

NBFCs remain fastest-growing sector for deployment of bank credit: RBI

Credit to NBFCs rose 55 per cent in October, says RBI

Nikhat Hetavkar & Abhijit Lele | Mumbai November 30, 2018 Last Updated at 23:13 IST



Non-banking finance companies (NBFCs) remain the fastest-growing sector for deployment of bank credit, despite its liquidity problem.

Credit to NBFCs rose 55 per cent in October, against growth of 8.1 per cent in the same month of 2017, according to data issued on Friday by the Reserve Bank of India (RBI).

The sum of what NBFCs owed at end-October was Rs 5.62 trillion, from Rs 3.6 trn in October 2017. At end-September 2018, it was Rs 5.46 trn.

ALSO READ: [Govt plans to set up NBFC with Rs 20 billion to fund food processing firms](#)

Stress-laden banks had turned to NBFCs for on-lending, feeling the risk in doing so was less than in direct lending. After the stock markets reacted negatively to NBFC shares, executives of leading banks reaffirmed their confidence in the sector, stressing they were lending to strong NBFCs.

Analysts said actual funding support had been much much more than only credit. Beside loans,

Illustration: Ajay Mohanty

finance companies.

lenders through their treasury operations have also been investing in debt instruments (commercial paper and bonds) floated by NBFCs and housing

GROWTH IN BANK CREDIT FOR OCTOBER

Sector	Y-o-Y growth
Non-food credit	13.4
Agriculture & allied activities	8
Industry	3.7
Micro & small	1.6
Medium	10.9
Large	3.8
Services	27.4
Non-banking finance companies (NBFCs)	55.6
Personal Loans	16.8

Source:RBI

However, a top executive with a medium-sized NBFC says, aggregate bank finance to NBFCs seems to be growing but much of it is flowing to large-sized entities with credit ratings above 'A'. Small and medium-sized firms in the financial sector have to struggle a lot for bank finance and get it at higher interest rates. Non-food credit demand rose 13.4 per cent in October, as against an increase of 6.6 per cent in the same period last year. Credit growth for services was 27.4 per cent, compared to a rise of 9.4 per cent in October 2017. Credit for professional services rose 25.5 per cent.

ALSO READ: [IL&FS crisis: RBI allows NBFCs quicker turnaround time for loans](#)

Personal loans grew 16.8 per cent; it was a rise of 16 per cent in October 2017. Loans for housing and credit cards had the largest rise.

Credit to consumer durables saw a sharp decline of 81.6 per cent over the previous year's October. That to agriculture and allied activities rose eight per cent in October, as compared with one of 5.5 per cent in October 2017. To industry, it rose 3.7 per cent; it had dropped 0.2 per cent in the same period last year. Credit to medium enterprises grew the most, by 10.9 per cent over the previous year.

Credit growth accelerated to infrastructure, all engineering, chemical and chemical products, and food processing. However, it contracted to basic metals & metal products, cement & cement products, gems & jewellery and paper & paper products, said RBI.