

# Industry taking lower bank credit and not even fully using that, shows RBI data

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The deployment of bank credit in the service sector has also contracted in the financial year so far, with major such contraction seen in computer software, shipping and wholesale trade.



In 14 out of 18 major industries of India, utilisation of the bank credit has shrunk, according to RBI. (Bloomberg image)

Deployment of bank credit by major industries has contracted in the current financial year so far. In 14 out of 18 major industries of India, utilisation of the bank credit has shrunk, according to [RBI](#). The slump in the deployment of bank credit has affected petrochemicals, fertilisers and petroleum, coal product industries. The growth rate of the deployment of gross bank credit in these industries contracted up to 17.3 per cent in the financial year so far. The service sector is no exception in this slowdown. The deployment of bank credit in the service sector has also contracted in the financial year so far, with major such contraction seen in computer software, shipping and wholesale trade. The deployment of bank credit in the service sector registered 5.4 per cent fall in the financial year so far.

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## Industry-wise deployment of gross bank credit

Industry	Growth (%) in financial year so far
Mining & Quarrying	-1.5
Food processing	-3.5
Textiles	-4.9
Petroleum, coal products & nuclear fuels	-11.7
Chemicals & chemical products	-8.8
Basic metal & metal products	-5.3
Gems & jewellery	-8
Construction	-2.3
Infrastructure	-2.8

Source: RBI

A slowdown in bank credit to the commercial sector, driven by liquidity crisis in the banks seems less worrying when the industry cannot deploy the bank credit which is already available with them.

Consumption, demand and investment have remained weak for a long time now. “Since the last policy, domestic economic activity continues to be weak, with the global slowdown and escalating trade tensions posing downside risks. Private consumption, the mainstay of aggregate demand, and investment activity remain sluggish,” according to RBI’s latest bi-monthly monetary policy statement.

The RBI report also mentioned that the benefit of the rate cuts is gradually being transmitted to the real economy and the benign inflation outlook provides further scope for policy action to close the negative output gap. The MPC statement also quoted that addressing growth concerns by boosting aggregate demand, especially private investment, assumes the highest priority at this juncture while remaining consistent with the inflation mandate.

In its fourth straight rate cut, the RBI slashed the repo rate by 35 basis points to 5.4 per cent earlier this month and is further expected to cut the rate by 40 basis points by the end of the current fiscal year. The government aims to increase investment by cutting interest rates, which makes borrowing cheaper.