

Credit growth turns positive 1st time in FY22

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Credit growth turned positive year-to-date (YTD) at 0.1 per cent in September for the first time in 2021-22 (FY22), reflecting gradual pick-up in demand.

According to the Reserve Bank of India (RBI) data, bank lending rose ₹7,283 crore till September 24, against a contraction of 1 per cent (or ₹99,280 crore) on a YTD basis in the same period last fiscal year (2020-21). Outstanding bank credit stood at ₹109.56 trillion as on September 24.

What stands out this time around is that positive growth happened despite a more debilitating impact of the second wave of the pandemic. In a normal year, YTD growth in bank credit turns positive in August-September, ahead of the busy season in the second half which starts in October. In 2019, YTD growth had moved into positive territory in early October.

YTD growth in 2020 had turned positive only in November, according to the RBI data. Economic activity

had almost come to a standstill during the first wave of the pandemic in 2020 due to a nationwide lockdown.

During the second wave, manufacturing and services activity continued in a calibrated manner, given that curbs were more localised.

Saurabh Bhalerao, associate director and head-BFSI Research, CARE Ratings, said the overall non-food credit growth continues to be driven

ACCORDING TO RBI DATA, BANK LENDING ROSE ₹7,283 CRORE TILL SEPTEMBER 24, AGAINST A CONTRACTION OF 1% ON A YTD BASIS IN YEAR-AGO PERIOD

by retail and agri and allied activities segments in August. But slower growth in the industry and services continues to crimp overall credit growth.

With the onset of the festival season, bank credit is expected to improve further, led by growth in the retail segment covering housing, automobiles, and consumer durables. This rise is expected to be buttressed by bank rate cuts to push retail credit. Many banks are offering loans at record-low interest rates.

Year-on-year credit growth has also shown momentum at 6.7 per cent in September, up from 5.1 per cent last September.