

NBFCs, Unsecured Personal Loans Drive Robust Credit Growth in Jan

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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% of non-food credit extended by SCBs for December 2022.

Synopsis

- Gross credit offtake continued its robust rise at 16.3% year on year (y-o-y) in January 2023 due to strong growth in loans to Non-Banking Financial Companies (NBFCs) and unsecured personal loans.
- Industry credit offtake rose by 8.7%, dampened by significantly lower growth in the infrastructure (2.3%). It was attributed to slow growth in the power sector and a decline in the telecom sector.
- Agriculture credit rose by 14.4% y-o-y in January 2023 vs. 10.4% over a year ago.
- Credit growth has remained robust in recent months even amid the significant rise in interest rates and is expected to be in the mid-teens for FY23.

Summary of Sectoral Performance

Figure 1: Sectoral Distribution of Credit: January 2023 (Rs. Lakh Crore)

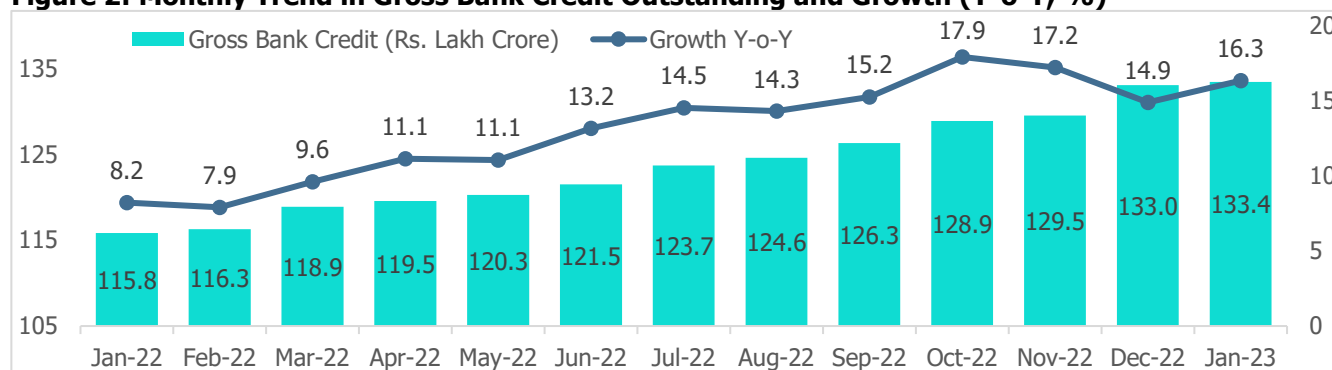
Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Jan 27, 2023	Jan 22 vs Jan 21	Jan 23 vs Jan 22	Jan 22 vs Mar 21	Jan 23 vs Mar 22
Gross Bank Credit	133.4	8.2	16.3	5.7	12.2
Agriculture & Allied Activities	16.4	10.4	14.4	7.7	12.1
Industry	32.9	5.9	8.7	3.0	4.2
Services	34.8	5.7	21.5	3.3	15.5
Personal Loans	39.6	12.8	20.4	9.3	16.9

Source: RBI

Robust Annual¹ Growth

Non-Food credit offtake rose by 16.7% y-o-y in January 2023 from 8.3% over a year ago, expanding by 840 bps due to robust growth in NBFCs, unsecured personal loans, and inflation-induced working capital requirements from petroleum, chemical, glass, and other industries.

¹ Annual Year over Year (y-o-y) growth measures the change in an annualised metric across two comparable periods.

Figure 2: Monthly Trend in Gross Bank Credit Outstanding and Growth (Y-o-Y, %)

Source: RBI

Strong Incremental Credit² Growth

- Incremental bank credit rose by 12.2% in January 2023 vs. 5.7% in January 2022. Personal loans and services segments reported robust growth in the period. Meanwhile, infrastructure, construction and gems & jewellery (in the industry segment) declined by 0.8%, 1.0%, and 6.6% y-o-y, respectively.

Figure 3: Sectoral Distribution of Credit: January 2023 (Rs. Lakh Crore)

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Jan 27, 2023	Jan 22 vs Jan 21	Jan 23 vs Jan 22	Jan 22 vs Mar 21	Jan 23 vs Mar 22
Gross Bank Credit	133.4	8.2	16.3	5.7	12.2
Food Credit	0.5	-5.4	-39.1	34.5	-8.8
Non-Food Credit	132.9	8.3	16.7	5.6	12.3
Agriculture & Allied Activities	16.4	10.4	14.4	7.7	12.1
Industry	32.9	5.9	8.7	3.0	4.2
Of which					
Micro, Small	5.8	23.3	15.2	16.0	8.7
Medium	2.4	52.4	18.1	43.6	9.9
Large	24.7	0.2	6.5	-1.7	2.7
Services	34.8	5.7	21.5	3.3	15.5
Of which					
Trade	7.8	10.7	16.8	6.0	11.7
Commercial Real Estate	3.1	1.2	7.6	0.6	7.6
NBFCs	12.9	9.9	31.0	3.7	26.0
Personal Loans	39.6	12.8	20.4	9.3	16.9
Of which					
Housing	18.9	12.8	15.4	9.6	12.1
Unsecured Loans	12.3	13.9	26.2	9.8	20.8

Source: RBI

² Incremental Credit Growth means the credit growth for the fiscal year compared to the end of the March of the last fiscal year. Here it compares growth till January 2023 from March 2022.

Personal Loans Segment

The personal loan segment (largest segment with 32.0% share) witnessed robust growth of 20.4% y-o-y in January 2023 due to strong growth in credit card, vehicle, consumer durables loans and miniaturisation of credit.

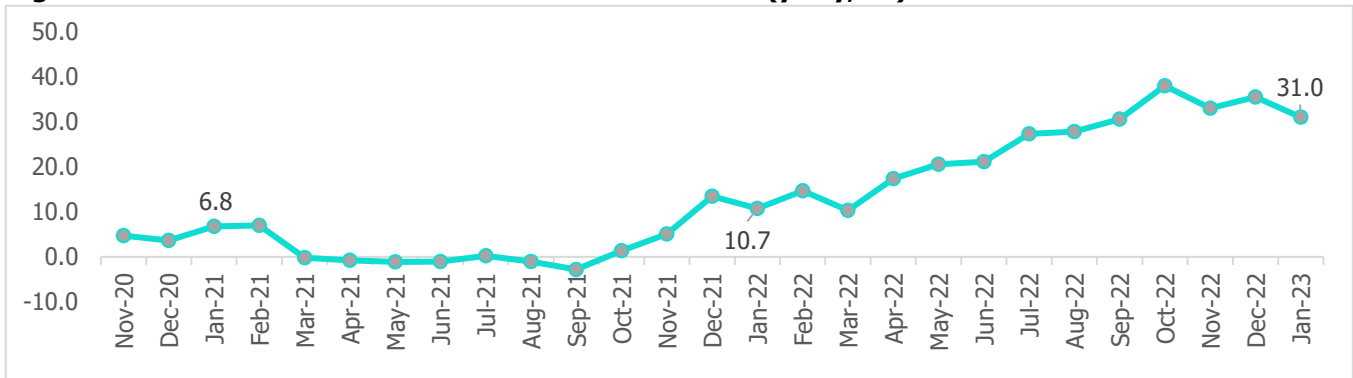
- Housing loans (share of 47.7% within personal loans) grew a tad lower at 15.4% y-o-y in January 2023 compared with 12.8% in the year-ago period. Despite, reporting healthy growth in the month, the share of housing loans dropped to 47.7% in the personal loans segment as of January 27, 2023, vs. 49.7% over a year ago. According to the Inspector General of Registration and Controller of Stamps (Maharashtra Government), a total of 8,871 property sales were recorded in Mumbai for January 2023. It was the second-highest number of property registrations recorded since 2013 (comparison for January month). Despite higher prices of real estate units due to inflationary pressure and higher interest rates, consumer preferences for buying residential properties have risen in Mumbai.
- Unsecured loans (other personal loans and credit card outstanding) rose by 26.2% y-o-y in January 2023 vs. 13.9% in January 2022. It reported a higher growth compared to the personal loan segment in January 2022 and January 2023 due to the miniaturisation of credit, digitalisation, and multiple offers given by banks on credit cards. Thus, its share in the personal loan segment improved by 140 bps to 31.3% as of January 27, 2023 from January 28, 2022.
- Vehicle loans (a share of 12.5% within personal loans) registered a robust growth of 25.5% y-o-y in January 2023 as compared to 9.6% in the year-ago period. As per the Society of Indian Automobile Manufacturers (SIAM) publication, passenger vehicle sales volume grew by 17.2% y-o-y for January 2023 in the domestic market. As per the CareEdge publication, "[Automobile Sales Continue to be at Full Throttle in January 2023](#)", domestic automobile industry sales volume is expected to grow by 20.0% in FY23. The recent announcements in Budget 2023-24 on vehicle scrappage policy and increased infrastructure spending are also expected to further aid growth in automobile sales. However, inflationary pressure and the increased cost of ownership continue to be a concern.

Services Segment

With comparing personal loans, industry and agriculture, the services sector registered the highest growth at 21.5% y-o-y in January 2023 compared to a marginal growth of 5.7% over a year ago.

- NBFCs (within services, share of 37.0%) grew by 31.0% y-o-y in January 2023 from a growth of 9.9% in the year-ago period. The growth was driven by a shift of borrowings to the banking system, and growth in the business of NBFCs.
- The growth in services is largely driven by NBFCs. Even if NBFCs are excluded, the credit growth was robust at about 16.5% on a y-o-y basis.

Figure 4: Robust Growth in Advances of Banks to NBFCs (y-o-y, %)



Source: RBI

- The trade segment (share of 22.4% within services) grew 16.8% in January 2023 as compared to 10.7% in the year-ago period. The growth was driven by retail trade (21.8%) in the period.
- The other services (share of 19.6% within services) rose by 24.1% y-o-y in January 2023.

On an incremental basis, the services segment grew by 15.2% in January 2023 as compared to 3.3% a year ago. Aviation and NBFCs rose by 26.0% and 16.0%, respectively. All sub-segments reported growth except shipping which dropped by 14.0% in the period. The lending to NBFCs constituted 57.0% of incremental lending within services, increased from 37.9% over a year ago period.

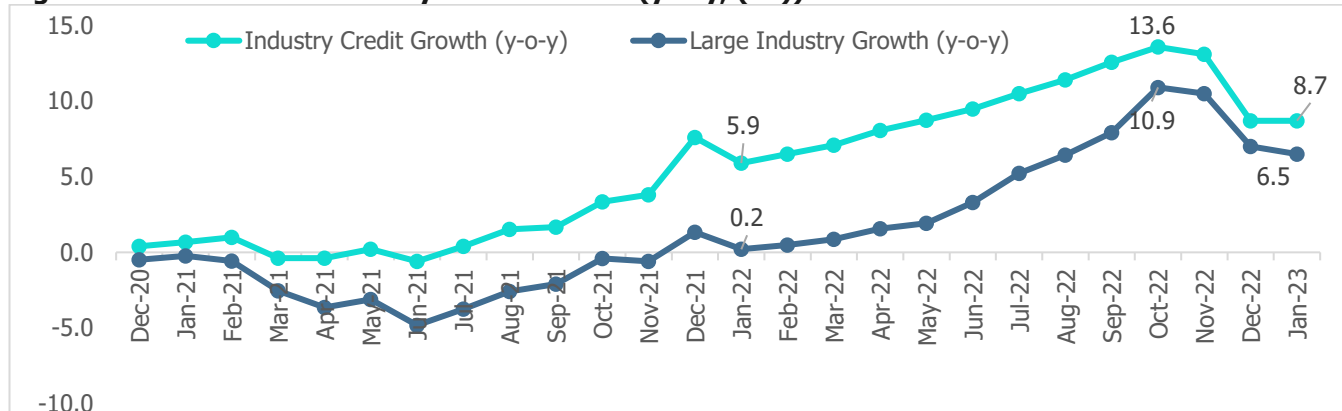
Industry

The credit outstanding of the industry segment registered a growth of 8.7% y-o-y in January 2023 from 5.9% in the year-ago period. Regarding year on performance, the industry growth had been continuously rising from July 2021 (0.4%) to November 2022 (13.1%). Nonetheless, it moderated at 8.7% in December 2022 and stabilised at the same level in January 2023.

- Infrastructure (share of 36.0% within the industry) rose by 2.3% in the period vs. 10.7% over a year ago period due to lower growth reported by the power sector and, a drop in telecommunication and ports. Overall, slow growth in infrastructure pulled down the industry growth. In absolute terms, credit for the infrastructure rose by Rs.0.3 lakh crore from January 2022, however, it declined by 0.1 lakh crore from March 2022.
 - Within infrastructure; roads, airports, and railways (other than Indian railways) rose by 8.7%, 42.6%, and 6.6% y-o-y, respectively. The credit offtake for the roads moderated from 25.9% in January 2022 due to delayed allotment/financial closure of projects and completion for the same.
 - Power (share of 51.1% in the infrastructure sub-segment) reported a rise of 2.8% vs. 5.5%. The offtake in the power sector seems to have been impacted due to a lack of new projects in the traditional segments and a delay in funding for projects in the renewable segments.
- MSME credit growth moderated to 16.0% to Rs.8.14 lakh crore in January 2023 vs. 30.0% over a year ago due to a high base.
- Petroleum, coal products, and nuclear fuels (share of 4.6% within industry) witnessed the highest growth of 65.8% y-o-y vs. 37.2% in the year-ago period. The growth is attributed to higher working capital requirements driven by elevated crude oil prices and currency depreciation.

- The chemical and chemical products (share of 6.5% within the industry) rose 17.6% y-o-y vs. growth of 4.4% in the year-ago period, while mining and quarrying increased by 26.0% in the same period.

Figure 5: Movement in Industry Credit Growth (y-o-y, (%))



Source: RBI

Incremental industry credit rose 4.2% in January 2023 vs. 3.0% in the last year.

- Petroleum, coal products, and nuclear fuels (within the industry) reported the highest growth of 40.0%.
- Infrastructure credit declined by 0.8% in January 2023 vs. growth of 5.8% in the last year.

Conclusion

Credit growth has remained robust in recent months even amid the significant rise in interest rates. The growth has been broad-based across the segments and is expected to be in the mid-teens in FY23. Personal Loans and NBFCs have been the key growth drivers for FY23. Besides, demand for capex too is expected to drive industry credit growth. Meanwhile, a slowdown in global growth due to elevated interest rates, and rate hikes in India could impact credit growth.

Annexures

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

Priority Sector	O/s credit	% Growth in credit		% Growth in inc. credit	
	As of Jan 27, 2023	Jan 22 vs Jan 21	Jan 23 vs Jan 22	Jan 22 vs Mar 21	Jan 23 vs Mar 22
Priority Sector	56.9	10.4	16.1	8.7	10.8
Agriculture & Allied Activities	16.6	8.7	15.2	7.4	11.6
Micro & Small Enterprises	15.3	7.6	15.2	9.4	11.3
Medium Enterprises	3.9	50.7	17.3	38.8	11.8
Housing	6.1	5.2	2.4	3.8	-0.3
Weaker Sections	13.7	9.1	27.4	4.0	15.6
Others	1.3	21.4	1.0	22.0	3.3

Source: RBI

Figure A2: Overall Share of Segments within Personal Loan (%)

Personal Loans	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023
Consumer Durables	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Housing	49.5	49.2	49.0	48.8	48.4	48.5	48.2	47.7
Advances against FD	2.2	2.4	2.5	2.6	2.6	2.5	2.8	2.8
Advances to Ind.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit Card	4.3	4.5	4.6	4.5	4.8	4.6	4.6	4.7
Education	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Vehicle Loans	12.1	12.2	12.2	12.1	12.2	12.3	12.3	12.5
Loans against gold jewellery	2.1	2.2	2.1	2.2	2.2	2.2	2.1	2.2
Other Personal Loans	26.2	26.0	26.1	26.3	26.3	26.4	26.5	26.6
Personal Loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

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

Services	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023
Transport Operators	5.0	4.9	4.9	4.9	4.8	4.9	4.7	4.8
Computer Software	0.6	0.7	0.6	0.7	0.7	0.6	0.6	0.6
Tourism, Hotels & Restaurants	2.1	2.1	2.0	2.1	1.9	2.0	1.8	1.9
Shipping	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Aviation	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Professional Services	3.9	3.7	3.8	3.7	3.7	3.7	3.6	3.7
Trade	23.9	22.7	23.1	23.1	22.5	22.1	21.9	22.4
Commercial Real Estate	9.7	9.3	9.3	9.2	9.2	9.2	8.8	9.0
NBFCs	35.9	36.7	36.2	36.4	37.8	36.8	37.7	37.0
Other Services	18.0	19.0	19.0	18.9	18.4	19.8	19.8	19.6
Services	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

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

Industry	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023
Mining & Quarry	1.5	1.6	1.6	1.5	1.6	1.6	1.6	1.7
Food Processing	5.5	5.3	5.1	4.9	4.8	4.8	5.3	5.3
Beverage & Tobacco	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Textiles	6.9	6.7	6.6	6.6	6.5	6.4	6.6	6.7
Leather & Leather Products	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3
Wood & Wood Products	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Paper & Paper Products	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Petroleum, Coal Prod & Nuclear Fuels	3.2	3.6	4.2	4.7	4.8	4.5	5.0	4.6
Chemicals & Chem Prods	6.5	6.6	6.6	6.6	6.8	6.6	6.6	6.5
Rubber, Plastic & Products	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4

Glass & Glassware	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cement & Cement Prod.	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Basic Metal & Metal Prod.	9.2	9.4	9.4	9.5	9.4	9.4	10.0	10.2
Engineering	5.3	5.2	5.2	5.3	5.2	5.2	5.2	5.2
Vehicles, Vehicles. Parts & Transport Equipment	2.9	2.9	2.8	2.8	2.9	2.8	2.9	2.9
Gems & Jewellery	2.3	2.3	2.3	2.4	2.4	2.2	2.4	2.3
Construction	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.5
Infrastructure	38.2	38.2	38.0	37.5	37.6	37.5	36.4	36.0
Other Industries	7.9	7.8	7.7	7.6	7.6	8.6	7.4	7.9
Industries	100.0	100.0	100.0	100.0	100	100	100.0	100.0

Source: RBI

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