FM Nirmala Sitharaman to review credit flow in meet with PSB chiefs on April 23

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Written by **Banikinkar Pattanayak**
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Finance minister Nirmala Sitharaman will huddle with chiefs of public-sector banks (PSBs) on April 23 to review the performance of various lenders, with specific focus on credit flow into critical sectors of the economy, sources told FE.

The meeting, convened by the department of financial services (DFS), comes at a time when the government wants banks to satiate the growing credit appetite of a fast-recuperating economy that is also facing considerable external headwinds in the wake of the Russia-Ukraine conflict. The minister is also likely to review the progress of key government programmes, including the Rs 5-trillion guaranteed loan scheme (known as ECLGS) for MSMEs and other businesses.

While credit flow has improved in recent months amid prodding by the government, bankers are yet to shun risk aversion considerably, said one of the sources. “There is scope to boost credit further while meeting all the prudential norms, especially when economic activities have improved in recent months due to the lifting of Covid-related curbs,” said the source.

Non-food bank credit grew 8% in February, compared with 6.6% a year before. However, loans to industry grew at a slower pace of 6.5% even on a favourable base (it had risen just 1% in February 2021). Within industry, credit growth to the metals, cement, construction, gems & jewellery and textiles sectors decelerated in February, although loan flow to several others, including infrastructure, improved.

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Importantly, no state-run bank suffered losses in the first three quarters of FY22; in fact, together, they recorded a net profit of Rs 48,874 crore during this period. This is higher than the profit of Rs 31,820 crore in the entire FY21, which was the highest in five years. According to the RBI data on domestic operations, state-run banks’ gross bad loans dropped to 8.18% of gross advances by December 2021 from 9.36% as of March 2021 and compared with 15.52% as of March 2018. Their capital adequacy was about 14.3% as of June 2021, well above