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# Consumer goods, vehicle loans surge on public sector pay hike

By [Gayatri Nayak](#), ET Bureau | Updated: Sep 15, 2016, 11.44 AM IST

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MUMBAI: Loans for durable products such as cars and two-wheelers and consumer goods are surging past all other segments in an uptick attributed to the implementation of the seventh pay commission award.

Vehicle loans disbursed by banks increased 20.7% in July this year compared with that a year ago, when the growth rate in July 2015 was 16.6% over the previous year's figure. The total vehicle loan [portfolio](#) of commercial banks is pegged at `1.57 lakh crore as of July [end](#).

Consumer durable loans, on a small base of Rs 19,000 crore, increased 18% in July this year compared with 13% in July 2015.

The overall credit growth in July was 7.7% over the previous year's figure while loans to industry remained almost flat. Very few segments such as [credit card](#) outstanding and unsecured loans, with a much smaller base, recorded higher growth.

While most private banks have been pushing vehicle loans as part of their [retail](#) strategy, even some state-run banks are devising special schemes. "We have announced a vehicle loan carnival to meet the consumption demand that will come as the government implements the recommendations of the [new](#) pay commission," said Ashwani Kumar, chairman of Dena Bank.

Besides offering attractive rates, the bank has waived off processing fees for a limited period and has organised a credit camp to push such loans.

The government approved the seventh pay commission proposals and raised public sector wages and pensions by 16% and 23.6%, respectively. The revised pay is credited from August onwards.

"As witnessed during the past pay commissions, demand for consumer durables (automobiles, clothing and footwear) and non-durables (recreational services) is likely to improve. Demand was notably stronger during the Sixth Pay Commission in 2008-09," Radhika Rao, [India](#) economist at [DBS](#) said in a report.

The demand was stronger the last time round due to the accompanying fiscal stimulus packages implemented to cushion the [economy](#) from the global financial crisis, she said. Incomes are also under pressure this time from a weak manufacturing or industrial sector, sluggish external sector and excess capacity, the DBS report said.

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