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Banks see credit pick up as India Inc borrows again

By Reuters | Updated: Dec 23, 2015, 04:08 PM IST [Post a Comment](#)

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MUMBAI: Indian **banks** say they expect credit growth to pick up moderately this financial year after falling to an almost two-decade low, as consumer confidence grows and companies resume borrowing to keep plants running and fund new projects.

Bank credit is a key source of funding for companies in India, which is Asia's third-largest **economy**, and is often seen as a barometer of economic activity.

Alarm bells rang when loan growth slowed to 12.6 per cent in the financial year to March, making it the weakest pace since 1997. Banks, laden with bad debts, were reining in **loans**, and firms were warier.

For the financial year ending March 2016, India's top bankers expect growth of about 14 per cent, closer to the rate of 13.9 per cent seen in the financial year ended March 2014, but less than half the heady pace seen about a decade earlier.

"Overall it's looking better," said **Arundhati Bhattacharya**, chairman of top lender **State Bank of India** [\[BSE 0.17 %\]](#), which accounts for about a quarter of the nation's banking business.

"New projects are still few and far between. But having said that, I think you know it's getting closer. The trajectory, if you ask me, is upward, definitely," she told Reuters.



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support for stalled infrastructure projects is beginning to trickle down, bankers say.

SBI says it aims to beat last year's 10.5 per cent credit growth, increasing loans by 14 per cent this year.

Aditya Puri, the veteran managing director of HDFC Bank, India's largest bank by market capitalisation, has estimated loan growth in India's banking sector at 12 to 14 per cent.

"This is more working capital demand. Of course there is a slight increase in capex also," RK Gupta, executive director of mid-sized lender Bank of Maharashtra said.

Highly-rated companies are also raising funds through commercial paper and bonds, where they have to pay lower rates.

According to the RBI, credit growth for the two weeks to November 27 accelerated slightly to 9.8 per cent from 9.2 per cent in the previous two weeks. Banks typically see significantly faster growth in the last months of the financial year, which ends in March, lifting the final figure.

Roads and renewable energy are the sectors leading the pack for borrowing, followed by the auto sector, bank executives say.

However, burnt by loans handed out at the height of the boom that later soured, banks are also more cautious.

Indian banks have typically done big-ticket lending in groups, with smaller lenders relying on due diligence completed by the leader of the consortium.

Regulators are now planning to limit the size of these once complex groups, and smaller banks say they are checking deals out for themselves: "We are taking our independent view," said Bank of Maharashtra's Gupta.

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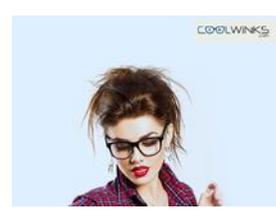
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