

Bank credit grows 3.2 per cent in first nine months of fiscal year 2020-21

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Published: 17th January 2021 02:52 PM | Last Updated: 17th January 2021 02:52 PM

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By PTI

MUMBAI: Bank credit grew 3.2 per cent to Rs 107.05 lakh crore in the first nine months of the current financial year, against a growth of 2.7 per cent registered in the corresponding period of 2019-20.

In the fortnight ended March 27, 2020, bank advances stood at Rs 103.72 lakh crore. Bank deposits rose 8.5 per cent to Rs 147.27 lakh crore in the April-December 2020 period as against an increase of 5.1 per cent a year ago, according to the recent data released by the Reserve Bank of India.

The sharp accretion in deposits during the year was due to the safe haven appeal of banks. In the fortnight ended January 1, 2021, the year-on-year growth in bank credit was 6.7 per cent and 11.5 per cent in deposits, the data showed.

CARE Ratings in its recent report had said the bank credit growth has returned to the levels observed in early months of the pandemic -- average bank credit growth in March and April 2020 was around 6.5 per cent.

The bank credit growth in the fortnight ended January 1, 2021, increased compared to last fortnight (December 18, 2020) which can be ascribed to an increase in retail loans. However, the credit growth remained marginally lower compared with the year-ago period (7.5 per cent as of January 3, 2020) reflecting subdued demand and risk aversion in the banking system.

The rating agency said that lenders are being selective with their credit portfolios due to asset quality concerns. According to the recent Financial Stability Report, under a baseline stress scenario, gross non-performing assets of all banks may rise to 13.5 per cent by September 2021, which would be the highest in over 22 years, from 7.5 per cent in September 2020.

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