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Bank credit growth stays strong in FY23, set to rise further

Bank credit grew at a strong 11.9% year-on-year, expanding by a significant 580 basis points for the fortnight ended May 6, 2022, up from 6.1% in the year-ago period. The outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capital expenditure, rising commodity prices and retail credit push.

ETBFSI June 02, 2022, 08:17 IST



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BANKING



The gross **banking** credit picked up in the last couple of months and witnessed double-digit growth.

It grew at a strong 11.9% year-on-year (y-o-y), expanding by a significant 580 basis points (bps) for the fortnight ended May 6, 2022, up from 6.1% in the year-ago period.

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Sequentially, **bank credit** also improved by 0.8% from the immediate fortnight. In absolute terms, credit

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outstanding crossed Rs.120 lakh crore threshold as of May 6, 2022, expanding by Rs.12.8 lakh crore over the last 12 months.

Credit growth rose 11.3 per cent year-on-year in April 2022 as compared to 4.7 per cent a year ago, according to [RBI](#) data on [Sectoral Deployment of Bank Credit](#).

This was driven by the low base effect, shift to bank borrowings due to high capital market rates, sustained rise in [retail loans](#) and higher working capital requirements owing to elevated inflation. Retail growth has been relatively higher due to the improvement in the job market and economic activities.

Credit to retail segment

Credit outstanding of the retail segment rose by 12.4% y-o-y in March 2022 due to growth in other personal

[loans](#), loans against gold jewellery, credit card receivables and consumer durable loans. Moreover, credit

outstanding of the industry segment registered a growth of 7.1% y-o-y in March 2022 from a drop of 0.4%

the year ago mainly on account of robust growth in the micro and small (21.5%), and medium (71.4%)

segments, which were driven by [ECLGS](#). Credit for the services sector also accelerated by 8.9% y-o-y in March

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2022 from 3.0% in the year-ago period.

Positive outlook

After a modest credit growth in recent years, the outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capital expenditure, rising commodity prices and retail credit push, according to [CAREEdge Ratings](#). The medium-term prospects look promising with diminished corporate stress and a substantial buffer for provisions. CPI too is trending up, which is likely to add to the credit growth.

On the other hand, rising rates could offset this growth to some extent by curbing the demand for credit. The Retail loan segment is expected to do well as compared with the industry and service segments. The ongoing Russia-Ukraine war is likely to have a limited impact on the credit growth in India. Meanwhile, any subsequent Covid-19 variants, if severe, could lead to lockdowns and cause a slowdown in the economy.

The share of bank credit to total assets stood at 67.1%, contracting by 13 bps in the fortnight ended May 06, 2022, as compared with the previous fortnight. However, it was higher by 109 bps on a y-o-y basis due to higher credit growth.

Considering credit investments to be at Rs 8.6 lakh crore (as of March 25, 2022, as per the latest data released by RBI), bank credit (including credit investments) to total assets would have been around 71.9% for the fortnight ended May 6, 2022,

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contracting by 17 bps as compared with previous fortnight (reported April 22,

2022). However, it was up by 53 bps y-o-y from the fortnight ended on May 7, 2021.

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Indian Bank has hiked interest rates on fixed deposits for an amount below Rs 2 crore with effect from June 1, 2022. Senior citizens too will fetch high returns on short term deposits, fixed deposits, and money multiplier deposit schemes.

Sneha Kulkarni ET Online

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Indian Overseas Bank case: Offence happened in state so we'll probe, Maha govt had said

Even as the Indian Overseas Bank wrote to the city police on Wednesday to withdraw its complaint against BJP leader Mohit Kamboj and two other directors