Bank credit up in March driven by retail and working capital loan

Retail credit has continued to be the key driver for total credit offtake. **(Mint)**

1 min read . Updated: 17 Apr 2022, 02:56 PM IST

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Credit outstanding of the retail segment rose by 12.3% y-o-y in February 2022 due to growth in other personal loans, housing, and vehicle loans driven by low-interest rates and higher discounts

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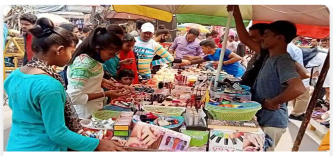
o-y for the fortnight ended 25 March, up from 5.6% in the year-ago period (fortnight ending 26 March 2021) driven by retail loans, coupled with a rise in working capital loans due to increasing inflation and raising of capital by large corporates from the banking system instead of bond market, a CareEdge report on country's financial system has said.

As per the report, sequentially, credit growth improved by 1.5%. In absolute terms, credit outstanding stood at Rs118.9 trillion as of 25 March, expanding by Rs10.43 trillion over the last twelve months.



Credit offtake of 9.6% y-o-y for the fortnight ended on 25 March is much better than 5.3-6.7% in the first H1FY22, CareEdge said.

Lower credit growth in H1FY22 was due to covid-19 related restrictions. However, in H2FY22, the economy witnessed an uptick in the activities as the restrictions were lifted.

Retail credit has continued to be the key driver for total credit offtake. Further, corporate credit growth has also witnessed a pick-up due to large corporates raising funds from the banking system in place of the bond market due to banks offering more attractive rates. Additionally, working capital requirements have also risen due to higher inflation, the report said.

With the Union Budget 2022-23 focusing on the expansion of capex and infrastructure, credit offtake could increase from industry, it added.

Credit outstanding of the retail segment rose by 12.3% y-o-y in February 2022 due to growth in other personal loans, housing, and vehicle loans driven by low-interest rates and higher discounts.

segment driven by ECLGS and reclassification.

The gross banking credit picked up to 9.6% y-o-y in March 2022. After witnessing modest credit growth in recent years, the outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capex, extended ECLGS support, inflation of commodity prices and retail credit push.

CareEdge said that the medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. CPI too is trending up which is likely to add to the credit growth.