

'Q2 GDP growth slowdown is a blip; advances robust in Q3'

LOAN TRENDS Agri, SME and corporate credit growing well, except for personal loans: SBI chief

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The slowdown in GDP growth in the second quarter is more of a blip as in the current (third) quarter so far, barring some segments such as personal loans, the State Bank of India's advances, especially to the agriculture, SME and corporate segments have "grown well", according to Chairman Challa Sreenivasulu Setty.

This observation comes against the backdrop of the second quarter (Q2FY25) GDP growth slowing to a two-year low of 5.4 per cent, down from 6.7 per cent in Q1 (April-June).

CAPITAL SUPPORT

In an interaction with *businessline*, Setty emphasised that the current capitalisation level can comfortably support the ₹6 lakh crore corporate loan pipeline built up by the SBI.

Further, if the current year's profit ploughback is reckoned, the March-end capital position can support loan growth aggregating ₹10 lakh crore.

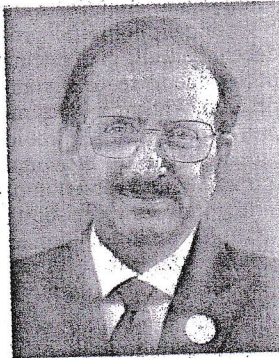
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CHALLA SREENIVASULU SETTY
Chairman
State Bank of India

He emphasised that in the last 3-4 years, the SBI had ploughed back ₹1.2 lakh crore as capital.

To a question on the impact of slow GDP growth on credit demand, Setty said: "I personally believe that this is more of a blip and we don't have to live from one quarter to another. What we are witnessing is a mixed kind of situation.

"Even in the current quarter, we seem to be growing well on the credit side. And barring some pockets, such as personal loans, where the entire system is witnessing a slowdown, we have seen good growth in agriculture, SME and corporate book."



As of September, retail personal advances accounted for 41.9 per cent of the SBI's domestic advances of ₹33,32,533 crore, followed by corporate (34.72 per cent), SME (13.70 per cent) and agriculture (9.68 per cent).

CORPORATE EDGE

Setty said that the SBI's corporate loan book is slightly different because it has a very strong relationship with almost every corporate in India.

"We have a very diversified corporate lending portfolio. A lot of people ask which sectors are contributing to the growth. While there are some sectors like

renewables and roads, which occupy an important place, we see that the corporate loan growth is also coming from better utilisation of working capital limits, and our ability to participate in diversified infrastructure projects."

"Many banks may not be there. We are the largest working capital lender, largest corporate balance sheet funding lender, and we are also the largest infrastructure funding lender," he said.

Setty underscored that for now, credit growth seems to be on track with the Bank's FY25 guidance of 14-16 per cent. "We are confident that once the government spending increases in the second half, there would be an improvement in liquidity," he said.

RATE OUTLOOK

The SBI chief noted that everybody is looking for a rate cut and probably the demand has increased now with Q2 GDP numbers.

"The Central bank would be worried about inflation. So, our assessment is that the RBI may not go for a rate cut in December," he said.