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Credit growth expected to improve aided by govt's push on public spending

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Synopsis

As the Indian economy has navigated the pandemic-induced shocks, Care Edge report said, the bank credit growth by scheduled commercial banks (SCBs) improved post-August 2021 to reach 13.1 per cent in early June 2022, a rate last recorded in March 2019. Apart from retail, the major driver of this growth has been the wholesale credit, which reported double-digit growth after witnessing a significant slowdown last year, it said.



Bank credit offtake is expected to pick up following normalisation of economic activities aided by the government thrust on public expenditure in current fiscal year, a report said. According to the **Care Edge report**, the gross non-performing assets (**GNPA**) ratio hit a six-year low of 5.9 per cent in FY22 but remained above the

pre-asset quality review of 2015-16.

However, it said, India's **NPA** ratio is one of the highest among the comparable countries despite gradual decline.

Non-performing loans eased in advanced economies due to continued deleveraging, and institutional and government intervention, it said.

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Apart from retail, the major driver of this growth has been the wholesale credit, which reported double-digit growth after witnessing a significant slowdown last year, it said.

After a modest credit growth in recent years, it said, "the outlook for bank credit offtake is positive due to the economic expansion tracking nominal GDP growth, rise in government and private capital expenditure, rising commodity prices, implementation of the [PLI](#) scheme, the extension of ECLGS for MSME and retail credit push."

[RBI](#) in its latest [Financial Stability Report](#) said bad loans of banks are expected to further decline to 5.3 per cent of total advances by March 2023 from a six-year low on the back of growth in credit and declining trend in the stock of [NPAs](#).

The RBI further said if the macroeconomic environment worsens to a medium or severe stress scenario, the GNPA ratio may rise to 6.2 per cent and 8.3 per cent, respectively.

"At the bank group level too, the GNPA ratios may shrink by March 2023 in the baseline scenario," it said.

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In the severe stress scenario, however, the GNPA ratios of public sector banks (PSBs) may increase from 7.6 per cent in March 2022 to 10.5 per cent a year later. The GNPA ratios would go up from 3.7 per cent to 5.7 per cent for private sector banks and 2.8 per cent to 4 per cent for foreign banks over the same period.

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