

Private banks' advances may grow at 24% till FY 19: Crisil

PTI



Advances of private banks are likely to grow at an annual growth rate of 24 per cent between fiscal years 2016 and 2019, well ahead of 12 per cent for public sector banks over the same four-year period," says a Crisil study.

Mumbai, Jan 19:

Private sector lenders will witness an annual credit growth of 24 per cent till financial year 2019, twice that of their ailing and capital-starved state-run peers, domestic ratings agency Crisil said today.

"Advances of private banks are likely to grow at a compounded annual growth rate of 24 per cent between fiscal years 2016 and 2019, materially ahead of 12 per cent for public sector banks over the same four-year period," it said.

Factors aiding this aggressive loan book growth will be private sector lenders' strong balance-sheets, large presence in retail segment and strong low-cost liability franchise, it said.

Private sector banks' loan books have grown at 21 per cent per annum in the five years to FY15, as against a 17 per cent for state-run lenders, it noted.

Crisil had first estimated that private sector banks would grow their loan books at twice the pace in a May 2015 report, pointing out to availability of capital as a big plus.

"Generation of capital won't be easy for state-run banks given their muted profitability and difficulty in diluting government stake because of poor valuations. Also investor appetite for non-equity tier-I instruments is yet to be fully tested. Consequently, we expect state-run banks to grow at half the pace of their private sector peers for the next four years," Crisil Director Rajat Bahl had said.

The banking system will close the ongoing FY16 with a credit growth of 11 per cent, it said in the study commissioned by industry lobby Assocham.

The near-term credit growth for the private sector banks will be driven by retail, agriculture, small and medium enterprises segments, it said.

"Private sector banks have an expertise and can offer quick end-to-end solutions to customers in these segments as they have invested significantly in developing branch network, retail franchise and technology platforms," the report said.

State-run lenders, which at present hold over 70 per cent of the system, "will be forced to focus on reorienting their business model and become more competitive and will need to increase focus on improving their performance instead of chasing growth", the report said.

Apart from this, state-run lenders should also focus on improving governance and their customer connect, it said.

The report said PSBs will face competition across the spectrum as private lenders will give them a tough time in the low-yielding mortgages, auto, while in the high-yielding loan against property, used vehicles, personal loans, gold loans, it would be NBFCs which will be leading.

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