

Credit growth rises to 10-year high of 18%

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Mumbai, 20 October

Bank credit rose 17.94 per cent year-on-year (YoY) to ₹128.6 trillion as of October 7 this year to reflect festival and second quarter (Q2) demand, according to data from the Reserve Bank of India (RBI), and at a 10-year high by another estimate.

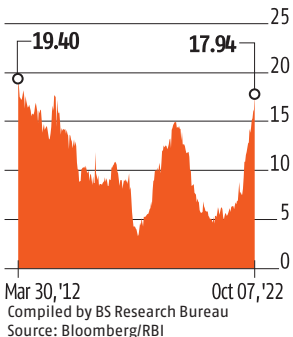
According to data from Bloomberg, credit growth is the highest since June 2012, when it touched 18.32 per cent.

Bank deposits increased 9.62-per cent YoY to ₹172.72 trillion as of October 7. Sequentially, commercial banks raised ₹2.41 trillion in deposits in the fortnight ended October 7.

As for credit growth fortnightly, the outstanding loan book of scheduled commercial banks grew 1.82 per cent (₹2.31 trillion), from ₹126.29 trillion on September 23 this year. The YoY growth in credit



COMMERCIAL CREDIT GROWTH



was 16.4 per cent as of September 23, 2002.

Bankers said the demand from the retail segment increases during festivals. Also, credit taken by corporates is higher ahead of the end of Q2 of a financial year.

A part of this build-up may reverse in the early part of the third quarter. There is a shift in fund-raising activity — from debt to loans — as lending rates in the market have

hardened due to tight liquidity conditions.

Rating agency CareEdge's analysis said last week that credit growth is likely to continue in the short term due to the festival season. After modest credit growth in recent years, the medium-term prospects look promising with diminished corporate stress and substantial buffer for provisions. However, inflation remains a key risk.