

Money & Banking

Banks report robust credit growth led by retail, SME segments

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Omicron and third wave may have limited impact on disbursements, say analysts

Private sector banks have registered robust credit growth by December end 2021 with continued demand from retail and SME segments.

Analysts believe that the loan growth has been aided by the festival demand and economic recovery but cautioned that growth in the corporate segment would remain soft. The rising Covid cases could also mute loan demand but its impact would be limited.

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“There has been a recovery in loan growth this quarter, with several banks under our coverage indicating 4-5 per cent growth on sequential basis and mid-size banks like Bandhan and AU Small Finance Bank reporting even stronger traction. This is driven by continued traction in retail, both secured and unsecured segments, revival in business banking and SME segments. Corporate space is lagging behind but we expect a revival by next fiscal in the segment as capacity utilisation continues to improve,” said Nitin Aggarwal, Senior Group Vice-President and Head, BFSI Research, Institutional Equities, Motilal Oswal Financial Services.

Loan growth

The banking sector will see an estimated loan growth at 7.7 per cent for this fiscal and 11.8 per cent next fiscal, according to Motilal Oswal Financial Services..

The rise in disbursements is also expected to boost third quarter profits for banks.

“There is some bit of uncertainty from the rising Covid cases and Omicron but we expect it to have a limited impact as hospitalisation is lower and the severity is milder,” he further said.

On Wednesday, private sector lender IndusInd Bank reported a 10 per cent growth in its net advances to ₹2.28-lakh crore as on December 31, 2021 compared to ₹ 2.07-lakh crore a year ago. Net advances grew three per cent on a sequential basis.

“Retail deposits and deposits from small business customers amounted to ₹1,13,615 crore as of December 31, 2021 as compared to ₹1,11,754 crore as of September 30, 2021,” it said in a stock exchange filing on Wednesday.

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Previously, the country’s largest private sector lender HDFC Bank reported a 16.4 per cent year-on-year growth in advances to ₹12.6-lakh crore by December-end 2021 compared to ₹ 10.82-lakh crore a year ago.

It reported 13.5 per cent growth in retail loans over December 31, 2020 and registered the sharpest increase in commercial banking loans at 29.5 per cent over December 31, 2020.

Federal Bank also reported a 12 per cent growth in its gross advances to ₹1,43,633 crore as on December 31, 2021 versus ₹1,28,180 crore a year ago.

YES Bank registered a 3.9 per cent year-on-year growth in net advances to ₹1,76,422 crore as on December 31, 2021. Gross retail advances in the third quarter of the fiscal was ₹ 9,233 crore for the lender compared to ₹7,470 crore a year ago.

A recent report by CareEdge said the outlook for bank credit growth is expected to be in the range of 8- per cent for 2021-22 with a low base effect, economic expansion, rise in government and private capex (specially, capex for renewables and production linked incentive schemes, extended ECLGS support (sanctions permitted till March 2022 and disbursements till June 2022), and retail credit push.

“The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. However, the new coronavirus variant (omicron) could dampen momentum if localised lockdown measures increase,” it had further said.

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