

# Credit offtake outstrips deposit growth

While deposit growth till the fortnight ended November 10 was 8.1%, credit grew at 8.6%

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In the fifth [bi-monthly monetary policy](#) conference, [Reserve Bank of India](#) (RBI) Governor [Urjit Patel](#) said that the recent data concerning flows of financial resources suggests that the Indian economy was beginning to see [credit growth](#).

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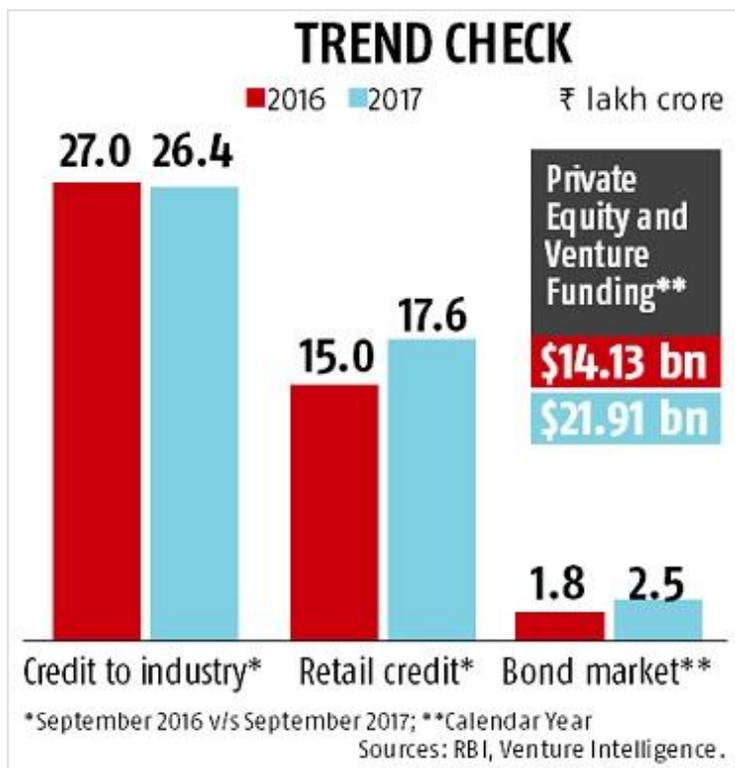
After more than a year, in November, the [credit growth](#) rate outpaced the pace of deposit growth. While deposit growth as of the fortnight ended November 10 was 8.1 per cent, credit grew at 8.6 per cent.

[Credit growth](#) was below five per cent in February this year. However, it's unlikely it was led by the corporate sector because a slowdown in economic growth dissuaded companies from investing in fresh projects, while banks shied away from giving credit to companies.

The RBI's sectoral data of credit, released with a lag of two months, shows that as of September 29, credit to 'industry' fell by 0.4 per cent on a year-on-year basis. In the financial year so far, credit to industry shrank by 1.5 per cent, from Rs 26.8 lakh crore outstanding on March 31 to Rs 26.4 lakh crore as of September 29. There was healthy growth in the retail segment in the same period.

But there are indeed green shoots, bankers say.

"We are seeing a small pickup in credit growth; proposals are coming from the renewable sector," said Venkat Nageswar, deputy managing director of global markets at State Bank of India, the country's largest lender.



The space left by banks has been filled by other sources, such as bonds, private equity funds, and [non-banking finance companies](#) (NBFC), which have become significant lenders to the commercial segment. Well-rated companies continue to tap the bond market, while companies with the rating of 'A' and lower have to borrow from banks because bonds are too costly for them.

The latest data on [NBFC credit growth](#) is not available, but as of September, NBFCs clocked 13 per cent growth in credit. NBFCs in 2015-16 disbursed Rs 84,000 crore as commercial loans, and by 2016-17, their disbursements rose to Rs 1.24 lakh crore.

In 2016, private equity and venture capital funds had invested around \$14.13 billion in the corporate sector, and had increased to about \$21.91 billion in 2017 so far, according to Venture Intelligence, which tracks private equity finances and investments in the country.

Market sources say last year, non-financial corporate firms raised Rs 1.83 lakh crore from the bond markets while this year they have about Rs 2.5 lakh crore.

Going by the [RBI](#) data, retail loans prop up banks' loan growth numbers. Retail loans grew 16.8 per cent year-on-year to Rs 7.55 lakh crore at the end of September 2017.

Bankers say it would be some time before the corporate sector starts lending again — at least not before balance sheets are cleaned up by the Insolvency and the Bankruptcy Code.