

Non-food credit growth recovers slightly to 7.51%

FE BUREAU
Mumbai, January 16

LOWER LENDING RATES notwithstanding, the growth in non-food credit continues to languish around two-year lows, though it recovered marginally to 7.51% year-on-year (y-o-y) during the fortnight ended January 3, 2020, from 7.08% y-o-y in the previous fortnight.

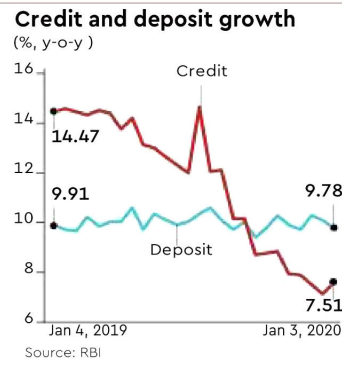
During the comparable fortnight a year ago, the growth was as high as 14.47%, data from the Reserve Bank of India (RBI) showed. Outstanding loans to companies and individuals stood at ₹99.61 lakh crore on January 3, increasing from ₹98.62 lakh crore at the end of the previous fortnight while total bank credit including food credit stood at ₹100.45 lakh crore, according to provisional data released by the central bank on Thursday.

However, deposits with banks grew at a slightly slower pace of 9.78% y-o-y to ₹132.10 lakh crore in the fortnight ended January 3. The pace of growth in the previous fortnight had been only slightly better 10.09%. During the comparable fortnight of 2018, deposits with banks had grown by 9.91%. The credit deposit (CD) ratio for the fortnight stood at 75.4%, slightly lower than 75.81% at the end of the previous fortnight.

It is noteworthy that credit growth has been trending down even as lending rates of banks fell through 2019 following rate cuts by RBI.

Analysts expect credit offtake to slip further. In a recent note, Icra said they-o-y growth in bank credit is expected to decelerate sharply to 6.5-7% during FY20 from 13.3% during FY19, following limited incremental credit growth during the year so far.

Deposits with banks grew at a slightly slower pace of 9.78% y-o-y to ₹132.10 lakh crore in the fortnight ended January 3



“A shift of large borrowers such as non-banking financial companies (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, as well as risk aversion among lenders, have compressed the incremental credit growth in FY2020,” the rating agency said.

Bankers, too, have begun to moderate their growth expectations for the year. Earlier this year, State Bank of India (SBI) lowered its full-year growth forecast to a single-digit figure from a double-digit one earlier.

PK Gupta, managing director, retail and digital banking, told *FE* earlier this month that the bank has been seeing poor utilisation of working capital. “We expect a pick-up in Q4. We had substantial growth last year, so credit growth would be lower this year due to base effect. Therefore, it may be single digit only. Double-digit credit growth would be a challenge,” Gupta said.