

Indian Banking Sector

Declining share of retail deposits lowering banks' liquidity coverage ratios

AUGUST 2024



Highlights



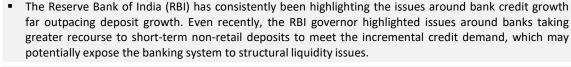


The share of retail deposits in the overall deposits of banks declined by almost 4.8% in March 2024 from their peak in June 2021.

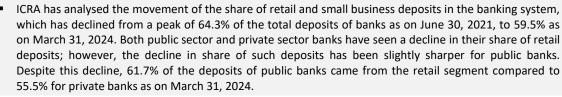
Had the overall share of retail deposits remained same, the retail deposits in banks could have been higher by Rs. 10.0 trillion as on March 31, 2024.



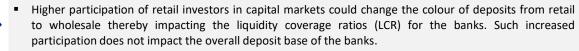




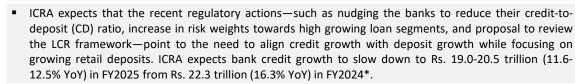














ICRA expects the interest rate on deposits to remain elevated even as credit growth slows down as banks focus on increasing their share of retail granular deposits to recoup the expected loss in LCR as well as to increase the share of such deposits in overall deposits. The peak deposit rates for banks, 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



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