Bank loan growth posts slight decline in Nov 4 fortnight

"If you compare with pre-Covid-19 period, the deposit growth is higher on a cumulative basis. Just because deposit growth was higher for two years, it is optically looking lower," Agarwal said.

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November 19, 2022 2:15:00 am

The loan growth so far has largely been driven by demand for retail loans and working capital loans, say analysts.

Bank loans rose around 17% year-on-year (y-o-y) in the fortnight ended November 4, lower than the nearly 18% y-o-y rise in the fortnight ended October 21. Total advances stood at Rs 129.3 trillion as on November 4, up by Rs 42,432 crore from the previous fortnight.

“Last year, because of Covid-19, there was a base effect. So, loans started rising from November onwards,” Sanjay Kumar Agarwal, senior director, CareEdge said. “Till October 2021, the loan growth was very low; this year when you are looking at the loan growth, it optically looks high. The loans are going up, but base impact effect is there.”

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Going ahead, credit rating agency Crisil expects credit to grow at 15% y-o-y in FY23 and FY24 owing to a broad-based recovery in the economy and clean balance sheets of lenders.

The government's push for infrastructure projects, higher working capital demand among corporates, and some substitution of debt capital market borrowings for bank loans will also fuel the growth in loans, Crisil said.

Total deposits rose 8.2% y-o-y to Rs 173.7 trillion as on November 4. They rose by Rs 1.7 trillion on fortnight, much higher than the fortnightly rise in loans.

Deposits had risen 9.5% y-o-y in the fortnight ended October 21.

"If you compare with pre-Covid-19 period, the deposit growth is higher on a cumulative basis. Just because deposit growth was higher for two years, it is optically looking lower," Agarwal said.

Investments rose 8.4% y-o-y to Rs 50.8 trillion as on November 4. It rose by Rs 30,623 crore on-fortnight.

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