Credit growth nears 12%, deposit slows to 9.35%

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Credit growth in the period ended December 15 expanded to nearly 12 per cent year-on-year (Y-o-Y), while deposit growth slowed further to 9.35 per cent, according to revised data released by the Reserve Bank of India (RBI) on Wednesday.

This resulted in a credit–deposit growth gap of 263 basis points (bps), underscoring persistent deposit tightness in the banking system. Last week, the RBI had released scheduled banks' statement of position data as of December 12, which showed deposit growth in the fortnight ended December 12 slowing to 9.7 per cent Y-o-Y, while credit growth picked up to 11.7 per cent Y-o-Y.

The RBI has aligned credit and deposit growth reporting to the 15th and 30th of each month. The corresponding reporting periods will continue to follow the earlier fortnight definition.

According to the revised data, overall bank credit expanded to ₹196.69 trillion as of December 15, compared with about ₹175.86 trillion in the same period last year. Credit grew by ₹1.65 trillion during the fortnight. Total deposits stood at ₹241.31 trillion in the December 15 fortnight, up from about ₹220.06 trillion a year ago. However, deposits declined by ₹1.28 trillion during the fortnight.

In the previous fortnight ended November 28, credit growth stood at 11.5 per cent, while deposit growth was 10.2 per cent.

Persistent deposit tightness has put Indian banks in a bind-they need to lower deposit rates to protect net interest margins (NIMs), while simultaneously mobilising deposits to fund credit growth that is picking up in the economy and expected to remain robust into the fourth quarter beginning January 2026. This leaves banks with limited room to cut deposit rates at a time when lower returns are already pushing savers away from bank deposits towards equity markets.

Bankers said that adequate system liquidity would enable them to cut deposit rates further while also supporting an acceleration in credit growth. RBI has announced a fresh round of liquidity measures through open market operations (OMOs) and a foreign exchange buy–sell swap, under which it will inject close to ₹3 trillion into the banking system.

The RBI has cut the repo rate by 125 bps in the current easing cycle. In response to a cumulative 100-bps cut in the policy repo rate, the weighted average lending rate (WALR) on fresh rupee loans declined by 69 bps during February–October 2025 (the interest rate effect was 78 bps).