



# A comparative study of Credit Deposit Ratio of Private and Public sector banks in India.

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## Abstract

Banks are an integral part of the economy and the role of banks play is indispensable. Every change in the banking industry affects strongly on the individual as well as on the economy of the nation. Regulatory bodies and governments should take cognizance of changes taking place in the field of banking. Credit Deposit Ratio has been changing rapidly and dramatically in the recent past. The CD ratio of some of the banks has been crossing the healthy limit, that limit consider to be the safe limit.

The present study is focusing on the credit deposit ratio of private and public sector banks in India. Researcher have selected ten banks from each sector. Secondary data have been used and that data is extracted from the India Banking Association website for the analysis.

**Keywords-** Credit Deposit Ratio, Private and public sector bank, healthy CDR.

## Introduction

Banking industry plays a pivotal role in the development of the nations. All the financial transactions go through banks. Currently there are several types of banks in India, like Private sector banks, public sector banks, foreign banks, Regional Rural banks, small banks etc. Every financial institute is trying to reach out to customers and make themselves competitive by providing better and prompt services to customers. Collecting deposits from the customers and lending loans to corporate and retail customers are the important functions of every financial institute. In the previous decades, banks were not facing any problem to collect huge amounts of deposits from customers because investors were not much aware about different avenues of saving and investments. Due to digitalization and financial literacy, most of the investors are now very well aware about attractive investment options which pay them good returns.

Investors also continuously explore new avenues of investments which will give them handsome returns. Mutual Fund, Stock market, real estate, Gold give them higher returns as compared to banks fixed deposits. A mutual fund is an investment instrument which attracts a large number of investors because it gives SIP facility and hence becomes popular in a short span of time.

As far as bank lending is concerned, India is now one of the fastest growing countries. The economy of the country is growing fast as compared to most developed countries. Entrepreneurs from the corporate world are optimistic and ready to take risk by investing more funds into businesses. Indian GDP is growing significantly. Various new projects are coming into existence which creates demand for funds. Indian consumers prefer personal loan, car loan housing loan to fulfil their requirements. These kinds of retail loans have been increasing dramatically. Consumerism has multiple effects, the loan culture has been increased and savings dwindled, which leads to an increase in bank credit by reducing deposit. Access to banking due to financial inclusion has allowed lower strata of the society to avail loan facilities which also led to increased lending at

banking level. Scheme like Jan Dhan Yojna makes banking facilities available especially for those who were deprived from financial services.

India's Public and Private sector banks have different styles of working. The government controls public sector banks and at the same time these banks have to work under the regulations of RBI. Public sector banks are much older than private banks. Banks like SBI and Bank of Baroda are big giants in public sector banking. Some of the private banks have grown very fast, like HDFC and ICICI. Deposit collection and lending of loans have been changing across the banks because several factors influence these two things.

Countries like Japan where credit Deposit Ratio is very low i.e. around 45-50%, and countries like France where we could see very high CDR i.e. around 100%-110%, Credit Deposit Ratio is assumed to be good around 80%. If it crosses the limit of 80 percent then it creates a liquidity problem amongst banks and if CDR is less than 80% then it may be an underutilization of assets.

### Objectives

1. To study the factors affecting credit deposit ratio of Indian banks
2. To compare CDR of private and public sector banks in India.

### Research Methodology

The secondary data from Indian Bank's Association is used for the study. Information about credit Deposit Ratio is taken from RBI, government reports, authentic websites, newspapers etc. Also referred to research papers published in national and international research journals. Top ten public and private sector banks having highest market capitalization have been selected for the study. Data of three financial years i.e. 2023, 2024 and 2025 have been considered for the study. The average CDR of three years for all ten banks has been calculated for comparative study of public and private sector banks.

### Factors influencing Credit Deposit Ratio in Indian Commercial banks

#### 1. Risk Appetite of the banks-

The credit Deposit Ratio is majorly dependent upon the risk appetite of the bank. Large size banks can lend a maximum amount from their deposits. But sometimes it may not be possible for small and new banks.

#### 2. Investment Avenues available to investors.

Currently the banking industry is facing a problem of paucity of deposit from investors. As the customers are having multiple options of investment and have an attractive rate of returns.

#### 3. Economic Condition

If there is a boom in the market then the entrepreneurs take loan for business establishment and expansion. The general public will also take a loan for consumption if the economic conditions are good and favorable. If the circumstances are positive then credit requirements increase and CDR may also increase if the deposits are not increased simultaneously.

#### 4. Interest rates

An important factor affecting the credit deposit ratio is the rates of lending and deposit. Now the lending rates are significantly reduced which attract loan demand from corporate and general public for domestic consumption.

## 5. RBI Regulations on CRR and SLR

Cash Reserve Ratio and Statutory Liquidity Ratio mandates banks to maintain a certain amount as reserve and that amount cannot be given as loan. Banks have to follow the terms and conditions issued by the apex body and which affect the CDR ratio of banks. Repo rate will also affect the credit Deposit Ratio.

## 6. Types of banks.

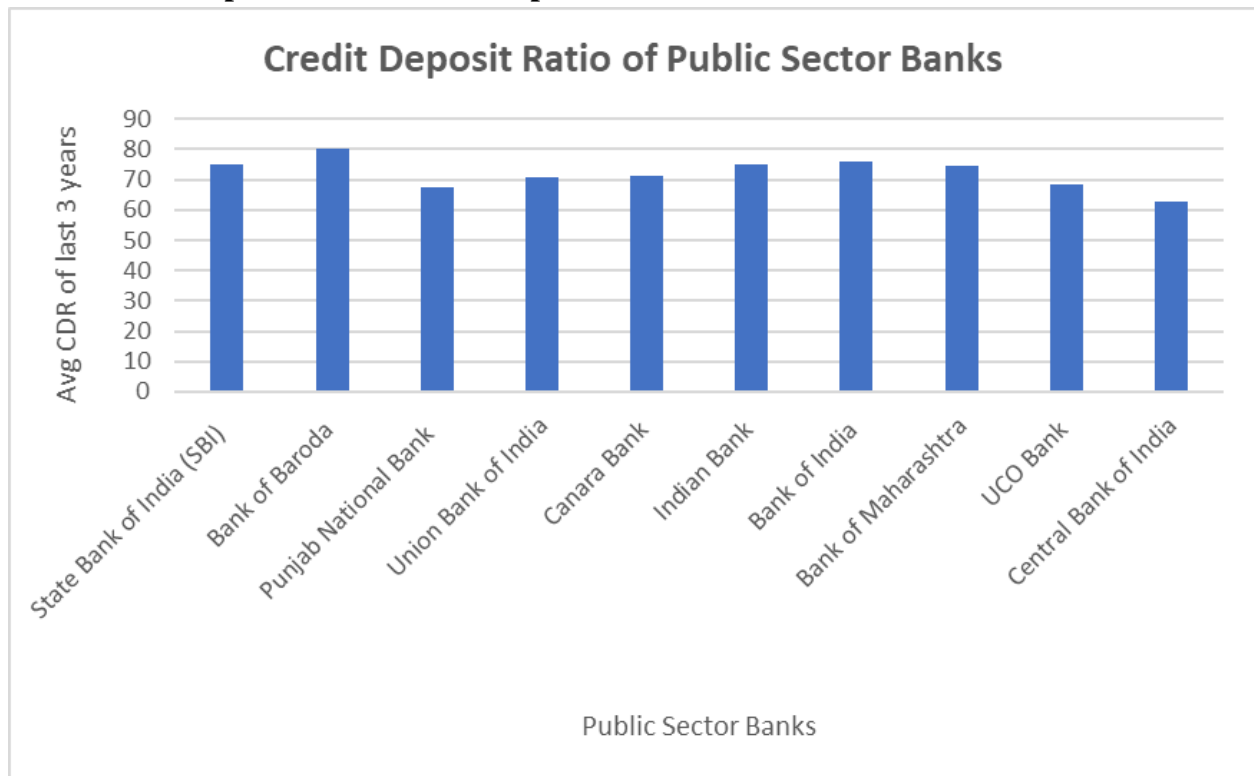
Credit Deposit Ratio may change based on types of banks. Private sector banks, public sector banks, foreign banks, Regional Rural banks, small banks may have different experience about Credit Deposit Ratio.

**Table-1** Credit Deposit Ratio of selected public sector banks (Fig. in Percentage)

Sr. No	PRIVATE SECTOR BANKS	2023	2024	2025	Total of three years	Average of three years CDR
1	State Bank of India (SBI)	72.32	75.34	77.35	225.02	75
2	Bank of Baroda	78.18	79.83	82.17	240.17	80
3	Punjab National Bank	64.85	68.22	68.78	201.85	67
4	Union Bank of India	68.16	71.29	72.80	212.25	71
5	Canara Bank	70.44	70.99	72.01	213.44	71
6	Indian Bank	72.33	74.84	77.47	224.64	75
7	Bank of India	72.57	76.32	79.56	228.44	76
8	Bank of Maharashtra	73.15	73.96	76.86	223.97	75
9	UCO Bank	62.51	69.18	73.29	204.98	68
10	Central Bank of India	56.49	63.22	68.43	188.15	63
Average of all Bank		69.10	72.32	74.87	216.29	72

Source-<https://www.iba.org.in/depart-res-stcs/key-bus-stcs.html>

Table 1 consists of the top ten public sector banks chosen as per their market capitalization. The Credit Deposit Ratio of the last three years has been shown in table 1 and the average of those three years have been calculated. The average CDR of banks helps researchers to find out the banks having the highest and lowest CDR. We can see in table -1 that bank of Baroda has the highest average CDR of 80%, then Bank of India is in second place. SBI, Indian Bank and Bank of Maharashtra are having the same CDR which is hovering around 75%. The Bank which has a lower CDR of 63 percent is the Central Bank of India. The average CDR of all ten public sector banks is 72% and which is at a healthy level.

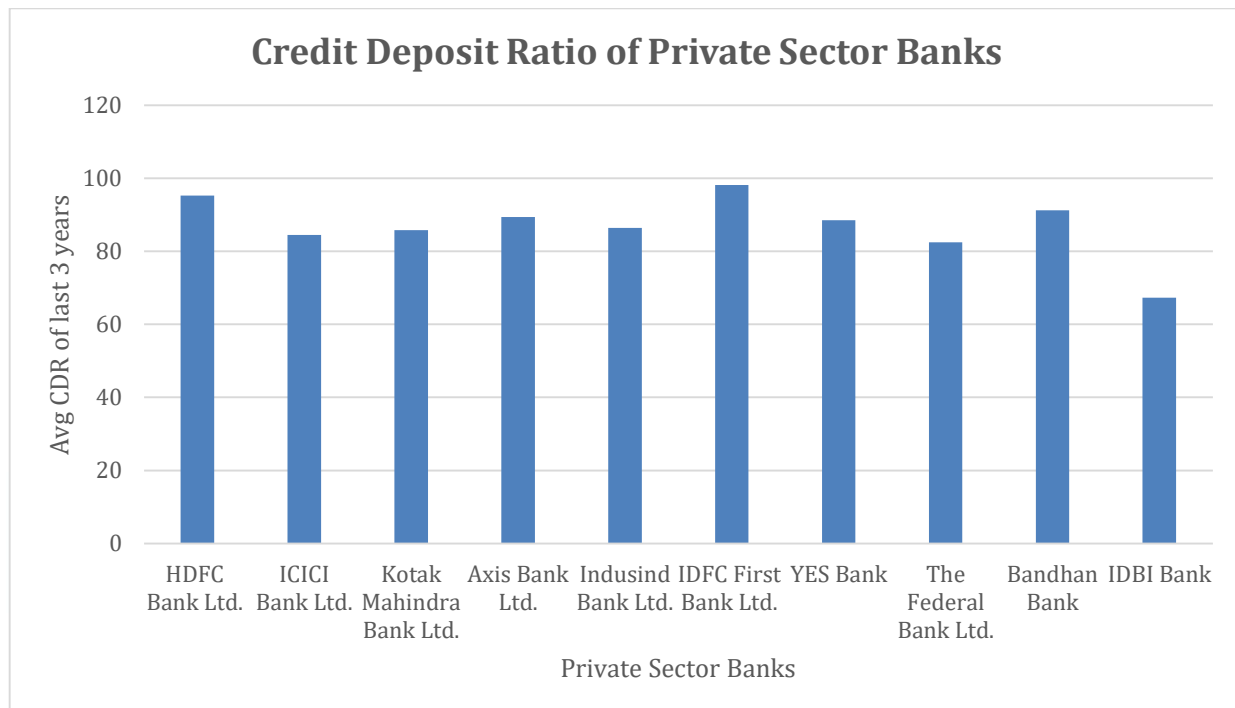
**Diagram-1 Credit Deposit Ratio of selected public sector banks****Table-2 Credit Deposit Ratio of selected private sector banks (Fig. in Percentage)**

Sr. No	PRIVATE SECTOR BANKS	2023	2024	2025	Total of three years	Average of three years CDR
1	HDFC Bank Ltd.	84.98	104.42	96.50	285.90	95
2	ICICI Bank Ltd.	86.35	83.83	83.32	253.50	85
3	Kotak Mahindra Bank Ltd.	88.09	83.77	85.54	257.40	86
4	Axis Bank Ltd.	89.27	90.31	88.73	268.31	89
5	IndusInd Bank Ltd.	86.17	89.22	83.93	259.32	86
6	IDFC First Bank Ltd.	104.95	97.02	92.48	294.45	98
7	YES Bank	93.46	85.52	86.53	265.50	89
8	The Federal Bank Ltd.	81.75	82.92	82.79	247.46	82
9	Bandhan Bank	96.94	89.60	87.29	273.82	91
10	IDBI Bank	63.63	67.93	70.38	201.95	67
Average of all Bank		87.56	87.45	85.75	260.76	87

Source-<https://www.iba.org.in/depart-res-stcs/key-bus-stcs.html>

Table -2 consists of the top ten private sector banks selected on the basis of their market capitalization. The bank which has the highest CDR of 98% i.e. IDFC First Bank and second level HDFC bank which has 95 Percent of CDR. These two banks have crossed CDR of 100% in the year 2023 and 2024. Crossing 100 percent CDR is itself an alarming indicator to banks. Bandhan bank also has 91 percent CDR. All other banks are under 90% in credit Deposit Ratio, which is also not good. The Average CDR of selected ten private sector banks is 87 percent which is crossing the healthy CDR level of 80%. IDBI is the only bank that has the lowest CDR level and which is below 70% and rest of all banks are above 80 percent.

**Diagram-2** Credit Deposit Ratio of selected private sector banks



## Conclusion

A growing economy like India always requires an affordable fund to invest in several new and existing organizations. It is a country where the number of start-ups companies are increasing at an unprecedented rate and they require loans at every stage of their business. Without sufficient funds, the new or existing projects cannot be sustained and grow rapidly. India needs companies which provide jobs to skillful and semi-skilled youngsters. Therefore, lending billions of rupees to businesses is an indispensable responsibility of the banking sector and they should shoulder it effectively, so that a large number of budding entrepreneurs will not grapple with a problem of fund unavailability. Banks must provide such loans to retail borrowers and to the corporate sector. To provide intine loans at a minimum rate of interest to industry is becoming challenging due to shortage of deposits in banks. Some of the banks are jeopardizing their business by lending most of their deposits. Some private sector banks have crossed the healthy CD ratio.

In the present study, the researcher has focused on the credit deposit ratio of private and public sector banks. The tables in the study indicate the Credit Deposit Ratio of public and private sector banks. Public sector banks are cautious while lending funds. The appalling situation is in private sector banks where two banks had crossed CDR of 100%. The regulatory bodies should take cognizance of such indicators and alert the banking industry. RBI must create deterrence so that commercial banks will not cross healthy CDR levels. Maintaining Credit Deposit Ratio at a bearable level is becoming an essential factor.

NPA is also one of the challenges facing Indian Banks. A low CDR is an underutilization of bank assets and very high credit deposit ratio may create a problem of liquidity. Therefore, a healthy level of CDR must be maintained for the benefits of all the stakeholders.

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