

NPAs, low loan demand block for lending despite huge deposit: Study

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NEW DELHI: Banks will find it difficult to sell loans despite huge deposits due to ban-cum-exchange policy on Rs 500 and Rs 1000 notes amid high bad loans, says a study.

"A very high level of non-performing assets and reducing appetite for more loans from the over-leveraged industry would come in the way of increased bank lending despite bond yields falling even below the policy interest rates," said a joint study by [Assocham](#) and [CARE Ratings](#).

As per the study - Indian Bond Market - banks are reluctant to lend to infrastructure projects, the very sector that needs to be revived first for a positive ripple elsewhere.

The inability of banks to lend to infrastructure and over-leveraged metals, textiles and engineering sectors has led to growth stagnation, the study said.

It suggested popularising corporate bond market as cheaper source of funding infrastructure and other critical projects.

However, falling demand for credit and high non-performing assets are vital issues that banks are facing, it added.

Public sector banks have 14.5 per cent stressed loans of their total [loan](#) book while the private and foreign banks have this figure at 4.5 per cent.

It has been observed that most of the stressed assets were concentrated in sectors like metals, mining, infrastructure, textiles and aviation that constrained the overall economic growth. Infrastructure contributed to 32.8 per cent of the total stressed loans in 2015-16, it added.

Indian corporate bond market of USD 287 billion (14 per cent of GDP in 2015-16) can grow well particularly on account of weakness in banking sector plagued by stressed assets.

"The Indian corporate bond market has a large untapped potential which has to be harnessed effectively," said CARE Ratings Managing Director and CEO Rajesh Mokashi.

"As in most countries, India too has a more developed and mature government securities market relative to the corporate bond market. Government securities have been registering sustained growth over the years, the corporate bond market on the other hand, has been more or less stagnant in the last decade," the study said.

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