

GST cut, festival boom propel credit growth

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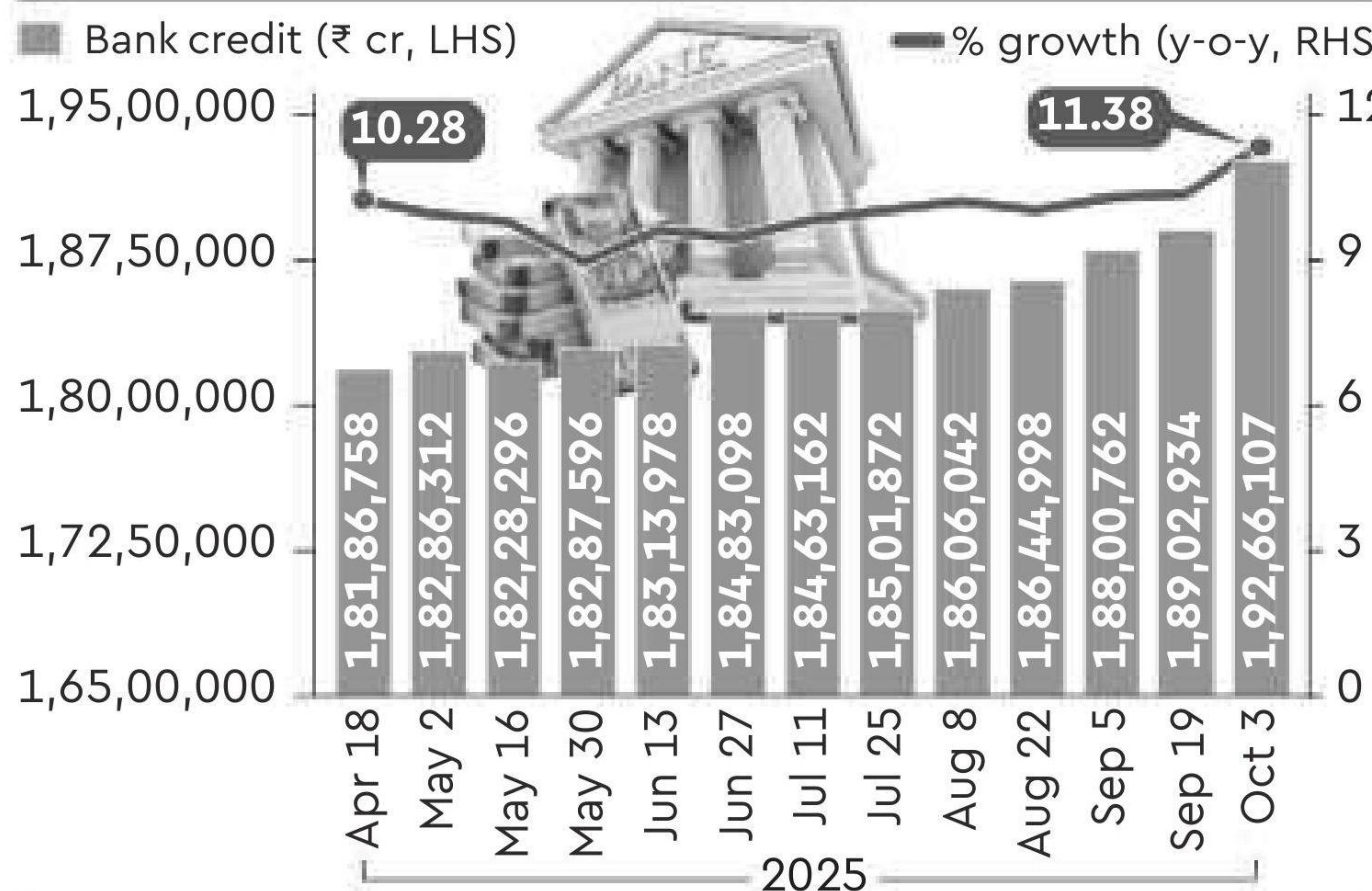
KSHIPRA PETKAR
Mumbai, October 17

THE IMPLEMENTATION OF the goods and services tax (GST) 2.0 and the festival season drove the credit growth to 11.38% (year on year) — the highest since January, according to fortnightly data released by the Reserve Bank of India. Bank credit stood at ₹192.66 lakh crore as on October 3. On a fortnightly basis, credit growth inched up by nearly 2%.

Deposits continued to grow at high single digit for the third consecutive fortnight. As on October 3, it was at ₹240.98 lakh crore, up 9.94% on year. On a fortnightly basis, deposits rose 2.34%. Investment by banks were up 6.48% on year to ₹68.76 lakh crore as on October 3. On a fortnightly basis, it was largely flat.

“This resurgence appears to

RETAIL BOOST



be primarily driven by the retail segment, supported by festive season demand and recent GST reforms,” Sachin Sachdeva, vice president, sector head - financial sector ratings, ICRA, said. ICRA maintains its estimate of total credit offtake in FY26 will be ₹19.0–20.5 lakh crore, translating to a year-on-year growth of 10.4–11.3%, Sachdeva said.

“We believe the RBI’s measures could push the credit

growth in the banking system towards the upper end of our 11.5%-12.5% expectation,” said Shinoy Varghese, S&P global credit analyst.

He added that most banks can accommodate this faster clip while maintaining their asset quality. “That said, risks to asset quality could arise from the easy access to funding with lighter covenants tempting corporates to increase leverage,” Varghese said.