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FY23 begins on a strong note for banks with double digit credit growth in April

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Credit registered a growth of 11.3 per cent year-on-year in April 2022, up from growth of 4.7 per cent a year ago

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FY23 has started on a strong note for banks, with credit registering a growth of 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.

CARE Ratings, in a recent note, observed that credit growth is being driven by a 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.

Sectoral growth

Credit growth in the agriculture and allied activities sector continued to be robust at 10.6 per cent in April 2022 (10.7 per cent in April 2021), as per the statement.

The industry sector saw credit growth accelerate to 8.1 per cent in April 2022 from a contraction of 0.4 per cent in April 2021. Credit in the medium industries sub-sector registered a growth of 53.5 per cent in April 2022 as compared with 44.8 per cent last year while growth in the micro and small industries sub-sector rose to 29 per cent from 8.7 per cent, and credit to the large industries sub-sector grew 1.6 per cent against a contraction of 3.6 per cent during the same period last year.

Credit growth in the services sector picked up to 11.1 per cent in April 2022 as compared with 2.4 per cent a year ago, mainly due to NBFCs; trade; tourism, hotels and restaurants; and transport operators.

The RBI said the personal loans segment continued to perform well, registering acceleration in growth to 14.7 per cent in April 2022 from 12.1 per cent in April 2021, primarily driven by housing and vehicle loans.

Bank credit growth has also begun to pick up and track nominal GDP growth, and banks are regaining bottom lines, it said in its latest report.

‘Adequate liquidity’

The RBI underscored that it will continue to follow a nuanced and nimble-footed approach to liquidity management while maintaining adequate liquidity in the system to meet credit needs of the economy.

“Going forward, as the economy recovers and credit demand rises, banks will need to focus on supporting credit growth while being vigilant of the evolving risks.

“Care needs to be taken to ensure that fresh slippages are arrested, and banks’ balance sheets are strengthened to avoid future build-up of stress,” the report said.

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