

Bank Credit Deployment Update: Credit Growth continues albeit at a slower pace in January 2022

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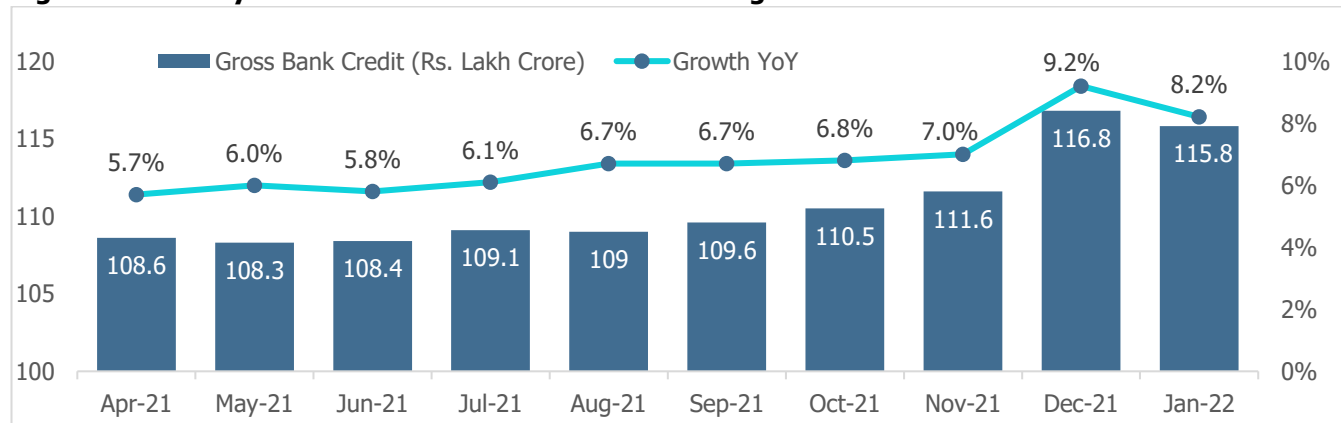
Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for approximately 92% of non-food credit extended by SCBs for January 2022.

Retail continues to drive Credit growth, while Service and Industries start gathering momentum

Overview

The gross banking credit grew 8.2% year-on-year (y-o-y) in January 2022. Food credit saw a degrowth of 5.4% y-o-y in January 2022 whereas the non-food credit rose by 8.3% y-o-y as against a non-food credit growth of 5.9% in January 2021, expanding by 243 basis points (bps) y-o-y but contracted by approximately 100 bps month-on-month (m-o-m) basis due to pick up in the business activities and as various banks also conducted credit outreach programs. However, credit contracted on a m-o-m basis after a strong quarter-end growth was witnessed in December 2021. The growth during January 2022 was all round as all segments (retail, agriculture & allied, industry and services) saw growth. Credit outstanding of the retail segment rose by 11.6% y-o-y in January 2022 due to growth in housing, vehicle, and other personal loans driven by uptick in economic activities higher discounts, and comparatively lower interest rates.

Figure 1: Monthly Trend of Growth in Credit outstanding



Source: RBI

Incremental credit growth in food credit was 34.5%, while non-food credit rose by 5.6% in January 2022, up from 2.9% in January 2021 and 6.5% in December 2021. Within the non-food credit, all segments saw growth (agriculture & allied – 7.3%, industry - 3%, services – 5.1% and retail – 7.9%) during January 2022.

Figure 2: Sectoral Distribution of Credit: January 2022

Particulars	O/s credit	% Growth in credit		% Growth in Inc. credit	
	As on Jan 28, 2022	Jan 21 over Jan 20	Jan 22 over Jan 21	Jan 21 over Mar 20	Jan 22 over Mar 21
	(Rs. Lakh Crore)	(%)	(%)	(%)	(%)
Gross Bank Credit	115.8	5.9%	8.2%	3.2%	5.8%
Food Credit	0.8	10.4%	-5.4%	68.3%	34.5%
Non-food Credit	115.0	5.9%	8.3%	2.9%	5.6%
Agriculture & Allied Activities	14.3	8.5%	10.4%	7.9%	7.3%
Industry	30.5	0.7%	6.4%	-2.6%	3.0%
<i>Of which</i>					
Micro, Small	4.6	0.5%	19.7%	0.1%	15.3%
Medium	2.2	21.8%	74.7%	23.7%	61.3%
Large	23.6	-0.2%	0.5%	-4.2%	-2.4%
Services	29.0	8.1%	7.3%	1.3%	5.1%
<i>Of which</i>					
Trade	6.7	16.4%	12.0%	9.1%	6.9%
Commercial Real Estate	2.8	2.6%	2.5%	0.4%	1.1%
Non-Banking Financial Companies	10.1	6.8%	10.7%	-3.9%	6.0%
Personal Loans	31.8	8.7%	11.6%	6.8%	7.9%
<i>Of which</i>					
Housing	15.5	7.9%	7.6%	6.0%	4.2%
Vehicle Loans	2.8	5.9%	2.5%	4.7%	0.5%

Note: Gross bank credit and non-food credit data are based on Section - 42 return, which covers all 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 92% of total non-food credit extended by all SCBs.

Retail/Personal loans

The credit of the retail/personal loans segment (currently the largest segment with 30.1% share in bank credit) continued its double digit growth at 11.6% in y-o-y in January 2022 (September 2021 – 12.1%, October 2021 - 11.7%, November 2021 - 11.6%, and December 2021 - 14.3%) primarily on account of growth in other personal loans, housing, vehicles, and loans against gold jewellery due to continued improvement in business activities post lifting of the covid-19 related lockdowns, and push for retail credit lending by banks through conducting credit outreach programs. The bulk of the growth has been in the small ticket personal loans, which have grown at a faster rate compared to the aggregate growth and the growth in personal loans. This higher growth can be attributed to changing consumer preferences, ease of access to credit, and increased usage of digital platforms. Within the retail/personal loans segment, all sub-segments reported growth except education.

The housing loans (share of 48.8% within retail) grew at 7.6% in January 2022 as compared with a growth of 7.9% a year ago. Housing loans are being driven by the low-level interest rates and discounts offered by real estate developers and the perception of being a comparatively safer asset class with a lower loss given any probable default by the borrower. The other personal loans (share of 30.5% within retail) grew at 20.6% in January 2022 as compared with a growth of 11.2% a year ago. Apart from the private sectors banks, large public sector banks are also focusing on unsecured loan growth through their digital platforms.

- Vehicle Loans (share of 8.9% within retail) registered a subdued growth of 2.5% in January 2022 as compared to January 2021 with a growth of 5.9%. According to channel checks, this growth has been due to consumers' preference of SUVs/ larger cars leading to a higher level of borrowing per vehicle. This subdued growth has to be set against a backdrop of a y-o-y decline of 18.3% in January 2022 of automobile sales on account of vehicle price hikes, pandemic related challenges, and supply chain issues.

- Consumer durables (share of 0.8% within retail) continued its robust growth of 53% in January 2022 (55.5% in December 2021) as compared with a growth of 62.6% a year ago due to offers/ sales promotions by various retailers.
- The loan against gold jewellery (share of around 2.2% within retail) registered the growth of 32.9% in January 2022 as compared with a growth of 64.9% in January 2021 due to higher gold prices, and attractive offers given by banks (SBI continues to maintain the largest share amongst banks in this segment).
- The advances against fixed deposits registered a growth of 17% in January 2022 from a drop of 11.3% over a year ago period.

Incremental credit growth of the retail segment stood at 7.9% in January 2022 from a growth of 6.8% over a year ago. In absolute terms, credit outstanding has reached Rs.31.8 lakh crore in January 2022 from Rs.28.5 lakh crore in March 2021. Within the retail segment, consumer durables recorded a strong growth of 48.6% in January 2022 from a marginal growth of 0.4% a year ago on account of continued attractive offers given by sellers such as cash backs, easy financing, zero down payment and long-term EMI options. The other personal loan also grew by 16.1% in January 2022 from 9.6% over a year ago. Advances to individuals against share, bonds, etc. grew by 13% in January 2022 from a negative growth of 21% a year ago, however, growth in loan against gold and jewellery decelerated to 14.3% from 56.2% a year ago given the expanding base. Housing loan growth remained flat at 4.2% from 6% a year ago. All sub-segments, except education reported growth in January 2022.

Services

Services also saw credit growth of 7.3% y-o-y during January 2022 as compared to 8.1% for the same period of the last year. This credit growth can be attributed to higher growth in computer software (y-o-y 12.7%), and trade (y-o-y 12%). Shipping and aviation saw degrowth during January 2022 falling by 4.9% and 8.3% respectively y-o-y. NBFCs (share of 34.9% within services) grew by 10.7% in January 2022 from a growth of 6.8% a year ago. Within NBFC, HFC and PFI grew by 15.7% and 60.7% respectively. HFC's AUM is increasing due to increase in housing demand and competitive bank loan pricing relative to capital markets. Credit to PFI's increased as they in turn lent to HFC (NHB), RRBs (NABARD) and businesses including MSME (EXIM and SIDBI).

On an incremental basis, the services grew by 5.1% in January 2022 as compared to a smaller rise of 1.3% a year ago. All the subsegments saw growth save aviation (-9.1%) and shipping (-5.3%) subsegments.

Industry

The credit outstanding of the industry segment registered a growth of 6.4% y-o-y in January 2022 from a marginal growth of 0.7% in a year ago mainly on account of robust growth in the micro and small (19.7%), and medium (74.7%) enterprises segment driven by ECLGS and reclassification. The large enterprise segment (share of 77.4% within Industry) reported a relatively lower growth of 0.5% in December 2021 as compared to a negative growth of 0.2% a year ago. Growth in borrowing by large enterprise segment has been supported by incremental investments on ground as well as due to higher commodity prices. It is likely that that the green shoots now seen would improve going forward.

Of the total nineteen sub-industries, 15 sub-industries witnessed growth in credit outstanding, while 4 sub-industries declined. Within industry, the petroleum, coal products & and nuclear subindustry registered the highest growth of 39.5% in January 2022 vs. a drop of 2.9% a year ago followed by rubber, plastic, and their products which saw growth of 28.7% vs 3.6% a year ago. The infrastructure sector (share of 38.3% within industry) registered a growth of 12% in January 2022 on account of strong demand in credit, and upfronting infrastructure capex by the government as compared with a negative growth of 0.9% a year ago. Within the Infrastructure sector, telecommunications grew at a robust rate of 40% y-o-y in January 2022, followed by roads at 22.8%, other

infrastructure at 9% and power at 5.3%. Ports, railways, and airports saw degrowth of 11.5%, 11.4% and 9.8%, respectively during January 2022.

Incremental credit growth of the large industry dropped by 2.4% in January 2022 from a drop of 4.2% in January 2021, which can be largely attributed to continued decline in credit of cement and cement-related products, basic metal and metal-related products and glass and glassware products.

Lending to the priority sector

Total lending of the priority sector rose by 7.8% to Rs.43.5 lakh crore in January 2022, driven by growth in the agriculture and allied activities, the micro, small and medium (MSME) industries, the weaker sections, and other sub-segments due to ELCGS scheme and improving economic activities. The agriculture & allied accounts for the largest share within priority (share of 31.2%) followed by the micro & small enterprises (share of 28.6%) and including medium enterprises (share is 35.2%) and the weaker sections (share of 20.1%).

Concluding remarks and Outlook

Bank credit growth stood at 8.2% y-o-y in January 2022 from 5.9% a year ago and after a sharp spike of 9.2% in December 2021, and 7% for November 2021. The outlook for bank credit growth is expected to be in the range of 8.0% to 9.0% for FY22 with a low base effect, economic expansion, rise in government and private capex (specially, capex for renewables and production linked incentive (PLI) schemes, extended ECLGS support, and retail credit push. Although credit growth has been buttressed by retail and MSME loans, the banking sector is optimistic about the corporate loan growth as business activities are picking up and corporates are showing interest for re-leveraging. The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. The Retail loan segment is expected to do well as compared with industry and service segments. CPI too is trending up which is likely to support GDP growth, hence pushing up credit offtake. The third wave of Covid-19 (omicron) has generally not been as severe as the first two waves on the population and to the industry as well. However, subsequent variants if severe would lead to lockdowns and can cause slowdown in economy.

Annexure

Figure A1: Credit outstanding to priority sectors

Particulars	O/s credit	% Growth in credit		% Growth in Inc. credit	
	As on Jan 28, 2022	Jan 21 over Jan 20	Jan 22 over Jan 21	Jan 21 over Mar 20	Jan 22 over Mar 21
	(Rs. Lakh Crore)	(%)	(%)	(%)	(%)
Priority Sector	43.5	7.7%	7.8%	7.1%	6.2%
of which					
Agriculture & Allied Activities	13.5	8.9%	8.2%	8.5%	6.5%
Micro & Small Enterprises	12.4	6.8%	4.8%	5.7%	7.1%
Medium Enterprises	2.8	42.2%	42.1%	35.4%	29.9%
Housing	4.8	1.8%	-1.6%	1.3%	-1.6%
Weaker Sections	8.8	6.1%	6.9%	6.6%	1.2%
Others	1.15	-2.5%	24.7%	-3.1%	24.0%

Note: January 2022 over January 2021; January 2022 over March 2021: Source: RBI

Figure A2: Overall share of segments within the Retail segment

Personal Loans (%)	July 21, 2021	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022
Consumer Durables	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.8%
Housing (Incl. Priority Sector Hsg)	51.3%	50.8%	50.7%	50.3%	49.9%	49.3%	48.8%
Advances against Fixed Deposits (Incl. FCNR (B), NRNR Deposits)	2.1%	2.1%	2.2%	2.2%	2.2%	2.4%	2.2%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	3.9%	4.0%	4.0%	4.2%	4.1%	4.0%	4.4%
Education	2.2%	2.2%	2.2%	2.2%	2.1%	2.0%	2.0%
Vehicle Loans	9.3%	9.3%	9.3%	9.2%	9.2%	9.1%	8.9%
Loans against gold jewellery	2.2%	2.2%	2.2%	2.2%	2.2%	2.3%	2.2%
Other Personal Loans	28.6%	29.0%	29.0%	29.3%	29.7%	30.3%	30.5%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A3: Overall share of segments within the Services segment

Services (%)	July 21, 2021	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022
Transport Operators	5.1%	5.1%	5.1%	5.0%	5.0%	5.0%	5.4%
Computer Software	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Shipping	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%
Aviation	1.2%	1.2%	1.1%	1.0%	1.0%	0.4%	0.8%
Professional Services	3.7%	3.7%	3.9%	3.9%	3.9%	3.7%	3.8%
Trade	22.9%	22.9%	22.4%	22.9%	22.4%	22.6%	23.1%
Of which							
Wholesale Trade	52.7%	52.7%	50.6%	51.6%	51.6%	51.6%	49.6%
Retail Trade	47.3%	47.3%	49.4%	48.4%	48.4%	48.4%	50.4%
Commercial Real Estate	10.1%	10.1%	9.9%	9.7%	9.9%	9.5%	9.5%
Non-Banking Financial Companies	34.3%	34.3%	34.1%	33.9%	35.1%	35.2%	34.9%
Of which							
Housing Finance Companies (HFCs)	19.0%	19.0%	24.2%	23.9%	24.0%	8.1%	8.0%
Public Finance Institutions (PFIs)	8.8%	8.8%	9.1%	9.5%	9.9%	3.8%	4.2%
Other Services	19.8%	19.8%	20.6%	20.6%	19.8%	20.8%	19.6%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A4: Overall share of segments within the Industries segment

Industry (%)	July 21, 2021	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022
Mining & Quarrying (incl. Coal)	1.7%	1.8%	1.7%	1.7%	1.8%	1.7%	1.6%
Food Processing	5.4%	5.2%	5.1%	5.1%	5.0%	5.5%	5.4%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%	0.5%
Textiles	7.1%	7.1%	7.0%	7.0%	7.0%	7.1%	7.2%
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%	1.3%	1.3%	1.3%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.5%	2.2%	2.4%	2.4%	2.4%	2.9%	2.5%
Chemicals & Chemical Products	6.5%	6.3%	6.4%	6.5%	6.7%	6.6%	6.4%
Rubber, Plastic & their Products	2.0%	2.1%	2.1%	2.2%	2.2%	2.2%	2.2%
Glass & Glassware	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Cement & Cement Products	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.5%
Basic Metal & Metal Product	10.4%	10.4%	10.1%	9.8%	9.7%	9.6%	9.5%
All Engineering	5.6%	5.2%	5.2%	5.2%	5.2%	5.2%	5.3%
Vehicles, Vehicle Parts & Transport Equipment	3.1%	3.0%	3.0%	2.9%	3.0%	2.8%	2.9%
Gems & Jewellery	2.2%	2.2%	2.5%	2.5%	2.4%	2.3%	2.4%
Construction	3.5%	3.5%	3.4%	3.4%	3.3%	3.2%	3.2%
Infrastructure	38.3%	38.5%	38.4%	38.8%	38.9%	38.0%	38.3%
Other Industries	7.9%	8.0%	8.1%	8.1%	8.0%	8.3%	8.7%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

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