

Credit-deposit ratio inched up in Q3

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Mumbai, 21 February

Credit-to-deposit (CD) ratio of major public sector and private sector banks during the October-December quarter of FY24 inched up as compared to the previous quarter though government-owned lenders reported a lower rate than their private peers.

CD ratio is the ratio of the funds that banks lend as compared to the funds raised in the form of deposits.

The CD ratio of top public sector banks (PSBs) — State Bank of India, Punjab National

CD RATIO OF BANKS

PUBLIC SECTOR (%)

Banks	Q2 FY24	Q3 FY24
SBI	72.75	75.26
PNB	71.89	73.08
Bank of Baroda	81.98	84.26
Canara Bank	74.98	75.26

Source: Capitaline

Bank, Bank of Baroda and Canara Bank — was lower than their private counterparts. These include HDFC Bank, ICICI Bank, IndusInd Bank and Axis Bank.

Among the top four private

PRIVATE SECTOR (%)

Banks	Q2 FY24	Q3 FY24
HDFC Bank	107.29	110.48
ICICI Bank	85.77	86.59
IndusInd Bank	87.74	88.68
Axis Bank	93.91	92.77

banks, only Axis Bank reported a sequential decline in ratio.

The Reserve Bank of India (RBI) was not comfortable with high CD ratio as that would mean banks' loan growth was not commensurate with

deposit mobilisation.

The regulator has not explicitly prescribed a particular ratio for banks. CD ratio of PSBs is lower due to their ability to garner more deposits and a relatively slower growth in lending, experts said.

The loan growth of the public sector banks in the quarter ended December 31, 2023 was slower than private sector banks. According to estimates by Emkay Global Research, the loan growth of private sector banks in Q3 FY24 was 18.2 per cent year-on-year (Y-o-Y) compared to 16.1 per cent growth in Q2 FY24.