Deposit Growth Continues to Outpace Credit Offtake; CD Ratio Remains Below 80%

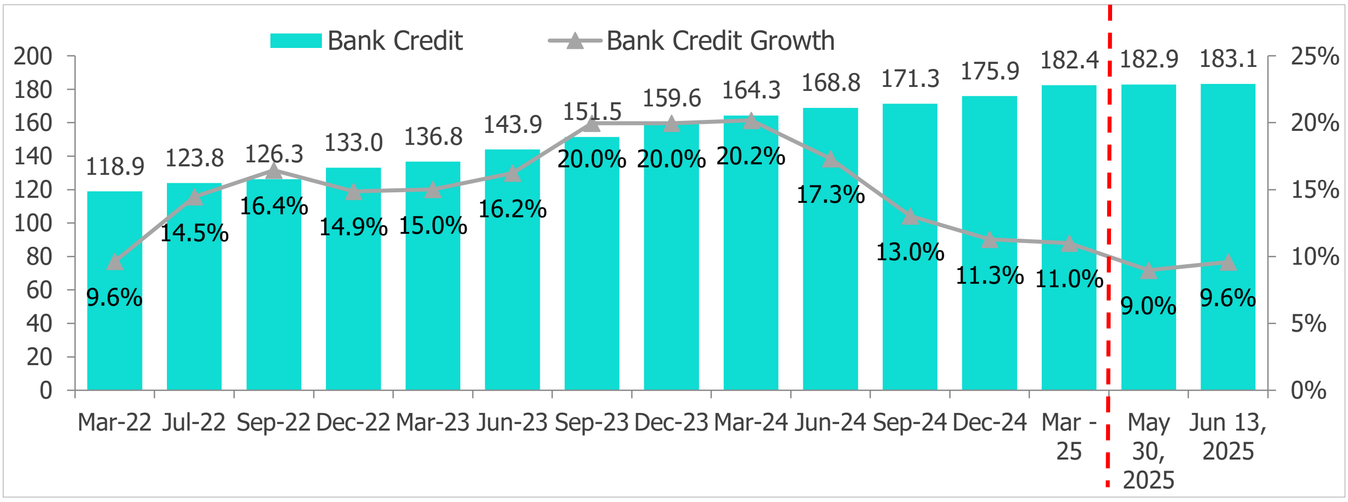
June 30, 2025 | BFSI Research

Synopsis

- Credit offtake and deposit growth have cooled, with deposit growth continuing to outpace credit offtake in the current fortnight.
  - As of June 13, 2025, credit offtake reached Rs 183.1 lakh crore, marking an increase of 9.6% year-on-year (y-o-y), significantly slower than last year's rate of 15.5% (excluding merger impact). The slowdown can be attributed to a high base effect and muted growth across segments, including retail.
  - Deposits rose 10.4% y-o-y, totalling Rs 230.7 lakh crore as of June 13, 2025, a decrease from 12.1% the previous year (excluding merger impact). This slower growth is primarily attributed to an unfavourable base effect, deposit repricing and a rise in alternative investment opportunities.
- The Short-Term Weighted Average Call Rate (WACR) decreased to 5.27% as of Jun 20, 2025, from 6.68% on Jun 21, 2024. This decline follows three successive repo rate cuts and liquidity infusion by the Reserve Bank of India (RBI).

Bank Credit Growth Rate Cools for the Fortnight

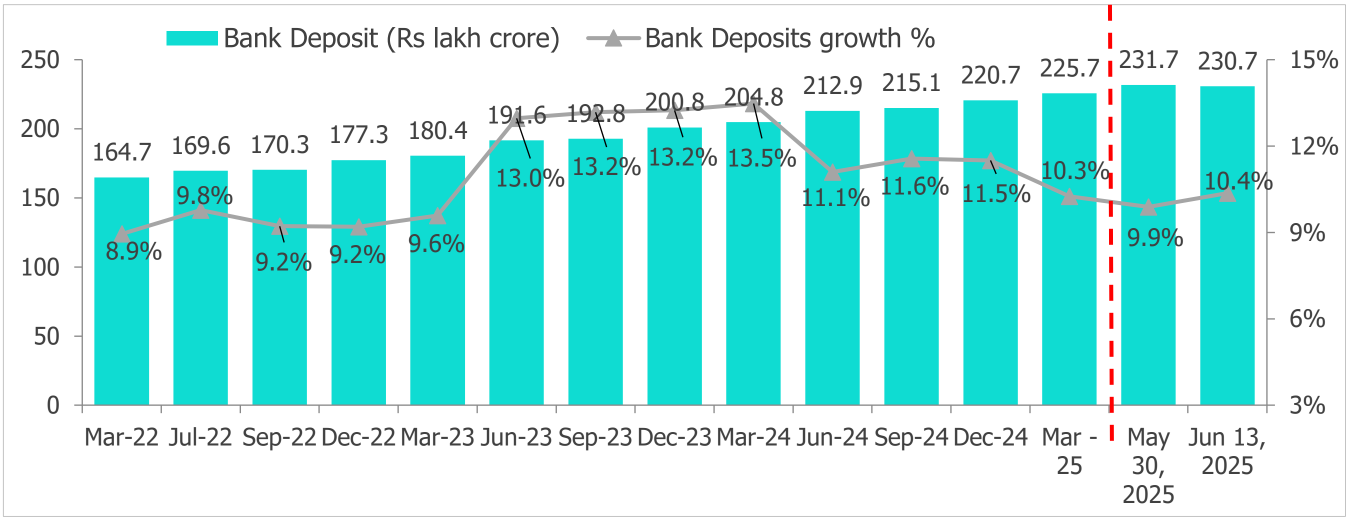
Figure 1: Bank Credit Growth Trend (y-o-y% %, Rs Lakh crore)



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

- Credit offtake rose by 9.6% y-o-y and increased by 0.1% sequentially for the fortnight ending Jun 13, 2025, and came in slower than the previous year's growth of 15.5% (excluding the merger impact). This slowdown can be attributed to weaker momentum, a higher base effect, and muted growth across segments, including retail, which has seen a slowdown in the unsecured personal loans, mortgages, and vehicle loan sub-segments.

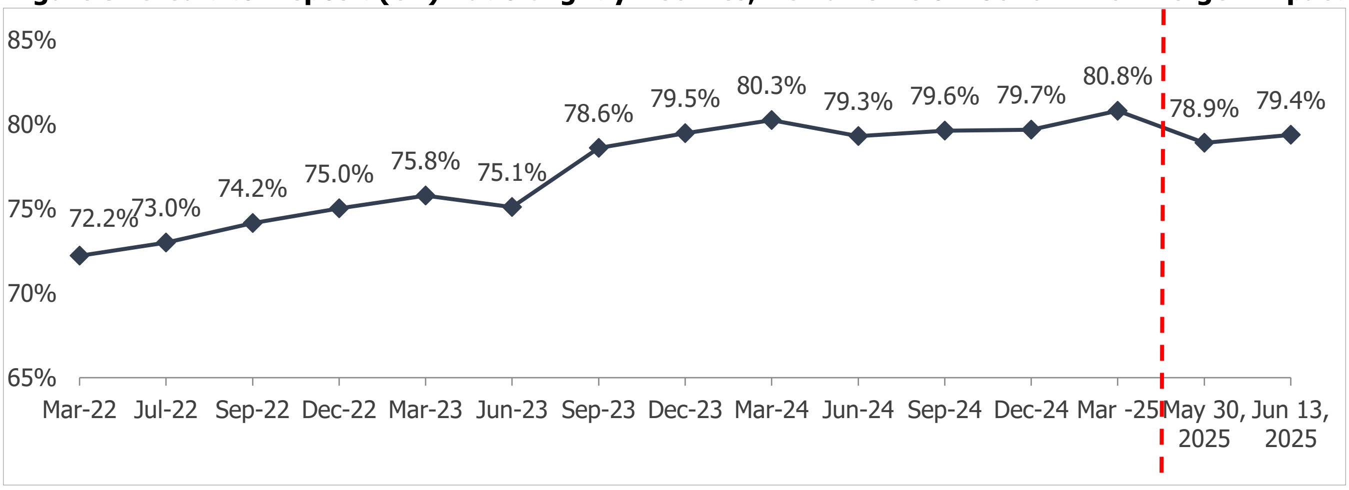
Figure 2: Bank Deposit Growth Rate Decreased Marginally for the Fortnight (y-o-y%)



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

- Deposits increased by 10.4% y-o-y and fell by 0.44% sequentially, reaching Rs 230.7 lakh crore as of June 13, 2025, lower than the 12.1% growth (excluding merger impact) recorded last year. Banks are increasingly relying on certificates of deposit to meet their funding needs, amid subdued deposit growth, as competition has intensified in the bulk deposit segment.

Figure 3: Credit-to-Deposit (CD) Ratio Slightly Declines, Remains Below 80% – Incl. Merger Impact

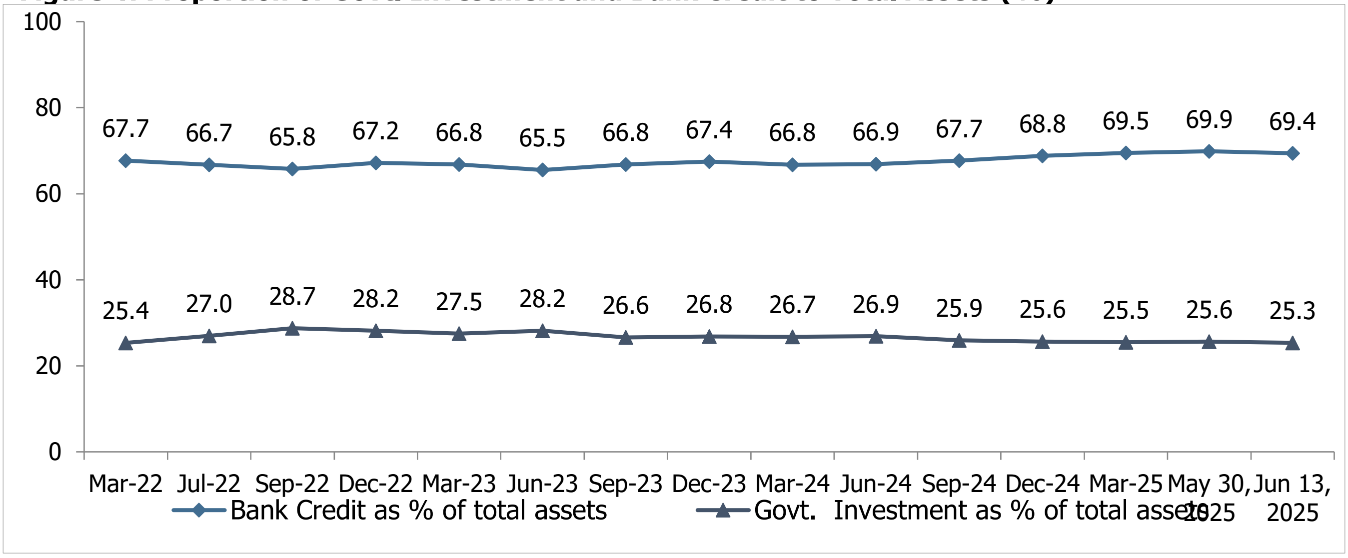


Note: The quarter-end data reflects last fortnight's data of the quarter and compares post-merger figures; Source: RBI, CareEdge Ratings

The Credit-Deposit (CD) ratio witnessed a marginal rise yet continued to remain below the 80% mark for the six consecutive fortnights. As of Jun 13, 2025, the CD ratio was 79.4%, up by 47 basis points from the previous fortnight. This increase was primarily driven by deposit outflow compared to a growth in credit offtake of Rs 0.59 lakh crore during the current fortnight.

Share Bank Credit and Govt. Investments Witness Marginal Decline

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 witnessed a marginal downtick and decreased to 69.4%, while the Government Investment-to-total-assets ratio also reduced to 25.3%, for the fortnight ending June 13, 2025. Additionally, overall government investments totalled Rs 66.9 lakh crore as of June 13, 2025, reflecting a y-o-y growth of 7.4% and a sequential decline of 0.2%.

O/s Certificate of Deposits and 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 16, 2025	511.8	39.3
May 30, 2025	513.7	39.2
Jun 13, 2025	483.1	37.1

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

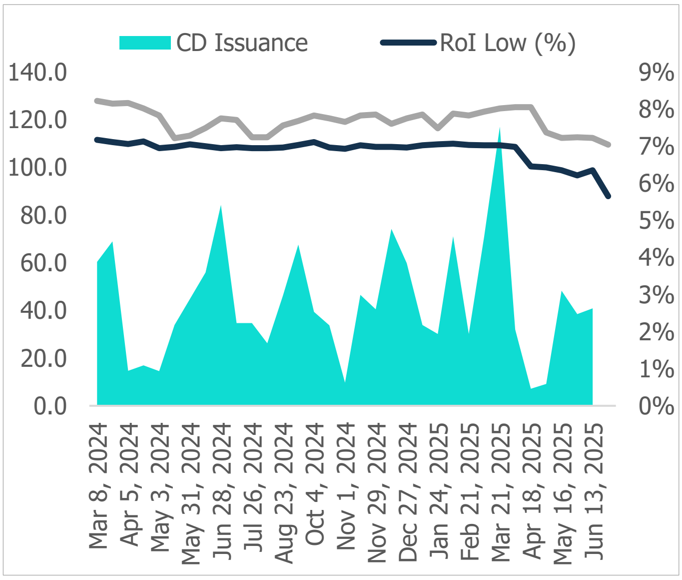
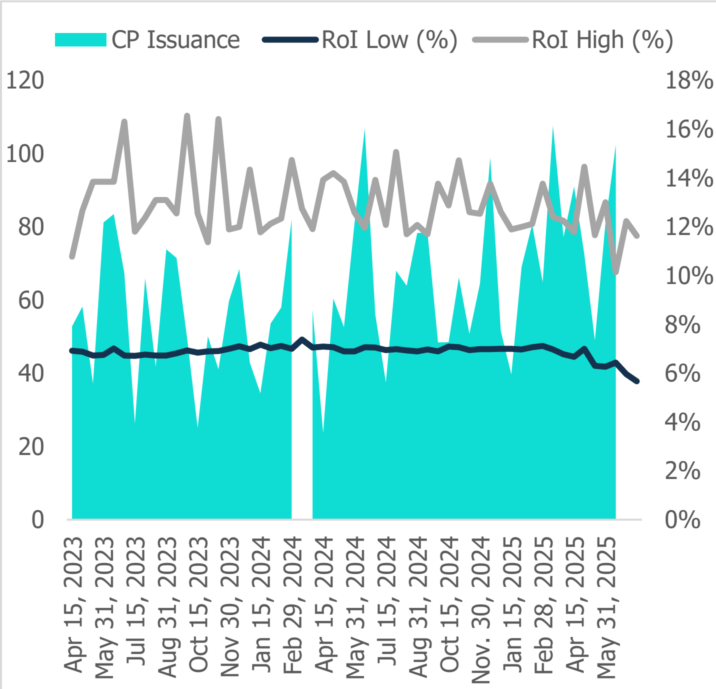


Figure 7: Commercial Paper Outstanding

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
May 31, 2025	553.8	37.1
Jun 15, 2025	549.3	27.4

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 Announcement

Announcement	Detail
Review of Priority Sector Lending norms - Small Finance Banks	• The Reserve Bank of India (RBI) on June 20, 2025, revised the priority sector lending (PSL) norms for Small Finance Banks (SFBs), reducing the overall PSL target from 75% to 60% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE) (whichever is higher), effective FY26 marking a significant shift in their lending obligations. This change, effective from FY26, aims to enhance operational flexibility and sustainability while maintaining their financial inclusion mandate. This timely shift is expected to improve risk management, enable portfolio diversification, and free up resources for redeployment into more secure, better risk-adjusted assets amid rising stress in the microfinance segment (Refer SFBs' PSL Obligations Lowered from 75 per cent to 60 per cent; to Boost Flexibility and Build Diversified Loan Book for further details)
Reserve Bank of India (Project Finance) Directions, 2025	• The new 1% (1.25% for CRE) provision is higher than the earlier 0.4% for infra loans (1% for CRE), implying a modest rise in capital cost for banks, though existing loans are grandfathered. For public sector banks, the impact of incremental provisioning would be ~7-10 bps (in terms of credit cost / net advances), whereas for private sector banks, the incremental provisioning would be up to 3-5 bps. Banks are also preparing themselves for adopting the ECL framework as required by the RBI." CareEdge is of the view that implementing ECL provisioning would overlap with the implementation of these provisioning norms. For NBFCs governed by Ind-AS, provisioning largely aligns with existing Stage 1 ECL buffers, limiting the impact. With this implementation scheduled for October 2025, lenders have a clear runway to adjust their systems, recalibrate pricing, and manage the balance sheet impact. (Refer to RBI Mandates 'Skin in the Game' for Project Lenders; Aligns Rules Across REs for further details)

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