

Banks' non-food credit grows 9%

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RIL may contest the \$1.4 billion penalty slapped on it

Non-food credit in the banking system grew by 9.01% year-on-year (y-o-y) in the fortnight ended October 14, down from 10.6% in the previous fortnight. Credit growth has been weak over the last few months due to low corporate demand and a lack of fresh investments.

Non-food credit at the end of the fortnight under review stood at Rs 72.7 lakh crore, according to data released by the Reserve Bank of India. Growth in deposits with Indian banks also fell to 10.4% y-o-y, against 11.3% y-o-y in the previous fortnight, to Rs 99.63 lakh crore. In September, the growth in deposits had crossed the Rs 100 lakh crore mark for the first time.

With minimum growth in project loan sanctions, the 9.01% credit growth is most likely a function of demand from the retail segment, something that several large banks have lately been focusing on. Analysts have said they do not expect material improvement in credit growth for FY17, factoring in an average 12% growth over last year.

Tepid growth

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Another contributing factor to the slowing demand would be the fact that companies have been moving their borrowings to the corporate bond market due to lower interest rates. While the lowest one-year MCLR is currently 8.9% — after SBI and ICICI Bank cut their rates from 9.05% on Friday — the FIMMDA benchmark for AAA rated corporate bonds is at 7.57%.