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Bank credit to NBFCs rise 10% to ₹10.5 lakh crore in FY22: Care Ratings

PTI(<https://www.thehindubusinessline.com/Profile/Author/PTI-10733/>) | Mumbai, June 02 | Updated On: Jun 02, 2022

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According to Care Ratings, bank credit to non-banking financial companies expanded by ₹99,000 crore in FY22, from FY21

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Bank credit to NBFCs grew in double digit in FY22 with outstanding bank credit to them rising by 10.4 per cent to ₹10.5 lakh crore on the back of improvement in overall economic activities and banks' renewed focus on the NBFC sector following improvement in their balance sheets, says a report.

In absolute terms, according to an analysis by Care Ratings, bank credit to non-banking financial companies (NBFCs) expanded by ₹99,000 crore in FY22, from FY21.

The number does not include liquidity given by banks to them through securitization route (direct assignment and pass-through certificates) and also banks' investments in NBFCs' debt instruments.

Meanwhile, mutual funds' debt exposure through commercial papers (CPs) and corporate bonds, to NBFCs rose 14.3 per cent to ₹1.7 lakh crore in FY22 as NBFCs issued more CPs to fund IPOs and as they shifted from long-term to short-term investments on expectation of hike in interest rates.

In absolute terms, it expanded by ₹21,000 crore, says the report. Outstanding investments in CPs of NBFCs grew 25 per cent to ₹73,000 crore in FY22 as the year was the best in the IPO history and NBFCs issued CPs worth ₹15,000 crore to fund IPOs.

The percentage share of funds deployed by mutual funds in CPs of NBFCs in FY22 stood at 4.4 per cent of debt assets under management (AUMs), up from 3.6 per cent in FY21.

Banks credit exposure to NBFCs fluctuated around ₹9 lakh crore-mark for the better part of FY22 and crossed ₹10 lakh crore threshold in December 2021. And from there, it continued its upward trajectory and crossed ₹10.5 lakh crore in March 2022 as capital market rates hardened and NBFCs turned to avail comparatively cheaper bank loans.

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