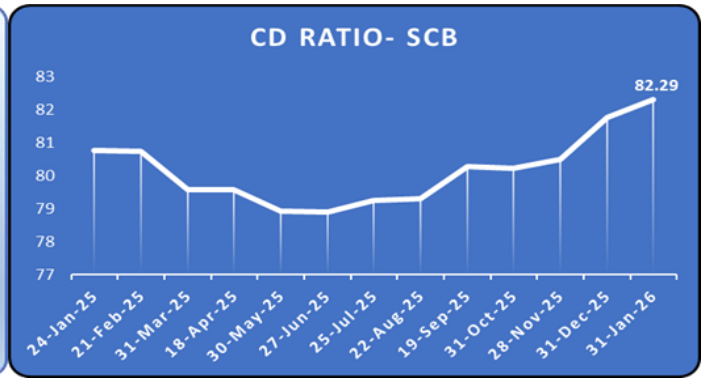
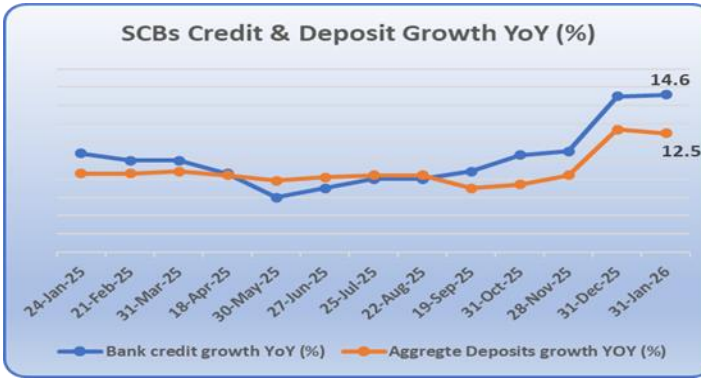




Economic Research Vertical: Canara Bank: Head Office

Credit-Deposit Dynamics of Scheduled Commercial Banks

- ✓ Credit cycle re-acceleration: Stronger credit growth towards end-2025 points to improving economic activity and lending demand.
- ✓ Liability side becoming critical: Rising CD ratio suggests increasing competition for deposits and potential funding cost pressures.
- ✓ Funding stress episodic, not persistent: Incremental CD ratio volatility indicates short-term imbalances rather than systemic strain.



Credit- Deposit Dynamics of SCBs					Source: RBI
As on date	Bank credit growth YoY (%)	Aggregate Deposits growth YoY (%)	CD Ratio	Incremental CD	3-month average of Incremental CD
24-Jan-25	11.40	10.30	80.76	1.96	
21-Feb-25	11.00	10.30	80.73	0.77	
31-Mar-25	11.00	10.40	79.58	0.26	1.00
18-Apr-25	10.30	10.20	79.56	0.75	
30-May-25	9.00	9.90	78.92	0.32	
27-Jun-25	9.50	10.10	78.91	0.79	0.62
25-Jul-25	10.00	10.20	79.24	0.20	
22-Aug-25	10.00	10.20	79.30	0.94	
19-Sep-25	10.40	9.50	80.28	6.10	2.28
31-Oct-25	11.30	9.70	80.22	0.78	
28-Nov-25	11.50	10.20	80.50	1.61	
31-Dec-25	14.50	12.70	81.75	1.32	1.24
31-Jan-26	14.60	12.50	82.29	6.32	

Quick observations

- Bank credit growth eased from double-digit levels in early 2025 to around 9-10% mid-year before accelerating sharply from Sep'25 onward to 14-15% by early-2026. Deposit growth remained comparatively stable around 10% for most of the period, with improvement towards end-2025. The widening credit-deposit growth gap in recent months indicates stronger credit demand and increasing reliance on liability mobilisation.
- The spark rises in CD ratio to above 81-82% coincides with cumulative 125 bps repo rate cut, liquidity infusion via CRR reduction, festive season retail and consumption led lending which accelerated credit growth. Simultaneously, GST outflows and festive season withdrawals temporarily moderated deposit growth, widening the Credit- Deposit Gap.
- Monthly incremental CD exhibit volatility, with periodic spikes above unity and occasional negative values driven by seasonal deposit movements. The 3-month moving average indicates that credit accretion has episodically exceeded deposit mobilisation, suggesting temporary funding pressures rather than structural stress. The upward trajectory signals gradual tightening in funding conditions and highlights the need for sustained deposit growth to support loan expansion.

“Recent acceleration in credit growth alongside a rising system CD ratio suggests that liability mobilisation will be the key determinant of funding conditions in the coming quarters.”

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