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Credit offtake grows 17.5% for fortnight ended Dec 2: CARE Ratings

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The credit offtake in India remained at elevated levels of 17.5 per cent year-on-year (YoY), reporting robust growth for the fortnight ended December 2, said credit rating agency CARE Ratings.

According to CARE Ratings report, the growth is driven by a low base, non-banking finance companies (NBFC), retail credit, higher working capital demand driven by inflation and improvement in capacity utilisation ratio, and rising demand for fresh capex.

The benefit of a lower base is expected to ease in the next few fortnights, optically leading to lower growth rates, CARE Ratings said.

With a large base, deposits saw a slower growth at 9.9 per cent y-o-y compared to credit growth of 17.5 per cent for the fortnight ended December 2.

The credit offtake expanded by over 1,000 bps due to a low base, retail credit, inflation-led working capital requirement and MSMEs. It also increased sequentially by 1.2 per cent from the immediate fortnight (ended November 18), CARE Ratings said.

Deposits rates are expected to go up further due to rising policy rates driven by higher inflation, intense competition between banks for sourcing deposits to meet strong credit demand, widening credit deposit gap, and lower liquidity in the market, said CARE Ratings.

Over the last couple of years, (i.e., from February 28, 2020) credit offtake has mostly overcome the Covid induced lag and has grown by around 29.7 per cent to almost catch up with deposit growth of 31.4 per cent over the period, the credit rating agency said.

In absolute terms, credit outstanding stood at Rs 131 lakh crore as of December 2, rising by Rs 19.5 lakh crore over the last 12 months.

According to CARE Ratings, the credit offtake is anticipated to remain resilient in FY23, while the benefit of lower base will ease out in the next few fortnights, optically leading to lower growth rates.

A slowdown in global growth due to elevated interest rates, interminable pandemic restrictions in China, and multiple rate hikes in India could impact credit growth, the CARE Ratings report said.