

Bank Credit Deployment: Credit Growth More than Doubles in Apr-22

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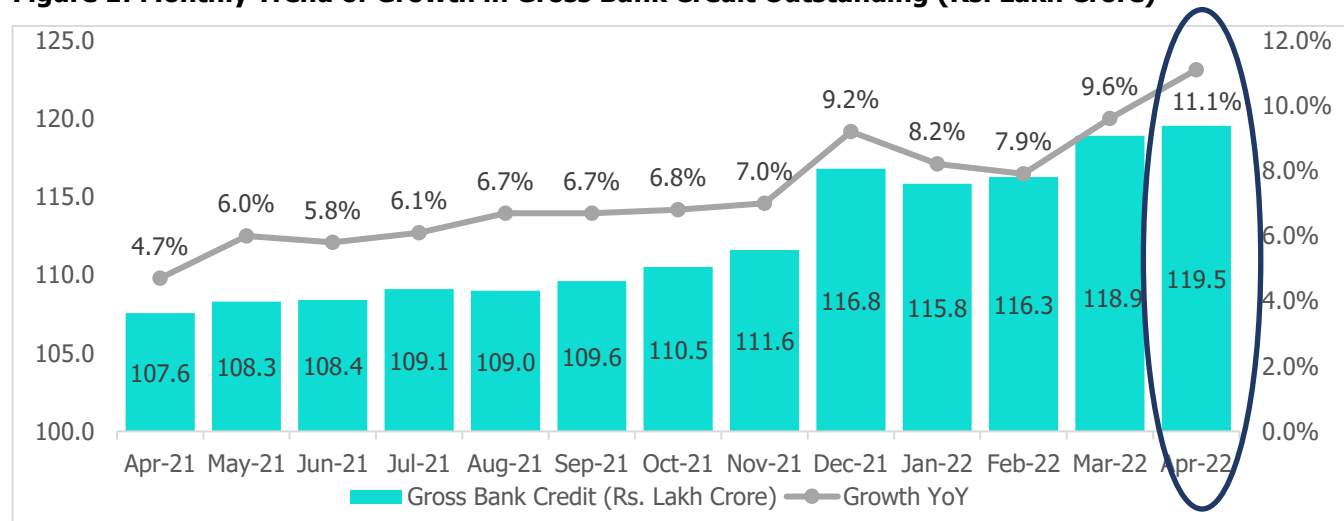
Note: Gross bank credit and non-food credit data are based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) return that covers banks accounting for approximately 93.0% of non-food credit extended by SCBs for April 2022. Bank credit growth and related variations for all fortnights since January 2021 are adjusted for past reporting errors by select SCBs. However, RBI has not yet updated these numbers in its database except for a couple of documents that were recently published.

Acceleration in Retail Credit, Service and Industry Recovery Drive Bank Credit Growth

Overview

The gross banking credit rose 11.1% y-o-y in April 2022, higher than 9.6% and 7.9% in March and February, respectively.

Figure 1: Monthly Trend of Growth in Gross Bank Credit Outstanding (Rs. Lakh Crore)



Source: RBI

The non-food credit rose by 11.3% y-o-y in April 2022 as against a growth of 4.7% in April 2021. The expansion of 668 bps was primarily due to a low-base, pick-up in economic activities, sustained rise in retail loans, higher working capital requirements, and a shift to bank borrowings. The increase during April 2022 was due to credit growth in other personal loans (growth of 18.9%), housing (growth of 13.7%), Micro, Small and Medium Enterprises (MSME) (growth of 35.1%), NBFCs (growth of 17.4%) and Trade (growth of 13.4%).

The incremental credit growth in April is generally negative given that March marks the end of the financial year and closing activities in March result in comparatively lower growth in April. However, incremental growth in April 2022 has been positive.

Table 1: Sectoral Distribution of Credit: April 2022 (Rs. Lakh Crore)

Particulars	O/s Credit	% Growth in Credit		% Growth in Incremental Credit	
	As of April 22, 2022	April 21 vs April 20	April 22 vs April 21	Apr 21 vs Mar 21	Apr 22 vs Mar 22
Gross Bank Credit	119.5	4.7	11.1	-0.8	0.5
Food Credit	0.4	10.8	-27.1	-4.8	-22.6
Non-food Credit	119.1	4.7	11.3	-0.8	0.6
Agriculture & Allied Activities	14.8	10.7	10.6	0.6	1.2
Industry	31.5	-0.4	8.1	-0.5	0.0
Of which		10.7			
Micro, Small	5.5	8.7	29.0	-2.2	2.4
Medium	2.2	44.8	53.5	2.6	1.9
Large	23.9	-3.6	1.6	-0.3	-0.7
Services	30.2	2.4	11.1	-2.1	0.1
Of which					
Trade	7.1	11.1	13.4	-0.7	1.6
Commercial Real Estate	3.0	3.4	1.5	0.7	1.7
Non-Banking Financial Companies	10.9	-0.8	17.4	-4.1	1.2
Personal Loans	34.4	12.1	14.7	-0.2	1.7
Of which					
Housing	17.1	9.9	13.7	0.5	1.3
Vehicle Loans	4.1	10.9	11.5	0.7	2.7

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 93% of total non-food credit extended by all SCBs.

Retail/Personal Loans

The credit of the retail/personal loans segment (largest segment with a 31.0% share in bank credit) saw accelerated double-digit growth at 14.7% in y-o-y in April 2022 primarily on account of growth in other personal loans (18.9%), credit card receivables (20.0%) and consumer durable loans (64.9%) due to continued improvement in economic activities, and job markets. The other personal loans segment has been growing due to growth in the unsecured loans especially small ticket personal loans. Within the retail/personal loans segment, all sub-segments reported growth except loans against gold and jewellery.

The housing loans (share of 49.6% within retail) grew at a pace of 13.7% in April 2022 as compared with a growth of 9.9% in the year-ago period. Housing loans are being driven by the low-level interest rates, and the perception of being a comparatively safer asset class with a lower loss given any probable default by the borrower. Mumbai witnessed the housing registration of 11,744 property deals in April 2022, making a rise of 16% y-o-y (showed data from the Inspector General of Registration, Maharashtra). The growth was registered in April 2022 even though the Maharashtra government ended stamp duty scheme in March 2022.

The other personal loans (share of 26.1% within retail) grew at 18.9% in April 2022 as compared with a growth of 12.7% in the year-ago period. Apart from the private sector banks, large public sector banks are also focusing on unsecured loan growth through their digital platforms.

- Vehicle loans (share of 9.8% within retail) registered a growth of 11.5% y-o-y in April 2022 compared to 10.9% in the year-ago period due to a 25.4% volume growth in passenger vehicles, as per FADA.
- Consumer durables (share of 0.8% within retail) continued its robust growth of 64.9% y-o-y in April 2022 (March growth 60.0%, February growth 55.9%) as compared with a growth of 14% in the year-ago period due to offers/ sales promotions by various retailers and low base caused by the Covid-19 second wave.
- The credit card outstanding registered a robust growth of 20.0% y-o-y in April 2022 from a growth of 18.5% in the year-ago period due to improvement in the job market and healthy growth in economic activities.
- The loan against gold jewellery (share of around 2.2% within retail) registered a drop of 2.9% y-o-y in April 2022 as compared with a growth of 129.3% in April 2021. The growth in FY21 was recorded due to an increase in loan to value ratio (LTV) on gold loans from 75% to 90% in August 2020 till March 31, 2021. LTV on gold had temporarily increased due to Covid-19. In absolute terms, loans against gold jewellery stood at Rs.74,281 crore as of April 30, 2022, from Rs.76,536 crore of April 30, 2021.

Incremental credit growth of the retail segment stood at 1.7% in April 2022 from a drop of 0.2% over a year ago. In absolute terms, credit outstanding has reached Rs.34.4 lakh crore in April 2022 from Rs.33.8 lakh crore in March 2022. Within the retail segment, the other personal loans grew by 2.0% in April 2022 from a drop of 1.6% over a year ago. The vehicle loans also grew by 2.7% in April 2022 from 0.7% over a year ago. The consumer durables recorded a strong growth of 4.6% in April 2022 from a marginal growth of 1.3% over a year ago. Housing loan growth rose to 1.3% from 0.5% a year ago. All sub-segments excluding education loans, loans against jewellery and advances to against share, witnessed growth in April 2022. With normalisation visible in the economy, retail credit growth is likely to pick up due to an uptick in economic activities and focus on retail/personal loans.

Services

The services sector credit rose by 11.1% y-o-y during April 2022 as compared to 2.4% for the same period of the last year due to growth in the NBFCs, trade and shipping segments. The remaining segments of the services sector reported growth except the aviation segment (dropped by 18.3%). However, it was lower than the services sector's growth, thus dragging the overall growth.

- NBFCs (share of 36.1%) grew by 17.4% in April 2022 from a drop of -0.8% in the year-ago period due to shifting to bank borrowings on account of high capital market rates, healthy improvement in economic activities. Within NBFC, HFC and PFI grew by 5.5% and 77.8% y-o-y, respectively, in April 2022.
- The trade segment (share of 23.4%) grew by 13.4% in April 2022 compared to 11.1% in the year-ago period.
- Commercial real estate (share of 9.81%) grew at 1.5%, a much slower pace as compared to overall service sector growth.
- The other services (share of 19.9%) reported a rise of 9.5% in April 2022.

On an incremental basis, the services grew by 0.1% in April 2022 as compared to a drop of 2.1% a year ago. The NBFCs witnessed a growth of 1.2% in April 2022 from a drop of 4.1% over the year-ago period. Trade credit improved by 1.6% in April 2022 from a drop of 0.7% over the year-ago period.

Industry

The credit outstanding of the industry segment registered a growth of 8.1% y-o-y in April 2022 from a drop of 0.4% in the year-ago period. The rise was on account of robust growth in the micro and small (29.0%), and medium (53.5%) enterprises segments were driven by ECLGS, low-base effect (Covid-19 second wave), applying digitisation process by the banks for faster loan approvals. The large enterprise segment (share of 75.8% within the industry) reported a growth of 1.6% in April 2022 (from a drop of 3.6% in April 2021) due to higher working capital requirements on account of elevated inflation, improving production levels, higher exports and select shifting of the capital market activities to banking system due to hardening capital market rates. Demand from corporate segment is picking up as many sectors have seen de-leveraging and banks now see potential for lending again to large corporates.

Of the total 19 sub-industries, 15 witnessed growth in credit outstanding, while four dropped. Rubber, plastic, and their products saw the highest growth of 25.9% y-o-y vs 9.1% in the year-ago period, followed by the petroleum, coal products and nuclear sub-segment which registered a growth of 25.2% y-o-y in April 2022 vs. a drop of 12.1% in the year-ago period. The infrastructure sub-industry (share of 38.2% within the industry) registered a growth of 10.2% in April 2022 from a marginal growth of 0.7% in the year-ago period. Within infrastructure, roads grew at a robust rate of 18.4% y-o-y in April 2022, followed by telecommunication at 14.3%, power at 7.8% and the other infrastructure at 7.7%. Airports, ports and railways (other than Indian railways) witnessed a drop of 14.1% and 11.3% and 8.4%, respectively, during April 2022.

Incremental credit growth of the large industry extended drop to 0.7% in April 2022 from a drop of 0.3% in April 2021. Overall industry credit stood at Rs. 31.5 lakh crore as of April 22, 2022, from the almost a similar number in March 2022.

Lending to the Priority Sector

Total lending of the priority sector rose by 18.7% to Rs.52.4 lakh crore in April 2022, driven by growth in the MSME, weaker sections and the other sub-segments due to healthy improvement in economic activities. Agriculture accounts for the largest share within priority (29.2%), followed by the micro & small enterprises (26.9%) and the weaker sections (23.1%).

Concluding Remarks

The gross banking credit growth picked up in April 2022 and grew 11.1% y-o-y. After witnessing modest growth in recent years, the outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capital expenditure, rising commodity prices and retail credit push. The medium-term prospects look promising with diminished corporate stress and a substantial buffer for provisions. CPI too is trending up, which is likely to add to the credit growth. On the other hand, rising rates could offset this growth to some extent by curbing the demand for credit. The Retail loan segment is expected to do well as compared with the industry and service segments.

Annexures

Table A1: Credit Outstanding to Priority Sectors (Rs. Lakh Crore)

Particulars	O/s credit	% Growth in credit		% Growth in incremental credit	
	As of Apr 22, 2022	Apr 21 vs Apr 20	Apr 22 vs Apr 21	Apr 21 vs Mar 21	Apr 22 vs Mar 22
Priority Sector	52.4	8.9	18.7	-2.0	2.1
Agriculture & Allied Activities	15.3	11.1	14.7	-0.2	2.9
Micro & Small Enterprises	14.1	-1.5	19.7	-3.2	2.3
Medium Enterprises	3.5	49.2	65.0	-10.8	0.8
Housing	6.1	6.1	4.6	0.9	-0.7
Weaker Sections	12.1	16.5	20.8	-2.6	2.7
Others	1.3	-1.2	22.9	-0.3	2.9

Source: RBI

Table A2: Overall Share of Segments within Retail (%)

Personal Loans	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022
Consumer Durables	0.4	0.4	0.4	0.8	0.8	0.8	0.8
Housing	50.3	49.9	49.3	48.8	47.7	47.1	49.6
Advances against FD	2.2	2.2	2.4	2.2	2.3	2.4	2.3
Advances to Ind.	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit Card	4.2	4.1	4.0	4.4	4.4	4.4	4.5
Education	2.2	2.1	2.0	2.0	1.9	1.9	2.4
Vehicle Loans	9.2	9.2	9.1	8.9	10.0	9.8	12.0
Loans against gold jewellery	2.2	2.2	2.3	2.2	2.2	2.2	2.2
Other Personal Loans	29.3	29.7	30.3	30.5	30.6	31.4	26.1
Personal Loans	100.0	100.0	100.0	100.0	100	100.0	100.0

Source: RBI

Table A3: Overall Share of Segments within Services (%)

Services	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022
Transport Operators	5.0	5.0	5.0	5.4	5.0	5.1	5.1
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	2.2	2.1	2.2
Shipping	0.3	0.3	0.2	0.2	0.3	0.3	0.3
Aviation	1.0	1.0	0.4	0.8	0.8	0.8	0.8
Professional Services	3.9	3.9	3.7	3.8	3.8	3.8	3.9
Trade	22.9	22.4	22.6	23.1	23.2	23.0	23.4
Commercial Real Estate	9.7	9.9	9.5	9.5	9.7	9.6	9.8
NBFCs	33.9	35.1	35.2	34.9	34.6	34.7	36.1
Other Services	20.6	19.8	20.8	19.6	19.8	19.9	17.8
Services	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

Table A4: Overall Share of Segments within the Industry (%)

Industry	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022
Mining & Quarry (incl. Coal)	1.7	1.8	1.7	1.6	1.6	1.5	1.5
Food Processing	5.1	5.0	5.5	5.4	5.4	5.5	5.6
Beverage & Tobacco	0.5	0.6	0.5	0.5	0.6	0.6	0.6
Textiles	7.0	7.0	7.1	7.2	7.2	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	1.3	1.3	1.3	1.2	1.3
Petroleum, Coal Prod & Nuclear Fuels	2.4	2.4	2.9	2.5	2.7	2.8	3.3
Chemicals & Chem Prods	6.5	6.7	6.6	6.4	6.4	6.8	6.5
Rubber, Plastic & Products	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Glass & Glassware	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cement & Cement Prod.	1.6	1.6	1.6	1.5	1.6	1.5	1.5
Basic Metal & Metal Prod.	9.8	9.7	9.6	9.5	9.4	9.3	9.1
Engineering	5.2	5.2	5.2	5.3	5.1	5.1	5.3
Vehicles, Vehicles. Parts & Transport Equipment	2.9	3.0	2.8	2.9	2.9	2.9	2.9
Gems & Jewellery	2.5	2.4	2.3	2.4	2.5	2.5	2.5
Construction	3.4	3.3	3.2	3.2	3.3	3.3	3.6
Infrastructure	38.8	38.9	38.0	38.3	38.1	37.9	38.2
Other Industries	8.1	8.0	8.3	8.7	8.7	8.7	8.0
Industries	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

Contact

Sanjay Agarwal	Senior Director	sanjay.agarwal@careedge.in	+91 - 22 - 6754 3582 / +91-81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careedge.in	+91 - 22 - 6754 3519 / +91-90049 52514
Vijay Singh Gour	Lead Analyst – BFSI Research	vijay.gour@careedge.in	+91 - 22 - 6754 3630 / +91-98937 89622
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East),
Mumbai - 400 022
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

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