

Finmin to review credit flow, performance of PSBs today

BANIKINKAR PATTANAYAK
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AHEAD OF THE crucial festive season, the finance ministry will hold a meeting with chiefs of state-run banks on Tuesday to review the lenders' credit disbursement and broader financial performance, officials and banking sources told *FE*.

The meeting, convened by the Department of Financial Services, will also take stock of the lenders' asset quality, with focus on large bad loans, their implementation of various government schemes and capital-raising plans. Last year, the finance ministry had asked state-run lenders to conduct district-wise credit outreach programmes in the build-up to Diwali, to take advantage of festive demand and bolster loan flow.

The latest meeting is part of the finance ministry's broader engagement with public-sector banks (PSBs) to not just review their performance and future strategies, but also come out with ideas to introduce next-generation reforms in various government schemes, especially the financial inclusion ones.

While credit flow has improved in recent months amid prodding by the government, senior officials believe there is further scope for state-run banks to lend more, as their profitability and asset quality have improved. The government wants the lenders



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to satiate the growing credit appetite of a fast-recuperating economy that is also facing considerable external headwinds in the wake of the Russia-Ukraine conflict.

Having remained subdued

over most part of the last two years, credit disbursement has risen in recent months. Non-food bank credit jumped 13.7% in June, against 4.9% a year before. Credit to industry, however, expanded at a slower pace of 9.5% in June, against a contraction of 0.6% a year earlier.

The asset quality of the banking system has improved with the gross non-performing asset (NPA) ratio declining from 7.4% in March 2021 to touch a six-year low of 5.9% in March 2022, according to Reserve Bank of India (RBI) data. The net bad loan ratio also dropped to 1.7% as of March 2022 from 2.4% a year before.

The combined profits of public-sector banks jumped 110% in FY22 from a year before to ₹66,539 crore.

Similarly, progress under credit-linked programmes, such as the ₹5-trillion Emergency Credit Line Guarantee Scheme, Pradhan Mantri Mudra Yojana, Stand Up India Scheme and PM SVANidhi scheme for street vendors may also come up for discussion, said one of the sources.

The meeting is also being convened amid wide expectations that the central bank may be forced to go for a fourth round of rate increase in late September to contain elevated inflation. Already, thanks to the three hikes since May, the current repo rate of 5.4% has topped the pre-pandemic level.