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Except SBI, state-run banks trail private peers in loans

By [Pratik Bhakta](#), ET Bureau | Updated: Nov 02, 2016, 11.16 AM IST

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MUMBAI: State-run banks, other than [State Bank of India](#), have been lagging far behind their private sector peers when it comes to lending. While the industry growth rate itself may be barely in double digits, PSU banks, barring [SBI](#), are growing at a paltry pace over the past two quarters pushing back hopes of any recovery in investments.

[Loans](#) at state-run banks (other than SBI) grew just 1.4% in the March and June quarters, the lowest in past four years, data from the [Reserve Bank of India](#) shows. Poor capital positions, risk aversion and top corporates moving to bond markets are among the reasons why these banks which once thrived on project financing are lagging.

“With most of their funds stuck as provisions against NPAs, public sector banks have neither been able to generate fresh capital nor free up their existing resources,” said Kuntal Sur, partner, financial services (risk and regulation), PwC India. With the government tightening its purse, access to funds for public sector banks has become difficult, he said.

While SBI managed 10% loans growth, private sector lenders are growing faster at 25%. India Ratings estimates that the capital requirement for public sector banks for FY17 to FY19 is Rs 1.2 lakh crore, over and above Rs 45,000 crore that the government has promised to infuse through the Indradhanush programme.

While the jump in bad loans which have eroded the capital position of banks may be a reason for the squeeze in loans growth at lenders like [Canara Bank](#), [Punjab National Bank](#), [Dena Bank](#) and others, some believe availability of funds at a cheaper rate is luring corporates away from banks.

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