

Non-food credit growth remains flat at 12.74%

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Growth in non-food bank credit remained flat at 12.74% year-on-year (y-o-y) during the fortnight ended May 11 from 12.75% in the previous fortnight.

According to provisional data released by the Reserve Bank of India, outstanding loans to companies and individuals stood at Rs 84.93 lakh crore on May 11, almost flat compared to 84.86 lakh crore on April 27 and Rs 75.70 lakh crore a year ago.

Non-food bank credit had recorded a 6.39% y-o-y growth in the year-ago period. Deposits with the banking system grew 7.61% y-o-y to Rs 113.92 lakh crore as on May 11, against an 8.2% growth for the fortnight ended April 27.

Credit offtake in the banking system alone may not be an adequate indicator of loan disbursements in the economy. The top nine non-banking financial companies (NBFCs) saw disbursements soar 67% y-o-y for the nine-month period between April 2017 and December 2017. In recent months, loan growth has been recovering from record lows as the banking system shook off the impact of demonetisation and a bulk of lenders pivoted towards retail lending. Bankers now sound increasingly optimistic about growth trends in credit offtake.

Rajnish Kumar, chairman, State Bank of India (SBI), on Tuesday said the bank expects credit to grow 10% in FY19. Chanda Kochhar, MD and CEO, ICICI Bank, told reporters after the bank's Q4 results that it expects domestic credit to grow 16-17% in the year ahead. "This will be backed by retail growth about 20%," she added.

However, Kochhar added that corporate loans had grown by 5% if one were to include non-performing assets, restructured loans and the bank's drilldown list. Excluding these, corporate loans grew 17% in Q4.

Rajkiran Rai G, MD & CEO, Union Bank of India, earlier said that the bank expects a loan growth of 7-8% in FY19. "This is factoring in a resolution of at least Rs 10,000-15,000 crore of resolution this year. That much of de-growth will happen when these accounts settle. To that extent, we have to make up for that. That's why we have given a conservative estimate even though we may grow close to 12-13%," he said. UBI saw total advances grow 4% y-o-y in Q4.

Analysts agree that much of the growth in fresh loans is being driven by small-ticket retail loans in the absence of fresh investments by corporates. In a recent note, Kotak Institutional Equities said that the medium-term outlook for corporate loan growth remains weak, given the ongoing deleveraging of large corporate borrowers, lack of large-ticket capex and regulatory thrust towards moving exposure of large borrowers from banking system to bond markets.

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