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Loan growth remains tepid even after loan melas, reveals RBI data

BY ET BUREAU | OCT 25, 2019, 09.04 PM IST

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MUMBAI: Loans growth remained tepid in the fortnight ended October 11 signalling that the loan melas that kicked off this month are yet to lead to a significant impact on disbursements.

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Aggregate loans disbursed by the commercial banks in the country rose Rs 21,645 crore during the fortnight ended October 11, to Rs 97.9 lakh crore, according to the latest data released by the Reserve Bank of India in its weekly statistical supplement. Credit growth on a year-on-year basis works out to 8.8 per cent compared to 14.4 per cent same period a year ago.

Significantly the data reflects the period during which the government has announced a [loan mela](#) on October 1, covering 250 districts across the country to boost consumption and revive demand. The finance secretary Rajeev Kumar had said that state-run banks had disbursed Rs 81,781 crore in the nine days of 'loan mela' from October 1-9, at a media conference in mid-October.

The measures announced by the government was expected to push loan growth of the [banking sector](#) as well as the sector was seeing a sharp contraction in loan demand through-out the first half of the fiscal.

Since the RBI data released by the Reserve Bank is net of loan repayments, it is likely that entire disbursement is not fully captured in the data say bankers. Besides, much of the disbursements during the period were made from previous sanctions according to bankers.

The sectoral data on bank lending until August indicate a [slowdown](#) in many sectors including small and medium enterprises, unsecured loans and vehicle loans among others.

Interestingly, deposits have grown at a faster pace despite interest rate cuts and contraction in returns. Deposits grew 9.8 per cent year-on-year as of October 11, compared to 8.9 per cent in the same period a year ago.

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