

Credit-to-Deposit Ratio Breaches 80% Mark for the First Time in FY26

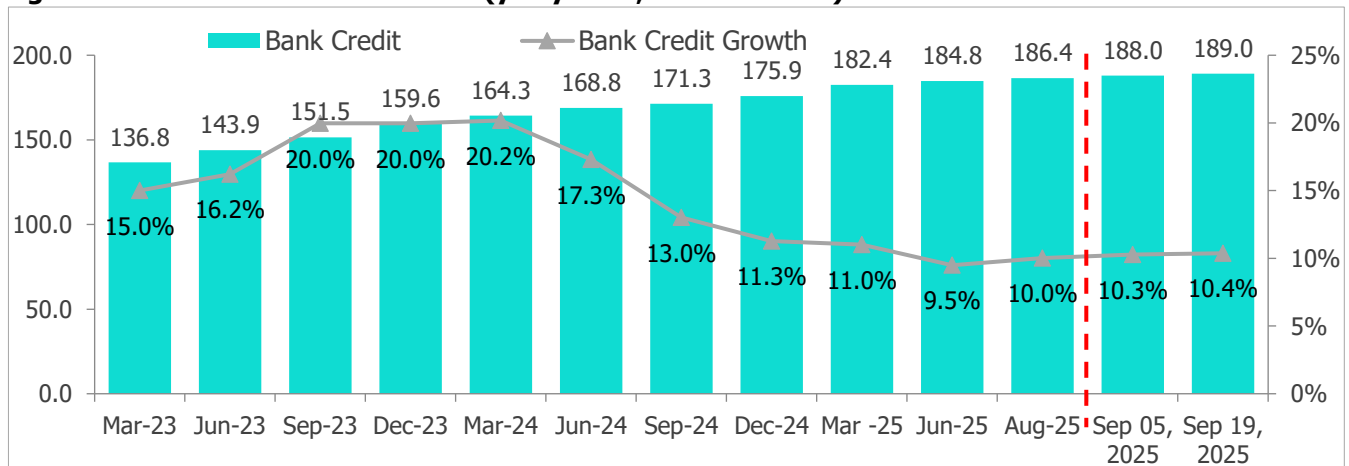
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Synopsis

- Credit growth has continued to outpace deposits in the current fortnight, though overall credit offtake continues to trail significantly behind the levels seen during the same period last year. At the same time, deposit growth has slipped below the double-digit mark for the second fortnight in a row, after remaining above it for the past three months.
 - As of September 19, 2025, credit offtake stood at Rs 189.0 lakh crore, reflecting a 10.4% year-on-year rise, majorly due to credit expansion to micro and small enterprises. This growth remains substantially lower than the 13.0% growth recorded in the previous year (excluding the merger impact), attributed to the high base effect, slower lending to corporates, and reduced lending to NBFCs.
 - Deposits rose by 9.5% y-o-y, totalling Rs 235.5 lakh crore as of September 19, 2025, a decrease from 11.6% the previous year (excluding merger impact). The slower growth is attributed to a likely decline in bulk deposits, as banks offer relatively lower yields and shift towards alternative instruments, while just-in-time government fund releases also dampen deposit growth.
- As of September 26, 2025, the Short-Term Weighted Average Call Rate (WACR) dropped to 5.57%, compared with 5.48% in the previous fortnight and is now seven basis points (bps) above the repo rate of 5.50%. This decline follows three consecutive cuts to the repo rate and the Reserve Bank of India's (RBI) efforts to manage liquidity.

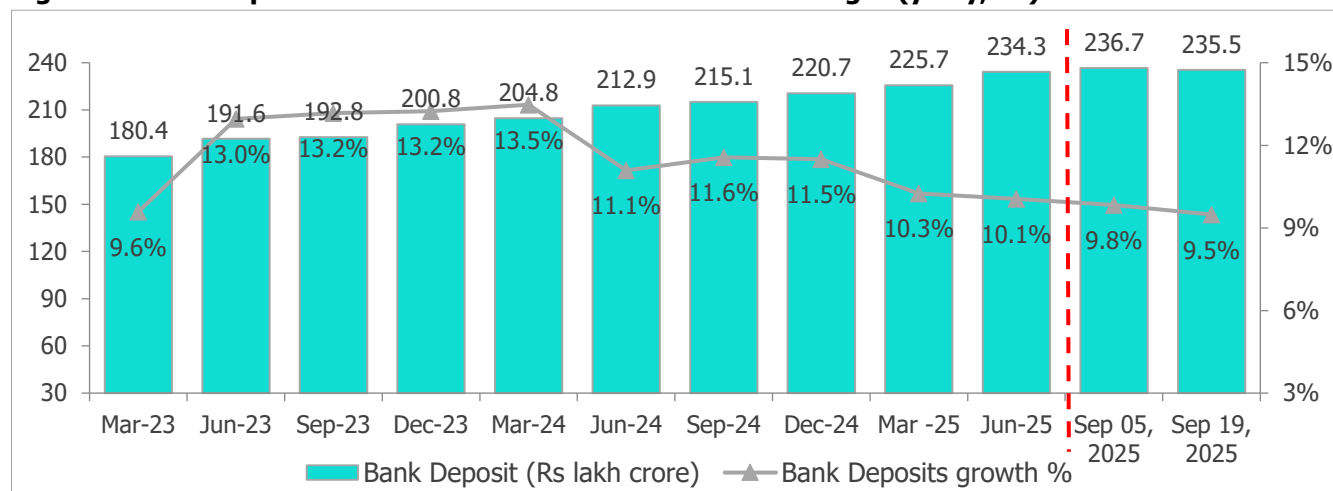
Bank Credit Growth Rate Rises for the Fortnight

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



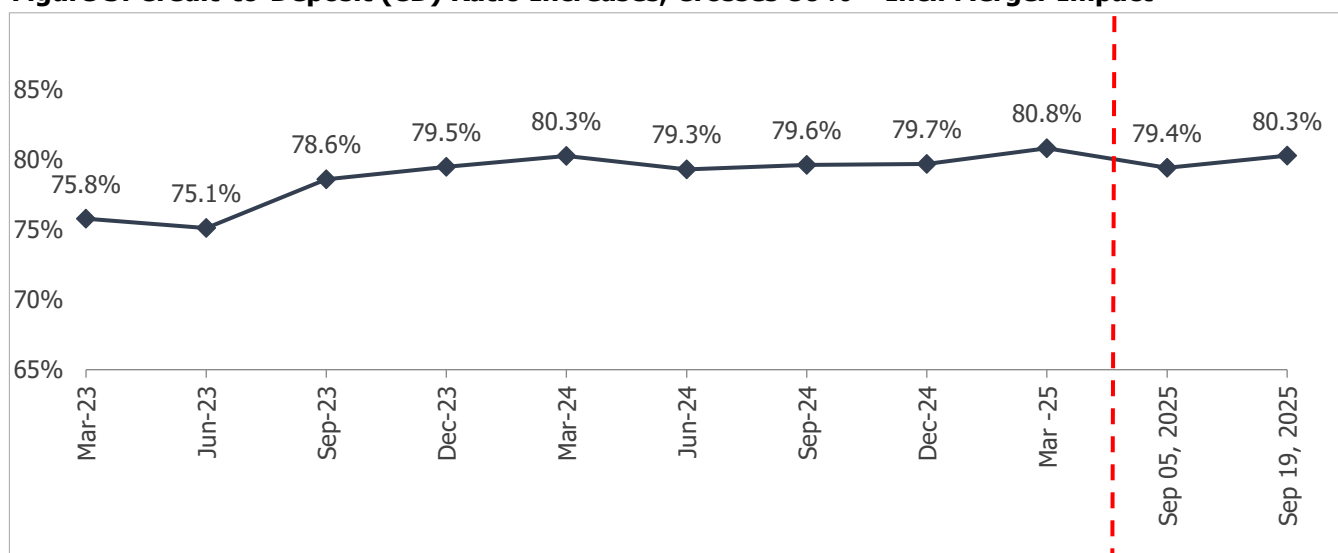
Note: The quarter-end data reflects the quarter's last fortnight's data. Source: RBI, CareEdge Ratings

- Credit offtake rose 10.4% y-o-y in the fortnight ending September 19, 2025, marking a sequential uptick of 0.5% i.e. Rs 1.02 lakh crore over the previous fortnight, attributed to credit expansion to Micro and small enterprises. Meanwhile, this growth stayed well below the 13.4% (ex-merger) seen in the same period last year, weighed down by a high base effect, weaker corporate lending, deceleration in personal loans and reduced credit flow to NBFCs.

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

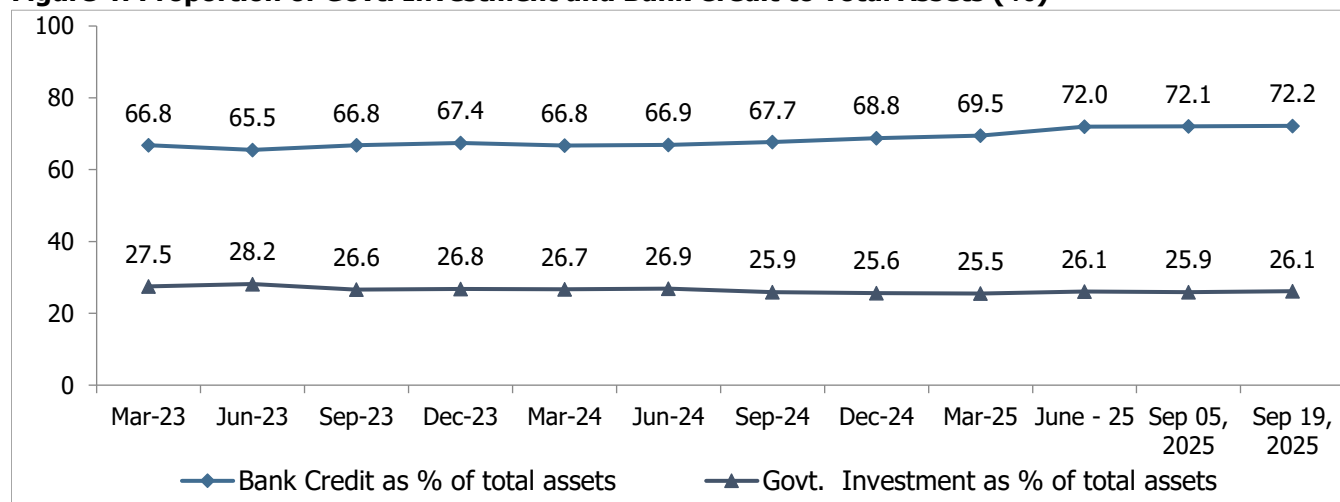
Note: The quarter-end data reflects the last fortnight's data of that quarter; Source: RBI, CareEdge Ratings

- Deposits rose by 9.5% y-o-y and reduced by 0.6% over the past fortnight, reaching Rs 235.5 lakh crore as of September 2025. However, they remain lower than the 11.6% growth (excluding merger impact) seen last year. Time deposits grew by 8.9% year-on-year to Rs 207.0 lakh crore, accounting for 87.9% of total deposits, a slowdown from the 11.3% growth in the same period last year. This slower growth in time deposits in the current fortnight could be partially attributed to the advance tax payments. Demand deposits, on the other hand, increased by 13.4% y-o-y to Rs 28.5 lakh crore, making up 12.1% of the total deposits.

Figure 3: Credit-to-Deposit (CD) Ratio Increases, Crosses 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 increased to 80.3% in the current fortnight, crossing the 80% mark for the first time in six months, largely reflecting a decline of Rs 1.24 lakh crore in deposits alongside a rise of Rs 1.02 lakh crore in credit. Meanwhile, this CD ratio above 80% suggests banks are deploying a larger share of deposits into credit, supporting interest income growth. However, higher lending relative to deposits may pressure liquidity, potentially increasing reliance on costly short-term funding and compressing margin.

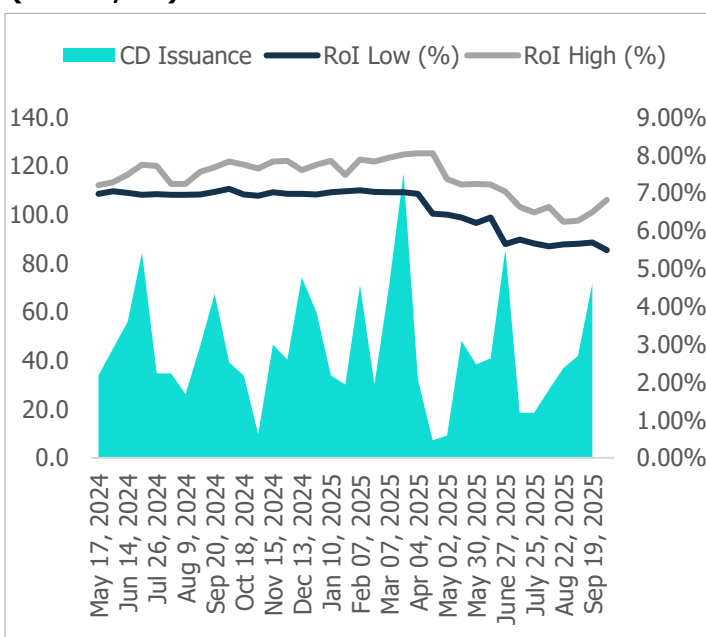
Bank Credit and Government Investments Share Increases Marginally
Figure 4: Proportion of Govt. Investment and Bank Credit to Total Assets (%)


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 Bank credit-to-total-assets ratio and Government Investment-to-total-assets increased marginally by one and two basis points (bps), reaching 72.2% and 26.1% respectively for the current fortnight. Additionally, overall government investments totalled Rs 68.4 lakh crore as of September 19, 2025, reflecting a y-o-y growth of 6.9% and a sequential rise of 0.4%.

O/s Commercial Papers (CPs) Decrease, While Certificates of Deposit (CDs) Increase Sequentially
Figure 5: Certificate of Deposit O/s

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
May 31, 2024	369.2	18.2
July 26, 2024	424.8	42.7
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
Jun 13, 2025	483.1	37.1
Jun 27, 2025	517.4	26.3
July 25, 2025	508.4	19.7
Sep 05, 2025	495.2	7.0
Sep 19, 2025	501.8	5.7

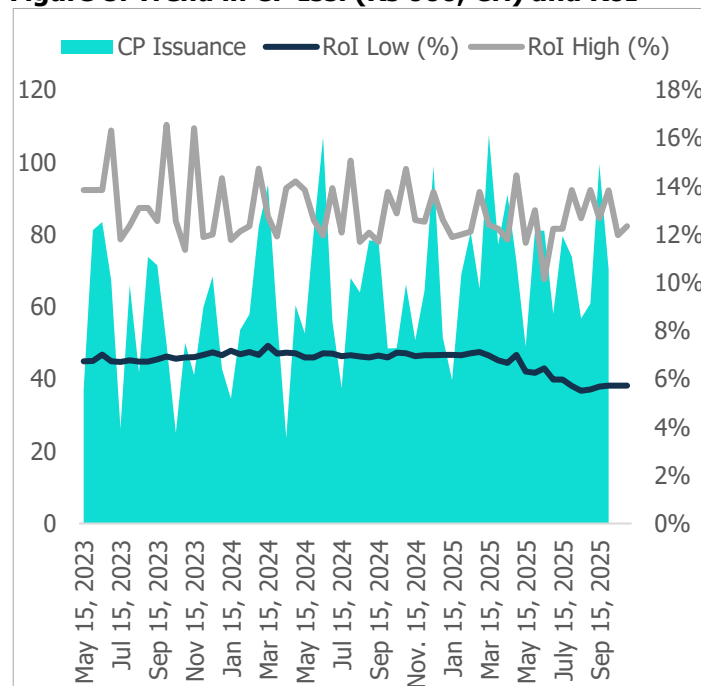
Figure 6: Trend in Certificates of Deposit Issued. (Rs'000, Cr.) and RoI


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

Figure 7: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
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
Jun 15, 2025	549.3	27.4
Jun 30, 2025	500.0	18.4
July 31, 2025	547.2	19.2
Sep 15, 2025	526.7	19.4
Sep 30, 2025	488.2	22.8

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
Monetary Policy– October 2025	<p>The RBI's Monetary Policy Committee (MPC) maintained a dovish pause in the October policy meeting, keeping the policy repo at 5.5% and maintaining a neutral stance. With global tariff-related uncertainties evolving and the impact of past monetary policy actions and recent fiscal stimulus still unfolding, the RBI has opted to wait and watch. With this tactical pause in the October meeting, the MPC has preserved policy space to undertake future rate cuts, should tariff disruptions prolong and aggravate the risks to growth.</p> <p>A 22-point package was also announced to strengthen banking sector resilience, boost credit flow, simplify forex management, enhance consumer experience, and promote internationalisation of the Indian Rupee.</p> <p>Refer to RBI Delivers Dovish Pause Along with Key Banking Announcements for further details</p>

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