

Benchmarks &gt;

Nifty LIVE

10,430.20 128.10



NSE Gainer-Large Cap &gt;

Axis Bank

427.85 21.20



FEATURED FUNDS

Kotak Standard Multicap Fund  
Regular-Growth

★★★★★

5Y RETURN

7.15%

INVEST NOW

Stock Analysis, IPO, Mutual  
Funds, Bonds & More

Market Watch

# April-May bank loan contraction lesser than last year's

BY GAYATRI NAYAK, ET BUREAU | JUN 30, 2020, 09.07 PM IST

Post a Comment

Bank loans to industry and consumers shrank 2 percent in the first two months of the current fiscal aggravated by the lockdown, but it still turned out marginally better than last year's 2.1 percent fall as directed lending by the government to affected parts of the industry helped.

Loan growth to all major sectors contracted during April-May, RBI data shows. Loans to industry contracted 1.5 per cent compared to 2.5 per cent dip last year. Loans to services contracted 2 per cent compared to a dip of 5.3 per cent last year. These two sectors account for about 60 per cent of the banking sector's loan portfolio.

A granular analysis shows that directed lending by the government to certain segments have helped. Export credit for instance rose 7.9 per cent compared to dip of 7.6 per cent last year. Similarly priority sector housing loans rose 2.9 per cent compared to a flat growth last year. While lending to the weaker section which increased by a marginal 1.1 per cent was the only other sector besides loans to transport operators which increased by 3.3 per cent to post a positive growth in April-May this year.

" Overall, the RBI stimulus through its liquidity support to banks seems to have helped" said Madan Sabnavis chief economist [Care Ratings](#).

" Some sectors like transport, which normally rely on NBFCs, are likely to have gone back to banks"

But retail loans which has been holding up the banking sector's loan book for a long time now, has also contracted. Retail loans shrank 2.9 per cent this April-May, compared to 0.9 per cent growth in the same period last year. Significantly, last year credit card outstanding posted

## RELATED COMPANIES

EXPAND

## Care Ratings

### Big Change:

The end of Five-Year Plans: All you need to know



Insight-rich stories you won't find elsewhere

Trusted by 10,000+ CXOs & industry leaders

START YOUR TRIAL

"It could be also possible that consumer spending has shifted from luxury purchases to purchases of daily essentials and groceries" said SBI group chief economist S K Ghosh in a report." Our estimates of the consumer leverage shows that in the current fiscal because of exceptional circumstances this decline is 16 times more than what happened in April 19".

Stay on top of business news with The Economic Times App. [Download it Now!](#)



Insight-rich stories you won't find elsewhere  
Trusted by 10,000+ CXOs & industry leaders

START YOUR TRIAL