Non-food credit growth touches 31-month high

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Written by **Shritama Bose**
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during the fortnight ended April 8, from 8.71% in the previous fortnight, according to data released by the Reserve Bank of India (RBI).

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Outstanding non-food credit as on April 8 rose to Rs 119.48 trillion from Rs 118.36 trillion at the end of the previous fortnight. The pace of deposit growth undershot that of credit growth, coming in at just over 10% y-o-y during the fortnight under review, albeit higher than 8.94% in the previous fortnight. The value of deposits with the banking system stood at Rs 167.42 trillion as on April 8.

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Credit to retail borrowers continues to be the most significant driver of credit growth. As per sectoral data released by the RBI, loans to individuals grew 12.4% in March 2022, against 10.7% in March 2021. At the same time, loan growth in the industrial segment picked up to 7.1% in March 2022 from a contraction of 0.4% in March 2021.

Bankers say that demand from corporates is coming back, with green shoots visible in some segments. Samuel Joseph, deputy managing director, IDBI Bank, said quite a few projects are at the drawing board stage and they should take off in FY23. "Some of the approvals have already been given for various PLI schemes of the government and they are yet to reach the financing tie-up stage. But, this year, in Q1 or Q2, some of these projects should come," he said. Financing for some marquee projects, such as the Navi Mumbai International Airport and the Coastal Road, have already been tied up in Q4. A few others are understood to be in the pipeline.

The increase in input costs, especially that of coal, in light of the war situation, has led to some highly rated corporates utilising their working capital limits and even seeking an increase in limits, Joseph said.

Analysts at CareEdge Ratings said that the improvement in credit growth is being driven by retail loans, a rise in working capital requirements due to increasing inflation, a low base effect, and capital raising by some corporates from the banking system instead of the bond market due to attractive rates.

government and private capital expenditure, extended ECLGS support, rising commodity prices and retail credit push," the rating agency said in a report on Monday.