Retail, agri segments drive credit growth in June: Care Ratin

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1 min read . Updated: 01 Aug 2021, 12:31 PM IST

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In absolute terms, credit offtake increased by ₹6.6 trillion over the last twelve months but declined by ₹0.5 trillion compared to the previous fortnight.

The retail and agriculture sectors continue to drive overall credit growth in June, whereas negative growth in the industry and slower growth in services segments restricted the overall credit growth, according to data from the Reserve Bank of India (RBI) analysed by Care Ratings.

“The lower credit offtake by industry and the service sector can be attributed to lower borrowing by businesses as good quality borrowers have shifted to capital markets (corporate bond issuance was higher by 27% in June compared to issuances in May as per provisional data from prime database), consequent to restrictions under the pandemic’s second wave," the rating agency said in a report on Saturday.

but declined by ₹0.5 trillion compared to the previous fortnight. The bank credit growth continues to remain subdued compared to the period prior to pandemic, which can be ascribed to risk aversion by both lenders and borrowers, which has resulted in continued parking of excess liquidity with RBI, it said.

According to Care Ratings, the credit growth for FY22 is likely to remain in low double digit with growth largely expected in the second half of FY22, led by gradual expansion in economic activities. The recent additional measures by government and the central bank like rate cuts, extension in TLTRO, additions to the ECLGS scheme, liquidity support along with special liquidity facility of ₹16,000 crore to be provided to Sidbi for on-lending would help support disbursements in MSME segment.

That apart, the on tap liquidity window of ₹50,000 crore for health care infrastructure to boost provision of immediate liquidity for covid-related health care infrastructure and services in the country to mitigate pandemic related stress are expected to improve credit offtake.

“The downside risks include limited capex plans, partial restrictions in key states and concerns over the third wave, which may impact the industrial as well as service segments," it said.