



India may see fall in credit availability as NBFCs face credit squeeze

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India may see fall in credit availability as NBFCs face credit squeeze: Moody's-IL&FS default has created an emerging risk for banks, says the rating agency

- India faces a potential sharp slowdown in credit availability as non-bank financial institutions face a possible credit squeeze even as the asset quality is stabilising, Moody's said in its 2019 Global Emerging Market Outlook.
- While the asset quality cycle is stabilising following massive recognition of problem loans and their gradual resolution and provisioning, the recent default of IL&FS, a large infrastructure company, and the subsequent liquidity stress in the capital market, has created an emerging risk for banks in the country, it added.
- While Moody's has forecast that the Indian economy will grow by 7.3% in 2019, it believes that delinquency rates in Indian asset-backed securities (ABS) backed by loans against property to small and medium enterprises will increase in 2019.

GST headwinds

- This will be on account of rising interest rates and ongoing headwinds from the implementation of the GST outweighing the positive influence of robust growth.
- The possible credit squeeze in capital markets caused by the default of IL&FS is unlikely to hurt the credit quality and performance of Indian structured finance deals, unless it escalates to the point where it results in significant weakness or even solvency concerns among non-bank financial institutions.
- On an overall level, slower global growth, rising interest rates, trade protectionism and geopolitical tensions pose challenges for emerging markets in 2019, said Moody's.

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