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Bank credit seen picking up, business activity resumes in full swing

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Bank credit growth has begun to pick up as of October 2021, as business activity has resumed in full swing, according to a report by Brickwork Ratings

The overall credit growth has grown 0.9% year-to-date in October this year, against a fall of 0.3% a year ago, the ratings agency said.

Moreover, credit to agriculture and allied activities continued to perform well, and credit growth to industry has picked up, with credit to medium industries registering robust growth.

Personal loans registered accelerated growth, primarily due to faster credit growth in housing, vehicle loans and loans against gold jewellery, the report added.

The banking sector, like any other, has been witnessing the increasing importance of technology and digitisation with an increasing number of UPI transactions, being 421 crore in October 2021 and 418 crore in November 2021.

Transaction values also dipped marginally by 0.4% to Rs 7.68 lakh crore in November, compared with Rs 7.71 lakh crore in October.

However, the Reserve Bank of India , in its monetary policy meeting in December, decided to go big on UPI, and is pushing to introduce it on feature phones as well.

The UPI market in India has, however, been concentrated between two non-banking players, being PhonePe and Google Pay, and see an advantage of changing the traditional banking system by catering to various financial services, the report highlighted.

Moreover, banks have not made any sincere effort into catering to this segment, which is being non-lucrative, the report added.

Apart from UPI transactions gaining prominence, credit card spending in a month for the first time ever crossed Rs 1 lakh crore in October 2021, indicating robust spends during the festive season.

The said demand has been driven by an increase in credit card acquisition rates, along with pumped demand for online services, the report said.

The RBI has also accepted the recommendation of the internal working group, involved in reviewing the ownership guidelines and corporate structure of private sector banks, for raising the cap on the promoters' stake in the long run of 15 years from the current levels of 15% to 26% of the paid-up voting equity share capital of the bank.