

MSME credit set to grow 7%, despite overall credit growth falling to 1%

India's leading rating agency CRISIL expects bank credit to MSME to grow 6-7% in the current year driven by the government's move to provide full credit guarantee for an additional Rs, 3 lakh crore Emergency Credit Line to existing borrowers.

However, the agency expects overall bank credit to fall sharply to 0-1% in 2020-21 compared to 6% in the previous financial year because of the likely negative economic growth in the current financial year. India's economic growth, which is set to nosedive into negative territory for the first time in four decades, will lead to sharp decline in demand for bank credit.

The liquidity support measures provided by the government and RBI will prevent credit growth from falling to the negative territory in 2020-21, CRISIL said in a press release on June 8, 2020.

On May 22, 2020, the RBI has extended the moratorium on payment of instalments in respect of term loans outstanding as on March 31, 2020, till August 31, 2020. Banks and NBFCs have also been allowed to convert the accumulated interest into a funded interest term loan to be repaid by March 31, 2021.

It is estimated that over 30% of loans across the Indian banking system are under a repayment moratorium due to lack of economic activity and income during the lockdown. It is a matter of concern that if a majority of these loans turn into NPAs in the coming months, it will be a huge drain on the banking system in an already weak economic environment.

The following table highlights the Deployment of Gross Bank Credit by Scheduled Commercial Banks in India across Major Sectors. About Rs. 92,63,134 crore of Gross Bank Credit was outstanding as on March 27, 2020.

Over 99% of these loans are deployed towards non-food credit, of which about Rs. 11.5 lakh crore is towards credit to agriculture and allied activities, about Rs. 29 lakh crore is towards credit to industry, about Rs. 26 lakh crore is towards credit to the services sector and about Rs. 25.5 lakh crore is towards personal loans.

Deployment of Gross Bank Credit by Major Sectors

Activity / Industry	(Rs. Crore)
	Outstanding as on Mar. 27, 2020
1 Gross Bank Credit	92,63,134
1.1 Food Credit	51,590

1.2 Non-food Credit	92,11,544
1.2.1 Agriculture & Allied Activities	11,57,795
1.2.2 Industry	29,05,151
1.2.2.1 Micro & Small	3,81,825
1.2.2.2 Medium	1,05,598
1.2.2.3 Large	24,17,728
1.2.3 Services	25,94,945
1.2.3.1 Transport Operators	1,44,466
1.2.3.2 Computer Software	20,051
1.2.3.3 Tourism, Hotels & Restaurants	45,977
1.2.3.4 Shipping	6,557
1.2.3.5 Professional Services	1,77,085
1.2.3.6 Trade	5,52,392
1.2.3.6.1 Wholesale Trade	2,63,397
1.2.3.6.2 Retail Trade	2,88,995
1.2.3.7 Commercial Real Estate	2,29,770
1.2.3.8 Non-Banking Financial Companies (NBFCs)	8,07,383
1.2.3.9 Other Services	6,11,264
1.2.4 Personal Loans	25,53,652
1.2A Priority Sector	28,97,461

Source: RBI

Note: Data are provisional and relate to select 41 scheduled commercial banks, accounting for about 90 per cent of total non-food credit extended by all scheduled commercial banks

Notifications

RBI

Auction of Government of India Dated Securities

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=11912&Mode=0>

Press Information Bureau, Government of India

Central teams deployed to 50 municipal bodies

<https://pib.gov.in/PressReleasePage.aspx?PRID=1630413>

Extension of validity of motor vehicle documents

<https://pib.gov.in/PressReleasePage.aspx?PRID=1630455>

Prime Minister interacts with President of Philippines

<https://pib.gov.in/PressReleasePage.aspx?PRID=1630515>

CBIC

Import of bamboos to attract 25% duty

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-tarr2020/cs27-2020.pdf;jsessionid=E5749E2F1A1F1B715028CE1BDEA999F1>

Anti-dumping duty on phenyl methyl pyrazolone

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd13-2020.pdf;jsessionid=1D19F5CD11FA926A3366623188223FAA>