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Bank credit growth has improved gradually since June 2021. Photo: Hemant Mishra/Mint

1 min read . Updated: 14 Nov 2021, 03:37 PM IST

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In absolute terms, credit offtake increased by ₹7.1 trillion over the past twelve months

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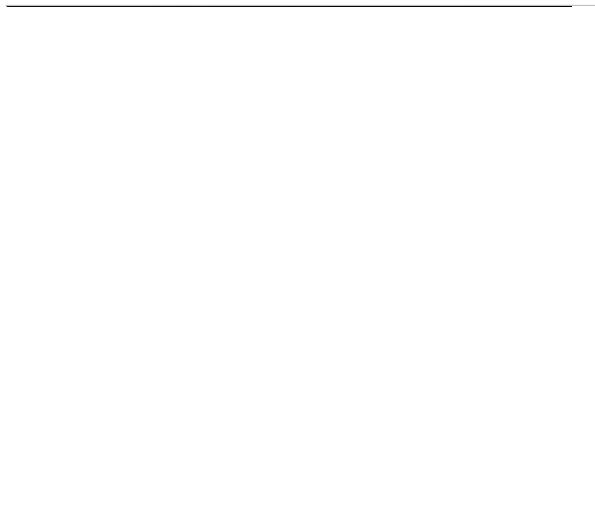
Mumbai: Bank credit growth is expected to be in the range of 7.5-8% in FY22 with a low base effect, economic expansion, extended government-guaranteed loan support, and retail credit push, Care Ratings said.

According to the rating agency, the medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. Retail loan segment is expected to do well as compared with industry and service segments, it said in a report on 13 November.

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In the fortnight ended 22 October, bank credit growth was 180 basis points (bps) higher than the fortnight ended 23 October 2020. The year-on-year increase reflects the low base effect, festival season spending, and the easing of lockdown restrictions across regions in India, it said. In absolute terms, credit offtake increased by ₹7.1 trillion over the past twelve months.

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“Amid the second wave of the pandemic, the bank credit growth has remained tepid owing to the risk aversion by both lenders and borrowers and regional lockdowns imposed by states in the earlier part of this year to curb the spread of coronavirus,” it said.

However, following the relaxation in lockdown since June 2021, bank credit growth has improved gradually from 5.7% (as of 4 June) to 6.8% (as of 22 October). The overall non-food credit growth continues to be driven by retail, and agriculture and allied activities segments, Care Ratings said.

“With the onset of the festive season, bank credit has improved led by growth in the retail segment. This rise has been supported with rate cuts by banks to push retail credit as several banks are offering home loans at record low-interest rate ahead of the festive season,” it added.

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