

Retail credit getting traction, but may remain below pre-Covid levels

ABHIJIT LELE
Mumbai, 26 July

Bank retail credit will see an uptick from the second quarter, riding on the gradual easing of lockdowns and increase in economic activity.

However, the pace will remain below the growth rates seen in the pre-pandemic period. Also, the third wave remains a big risk that may dampen activity, bankers said.

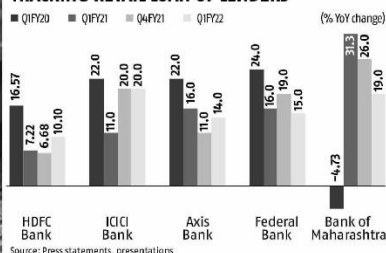
According to the Reserve Bank of India data, in the pre-pandemic phase in 2019-20, year-on-year growth in retail credit was 16.6 per cent in June 2019 (home loans in the neighbourhood of 18 per cent; credit card 27 per cent; and other personal loans at 23 per cent).

Cut to 2021, growth, though in double digits, is at a lower rate of 12.4 per cent in May 2021. In June 2020, growth was 10.5 per cent because of the first wave of the pandemic.

Prashant Kumar, managing director and chief executive, YES Bank, said the growth momentum would be from October onwards, with festival demand and stability on the income side (for persons and households). Still growth will be less than the pre-pandemic levels (the third and fourth quarters of 2019-20). "You have to keep in mind that the upward trend in the current year (FY22) is the low base of



TRACKING RETAIL LOAN OF LENDERS



Source: Press statements, presentations

last year (in FY21)," he added.

Sunil Prabhune, chief executive, rural and housing finance, and group head, digital, IT and analytics, L&T Finance Holdings, said retail growth in rural areas might not rise but stay intact at present. Growth will be helped by a near normal monsoon and a stable regime of minimum support price for the farming segment, a key component of the rural business. It is the sector least affected by the pandemic and cash flows remain robust.

Minus the corporate and wholesale loan demand, lenders have been focusing on the retail segment -- housing,

vehicle and consumer, personal loans, and small business loans. The corporate loan demand is tepid with hardly any visibility of the capital expenditure cycle returning anytime soon.

A senior State Bank of India executive said there was no virtuous cycle happening, by which retail consumption happens, fuelling industrial and corporate expansion and this further triggered retail demand. "Whatever retail growth you see is due to lack of credit earlier. People are now willing to borrow and bankers are willing to lend at historically low rates". This will continue for some more time. It may

not be 15-16 per cent growth for all banks. Banks able to give credit at lower rates will see book expansion particularly in home and auto credit.

Despite elevated stress like in the current phase, lenders are going the extra mile for retail loans because on a pool basis they have better recovery records than corporate loans.

Anil Gupta, vice-president, financial sector rating, ICRA said recovery happened in stressed retail pools even after two-three-four years, which was not the experience with business and corporate loans. Borrowers tend to pay up to clean up their track record.

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Abhijit Lele | July 27, 2021

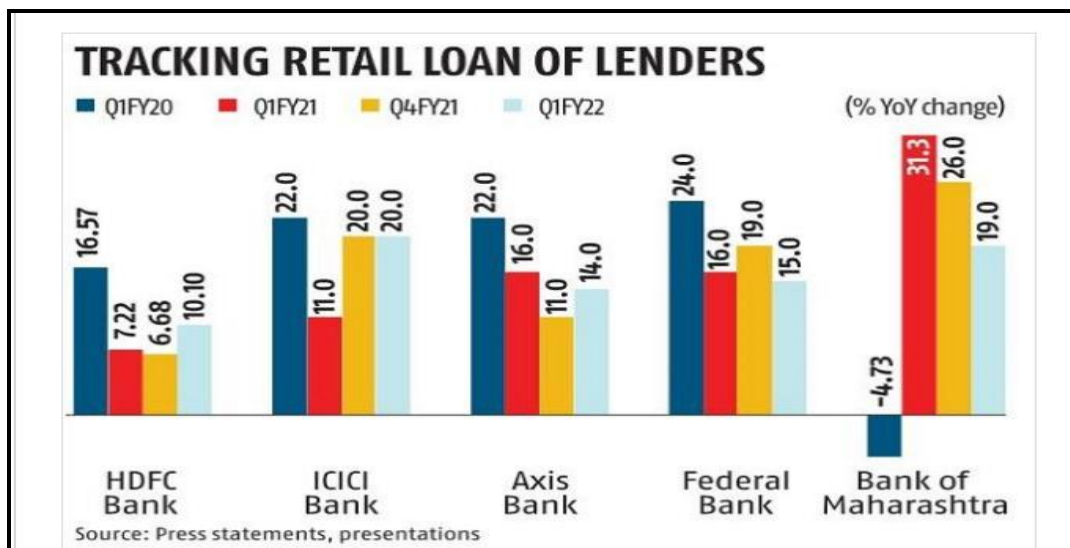
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Link: https://www.business-standard.com/article/economy-policy/retail-credit-getting-traction-but-may-remain-below-pre-covid-levels-121072700030_1.html