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Market Watch

Actual retail loan growth could be lower: Report

BY GAYATRI NAYAK, ET BUREAU | UPDATED: DEC 11, 2019, 06.17 AM IST

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Banks' Retail loan growth numbers may be misleading. Bulk of the lending figures since the IL&FS crisis reflects the lending for purchase of **NBFCs** securitised retail loan pool, a report by ratings firm said.

"After deducting securitisation flows, retail loans growth shows a fall from 16% in fiscal 2018 to around 12% in 2019 and first half of this fiscal" **Crisil** said. This is also the slowest growth in the last five years. Crisil arrived at the figure after it filtered lending-for-securitisation data from the retail credit data.

The slowdown in retail loans also corroborates with the situation on the ground, like plummeting auto sales, sluggish growth in consumer durables, housing and several other consumer-oriented sectors.

NBFCs went through a liquidity crisis after defaults in loan payments by a leading NBFC-IL&FS was public in September 2018. "With conventional sources of funding (bank loans, bonds and commercial paper) becoming difficult to access, many non-banks have been rushing to securitise their receivables, especially after a credit event in September 2018" Crisil said.

Data shows that in the first half, retail credit of banks grew 16.6%, or twice the speed of overall bank credit growth and at a higher pace than the average growth of the past three years. "Of the incremental retail loans disbursed by banks, a chunk was to buy 'pools' of loan receivables of non-banks, according to Crisil.

Such pools – or packages of receivables from retail loans disbursed by non-banks – are sold to investors who are essentially banks. These are called retail securitisation transactions and those transactions involving retail loan receivables get classified as retail bank credit.

With conventional sources of funding -bank loans, bonds and commercial paper- becoming difficult to access, many NBFCs have been securitising their receivables after the IL&FS crisis.

As a result, retail securitisation volume doubled in FY'19 and increased by 39% in the first half of FY'20. Overall, lending for securitisation accounted for 31% of incremental bank credit last fiscal, compared with 17% in 2017 and 11% in 2015. In the first half of this fiscal, that number climbed to 37%.

Crisil said that about half of the securitisation transactions was home-loan receivables, while a quarter was vehicle-loan receivables and about 11% microfinance-loan receivables.

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