

PSBs' outreach pushes non-food credit growth

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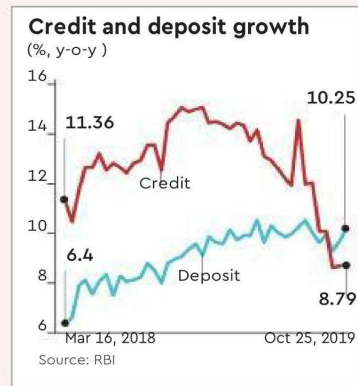
Mumbai, November 7

THE NON-FOOD CREDIT growth in the banking system stood at 8.79% year-on-year (y-o-y) for the fortnight ended November 7, the highest in the last three fortnights, following the lending "outreach programmes" by public-sector banks (PSBs). Between October 11 and 25, non-food credit grew 0.4% to ₹97.68 lakh crore, according to the provisional data released by the Reserve Bank of India (RBI).

The loan carnivals were organised in two phases, with the first leg from October 1 and 9 and the second one from October 21 to 25. The carnivals were mandated by the government to push retail loan growth directing the banks to hold 'loan melas' in partnership with non-bank lenders in 400 districts.

According to the provisional data released by the central bank, outstanding loans to companies and individuals stood at ₹97.29 lakh crore on October 11, an increase from ₹96.36 lakh crore at the end of the previous fortnight.

The deposit growth in the banking system, which slipped to a near two-year low single-digit figure in mid-September, expanded to 10.25% year-on-year at ₹129.78 lakh crore during the fortnight ended October 25. During the comparable fortnight of 2018, deposits with banks had grown by 9.02%. The credit deposit (CD) ratio for the fortnight stood at 75.27%, down from 75.19% in the



previous fortnight.

Ratings agency IcrA has predicted the Y-o-Y growth in bank credit to decelerate sharply to 8.0-8.5% during FY20 from 13.3% during FY19, following the decline in incremental credit in H1 FY2020.

Anil Gupta, sector head – financial sector rating, IcrA, said: "A shift of large borrowers such as NBFCs and housing finance companies (HFCs) to the banking system for their funding requirements had boosted bank credit growth in FY2019. However, factors such as muted economic growth, lower working capital requirements of various borrowers as well as risk aversion among lenders compressed incremental credit in H1 FY2020."