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Bank credit offtake ticks up even as interest rates rise: Services lead

In absolute numbers, bank credit has gone up by Rs 13 lakh crore as of May 20 to Rs 120.27 lakh crore, as against Rs 6.08 lakh crore a year ago.

Written by [George Mathew](#) | Mumbai |

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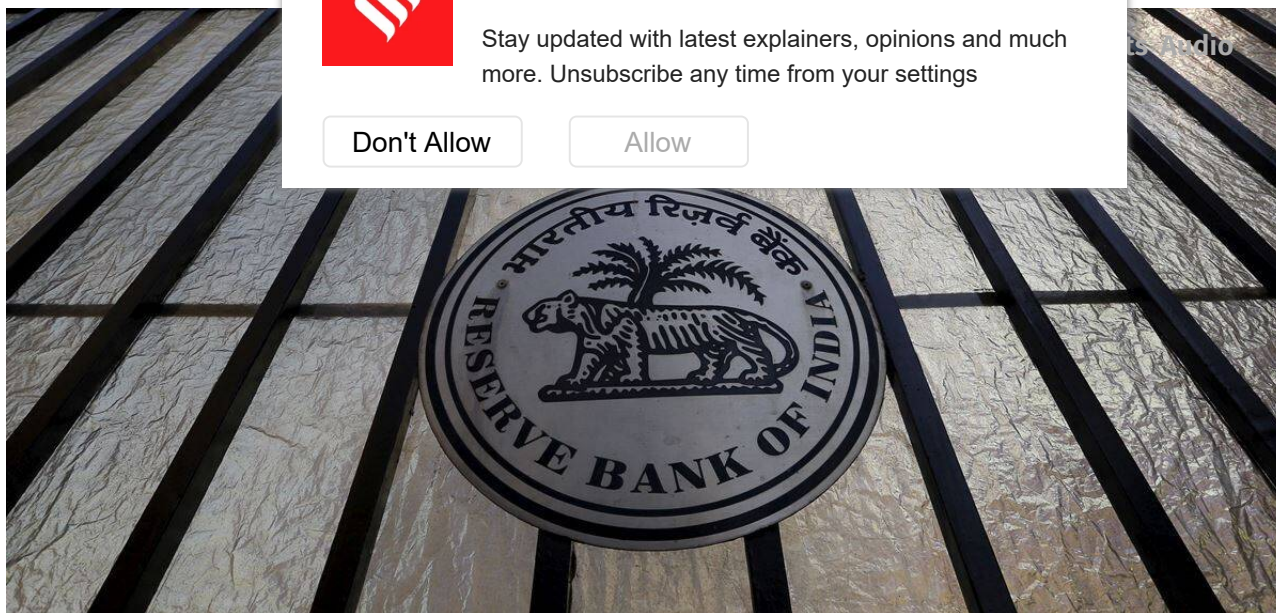


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This (credit growth) was driven by the low-base effect, shift to bank borrowings due to high capital market rates, sustained rise in retail loans and higher working capital requirements owing to elevated inflation, according to CareEdge. Retail growth has been relatively high due to the improvement in the job market and economic activities.

Credit offtake in the banking system is showing signs of a pickup at a time when interest rates are on the upswing. The year-on-year bank credit growth rate has crossed the 12 per cent level to 12.1 per cent as of May 20, 2022, as against 6 per cent growth in the same period of last year, according to the latest Reserve Bank data.

In absolute numbers, bank credit has gone up by Rs 13 lakh crore as of May 20 to Rs 120.27 lakh crore, as against Rs 6.08 lakh crore a year ago.

Bank credit to the services sector and personal loan segment has been growing faster than other segments. While credit offtake by the services sector has gone up by over Rs 3 lakh crore, personal loan segment, which includes housing, vehicle and credit cards, rose by over 3.4 lakh crore.



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“Bank credit offtake has gradually improved in the recent months, supported by both resilience of the banking system and progressive normalisation of economic activity,” RBI Governor Shaktikanta Das said while unveiling the monetary policy last week. The RBI has jacked up **repo rate** by 90 basis points since May this year, making borrowing through the repo-linked lending rate (RLLR) costlier for borrowers. However, credit growth can hit the speed breaker if the economy doesn’t improve and the capex plan of the government and industry slows down, said an official of a bank.

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