

Prospects for bank credit growth promising, to grow 12-13 pc in 2022-23: **Report**

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New Delhi [India], July 28 (ANI): The medium-term prospects for bank credit growth look promising with rising personal and wholesale borrowings and a substantial buffer for loan provisioning. Credit rating agency CareEdge estimates the credit growth to be in the range of 12-13 per cent during 2022-23.

“Bank credit growth reached double digits outpacing deposit growth by the end of FY22. The personal loans segment has remained the largest segment, credit offtake from the industrial sector improved after falling in FY21. The private sector banks (PVBs) have continued to outpace the public sector banks (PSBs),” the rating agency said in a report.

However, high inflation and rate hikes by the Reserve Bank of India could adversely impact credit growth.

The prospect for economic growth is contingent on multiple factors such as progress on the Russia-Ukraine war front, the pace of monetary tightening by central banks globally and the overall global economic growth trajectory.

Consequently, GDP growth in 2022-23 will be impacted due to the widening of the trade deficit. Hence factoring for the uncertain economic environment, the rating agency expects India's GDP to grow by 7-7.5 per cent this year.

India has a relatively lower level of credit to GDP ratio when compared to other countries and to improve the same, access to credit and the cost of credit need to be addressed, it said.

“In India, the credit market is dominated by the banking sector with the bond market still in a developing phase. Consequently, the banking sector's health is a priority area as it plays a key role in financial intermediation in the economy,” it added.

Bank credit growth has generally been closely linked to the pace of economic growth.

Credit growth was muted pre-Covid, reflective of macro adjustments such as non-performing clean up, and risk aversion in lending, while Covid-19-led lockdowns impacted credit growth during 2020-21.

In 2021-22, the economic output witnessed a growth of 8.7 per cent and a similar trend was observed in credit growth as the gross banking credit growth registered a year-on-year increase to reach 9.6 per cent in March 2022 due to a pick-up in business activities and comparatively lower interest rates, the report added. (ANI)

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