

Optimum CD ratio for banks is 76-80%: SBI report

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The credit-deposit (CD) ratio beyond 80 per cent for state-owned and private banks and 70 per cent for foreign banks diminishes profitability gains sharply, indicating that excessive leverage reduces the banks' incremental profitability, according to a report by State Bank of India (SBI) research.

For state-owned and private sector banks, an optimum CD ratio is between 76-80 per cent, and for foreign banks, it is in the range of 65-70 per cent.

"With the financialisation of the economy, India's credit-deposit ratio has been increasing continuously since 2000-01 from 53 per cent to 82 per cent as of December 15, 2025," the report highlighted.

During H1 FY26, incremental growth in

bank deposits declined to ₹8.1 trillion, compared to ₹8.6 trillion in H1 FY25, while credit increased to ₹7.6 trillion from ₹7.4 trillion during the same period.

"The incremental CD ratio numbers, which crossed 100 per cent in a number of instances shows the increasing demand for credit, despite lean deposits growth, but banks honoured it by raising resources from other source. Since 1950-51, there have been eight instances (FYs), when the incremental CD ratio has crossed 100 per cent and in 2005-06, it touched 99 per cent," the report said.

According to the report, a rising CD ratio, though, reflects improved credit intermediation and stronger demand for bank lending, persistently high levels can

strain banks' liquidity positions, reduce available buffers, and increase dependence on market-based funding, thereby amplifying financial stability risks.

Data shows that while western and southern regions of the country lead the CD ratio of above 90 per cent, in eastern and north-eastern regions, it is below 50 per cent. For some big states like Odisha, Bihar, Jharkhand and West Bengal, the CD ratio is below 52 per cent, the report said.

It added that juxtaposing incremental deposits between FY20-25, and incremental investors during the same period reveal that states such as Gujarat, West Bengal, Madhya Pradesh, Andhra Pradesh and Karnataka have witnessed movement of deposits from banks towards financial markets.

