

In 3 yrs, credit to MSEs falls from 5.9% to 4.5%

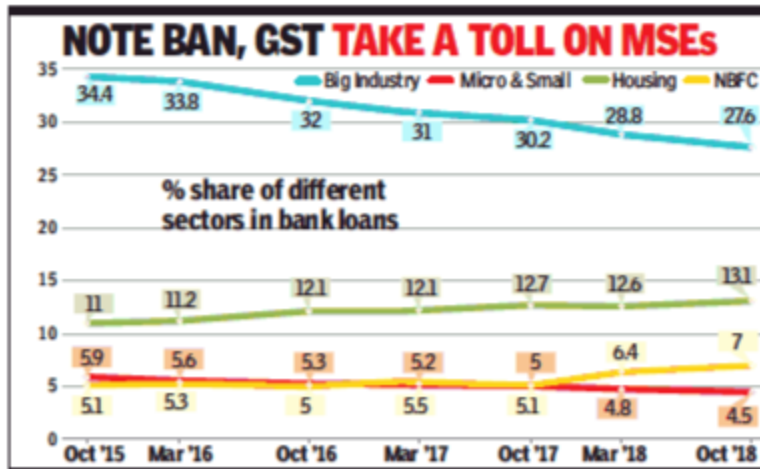
Not Yet Clear If Liquidity The Biggest Problem

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Mumbai: The share of bank credit to micro and small enterprises (MSEs) has been shrinking since three years — from 5.9% in October 2015 to 4.5% in October 2018, data from the RBI shows.

While it is clear the sector is facing problems due to the double whammy of demonetisation and GST, it's unclear whether MSEs are hit by liquidity issues or whether banks do not find them credit-worthy.

In the first seven months of



the current fiscal (up to October 26), outstanding loans to micro and small enterprises have come down by Rs 8,800 crore—to Rs 3.64 lakh crore.

The reason why this decline has not been reflected in the credit to industry num-

bers is because banks have lent an additional Rs5,100 crore to large businesses, which owe Rs 22.27 lakh crore—a big chunk of the Rs 26.96 lakh crore credit to the industry.

► Home loans easier, P 15

Banks have found it easier to give home loans

► From P 1

Besides, businesses have raised an extra Rs 59,000 crore from banks by issuing bonds and commercial papers, and with banks growing their corporate bond portfolios by 8% to Rs 7.27 lakh crore.

Despite overall industry growth being flat, bank credit has been showing a healthy rise because of a big jump in lending to two sectors —housing and non-banking financial companies (NBFCs). Of the Rs 3.14 lakh crore loans that banks have added to their books in the first seven months of FY19, almost half (47%) has been to these two sectors.

Troubled by bad loans, banks have found it easier to give home loans that have low margins and low defaults. Also, weak banks can lend to NBFCs which have a triple A rating. According to the the RBI data, in FY19 banks have grown their home loan books by Rs 3.27 lakh crore from March 30, 2018, to Rs 10.62 lakh crore — a 9% increase. Home loans account for 26% (Rs 87,800 crore) of all incremental lending this year up to October. They now are 13% of all bank loans in India, up from 12.7% as of March this year.

The second biggest contributor to increase in the loan book was the credit provided by banks to NBFCs. Outstanding bank loans to NBFCs grew Rs 66,200 crore (13%) from their March-30 level to Rs 5.62 lakh crore by end-October. They are now 7% of all bank credit, up from 5% a year earlier.

The only other sectors to have grown their shares in total bank credit are “other services” and “other personal loans” where the loan book has grown by Rs 50,000 crore and Rs 40,000 crore, respectively.