from the elevated levels seen recently. While easing policy rates should continue to support borrowing activity, further moderation in bond yields and improving capital market conditions could encourage NBFCs and large corporates to increasingly access market-based funding. This could reduce their reliance on incremental bank financing and contribute to a gradual normalisation in bank credit growth.

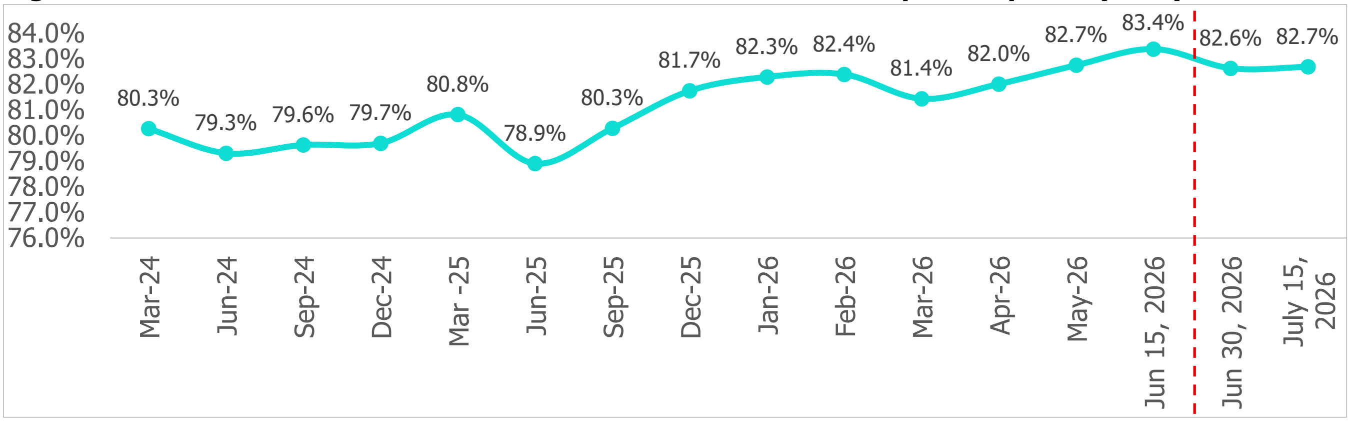
**Figure 2: Deposit Growth Momentum Moderates in Mid-July (y-o-y %, Rs lakh crore)**




Note: The quarter-end data reflects the last fortnight's data of that quarter; Source: RBI, CareEdge Ratings. Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, from December 15, 2025.

- Bank deposits moderated sequentially as of July 15, 2026, with outstanding deposits growing 12.7% y-o-y to Rs 262.8 lakh crore, compared with 13.3% as of June 30, 2026. Deposits declined by Rs 2.54 lakh crore over the fortnight. The sequential decline is likely to partly reflect the normalisation of quarter-end balances, as absolute deposit balances typically decline in the first reporting fortnight following the end of a quarter, alongside routine early-quarter movements in corporate and other large depositor cash positions. Additionally, deposit maturities and withdrawals may also have contributed to the decline. Nevertheless, deposit growth remained healthy, supported by banks' continued focus on strengthening liability franchises through competitive term-deposit offerings.
- Going forward, deposit growth is expected to remain healthy, supported by continued mobilisation efforts and improving access to foreign currency funding. The recent mobilisation of around USD 17.4 billion through FCNR(B) deposits as of July 17, 2026, along with RBI measures to facilitate foreign currency funding and the forex swap facility for eligible borrowings, should provide additional support to banks' funding flexibility and liquidity conditions. However, deposit mobilisation may continue to show some volatility around quarter-end periods and remain subject to competition from market-linked investment avenues.

**Figure 3: LDR Remains Elevated as Credit Growth Continues to Outpace Deposits (in %)**

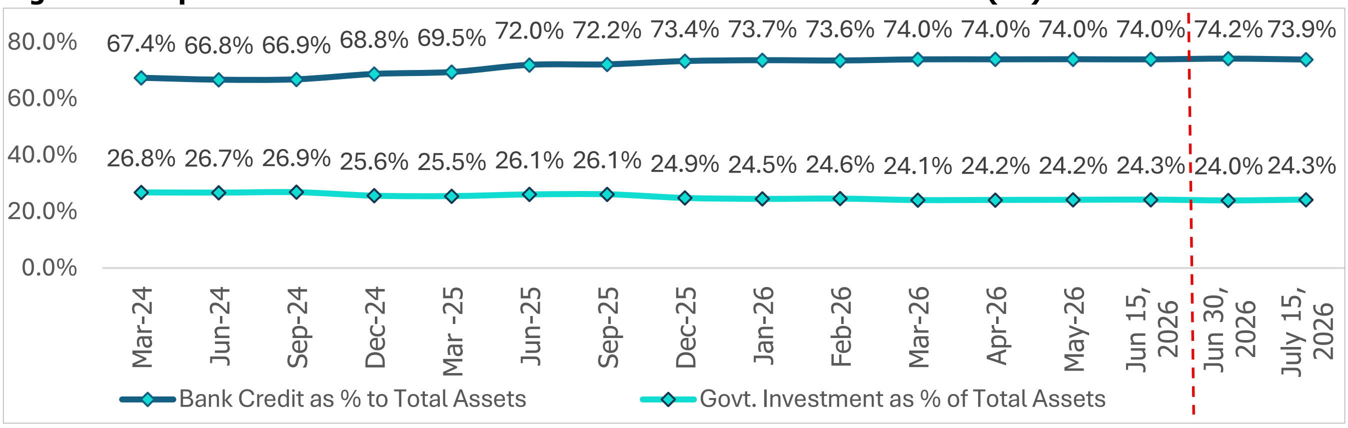



Note: The quarter-end data reflects last fortnight's data of the quarter and compares post-merger figures; Source: RBI, CareEdge Ratings. Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, from December 15, 2025.

- The LDR remained broadly stable at 82.7% as of July 15, 2026, compared with 82.6% as of June 30, 2026, but remained significantly above 78.9% recorded a year earlier. The marginal 1-bp increase reflects a slightly sharper sequential decline in deposits than in credit during the fortnight. Despite the recent moderation in credit growth, the elevated LDR highlights the continued need for banks to strengthen deposit mobilisation to support sustained credit expansion.
- Looking ahead, the LDR is expected to remain elevated in the near term, with a gradual moderation possible if deposit accretion outpaces credit growth. While credit growth is expected to normalise from its recent elevated levels, continued efforts to mobilise deposits, improving access to foreign currency funding, easing systemic liquidity conditions, and lower interest rates could strengthen banks' funding base over the coming quarters.

**Bank Credit Share Decreased, while Government Investments Increased Sequentially**

**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. Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, from December 15, 2025.

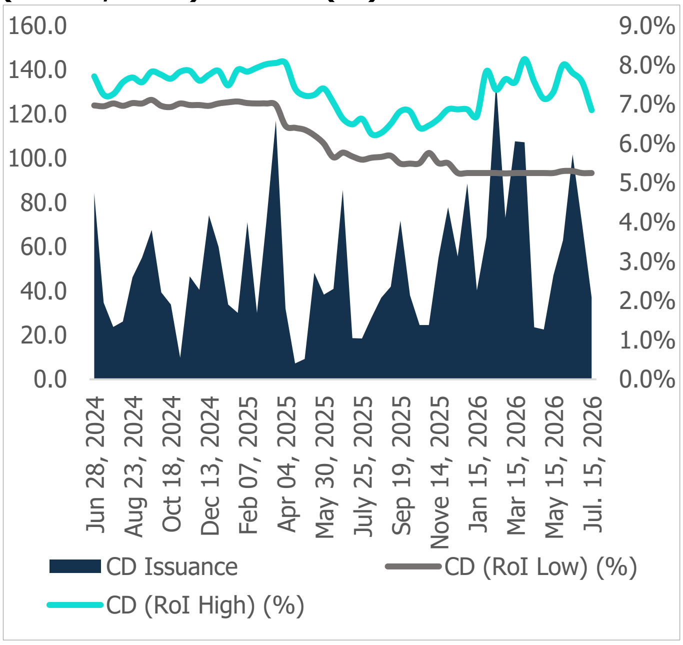
- As of mid-July 2026, bank credit accounted for 73.9% of total assets, down 30 bps from the previous fortnight, reflecting a moderation in credit's share, despite healthy credit growth. Meanwhile, the share of government investments rose marginally to 24.3% from 24.0%, indicating a modest increase in banks' allocation towards government securities.

**Certificates of Deposits (CDs) Outstanding and Commercial Papers (CPs) Increase Sequentially**

**Figure 5: Certificate of Deposit O/s**

| Fortnight ended | Amount Outstanding (Rs '000 crore) | Y-o-Y growth % |
|---|---|---|
| December 31, 2025 | 568.1 | 14.9 |
| January 15, 2026 | 574.6 | 16.3 |
| January 31, 2026 | 588.7 | 17.9 |
| February 15, 2026 | 662.2 | 27.6 |
| February 28, 2026 | 663.8 | 29.2 |
| March 15, 2026 | 679.4 | 32.9 |
| March 31, 2026 | 692.7 | 32.5 |
| April 15, 2026 | 684.8 | 32.0 |
| April 30, 2026 | 687.3 | 34.0 |
| May 15, 2026 | 663.3 | 29.6 |
| May 31, 2026 | 656.4 | 27.8 |
| June 15, 2026 | 667.3 | 38.1 |
| June 30, 2026 | 666.2 | 28.7 |
| July 15, 2026 | 683.1 | 30.0 |

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



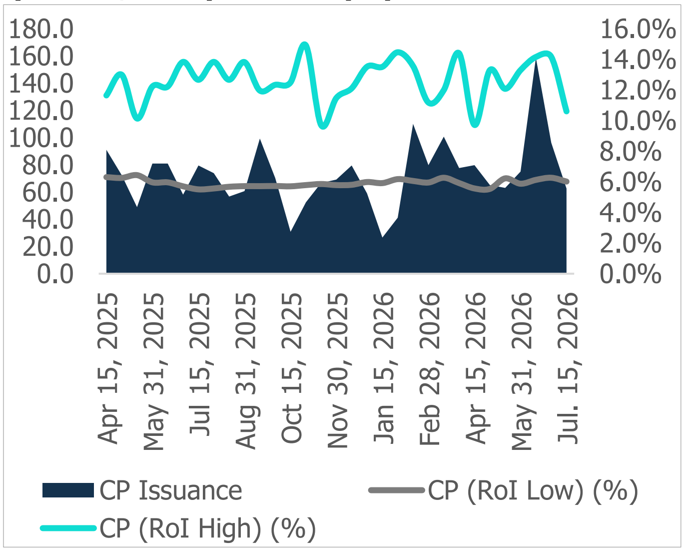

Note: The quarter-end data reflects the quarter's last fortnight's data. Source: RBI

- Certificates of Deposit (CDs) outstanding increased sequentially to Rs 683.1 thousand crore as of July 15, 2026, while fresh CD issuance moderated to Rs 37.1 thousand crore from Rs 69.8 thousand crore in the previous fortnight. Despite the moderation in fresh issuance, outstanding CDs grew 30.0% y-o-y, underscoring continued reliance on CDs as a source of short-term funding. Funding costs eased during the fortnight, with the upper end of issuance rates declining to 6.9% from 7.6%, while the lower end remained stable at 5.3%, narrowing the rate spread to 1.6% from 2.3%.

**Figure 7: CP Outstanding**

| Fortnight ended | Amount Outstanding (Rs ' 000 crore) | Y-o-Y Growth % |
|---|---|---|
| December 31, 2025 | 451.0 | 3.5 |
| January 31, 2026 | 438.8 | -3.9 |
| February 28, 2026 | 478.4 | 2.7 |
| March 31, 2026 | 460.2 | 3.9 |
| April 15, 2026 | 526.6 | 1.0 |
| April 30, 2026 | 560.9 | 2.8 |
| May 15, 2026 | 539.3 | -0.4 |
| May 31, 2026 | 536.2 | -3.2 |
| June 15, 2026 | 557.7 | 0.7 |
| June 30, 2026 | 541.8 | 8.4 |
| July 15, 2026 | 565.9 | 6.0 |

**Figure 8: Trend in Commercial Papers Issued (Rs '000, crore) and RoI (%)**




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

- Commercial Paper (CP) outstanding increased to Rs 565.9 thousand crore as of July 15, 2026, while fresh issuance moderated to Rs 62.5 thousand crore from Rs 96.2 thousand crore in the previous fortnight. The rise in outstanding CPs, despite lower fresh issuance, indicates that issuances from earlier periods remained outstanding, while the moderation in fresh issuance points to lower incremental short-term funding requirements during the fortnight. CP funding costs eased across most issuer categories, with the lower end of issuance rates declining to 6.02% from 6.27%, while the upper end fell sharply to 10.61% from 14.18%, narrowing the spread to 4.6% from 7.9%. Although funding conditions improved broadly, lower-rated borrowers continued to face relatively higher costs.

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