

# Indian Banking Sector

---

**Declining share of retail deposits  
lowering banks' liquidity coverage  
ratios**

**AUGUST 2024**





[Click to see full report](#)

*The share of retail deposits in the overall deposits of banks declined by almost 4.8% in March 2024 from their peak in June 2021.*

*Had the overall share of retail deposits remained same, the retail deposits in banks could have been higher by Rs. 10.0 trillion as on March 31, 2024.*



- The Reserve Bank of India (RBI) has consistently been highlighting the issues around bank credit growth far outpacing deposit growth. Even recently, the RBI governor highlighted issues around banks taking greater recourse to short-term non-retail deposits to meet the incremental credit demand, which may potentially expose the banking system to structural liquidity issues.



- ICRA has analysed the movement of the share of retail and small business deposits in the banking system, which has declined from a peak of 64.3% of the total deposits of banks as on June 30, 2021, to 59.5% as on March 31, 2024. Both public sector and private sector banks have seen a decline in their share of retail deposits; however, the decline in share of such deposits has been slightly sharper for public banks. Despite this decline, 61.7% of the deposits of public banks came from the retail segment compared to 55.5% for private banks as on March 31, 2024.



- Higher participation of retail investors in capital markets could change the colour of deposits from retail to wholesale thereby impacting the liquidity coverage ratios (LCR) for the banks. Such increased participation does not impact the overall deposit base of the banks.



- ICRA expects that the recent regulatory actions—such as nudging the banks to reduce their credit-to-deposit (CD) ratio, increase in risk weights towards high growing loan segments, and proposal to review the LCR framework—point to the need to align credit growth with deposit growth while focusing on growing retail deposits. ICRA expects bank credit growth to slow down to Rs. 19.0-20.5 trillion (11.6-12.5% YoY) in FY2025 from Rs. 22.3 trillion (16.3% YoY) in FY2024\*.



- ICRA expects the interest rate on deposits to remain elevated even as credit growth slows down as banks focus on increasing their share of retail granular deposits to recoup the expected loss in LCR as well as to increase the share of such deposits in overall deposits. The peak deposit rates for banks, hence, may stay elevated despite expected rate cuts in H2 FY2025. In such a scenario, the banks may cut down low yielding wholesale exposures, who then will have to shift to debt capital markets or external commercial borrowings

Note\*: Growth rate for FY2024 excludes impact of HDFC merger; growth rate for FY2025 is calculated by including HDFC merger impact in FY2024



# ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice-President and Group Head	<a href="mailto:karthiks@icraindia.com">karthiks@icraindia.com</a>	022 – 6114 3444
Anil Gupta	Senior Vice-President and Co-Group Head	<a href="mailto:anilg@icraindia.com">anilg@icraindia.com</a>	0124 – 4545 314
Sachin Sachdeva	Vice-President and Sector Head	<a href="mailto:sachin.sachdeva@icraindia.com">sachin.sachdeva@icraindia.com</a>	0124 – 4545 307





ICRA

# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Neha Agarwal	Head – Research Sales	<a href="mailto:neha.agarwal@icraindia.com">neha.agarwal@icraindia.com</a>	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





***© Copyright, 2024 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**