

Bank credit growth lowest in 5 months

Shashank Didmishe /January 14, 2023



The non-food credit growth in the banking industry has slumped to a low of five months even as consistently slow deposit growth continues to haunt the sector. The non-food credit, which witnessed accelerated growth in 2022, grew at a slower pace of 15.3% in the fortnight ended December 30, levels last seen in August.

Banks' non-food credit outstanding as of fortnight ended December 30 stood at Rs 132.5 trillion, as per data released by the Reserve Bank of India (RBI). The growth of non-food credit in the fortnight ended December 30 has been lower by 256 basis points (bps) compared to the previous fortnight. Other than this instance, the growth rate of non-food credit had fallen only once in 2022, by 188 bps in the fortnight ended May 20.

The non-food credit in the sector had picked up in 2022 and was growing above 10% since June but had plateaued at around 17-18% since October. Sectorally, the growth was led by retail loan segments such as mortgages, personal loans and credit cards, followed by increased lending to services sector, especially non-banking finance companies (NBFC) and loans to industry.

However, the credit growth in the fortnight ended December 30 is highest in the corresponding fortnights of past five years. The credit growth rate in the same fortnight for past years was in the range of 8-15%.

[Banks'](#) deposits grew by 8.4% in the fortnight ended December 30, the data shows, with total deposit base at Rs 177 trillion. The deposits in the sector are growing at a slower pace compared to credit growth and some of the major banks have sharply raised their interest rates to shore up deposits.

"The credit growth is a subset of the deposit growth and unless this is solved in some form or shape, credit growth will slow down," Amitabh Choudhary, MD & CEO, [Axis Bank](#) said at an event. Unless something is done on deposit side, the credit growth is expected to slow down to 12-13%, as per bank's internal estimates, he said.

Despite most of the deposit growth coming from term deposits rather than low-cost current account, savings account (CASA) deposits, brokerage BNP Paribas expects a small sequential rise in margin for most banks as loan repricing and asset mix shift more than offset the cost of fund increases.