

## Bank Credit Deployment Update: Retail takes the pole position in July 2021

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Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for approximately 90% of non-food credit extended by SCBs for July 2021. Growth comparisons are in y-o-y terms, unless stated otherwise.

### Overview

The gross bank credit growth came in lower by 40 bps at 6.1% in July 2021 as compared to a growth of 6.5% in July 2020, while non-food credit growth stood at 6.2% y-o-y as compared with a growth of 6.4% in July 2020. The non-food credit growth registered a marginal fall of 20 bps (y-o-y) in July 2021, while m-o-m trend improved by 0.7% as impact of second wave receded and the opening of the economy has continued. The overall bank credit growth continues to remain modest as compared with the period before pandemic, mainly due to risk aversion and parking of excess liquidity with RBI.

The overall non-food credit growth continues to be driven by agriculture & allied activities and retail segments during the month of July 2021. Slower growth in industry and services segment continue to restrict the overall credit growth. The incremental non-food credit registered a negative growth, a similar trend can be observed for most of the years. The incremental credit growth was negative in the month of July for four years out of last five years. On a sequential basis, credit to services segment and industry declined by 0.1% and 1.5% respectively, while agriculture and personal segment improved by 2.6% each.

Figure 1: Sectoral Distribution of Credit: July 2021

Particulars	Outstanding credit As on Jul 30, 2021 (Rs Lakh Crore)	% Growth in credit		% Growth in incremental credit	
		Jul'20 over Jul'19	Jul'21 over Jul'20	Jul' 20 over Mar' 20	Jul' 21 over Mar' 21
<b>Gross Bank Credit</b>	<b>109.1</b>	<b>6.5%</b>	<b>6.1%</b>	<b>-0.9%</b>	<b>-0.4%</b>
<b>Food Credit</b>	<b>0.8</b>	<b>20.1%</b>	<b>-2.3%</b>	<b>53.2%</b>	<b>26.5%</b>
<b>Non-food Credit</b>	<b>108.3</b>	<b>6.4%</b>	<b>6.2%</b>	<b>-1.1%</b>	<b>-0.5%</b>
<b>Agriculture &amp; Allied Activities</b>	<b>13.2</b>	<b>5.4%</b>	<b>12.4%</b>	<b>0.9%</b>	<b>1.1%</b>
<b>Industry (Micro &amp; Small, Medium and Large)</b>	<b>28.2</b>	<b>0.9%</b>	<b>1.0%</b>	<b>-3.0%</b>	<b>-2.4%</b>
<i>Of which</i>					
Micro, Small & Medium	5.5	-1.8%	21.3%	-4.6%	5.7%
Large	22.8	1.4%	-2.9%	-2.6%	-4.2%
<b>Services</b>	<b>26.0</b>	<b>12.2%</b>	<b>2.7%</b>	<b>-1.6%</b>	<b>-0.2%</b>
<i>Of which</i>					
Trade	5.9	14.6%	7.4%	5.9%	0.9%
Commercial Real Estate	2.6	10.9%	0.1%	-0.7%	-3.0%
Non-Banking Financial Companies (NBFCs)	8.9	20.5%	0.5%	-5.2%	-5.6%
Other Services	4.9	-0.2%	-11.1%	5.4%	-0.1%
<b>Personal Loans</b>	<b>28.6</b>	<b>9.0%</b>	<b>11.2%</b>	<b>-1.1%</b>	<b>-0.1%</b>
<i>Of which</i>					
Housing	14.7	10.0%	8.9%	0.7%	0.5%
Vehicle Loans	2.7	2.7%	7.3%	-4.6%	-4.2%

Note: Gross bank credit and non-food credit data are based on Section - 42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 90% of total non-food credit extended by all SCBs; July 2021 over July 2020 and July 2021 over Mar 2021: Red - negative growth, Grey - growth < 5%, Green - growth > 5%; Source: Reserve Bank of India.

### Retail/Personal loans

The growth rate of the retail/personal loans segment stood at 11.2% and was higher by 220bps in July 2021 when compared with July 2020. In absolute terms, credit outstanding has increased from Rs.25.7 lakh crore in July 2020 to Rs.28.6 lakh crore in July 2021. The growth in retail loans has been driven by personal unsecured, vehicle loans and gold loan lending by some banks. The growth rate came in higher by 120bps as compared with March 2021. The retail/personal loans segment continued to contract at a slower rate on sequential basis. The incremental credit growth to sub-segments contracted except

for consumer durables and credit cards segment. The Retail/Personal loans segment has continued to be the second largest amongst the four major segments with a share of around 26.0%.

Within retail segment, the housing loan with highest share of 51.3%, slowed to 8.9% as compared with a growth of 11.1% in the same period of the last year. The housing loan segment was impacted due to second wave of the pandemic, as there is no reasonable pickup seen in housing segment. Credit card outstanding (share of ~4.0%) registered a growth of 9.8% y-o-y as compared with a growth of 8.6% in July 2020, as discretionary spending was significantly impacted in previous year due to the COVID outbreak. Incrementally, retail/personal loans segment registered a marginal growth. Within retail/personal segment, consumer durables, housing loans and loans against gold witnessed an increase, while the other segments reported a decline.

### **Services**

Bank credit to services sector grew by 2.7% on YoY basis, slower than previous month. Within services, NBFCs segment grew by only 0.5% YoY, which impacted the overall credit growth. The services segment registered a significantly slower growth (YoY), largely due to fall in growth of Trade, NBFCs and Commercial Real Estate segment. Of all the segments, shipping segment (0.3% share) grew the fastest at 39.0%. The slower growth in NBFCs segment can be attributed to slowdown in disbursements and preference to bond market for funding needs. Tourism, Hotels & Restaurants, and aviation segment registered a growth of 6.3%, and 21.3% respectively. Professional services segment registered a de growth of 8.2% during July 2021. On an incremental basis, aviation and tourism, hotels & restaurants and trade segment reported a growth while, the other segments all reported a decline.

### **Industry**

Industry segment witnessed a growth of 1.0% on YoY basis in July 2021, after witnessing a de-growth in previous month. Large industries account for 80.5% share (83.8% share in July 2020) in the total outstanding credit to industries and this segment reported a drop of 2.9% in July 2021 vs. a growth of 1.4% in July 2020. The growth movement is weak as corporates continue to de-leverage and select large corporates access to bond markets. MSME industries grew by 21.3% in July 2021 (which partially offset the fall in large segments) as compared with a drop of 1.8% in July 2020. The growth in lending to industry and services was almost entirely led by MSME segment, which was driven by disbursements under ECLGS scheme wherein Rs. 2.14 lakh crore were disbursed up till date.

Of total nineteen industries, six industries witnessed a drop in credit outstanding. Petroleum, coal products and nuclear fuels (share of 2.5%) registered the highest growth of 22.7% within industries (growth of 8.0% in July 2020). Rubber, Plastic, and their Products segment growth stood at 16.4% as compared with a growth of 7.4% in July 2020.

Infrastructure segment, which has the highest share of 38.3% in the total bank credit outstanding to industries, registered a growth of 2.4% in July 2021 as compared with a growth of 2.2% year ago. Within Infrastructure segment, airport segment registered a robust growth of 58.4% followed by the road segment at 29.7% in July 2021. While ports and telecommunication segments registered a de growth of 21.9% and 13.5% respectively in July 2021 as compared with a growth of 17.3% and 19.6% respectively in July 2020.

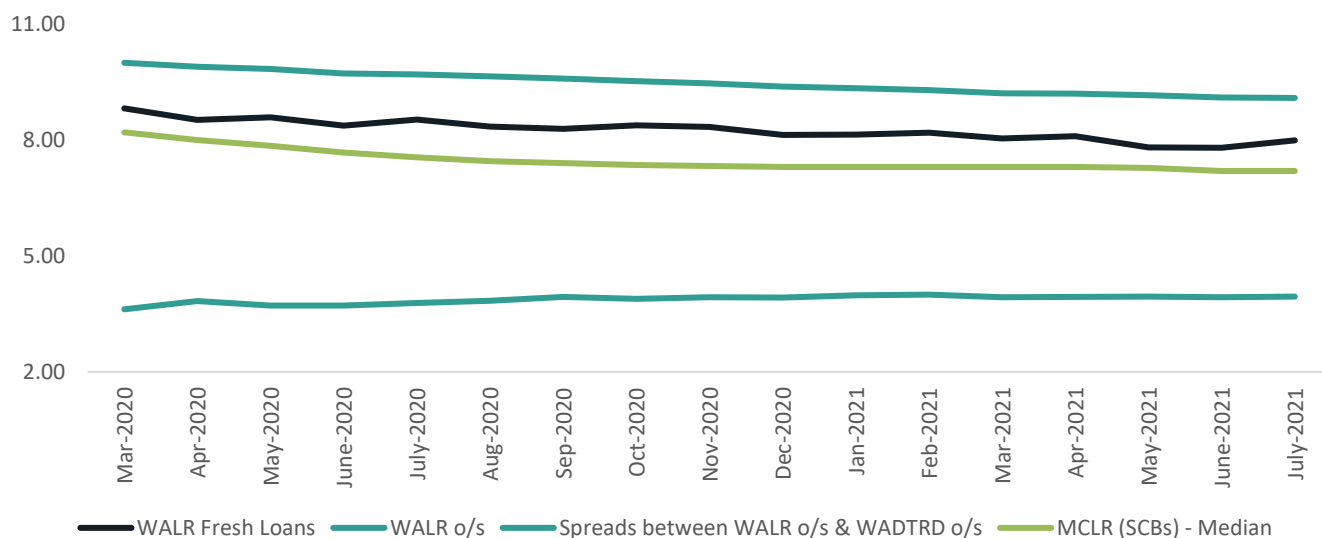
### **Lending to the priority sector**

Within priority sector, agriculture accounts for the highest share in outstanding credit followed by Micro & Small Enterprises and weaker sections. In absolute terms, the outstanding credit for MSMEs grew from Rs.12.2 lakh crore in July 2020 to Rs.13.1 lakh crore in July 2021 (Rs.13.1 lakh crore in March 2021), whereas the incremental growth in this sector was marginally negative despite the ECLGS scheme. The MSME credit grew by Rs 0.89 lakh crore from July 2020 to July 2021, while till date disbursements under ECLGS scheme were Rs 2.14 lakh crore (around 48% of new targeted Rs 4.5 lakh crore).

### **Banking system interest rates**

The interest rates (monthly fresh loans WALR) of SCBs reduced by 54 bps from July 2020 to July 2021. The spread between the Weighted Average Lending Rates (WALR) on outstanding loans and Weighted Average Domestic Term Deposit Rates (WADTDR) on outstanding term deposits stood at 4.0% in July 2021 and remain marginally higher as compared with July 2020.

**Figure 2: Movement in banking system interest rates (%)**



Source: RBI

### Concluding remarks and Outlook

Bank credit offtake continues to be driven by agriculture, retail segment and disbursements under the ECLGS scheme for the MSMEs. The additional measures by Government (e.g., rate cuts, extension in TLTRO, additions to the ECLGS scheme, liquidity support along with special liquidity facility) to mitigate pandemic related stress are expected to improve credit offtake.

The outlook in terms of credit growth is expected to be in the range of 7.5% to 8.0% for FY22 with a low base effect, economic expansion, ECLGS support, and retail credit push. The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. Retail loan segment is expected to do well as compared with industry and service segments.

### Annexure

**Figure A1: Distribution of credit within Industries: July 2021**

Particulars	Outstanding credit As on Jul 30, 2021 (Rs Lakh Crore)	% Growth in credit		% Growth in incremental credit	
		Jul'20 over Jul'19	Jul'21 over Jul'20	Jul' 20 over Mar' 20	Jul' 21 over Mar' 21
Mining & Quarrying (incl. Coal)	0.5	8.0%	7.7%	-0.9%	1.8%
Food Processing	1.5	7.2%	2.3%	4.3%	-1.1%
Beverage & Tobacco	0.2	0.4%	3.9%	-12.6%	-5.8%
Textiles	2.0	-1.0%	6.9%	-1.7%	0.4%
Leather & Leather Products	0.1	2.4%	-2.5%	5.3%	0.7%
Wood & Wood Products	0.1	9.6%	6.0%	4.6%	2.1%
Paper & Paper Products	0.4	8.9%	12.0%	4.5%	1.9%
Petroleum, Coal Products & Nuclear Fuels	0.7	8.0%	22.7%	-22.4%	3.6%
Chemicals & Chemical Products	1.8	1.5%	3.4%	-14.3%	-5.2%
Rubber, Plastic & their Products	0.6	7.4%	16.4%	-3.1%	6.1%
Glass & Glassware	0.1	-17.7%	-4.6%	-3.9%	-3.4%
Cement & Cement Products	0.5	1.8%	-21.4%	-0.3%	-12.9%
Basic Metal & Metal Product	2.9	-2.5%	-13.5%	-3.2%	-10.9%
All Engineering	1.4	-14.0%	2.2%	-10.0%	-1.8%
Vehicles, Vehicle Parts & Transport Equipment	0.9	6.0%	-0.1%	6.2%	4.8%
Gems & Jewellery	0.6	-20.7%	11.5%	-14.0%	-2.5%
Construction	1.0	7.9%	-3.3%	-1.7%	3.5%
Infrastructure	10.8	2.3%	2.4%	0.3%	-1.0%
Other Industries	0.1	4.6%	2.5%	-4.7%	-6.5%

Note: July 2021 over July 2020; July 2021 over Mar 2021: Red – negative growth, Grey – growth < 5%, Green - growth > 5%. Source: RBI

**Figure A2: Credit outstanding to priority sectors**

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on Jul 30, 2021 (Rs Lakh Crore)	Jul'20 over Jul'19	Jul'21 over Jul'20	Jul' 20 over Mar' 20	Jul' 21 over Mar' 21
<b>Priority Sector</b>					
<i>of which</i>					
Agriculture & Allied Activities	12.6	5.5%	9.1%	2.2%	-0.3%
Micro & Small Enterprises	11.0	6.4%	0.2%	1.5%	-0.7%
Medium Enterprises	2.1	-1.3%	70.9%	-12.0%	1.8%
Housing	4.7	4.4%	1.6%	-0.1%	0.4%
Weaker Sections	7.8	10.1%	0.5%	5.7%	-4.7%
Others	1.0	-1.2%	28.9%	3.3%	-0.7%

Note: July 2021 over July 2020, July 2021 over Mar 2021: Red – negative growth, Grey – growth < 5%, Green - growth > 5%. Source: RBI

**Figure A3: Overall share of segments within the Industries segment**

Industry	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021	May 21, 2021	Jun 18, 2021	Jul 30, 2021
Mining & Quarrying (incl. Coal)	1.6%	1.6%	1.6%	1.5%	1.5%	1.6%	1.7%
Food Processing	5.6%	5.5%	5.3%	5.7%	5.7%	5.7%	5.4%
Beverage & Tobacco	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
Textiles	7.5%	7.3%	6.9%	7.1%	7.1%	7.1%	7.1%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.3%	1.3%	1.2%	1.2%	1.2%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.0%	2.2%	2.3%	2.3%	2.4%	2.6%	2.5%
Chemicals & Chemical Products	6.5%	6.4%	6.6%	6.5%	6.3%	6.2%	6.5%
Rubber, Plastic & their Products	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%
Glass & Glassware	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.2%
Cement & Cement Products	2.1%	2.1%	1.9%	1.7%	1.8%	1.8%	1.7%
Basic Metal & Metal Product	11.8%	11.8%	11.4%	10.8%	10.7%	10.4%	10.4%
All Engineering	5.1%	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%
Vehicles, Vehicle Parts & Transport Equipment	3.0%	3.0%	2.9%	2.9%	2.9%	2.9%	3.1%
Gems & Jewellery	2.2%	2.2%	2.2%	2.0%	2.0%	2.1%	2.2%
Construction	3.6%	3.5%	3.3%	3.4%	3.4%	3.4%	3.5%
Infrastructure	35.8%	36.0%	37.7%	37.7%	37.6%	38.1%	38.3%
Other Industries	8.3%	8.4%	8.2%	8.5%	8.6%	8.1%	7.9%
<b>Industries</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Reserve Bank of India

**Figure A4: Overall share of segments within the Retail segment**

Personal Loans	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021	May 21, 2021	Jun 18, 2021	Jul 30, 2021
Consumer Durables	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	52.0%	51.9%	51.1%	52.0%	52.5%	52.6%	51.3%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits etc.)	2.5%	2.4%	2.2%	2.5%	2.4%	2.4%	2.1%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.3%	4.2%	4.1%	4.0%	3.7%	3.7%	3.9%
Education	2.4%	2.3%	2.2%	2.2%	2.3%	2.3%	2.2%
Vehicle Loans	8.7%	8.6%	9.7%	8.6%	8.6%	8.5%	9.3%
Loans against gold jewellery	1.6%	2.0%	2.1%	2.2%	2.2%	2.2%	2.2%
Other Personal Loans	28.2%	28.1%	28.1%	27.9%	27.9%	27.9%	28.6%
<b>Personal Loans</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Reserve Bank of India

Figure A5: Overall share of segments within the Services segment

Services	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021	May 21, 2021	Jun 18, 2021	Jul 30, 2021
Transport Operators	5.7%	5.6%	5.1%	5.6%	5.5%	5.4%	5.1%
Computer Software	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.7%
Tourism, Hotels & Restaurants	1.9%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%
Shipping	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.3%
Aviation	0.5%	0.8%	1.0%	1.0%	1.0%	1.0%	1.2%
Professional Services	4.9%	4.7%	4.0%	4.4%	4.4%	4.3%	3.7%
<u>Trade</u>	22.8%	22.0%	22.6%	23.5%	23.9%	23.6%	22.9%
<i>Of which</i>							
<i>Wholesale Trade (other than food procurement)</i>	49.6%	50.3%	52.5%	52.0%	51.4%	51.3%	52.7%
<i>Retail Trade</i>	50.4%	49.7%	47.5%	48.0%	48.6%	48.7%	47.3%
Commercial Real Estate	8.9%	8.7%	10.4%	9.1%	9.1%	8.9%	10.1%
<u>Non-Banking Financial Companies (NBFCs) of which</u>	33.6%	33.7%	36.3%	35.6%	35.0%	34.0%	34.3%
<i>Of which</i>							
<i>Housing Finance Companies (HFCs)</i>	17.0%	18.8%	19.8%	19.9%	18.7%	18.8%	19.0%
<i>Public Finance Institutions (PFIs)</i>	8.0%	8.9%	8.3%	8.1%	8.3%	8.8%	8.8%
Other Services	20.8%	21.7%	17.7%	17.9%	18.2%	19.7%	19.8%
<b>Services</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Reserve Bank of India

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