(Please do not write anything except the question number in this space)
कृपया इस स्थान में प्रश्न संख्या के अतिरिक्त कुछ न लिखें।

UPSC

Answer Questions in NOT MORE THAN the Word Limit specified for each in the Parenthesis.
Content of the Question is more important than length.
(Specimen Answer Booklet - For Practice Purpose Only)

उम्मीदवारों को इस हाशिए में नहीं लिखना चाहिए
Candidates must not write on this margin

Q Q As the rate hikes are transmitted to loans with a lag effect, credit growth is likely to be impacted going ahead.

↳ ↳ The consumption spending is based on borrowings. Recently there is a strong growth in gross Bank credit in the Economy But the red numbers shows that growth is not even across sectors with many segments witnessing declining credit deployment.

↳ Rate hikes transmitted loans.

↳ Growth in gross bank credit is currently at an 8 year high, moving up from 8% in 2022 to 17.2% now.

↳ Total flow of resources to the commercial sector has also more than doubled in this period. This growth has been led by service sector.

↳ Growth in Industrial loans to micro, Small and medium industries has also been very robust over 21% Implying that smaller companies are witnessing an Increase in demand. making them taking more loans.

↳ Also in Industry wise credit deployment shows that credit has flowed to handfull of industries such as Infrastructure, Petroleum and coal products etc.

↳ Loans to individuals across categories have ~~grown~~ shown strong growth at 19.6%.

↳ Banks also at higher risk due to 27% growth in credit card loans and 24% increase in Personal loans.

↳ ~~Need of the hour~~ Concern

↳ Need for additional capital for Banks is also likely to grow if deposit growth remains slack, adding pressure on the fisc.

↳ The transmission of the 190 basis point rate hike down in 2022 is not completely reflected in lending rates yet.

The weighted average lending rate on fresh rupee loans has moved only 108 basis points higher in this period.

↳ conclusion

As the rate hikes are transmitted to loans with a lag effect, credit growth is likely to be impacted going head. The overall situation needs close watching.