

Bank Credit Profile: December 2020 – Incremental credit growth turned positive

February 3, 2021 | BFSI Research

Note: The following update includes 33 Scheduled Commercial Banks (SCBs), accounting for about 90% of the non-food credit deployed by all scheduled commercial banks for December 2020. All growth comparisons are made in y-o-y terms, unless stated otherwise.

Overview

The incremental outstanding credit (YTD) growth turned positive with a growth of 0.4% in December 2020, led by growth of 7.6% in Agriculture and Allied activities and 4.3% in retail loans. Industry and services segment continue to report a negative incremental growth. In FY20, the incremental bank credit growth turned positive in October 2019 and in FY21 it turned positive in December 2020 which indicates slower credit growth.

The overall bank credit growth in December 2020 slowed down to 5.9% (on y-o-y basis) as compared with a growth of 7.0% in December 2019 and 6.0% in November 2020. The retail and agriculture & allied segment have driven the overall credit growth during the month of December 2020 growing by 9.5% and 9.4% respectively. The Services segments registered a growth of 8.8% in December 2020. On the other hand, the Industries segment registered a fall of 1.2% during the same period as compared with a growth of 1.6% in December 2019.

The share of industry in total outstanding credit continues to be the highest at 29.8% in December 2020 but has fallen compared to 32.0% in December 2019, Retail has a share of 28.8% (27.8% in December 2019), Services 27.9% (27.1% in December 2019) in total outstanding bank credit.

Retail/Personal loans

- The growth in retail/personal loans segment witnessed a marginal fall of 0.5% in December 2020 as compared with the previous month. The growth rate came in lower by 640bps as compared with December 2019. In absolute terms, credit outstanding has increased from Rs.24.3 lakh crore on December 20, 2019 to Rs.26.6 lakh crore on December 18, 2020.
- Within the retail segment, growth in Housing loans slowed down to 8.1% as compared with a growth of 17.6%, while Vehicle loans registered a growth of 7.8% as compared with a growth of 7.2% a year ago. Despite the retail credit push and concession on home loan interest rates, there was a reduction in housing loan growth. Housing loans continues to remain the single largest segment of lending in outstanding credit to retail/personal loan portfolio at 52.3% share of the total credit outstanding. Credit card outstanding registered a growth of 4.2% as compared with a growth of 25.3% in December 2019. However, consumer durables (0.3% share) registered a 30.1% growth vs growth of 66.2% in December 2019.

Figure 1: Sectoral Distribution of Credit: December 2020

Particulars	O/s credit	% growth in credit		% growth in incremental credit	
	As on Dec 18, 2020 (Rs Lakh Crore)	Dec'19 over Dec'18	Dec' 20 over Dec' 19	Dec' 19 over Mar' 19	Dec' 20 over Mar' 20
Gross Bank Credit	93.4	7.0%	5.9%	1.7%	0.8%
Food Credit	0.9	10.1%	9.4%	nm	nm
Non-food Credit	92.5	7.0%	5.9%	1.2%	0.4%
Agriculture & Allied Activities	12.5	5.3%	9.4%	2.5%	7.6%
Industry (Micro & Small, Medium and Large)	27.6	1.6%	-1.2%	-3.2%	-5.0%
Micro, Small & Medium	4.9	0.6%	4.4%	-1.9%	1.2%
Large	22.7	1.8%	-2.4%	-3.4%	-6.2%
Services	25.8	6.2%	8.8%	-1.9%	-0.6%
Trade	5.9	5.8%	14.7%	-2.7%	6.7%
Commercial Real Estate	2.3	15.6%	5.1%	8.5%	0.5%
Non-Banking Financial Companies	7.9	27.6%	8.4%	13.6%	-2.2%
Other Services	6.1	-15.2%	15.6%	-21.4%	-0.6%
Personal Loans	26.6	15.9%	9.5%	9.6%	4.3%
Housing	13.9	17.6%	8.1%	11.2%	4.1%

Vehicle Loans	2.3	7.2%	7.8%	5.7%	4.4%
Other Personal Loans	7.9	19.4%	15.4%	12.4%	8.4%

Note: Dec'20 over Dec'19 growth and Dec'20 over Mar'20: Red – negative growth, Grey – growth < 5%, Green - growth > 5%; nm – not meaningful

Source: Reserve Bank of India

Services

Of total 9 segments, 8 segments registered a growth. Trade and Tourism, Hotels & Restaurant segment registered a growth of 14.7% and 14.5% respectively (5.8% and 15.3% in December 2019). Professional services segment registered a de growth of 25.6% during the month.

NBFCs which form the largest part in the total credit outstanding to the services sector (30.6% share in December 2020) has registered a slower growth of 8.4% as compared with 27.6% in December 2019, due to higher base effect, risk aversion in banking system and investment by banks in NBFCs through various capital market instruments supported by RBI/Government of India. Trade and commercial real estate segment has a share of 22.9% and 9.0% in the total credit outstanding to the services sector.

Industry

Large industries account for 82.1% share (83.1% share in December 2019) in the total outstanding credit to industries and this segment reported a reduction of 2.4% in December 2020 vs. a growth of 1.8% in December 2019. Micro, small & medium (MSME) industries grew by 4.4% in December 2020 (which only offset the fall in large segments marginally) as compared with a de growth of 0.6% in December 2019. This was supported by ECLGS disbursements. Within MSME, micro & small industries registered a growth of 1.2%, while medium industries registered a growth of 15.3%, and large industries registered a de growth, resultantly the overall industry registered a negative growth.

Of total 19 industries, 7 industries witnessed a drop in credit outstanding. Paper and paper products segment (1.2% share) has registered a highest growth of 11.9% within industries (growth of 2.4% in December 2019). Growth in credit outstanding to petroleum, coal products & nuclear fuel increased by 7.7% as compared with a de growth of 5.8%. Vehicles, vehicle parts & transport equipment growth stood at 2.5% (similar level of growth witnessed in December 2019). Construction segment registered a marginal growth of 0.3% in December 2020 as compared to a growth of 10.5% in December 2019.

Though infrastructure has the maximum share of 36.3% in the total bank credit outstanding to industries, the credit outstanding to Infrastructure segment has registered a de growth of 2.6% as of December 2020 as compared with a growth of 5.9% a year ago.

Lending to the priority sector

Around 32.0% of the Non-food credit (Rs.92.5 lakh crore) as of December 2020 is towards the priority sector. Within priority sector, agriculture accounts for the highest share of ~41.0% in outstanding credit followed by Micro & Small Enterprises (38% share) and weaker sections. Within micro and small enterprises, services registered a growth of 9.4%, while manufacturing registered a growth of 1.2% with a share of ~67.0% and ~33.0%, respectively. In absolute terms the outstanding credit for MSME industries grew from Rs.4.7 lakh crore in December 2019 to Rs.4.9 lakh crore in December 2020. Under Rs.3 lakh crore of ECLGS for MSMEs, banks have sanctioned Rs.2.06 lakh crores out of which Rs.1.59 lakh crore were disbursed till December 4, 2020.

Concluding remarks

Despite efforts to push retail credit, various festive offers (including concession on home loan interest rates) and fall in interest rates of SCBs (by 117bps from December 2019 to December 2020), a pickup in bank credit growth is not yet seen. The credit growth for the current financial year is expected to be muted and remain in low single digits. The extension of ECLGS scheme till March 2021 will continue to provide the credit support to MSMEs and slightly larger companies in the stressed sectors.

As per the announcement in Union Budget 2021-2022, setting up of ARCs and AMCs to aggregate and dispose existing stressed assets and capital infusion of Rs.20,000 crore in PSBs would create more room for lending fresh loans. Additionally, government has also increased the Agriculture credit target by 10% to Rs.16.5 lakh crore for FY22, which will increase government's push for farm lending. With domestic activity picking pace and various sectors have opened up, the demand may improve in the near term. Hence, bank credit growth is also expected to witness an improvement.

Annexure

Figure A1: Distribution of credit within Industries: December 2020

Particulars	O/s credit	% growth in credit		% growth in incremental credit	
	As on Dec 18, 2020 (Rs Lakh Crore)	Dec'19 over Dec'18	Dec' 20 over Dec' 19	Dec' 19 over Mar' 19	Dec' 20 over Mar' 20
Mining & Quarrying (incl. Coal)	0.4	2.6%	5.2%	2.4%	2.3%
Food Processing	1.6	-1.5%	7.1%	-7.3%	1.1%
Beverage & Tobacco	0.1	5.8%	-4.1%	2.5%	-12.7%
Textiles	1.9	-5.4%	1.0%	-7.1%	-0.7%
Leather & Leather Products	0.1	1.9%	3.1%	-1.1%	1.7%
Wood & Wood Products	0.1	5.1%	7.3%	0.8%	5.9%
Paper & Paper Products	0.3	2.4%	11.9%	1.2%	11.0%
Petroleum, Coal Products & Nuclear Fuels	0.6	-5.8%	7.7%	-15.2%	-24.0%
Chemicals & Chemical Products	1.8	0.0%	-1.0%	-7.3%	-13.4%
Rubber, Plastic & their Products	0.5	10.1%	1.5%	7.3%	-1.0%
Glass & Glassware	0.1	-13.2%	2.6%	-11.2%	2.7%
Cement & Cement Products	0.6	6.3%	-2.6%	5.1%	-2.9%
Basic Metal & Metal Product	3.3	-11.1%	-2.4%	-9.1%	-5.9%
All Engineering	1.4	-1.8%	-10.0%	-5.9%	-9.2%
Vehicles, Vehicle Parts & Transport Equipment	0.8	2.5%	2.5%	3.7%	2.8%
Gems & Jewellery	0.6	-11.1%	4.2%	-16.1%	5.8%
Construction	1.0	10.5%	0.3%	3.1%	-1.3%
Infrastructure	10.0	5.9%	-2.6%	-2.5%	-4.8%
Other Industries	2.2	17.7%	-4.1%	13.5%	-8.1%

Note: Dec'20 over Dec'19 growth and Dec'20 over Mar'20: Red – negative growth, Grey – growth < 5%, Green – growth > 5%

Source: Reserve Bank of India

Figure A2: Credit outstanding to priority sectors

Particulars	O/s credit	% growth in credit		% growth in incremental credit	
	As on Dec 18, 2020 (Rs Lakh Crore)	Dec'19 over Dec'18	Dec' 20 over Dec' 19	Dec' 19 over Mar' 19	Dec' 20 over Mar' 20
Priority Sector	29.5	6.1%	6.0%	1.8%	1.9%
Agriculture & Allied Activities	12.2	5.4%	7.7%	2.6%	6.5%
Micro & Small Enterprises	11.3	5.7%	6.6%	-0.5%	-1.5%
Manufacturing	3.7	0.1%	1.2%	-2.7%	-3.1%
Services	7.6	8.9%	9.4%	0.7%	-0.7%
Housing	4.7	11.9%	2.2%	5.6%	3.8%
Weaker Sections	7.5	18.3%	5.8%	7.4%	3.0%
Others	1.0	4.5%	-6.7%	10.5%	-9.1%

Note: Dec'20 over Dec'19 growth and Dec'20 over Mar'20: Red – negative growth, Grey – growth < 5%, Green - growth > 5%

Source: Reserve Bank of India

Figure A3: Overall share of segments within the Industries segment

Industry	May.22, 2020	Jun.19, 2020	Jul.31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%
Food Processing	5.2%	5.5%	5.6%	5.6%	5.3%	5.3%	5.4%	5.6%
Beverage & Tobacco	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Textiles	6.6%	6.6%	6.7%	6.8%	6.8%	6.8%	6.8%	6.9%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%
Petroleum, Coal Products & Nuclear Fuels	2.6%	2.6%	2.0%	2.0%	2.2%	2.2%	2.2%	2.1%
Chemicals & Chemical Products	6.4%	6.3%	6.2%	6.3%	6.3%	6.3%	6.5%	6.4%
Rubber, Plastic & their Products	1.7%	1.7%	1.7%	1.8%	1.8%	1.7%	1.8%	1.8%
Glass & Glassware	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Cement & Cement Products	2.0%	2.0%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Basic Metal & Metal Product	12.4%	12.2%	12.0%	12.4%	12.4%	12.3%	12.1%	11.9%
All Engineering	5.4%	5.1%	5.0%	5.0%	5.1%	5.0%	5.0%	5.2%
Vehicles, Vehicle Parts & Transport Equipment	3.0%	3.0%	3.1%	3.2%	3.2%	3.2%	3.1%	3.1%
Gems & Jewellery	2.0%	1.9%	1.9%	2.0%	2.0%	2.1%	2.2%	2.3%
Construction	3.5%	3.6%	3.6%	3.7%	3.8%	3.8%	3.7%	3.7%
Infrastructure	36.9%	37.2%	37.4%	36.8%	36.6%	36.5%	36.6%	36.3%
Other Industries	8.1%	8.3%	8.1%	8.1%	8.0%	8.2%	8.0%	8.0%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure A4: Overall share of segments within the Retail segment

Personal Loans	May.22, 2020	Jun.19, 2020	Jul.31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020
Consumer Durables	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	53.6%	53.6%	53.2%	53.0%	52.9%	52.6%	52.3%	52.3%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits etc.)	2.6%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.5%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	3.7%	3.9%	4.0%	4.1%	4.1%	4.2%	4.3%	4.1%
Education	2.6%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.4%
Vehicle Loans	8.7%	8.6%	8.6%	8.6%	8.6%	8.6%	8.7%	8.6%
Other Personal Loans	28.2%	28.2%	28.5%	28.7%	28.9%	29.3%	29.4%	29.6%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure A5: Overall share of segments within the Services segment

Services	May.22, 2020	Jun.19, 2020	Jul.31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020
Transport Operators	5.9%	5.8%	5.8%	5.8%	5.7%	5.8%	6.0%	6.0%
Computer Software	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%
Shipping	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
Professional Services	6.8%	6.9%	6.9%	6.9%	6.8%	6.9%	5.0%	5.0%
Trade	21.2%	21.5%	22.0%	22.2%	22.0%	22.4%	22.4%	22.9%
Wholesale Trade (other than food procurement)	46.9%	47.0%	47.8%	46.7%	46.5%	46.5%	47.8%	48.5%
Retail Trade	53.1%	53.0%	52.2%	53.3%	53.5%	53.5%	52.2%	51.5%
Commercial Real Estate	9.0%	9.1%	9.2%	9.0%	8.9%	8.8%	9.1%	9.0%
Non-Banking Financial Companies (NBFCs)	31.6%	31.6%	31.1%	31.2%	31.2%	30.2%	30.7%	30.6%
Other Services	22.8%	22.3%	22.0%	22.0%	22.6%	23.1%	23.9%	23.6%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Contact:

Sanjay Agarwal
Saurabh Bhalerao
Pravin Mule
Mradul Mishra

Senior Director
Associate Director – BFSI Research
Research Analyst – BFSI Research
(Media Contact)

sanjay.agarwal@careratings.com
saurabh.bhalerao@careratings.com
pravin.mule@careratings.com
mradul.mishra@careratings.com

+91-22- 6754 3582
+91-22-6754 3573
+91-22-6754 3553
+91-22-6754 3631

+91- 81080 07676
+91- 90049 52514
+91- 98192 80043

Disclaimer: This report is prepared by CARE Ratings Limited. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

CARE Ratings Limited

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

Connect:

