

Bank Credit Profile: January 2021 – Bank credit growth remains subdued

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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 January 2021. All growth comparisons are made in y-o-y terms, unless stated otherwise.

Overview

The incremental Non-Food outstanding credit (YTD) growth improved to 2.2% in January 2021 (0.4% in December 2020), led by growth of 9.5% in agriculture & allied activities (7.6% in December 2020) and 6.7% in retail (4.3% in December 2020) segments. Farm credit growth was supported by healthy Rabi sowing (higher by 2.9% YoY as on January 29, 2021) and was partly led by growth in agricultural exports. Industry segment continues to report a negative incremental growth owing to risk aversion from both lenders and borrowers. The incremental growth in services segment turned positive in January 2021 largely led by trade, transport operators and tourism, hotels & resorts.

The non-food credit growth in January 2021 slowed down to 5.7% (on y-o-y basis) as compared with a growth of 8.5% in January 2020 and 5.9% in December 2020. The agriculture & allied and retail segments have driven the overall credit growth during the month of January 2021 growing by 9.9% (highest in last four years) and 9.1%, respectively. The Services segments registered a growth of 8.4% in January 2021. On the other hand, the Industries segment registered a fall of 1.3% during the same period as compared with a growth of 2.5% in January 2020. Incremental lending to NBFCs was much subdued leading to decline in overall credit growth figures.

The share of industry in total outstanding credit continues to be the highest at 29.6% in January 2021, but has fallen compared with 31.7% in January 2020. Retail has a share of 29.0% (28.1% in January 2020), and Services has a share of 28.0% (27.3% in January 2020) in total outstanding bank credit.

Retail/Personal loans

- The growth rate of the retail/personal loans segment was lower by 0.4% in January 2021 as compared with the previous month. The growth rate came in lower by 780 bps as compared with January 2020. In absolute terms, credit outstanding has increased from Rs.25.0 lakh crore in January 2020 to Rs.27.2 lakh crore in January 2021.
- Within the retail segment, growth in Housing loans slowed down to 7.7% as compared with a growth of 17.5%, while Vehicle loans registered a growth of 7.1% as compared with a growth of 9.8% in the same period year ago. During previous months, housing loan growth was healthy led by retail credit push, concession on home loan interest rates and low stamp duty till December 2020 (in Maharashtra). In January 2021, the housing loan growth moderated to 7.7% partly due to end of festive season offers and increase in stamp duty from January 1, 2021 (in Maharashtra). Housing loans continues to remain the single-largest segment at 52.0% share of lending in the outstanding credit to retail/personal loan portfolio. Credit card outstanding registered a lower growth of 5.0% due to end of festive season as compared with a growth of 31.6% in January 2020. However, consumer durables (0.3% share) registered a 14.6% growth versus growth of 41.3% in January 2020.

Figure 1: Sectoral Distribution of Credit: January 2021

Particulars	Outstandi ng credit	% growth in credit		% growth in incremental credit	
	As on January 29, 2021 (Rs Lakh Crore)	January 2020 over January 2019	January 2021 over January 2020	January 2020 over March 2019	January 2021 over March 2020
Gross Bank Credit	95.0	8.5%	5.8%	3.5%	2.5%
Food Credit	0.9	11.3%	10.4%	nm	nm
Non-food Credit	94.1	8.5%	5.7%	3.1%	2.2%
Agriculture & Allied Activities	12.7	6.5%	9.9%	3.8%	9.5%
Industry (Micro & Small, Medium and Large)	27.8	2.5%	-1.3%	-2.4%	-4.3%
Micro, Small & Medium	5.0	1.0%	4.9%	-0.4%	3.3%
Large	22.8	2.8%	-2.5%	-2.8%	-5.8%
Services	26.4	8.9%	8.4%	0.7%	1.6%

Trade	6.0	4.8%	15.7%	-1.6%	8.8%
Commercial Real Estate	2.3	14.7%	2.8%	12.3%	1.7%
Non-Banking Financial Companies (NBFCs)	8.9	35.8%	6.6%	17.3%	-2.1%
Other Services	5.5	-15.4%	17.5%	-21.4%	7.0%
Personal Loans	27.2	16.9%	9.1%	12.5%	6.7%
Housing	14.2	17.5%	7.7%	13.5%	5.9%
Vehicle Loans	2.4	9.8%	7.1%	8.9%	6.9%
Other Personal Loans	8.1	20.7%	18.4%	16.5%	15.9%

Note: Jan'21 over Jan'20 growth and Jan'21 over Mar'20: Red – negative growth, Grey – growth < 5%, Green - growth > 5%; nm – not meaningful

Source: Reserve Bank of India

Services

Of the total nine segments, seven segments registered growth. Trade & tourism and hotels & restaurant segment registered a growth of 15.7% and 8.9%, respectively (4.8% and 17.4% in January 2020). Professional services and computer software segments registered a de-growth of 25.0% and 0.2%, respectively, during the month.

NBFCs which form the largest part in the total credit outstanding to the services sector (33.6% share in January 2021) has registered a slower growth of 6.6% as compared with 35.8% in January 2020 and 8.4% in December 2020. Trade and commercial real estate segment has a share of 22.8% and 8.9% in the total credit outstanding to the services sector.

Industry

Large industries account for 81.9% share (83.0% share in January 2020) in the total outstanding credit to industries and this segment reported a reduction of 2.5% in January 2021 versus a growth of 2.8% in January 2020. Micro, small & medium (MSME) industries grew by 4.9% in January 2021 (which only partially offset the fall in large segments) as compared with a growth of 1.0% in January 2020. This was supported by ECLGS disbursements of Rs.1.65 lakh crore (as on January 08, 2021) which is around 55.0% of ambitious Rs.3.0 lakh crore. Within MSME, micro & small industries registered a growth of 0.9%, while medium industries registered a growth of 19.1%, and large industries registered a de-growth, resultantly the overall industry registered a negative growth.

Of total nineteen industries, seven industries witnessed a drop in credit outstanding. Paper and paper products segment (1.3% share) have registered the highest growth of 12.4% within industries (growth of 3.5% in January 2020). Growth in credit outstanding to textiles increased by 10.2% as compared with a de-growth of 4.1%. Vehicles, vehicle parts & transport equipment growth stood at 5.0% as compared with a de-growth of 0.5% in January 2020. Construction segment registered a de-growth of 5.3% in January 2021 as compared with a growth of 10.6% in January 2020.

Though infrastructure has the maximum share of 35.8% in the total bank credit outstanding to industries, the credit outstanding to Infrastructure segment has registered a de-growth of 3.9% as of January 2021 as compared with a growth of 5.1% a year ago.

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 Micro & Small Enterprises grew from Rs.10.8 lakh crore in January 2020 to Rs.11.5 lakh crore in January 2021. Under Rs.3 lakh crore of ECLGS for MSMEs, banks have sanctioned Rs.2.14 lakh crore, out of which Rs.1.65 lakh crore was disbursed till January 8, 2021.

Concluding remarks

The SCBs continue to remain risk averse due to asset quality concerns. In addition to this, though the interest rates (Monthly fresh loans WALR) of SCBs are falling (by 122 bps from January 2020 to January 2021), the overall credit growth continued to moderate due to risk aversion and continued parking of excess liquidity with RBI. The credit growth for the current financial year is expected to be muted and remain in low single digits. With the signs of pickup in economic activities, credit offtake is expected to improve from current levels. The extension of ECLGS scheme till March 2021 has continued to provide credit support to MSMEs and slightly larger companies in the stressed sectors.

Annexure

Figure A1: Distribution of credit within Industries: January 2021

Particulars	Outstandi ng credit As on January 29, 2021 (Rs Lakh Crore)	% growth in credit		% growth in incremental credit	
		January 2020 over January 2019	January 2021 over January 2020	January 2020 over March 2019	January 2021 over March 2020
Mining & Quarrying (incl. Coal)	0.5	0.4%	8.6%	0.3%	3.5%
Food Processing	1.6	-0.2%	3.4%	-4.3%	0.8%
Beverage & Tobacco	0.2	2.9%	0.6%	2.2%	-8.7%
Textiles	2.1	-4.1%	10.2%	-6.6%	8.9%
Leather & Leather Products	0.1	-0.7%	3.0%	-1.7%	0.9%
Wood & Wood Products	0.1	4.4%	8.8%	2.0%	8.6%
Paper & Paper Products	0.3	3.5%	12.4%	2.5%	12.8%
Petroleum, Coal Products & Nuclear Fuels	0.6	-2.6%	1.7%	-11.9%	-25.4%
Chemicals & Chemical Products	1.8	2.0%	-0.9%	-4.4%	-10.6%
Rubber, Plastic & their Products	0.5	8.8%	2.8%	7.5%	0.4%
Glass & Glassware	0.1	-12.5%	5.4%	-12.2%	4.2%
Cement & Cement Products	0.6	4.3%	-0.3%	3.6%	-2.0%
Basic Metal & Metal Product	3.3	-9.3%	-2.1%	-9.8%	-6.3%
All Engineering	1.4	-2.2%	-9.5%	-6.5%	-9.3%
Vehicles, Vehicle Parts & Transport Equipment	0.8	-0.5%	5.0%	-0.1%	1.4%
Gems & Jewellery	0.6	-12.1%	2.5%	-16.9%	3.1%
Construction	1.0	10.6%	-5.3%	5.7%	-4.6%
Infrastructure	10.0	5.1%	-3.9%	-1.8%	-5.5%
Other Industries	2.3	28.9%	-3.3%	17.6%	-4.0%

Note: January 2021 over January 2020 growth and January 2021 over March 2020: Red – negative growth, Grey – growth < 5%, Green - growth > 5%

Source: Reserve Bank of India

Figure A2: Credit outstanding to priority sectors

Particulars	Outstandi ng credit As on January 29, 2021 (Rs Lakh Crore)	% growth in credit		% growth in incremental credit	
		January 2020 over January 2019	January 2021 over January 2020	January 2020 over March 2019	January 2021 over March 2020
Priority Sector					
Agriculture & Allied Activities	12.5	3.7%	10.7%	2.6%	10.0%
Micro & Small Enterprises	11.5	6.1%	6.4%	3.1%	6.5%
Medium Enterprises	1.6	9.3%	27.9%	-6.6%	23.3%
Housing	4.7	5.0%	1.5%	7.2%	2.3%
Weaker Sections	7.7	12.8%	4.1%	6.1%	5.7%
Others	0.9	-12.8%	2.9%	2.0%	4.1%

Note: January 2021 over January 2020 growth and January 2021 over March 2020: 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	June 19, 2020	July 31, 2020	August 28, 2020	Septem ber 25, 2020	October 23, 2020	Novem ber 20, 2020	Decem ber 18, 2020	January 29, 2021
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%
Food Processing	5.5%	5.6%	5.6%	5.3%	5.3%	5.4%	5.6%	5.6%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Textiles	6.6%	6.7%	6.8%	6.8%	6.8%	6.8%	6.9%	7.5%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.6%	2.0%	2.0%	2.2%	2.2%	2.2%	2.1%	2.0%
Chemicals & Chemical Products	6.3%	6.2%	6.3%	6.3%	6.3%	6.5%	6.4%	6.5%
Rubber, Plastic & their Products	1.7%	1.7%	1.8%	1.8%	1.7%	1.8%	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%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Basic Metal & Metal Product	12.2%	12.0%	12.4%	12.4%	12.3%	12.1%	11.9%	11.8%
All Engineering	5.1%	5.0%	5.0%	5.1%	5.0%	5.0%	5.2%	5.1%
Vehicles, Vehicle Parts & Transport Equipment	3.0%	3.1%	3.2%	3.2%	3.2%	3.1%	3.1%	3.0%
Gems & Jewellery	1.9%	1.9%	2.0%	2.0%	2.1%	2.2%	2.3%	2.2%
Construction	3.6%	3.6%	3.7%	3.8%	3.8%	3.7%	3.7%	3.6%
Infrastructure	37.2%	37.4%	36.8%	36.6%	36.5%	36.6%	36.3%	35.8%
Other Industries	8.3%	8.1%	8.1%	8.0%	8.2%	8.0%	8.0%	8.3%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Reserve Bank of India

Figure A4: Overall share of segments within the Retail segment

Personal Loans	June 19, 2020	July 31, 2020	August 28, 2020	September 25, 2020	October 23, 2020	November 20, 2020	December 18, 2020	January 29, 2021
Consumer Durables	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	53.6%	53.2%	53.0%	52.9%	52.6%	52.3%	52.3%	52.0%
Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.5%	2.5%
Advances to Individuals against share, bonds, etc.	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	3.9%	4.0%	4.1%	4.1%	4.2%	4.3%	4.1%	4.3%
Education	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%
Vehicle Loans	8.6%	8.6%	8.6%	8.6%	8.6%	8.7%	8.6%	8.7%
Other Personal Loans	28.2%	28.5%	28.7%	28.9%	29.3%	29.4%	29.6%	29.8%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Reserve Bank of India

Figure A5: Overall share of segments within the Services segment

Services	June 19, 2020	July 31, 2020	August 28, 2020	September 25, 2020	October 23, 2020	November 20, 2020	December 18, 2020	January 29, 2021
Transport Operators	5.8%	5.8%	5.8%	5.7%	5.8%	6.0%	6.0%	5.7%
Computer Software	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.8%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%
Shipping	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
Professional Services	6.9%	6.9%	6.9%	6.8%	6.9%	5.0%	5.0%	4.9%
Trade	21.5%	22.0%	22.2%	22.0%	22.4%	22.4%	22.9%	22.8%
Wholesale Trade (other than food procurement)	47.0%	47.8%	46.7%	46.5%	46.5%	47.8%	48.5%	49.6%
Retail Trade	53.0%	52.2%	53.3%	53.5%	53.5%	52.2%	51.5%	50.4%
Commercial Real Estate	9.1%	9.2%	9.0%	8.9%	8.8%	9.1%	9.0%	8.9%
Non-Banking Financial Companies (NBFCs)	31.6%	31.1%	31.2%	31.2%	30.2%	30.7%	30.6%	33.6%
Other Services	22.3%	22.0%	22.0%	22.6%	23.1%	23.9%	23.6%	20.8%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.5%

Source: Reserve Bank of India

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