

## **Credit growth likely to be over 14-15% by FY23 end: Analysts**

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The credit growth in the banking system is likely to be more than 14-15 percent by the end of the current financial year (FY23), analysts expect.

However, January figures will be lower due to the high base effect.

"We are expecting that this year (FY23) we should end at more than 14 percent, and January figures will keep on moderating towards 14 percent only because the base effect will become higher and higher," said Sanjay Agarwal, Senior Director.

"Bank credit is seen growing 15 percent per annum in fiscals 2023 and 2024, riding on broad-based economic recovery and stronger, cleaner balance sheets that allow lenders to expand credit," rating agency CRISIL said in a report.

Meanwhile, an India Ratings report expects credit growth in FY23 to be in the high teens at around 17 percent.

"...an absolute expansion of Rs 6.1 trillion quarter-on-quarter (QoQ) will be required in 4QFY23 (3QFY23: Rs 6.7 trillion). This does not seem like a stretched goal, given the level of economic activity in the system," the India Ratings report said.

The credit offtake in October 2022 rose to a decade high of 17.9 percent on-year aided by retail credit due to the festival season, high inflation, and requirement for working capital, among others.

Reserve Bank of India (RBI) Governor Shaktikanta Das, last month, said that the lower base effect contributed to a sharp rise in credit growth in October.

## **Moderation in credit growth**

The credit growth of the banking system has seen a moderation in the second half of December 2022 due to the high base effect, analysts said.

"I don't think that something is more material, but when we go back one year and we look at the same period, we see that disbursement in December 2021 was elevated. And due to that high base, when we see the number now, the growth has slowed down. So, it's a high base effect," said the Director of India Ratings and Research Pvt Ltd.

According to a report by rating agency CareEdge, growth in credit offtake moderated to 14.9 percent on-year for the fortnight ended December 30, 2022, compared to 17.4 percent from the previous fortnight (reported December 16, 2022) as the benefit of a lower base has waned.

The India Ratings report said absolute credit in the system grew Rs 1.5 trillion in the fortnight ended 30 December 2022 compared to Rs 3.8 trillion in the same period last year.

## **Deposit growth continues to lag credit growth**

According to the India Ratings report, deposit growth muted at 9.2 percent on-year as of December 30, 2022.

"Deposit growth has been lagging advances growth since it started picking up in FY22. We are also seeing higher reliance among banks to raise certificate of deposits (CDs) where their share in incremental deposit growth has now increased to 12.7 percent versus 6.8 percent in FY22," the report added.

Banks have been increasing their deposit rates, but these are still lagging behind the increase in the repo rate. In the last few months, most banks have increased their deposit rates to attract more depositors in line with the uptick in the repo rate.

The RBI, since May 2022, has increased the repo rate by 225 basis points (bps) to fight soaring inflation.