

Bank Credit Profile: March 2021 – Non-food credit growth recorded a lowest growth in last four years.

May 03, 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 March 2021. All growth comparisons are made in y-o-y terms, unless stated otherwise.

Overview

The non-food credit growth recorded a lowest growth since last four years in March 2021 and grew by 4.9% y-o-y (compared with a growth of 6.5% in February 2021 and 6.7% in March 2021). The risk aversion from both borrowers and lenders failed to report a pick-up in bank credit growth, despite of low base of previous year (initial period of lockdowns).

The agriculture & allied segment recorded highest growth of 12.3% y-o-y in March 2021 since last four years, this was led by strong monsoon, a good harvest season and government measures. Personal loan segment registered a growth of 10.2% y-o-y, while growth in services segment decelerated to 1.4% y-o-y. Industry segment registered a growth of 0.4% in March 2021 after witnessing a negative growth since October 2020.

Retail/Personal loans

The growth rate of the retail/personal loans segment was higher by 0.6% in March 2021 as compared with the previous month. The growth rate came in lower by 482 bps as compared with March 2020. In absolute terms, credit outstanding has increased from Rs.25.5 lakh crore in March 2020 to Rs.28.1 lakh crore in March 2021. The share of personal loan segment increased from 27.7% in March 2020 to 29.1% in March 2021.

Within the retail segment, Housing loan segment grew by 9.1% as compared with a growth of 15.4% and growth in vehicle loans stood at 9.5% as compared with a growth of 9.1% in the same period year ago. During previous months, growth in housing loans was healthy led by retail credit push, concession on home loan interest rates. Housing loans continues to remain the single-largest segment at 51.9% share of lending in the outstanding credit to retail/personal loan portfolio. Credit card outstanding (share of 4.1%) registered a growth of 7.8% as compared with a growth of 22.5% in March 2020, due to pandemic led uncertainties. Outstanding credit to consumer durable segment (share of 0.3%) registered a negative growth of 21.4% as compared with a growth of 47.6% in March 2020, this can be partly attributed to risk aversion from lenders and borrowers.

Figure 1: Sectoral Distribution of Credit: March 2021

Particulars	Outstanding credit	% growth in credit	
	As on Mar 26, 2021 (Rs Lakh Crore)	Mar'20 over Mar'19	Mar'21 over Mar'20
Gross Bank Credit	97.2	6.8%	5.0%
Food Credit	0.6	24.4%	18.3%
Non-food Credit	96.6	6.7%	4.9%
Agriculture & Allied Activities	13.0	4.2%	12.3%
Industry (Micro & Small, Medium and Large)	29.2	0.7%	0.4%
Micro, Small & Medium	5.2	1.1%	6.7%
Large	24.0	0.6%	-0.8%
Services	26.3	7.4%	1.4%
Trade	6.2	4.6%	11.8%
Commercial Real Estate	2.4	13.6%	2.5%
Non-Banking Financial Companies (NBFCs)	9.5	29.0%	4.5%
Other Services	4.7	-14.9%	-7.6%
Personal Loans	28.1	15.0%	10.2%
Housing	14.6	15.4%	9.1%
Vehicle Loans	2.4	9.1%	9.5%
Other Personal Loans	7.9	19.0%	13.6%

Note: Mar'21 over Mar'20 growth: Red – negative growth, Grey – growth < 5%, Green - growth > 5%

Source: Reserve Bank of India

Services

The services segment registered a significantly slower growth (y-o-y), largely due to deceleration in growth of NBFCs and Commercial Real Estate (CRE) segment. Of the total nine segments, seven segments registered growth. NBFCs and transport operators segment registered a y-o-y growth of 4.5% and 5.4%, respectively (growth of 29.0% and 7.4% in March 2020). Professional services and other services segment registered a de growth of 31.2% and 7.6%, respectively, during the month.

NBFCs which form the largest part in the total credit outstanding to the services sector (35.9% share in March 2021) has registered a growth of 4.5% (growth has fallen by around 480 bps as compared with February 2021). Trade and commercial real estate segment registered a growth of 11.8% and 2.5% (slower y-o-y growth due to pandemic) as compared with a growth of 4.6% and 13.6% respectively.

Industry

Large industries account for 82.2% share (83.2% share in March 2020) in the total outstanding credit to industries and this segment reported a growth of negative 0.8% in March 2021 versus a growth of 0.6% in February 2020. Micro, small & medium (MSME) industries grew by 6.7% in March 2021 (which offset the fall in large segments) as compared with a growth of 1.1% in March 2020. This was supported by ECLGS disbursements of Rs.1.81 lakh crore (as on February 28, 2021) which is around 60.0% of the Rs.3.0 lakh crore. Within MSME, micro & small industries registered a growth of 0.5%, while medium industries registered a growth of 28.8%, and large industries registered a de growth. The higher growth of medium segment offset the fall in large segment and overall industry segment registered a growth of 0.4% in March 2021.

Of total nineteen industries, seven industries witnessed a drop in credit outstanding. Paper and paper products segment (1.2% share) have registered the highest growth of 14.8% within industries (growth of 2.1% in March 2020). Vehicles, vehicle parts & transport equipment growth stood at 1.2% as compared with a growth of 3.4% in March 2020. Construction segment registered a de growth of 8.4% in March 2021 as compared with a growth of 4.8% in March 2020.

Infrastructure segment, which has the maximum share of 37.4% in the total bank credit outstanding to industries, registered a growth of 3.6% in March 2021 as compared with a de growth of 0.2% a year ago. Within Infrastructure segment, road segment registered a healthy growth of 34.4% in March 2021 as compared with a growth of 0.7% in March 2020, while telecommunication segment registered a negative growth of 21.3% in March 2021 as compared with a growth of 24.4% in March 2020.

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 March 2020 to Rs.11.1 lakh crore in March 2021. Under Rs.3 lakh crore of ECLGS for MSMEs, banks have sanctioned Rs.2.5 lakh crore, out of which Rs.1.8 lakh crore was disbursed till February 28, 2021.

Concluding remarks and outlook

The bank credit growth was muted (lowest since last four years) in FY21 as lenders and borrowers remain risk averse due to pandemic led uncertainty. The bank credit was largely supported by the agriculture, retail segment and disbursements under ECLGS scheme. The growth in retail segment was driven by credit push and interest rate concessions on home loans. It was further aided by various regulatory measures by RBI in the form of interest rate cuts and CRR (cash reserve ratio) exemption on credit disbursed to new MSME borrowers during FY21 (as per the circular dated February 05, 2021, the RBI has exempted banks from keeping CRR requirement against loans disbursed to first-time borrowers of MSMEs). The ECLGS scheme has been extended till June 30, 2021.

The credit growth for FY22 is expected to remain in low double digit led by growth in the economy and base effect coming into play. Retail loan segment is expected to do well as compared with industry and service segment supported by retail credit push. The downside risks include lockdown in key states, which may impact the industrial as well as service segments. Another risk includes the ending of the ECLGS scheme in June 2021, which had propped up the MSME credit. However, the extension of the TLTRO operations and on lending norms could support growth.

Annexure

Figure A1: Distribution of credit within Industries: March 2021

Particulars	Outstanding credit	% growth in credit	
	As on Mar 26, 2021 (Rs Lakh Crore)	Mar'20 over Mar'19	Mar'21 over Mar'20
Mining & Quarrying (incl. Coal)	0.5	5.2%	4.9%
Food Processing	1.7	-1.9%	7.5%
Beverage & Tobacco	0.2	12.7%	-5.2%
Textiles	2.0	-5.5%	4.6%
Leather & Leather Products	0.1	0.2%	1.8%
Wood & Wood Products	0.1	2.2%	8.7%
Paper & Paper Products	0.4	2.1%	14.8%
Petroleum, Coal Products & Nuclear Fuels	0.7	20.1%	-4.6%
Chemicals & Chemical Products	1.9	6.0%	-7.9%
Rubber, Plastic & their Products	0.5	10.1%	6.1%
Glass & Glassware	0.1	-11.2%	3.9%
Cement & Cement Products	0.5	5.4%	-11.1%
Basic Metal & Metal Product	3.3	-5.7%	-6.2%
All Engineering	1.5	-6.7%	-6.3%
Vehicles, Vehicle Parts & Transport Equipment	0.8	3.4%	1.2%
Gems & Jewellery	0.6	-17.4%	5.4%
Construction	1.0	4.8%	-8.4%
Infrastructure	10.9	-0.2%	3.6%
Other Industries	2.5	18.5%	2.7%

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

Source: Reserve Bank of India

Figure A2: Credit outstanding to priority sectors

Particulars	Outstanding credit	% growth in credit	
	As on Mar 26, 2021 (Rs Lakh Crore)	Mar'20 over Mar'19	Mar'21 over Mar'20
Priority Sector			
Agriculture & Allied Activities	12.6	3.1%	11.7%
Micro & Small Enterprises	11.1	3.2%	2.5%
Medium Enterprises	2.1	-4.4%	57.8%
Housing	4.7	6.4%	2.2%
Weaker Sections	8.1	5.0%	11.7%
Others	0.9	3.9%	6.2%

Note: March 2021 over March 2020 growth: 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	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Food Processing	5.6%	5.3%	5.3%	5.4%	5.6%	5.6%	5.5%	5.7%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%
Textiles	6.8%	6.8%	6.8%	6.8%	6.9%	7.5%	7.3%	6.9%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%	1.3%	1.2%
Petroleum, Coal Products & Nuclear Fuels	2.0%	2.2%	2.2%	2.2%	2.1%	2.0%	2.2%	2.5%
Chemicals & Chemical Products	6.3%	6.3%	6.3%	6.5%	6.4%	6.5%	6.4%	6.4%
Rubber, Plastic & their Products	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.9%	1.8%
Glass & Glassware	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Cement & Cement Products	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	1.8%
Basic Metal & Metal Product	12.4%	12.4%	12.3%	12.1%	11.9%	11.8%	11.8%	11.3%
All Engineering	5.0%	5.1%	5.0%	5.0%	5.2%	5.1%	5.2%	5.0%
Vehicles, Vehicle Parts & Transport Equipment	3.2%	3.2%	3.2%	3.1%	3.1%	3.0%	3.0%	2.9%
Gems & Jewellery	2.0%	2.0%	2.1%	2.2%	2.3%	2.2%	2.2%	2.1%
Construction	3.7%	3.8%	3.8%	3.7%	3.7%	3.6%	3.5%	3.3%
Infrastructure	36.8%	36.6%	36.5%	36.6%	36.3%	35.8%	36.0%	37.4%
Other Industries	8.1%	8.0%	8.2%	8.0%	8.0%	8.3%	8.4%	8.4%

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

Industry	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021
Consumer Durables	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	53.0%	52.9%	52.6%	52.3%	52.3%	52.0%	51.9%	51.9%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits etc.)	2.5%	2.5%	2.4%	2.4%	2.5%	2.5%	2.4%	2.5%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.1%	4.1%	4.2%	4.3%	4.1%	4.3%	4.2%	4.1%
Education	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.3%	2.3%
Vehicle Loans	8.6%	8.6%	8.6%	8.7%	8.6%	8.7%	8.6%	8.6%
Other Personal Loans	28.7%	28.9%	29.3%	29.4%	29.6%	29.8%	30.1%	30.1%
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

Industry	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021
Transport Operators	5.8%	5.7%	5.8%	6.0%	6.0%	5.7%	5.6%	5.5%
Computer Software	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.8%
Tourism, Hotels & Restaurants	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.8%	1.9%
Shipping	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
Professional Services	6.9%	6.8%	6.9%	5.0%	5.0%	4.9%	4.7%	4.6%
Trade	22.2%	22.0%	22.4%	22.4%	22.9%	22.8%	22.0%	23.5%
Wholesale Trade (other than food procurement)	46.7%	46.5%	46.5%	47.8%	48.5%	49.6%	50.3%	51.7%
Retail Trade	53.3%	53.5%	53.5%	52.2%	51.5%	50.4%	49.7%	48.3%
Commercial Real Estate	9.0%	8.9%	8.8%	9.1%	9.0%	8.9%	8.7%	9.0%
NBFCs	31.2%	31.2%	30.2%	30.7%	30.6%	33.6%	33.7%	35.9%
Other Services	22.0%	22.6%	23.1%	23.9%	23.6%	21.3%	22.5%	18.5%
Services	100%	100%	100%	100%	100%	100%	100%	100%

Source: Reserve Bank of India

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:

