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According to Care Ratings, the overall credit growth continues to be driven by retail and agriculture segments, whereas, slower growth in industry and services segment restricted the overall credit growth.

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Livemint, Edited By Ajith Kumar

Regional lockdown imposed by states due to second wave has again restricted the growth to some extent, despite a low base of previous year

MUMBAI : Bank credit growth rate stood nearly flat when compared with previous fortnight, a sluggishness that can be ascribed to risk aversion by lenders and borrowers, Care Ratings said in a report on Saturday.

In addition, the regional lockdown imposed by states due to second wave has again restricted the growth to some extent, despite a low base of previous year, it said. The first three months of a financial year are seasonally weak in terms of credit growth; hence a clear picture would be known in Q2FY22.

witnessed in medium segment, which is largely led by disbursements under ECLGS (emergency credit line guarantee scheme) scheme.

In absolute terms, bank credit increased by ₹6 trillion compared with fortnight ended 19 June 2020, and stood largely at similar level as compared with previous fortnight. The incremental non-food credit (April to June) growth for FY22 stood at -0.4% compared with -0.9% in FY21, which indicates that the incremental growth has been better than last year but is yet to return to normal level, it said.

“The recent additional measures by the government to mitigate pandemic-related stress are expected to improve credit offtake. For instance, additional ₹1.5 trillion of ECLGS disbursements would further h nk credit growth by providing additional credit support to MSMEs. A loan guarantee scheme of ₹1.1 trillion to covid-affected sectors is expected to improve the credit flow and its impact will depend on quantum of money borrowed through this route," the report said.

Care Ratings believes that credit growth for FY22 is likely to remain in low dou digit with growth expected in the second half of FY22 led by expansion in the economy and base effect coming into play.