

SBI credit cycle will turn better gradually: report

Our Bureau

Mumbai, October 21:

State Bank of India's credit cycle is expected to turn for the better in a gradual manner, according to bank's economic research department.

However, it flagged the low credit growth as a matter of concern when the economy is poised to grow by 7.8 per cent in FY17.

"The good thing is that a part of the slowdown in corporate credit growth in the current fiscal is because of de-leveraging by corporates and subsequent repayments. Retail credit growth continues to be strong. Additionally, about 48 per cent of the credit upgrades in the second half of FY16 was due to better order book/healthy demand, improvement in profit margins and efficient management of working capital," said the department in a report.

The fortnightly data of All Scheduled Commercial Banks indicates that credit off-take (yoy) has been slack and is at 10.4 per cent as on September 30, 2016.

"However, some points need explanation for such low growth. As on August 1, 2016, bonds worth ₹1,66,754 crore have been issued by the participating States under the UDAY scheme for revival of their debt-ridden Discoms...After adjusting for UDAY bonds, bank credit growth as of September 2016 comes out to be 12.9 per cent as compared to the actual growth of 10.4 per cent.

"This indicates that around 2.5 per cent credit growth has gone from credit off-take to investments of the banks," said the report.

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