

Bank Credit Deployment: Select Segments Drive Growth in Mar-22

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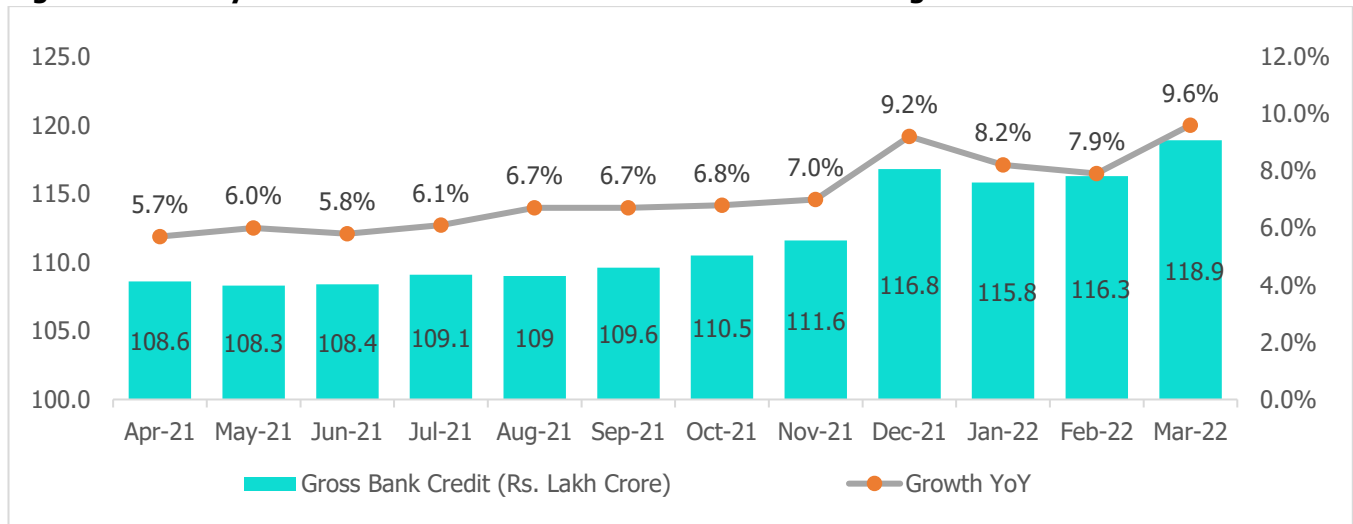
Note: Gross bank credit and non-food credit data are based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) return that covers banks accounting for approximately 93% of non-food credit extended by SCBs for March 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.

Bank Credit Growth Doubles in Mar-22 (vs Mar-21); Select Segments, Fiscal-end Push, Low Base Aid

Overview

The gross banking credit rose 9.6% year-on-year (y-o-y) in March 2022. The non-food credit rose by 9.7% y-o-y as against a growth of 4.5% in March 2021, expanding by a huge 521 basis points (bps) y-o-y due to a low-base, pickup in the business activities, and credit push by the banks at the close of the fiscal year. Besides, the gross credit growth was also better than the 8.2% growth reported in January 2022 and the 7.9% growth reported in February 2022. The increase during March 2022 was due to credit growth in other personal loans (growth - 23.1%), Micro, Small and Medium Enterprises (MSME) (growth of 34.3%) and Non-Banking Financial Companies (NBFCs) (growth of 10.4%). This growth was driven by an uptick in economic activities and comparatively lower interest rates.

Figure 1: Monthly Trend of Growth in Gross Bank Credit Outstanding



Source: RBI

Figure 2: Sectoral Distribution of Credit: March 2022 (Rs. Lakh Crore)

Particulars	O/s credit	% Growth in credit	
	As on March 25, 2022	Mar 21 over Mar 20	Mar 22 over Mar 21
Gross Bank Credit	118.9	4.6	9.6
Food Credit	0.6	18.3	-10.2
Non-food Credit	118.4	4.5	9.7
Agriculture & Allied Activities	14.7	10.5	9.9
Industry	31.7	-0.4	7.1
Of which			
Micro, Small	5.0	3.9	21.5
Medium	2.4	34.5	71.4
Large	24.3	-2.5	0.9
Services	30.4	3.0	8.9
Of which			
Trade	7.0	12.8	11.0
Commercial Real Estate	2.9	0.0	0.8
Non-Banking Financial Companies	10.5	-0.2	10.4
Personal Loans	33.7	10.7	12.4
Of which			
Housing	15.9	9.6	6.4
Vehicle Loans	3.3	7.7	9.4

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. (Source:RBI)

Retail/Personal Loans

The credit of the retail/personal loans segment (currently the largest segment with a 30.5% share in bank credit) continued its double-digit growth at 12.4% in y-o-y in March 2022 primarily on account of growth in other personal loans (growth of 23.1%), loans against gold jewellery (growth of 21.1%), credit card receivables (growth of 12.6%) and consumer durable loans (growth of 60.0%) due to continued improvement in business activities, push for retail credit lending by banks, however, the growth has been affected by the lower growth rate of 6.4% in housing loans, and a marginal drop of 0.04% in education loans.

The other personal loans segment has been growing due to growth in the unsecured loans especially small ticket personal loans. This higher growth can be attributed to changing consumer preferences, ease of access to credit, and increased usage of digital platforms. Within the retail/personal loans segment, all sub-segments reported growth except education.

The housing loans (share of 47.1% within retail) grew at a more modest pace of 6.4% in March 2022 as compared with a growth of 9.6% in the year-ago period. Housing loans are being driven by the low-level interest rates, discounts offered by real estate developers and the perception of being a comparatively safer asset class with a lower loss given any probable default by the borrower, lower stamp duty scheme till March 2022 end in Maharashtra. The other personal loans (share of 31.4% within retail) grew at 23.1% in March 2022 as compared with a growth of 13.7% 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 9.4% y-o-y in March 2022 as compared to 7.7% in the year-ago period.
- Consumer durables (share of 0.8% within retail) continued its robust growth of 60% y-o-y in March 2022 (February growth 55.9% y-o-y, January growth 53.0% y-o-y) as compared with a growth of 7.3% in the year-ago period due to offers/ sales promotions by various retailers and low base caused by the Covid-19 second wave.
- The loan against gold jewellery (share of around 2.2% within retail) registered a growth of 21.1% y-o-y in March 2022 as compared with a growth of 80.2% in March 2021 due to attractive offers given by banks (SBI continues to maintain the largest share amongst banks in this segment).
- The advances against fixed deposits registered a growth of 15.4% y-o-y in March 2022 from a drop of 4.9% in the year-ago period.

Services

The services sector credit growth rose 8.9% y-o-y during March 2022 as compared to 3.0% for the same period of the last year due to growth in the major segments and the low base. Growth was driven by the NBFCs, trade, tourism, hotels & restaurants, professional Services, transport operators, and the other services segments. Further commercial real estate, grew at much slower pace as compared to overall service sector growth, and the aviation segment (a drop of 10.6%) in March 2022 dragged the growth. Within Services, NBFCs (share of 34.7%) grew by 10.4% in March 2022 from a drop of 0.2% in the year-ago period as the economy is picking up. Within NBFC, HFC and PFI grew by 9.5% and 51.1% y-o-y, respectively in March 2022. The other services (share of 19.9%) reported a rise of 9.5% in March 2022.

Industry

The credit outstanding of the industry segment registered a growth of 7.1% y-o-y in March 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 (21.5%), and medium (71.4%) enterprises segments were driven by ECLGS and low-base effect (Covid-19 second wave). The large enterprise segment (share of 80.2% within the industry) reported a growth of 0.9% in March 2022 (from a decrease of 2.5% in March 2021) due to higher commodity prices (creating additional working capital demand) and higher production for exports.

Of the total 19 sub-industries, 16 sub-industries witnessed growth in credit outstanding, while 3 sub-industries declined. Within the industry, the petroleum, coal products & nuclear sub-segment registered the highest growth of 30.3% y-o-y in March 2022 vs. a drop of 11.5% in the year-ago period followed by rubber, plastic, and their products which witnessed the growth of 28.7% vs 6.2% in the year-ago period. The infrastructure sub-industry (share of 37.9% within the industry) registered a growth of 9.3% in March 2022 from a marginal growth of 1.6% in the year-ago period. Within infrastructure, telecommunications grew at a robust rate of 18.6% y-o-y in March 2022, followed by roads at 17.0%, power at 7.0% and the other infrastructure at 3.6%. Airports and ports witnessed a drop of 22.5% and 12.5%, respectively, during March 2022.

Lending to the Priority Sector

Total lending of the priority sector rose by 9.3% to Rs.45.4 lakh crore in March 2022, driven by growth in the agriculture and allied activities, MSME and the other sub-segments due to improving economic activities. Agriculture

accounts for the largest share within priority (share of 30.7%) followed by the MSME (share of 28.9%) and the weaker sections (share of 20.1%).

Concluding Remarks and Outlook

The gross banking credit growth picked up and reached 9.6% in March 2022. After witnessing modest credit growth in the recent years, the outlook for bank credit growth is expected to remain positive due to the low-base effect, economic expansion, rise in government and private capital expenditure, extended ECLGS support, 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 and that is likely to add to the credit growth. The Retail loan segment is expected to do well as compared with the Industry and Service segments. The ongoing Russia-Ukraine war is likely to have a limited impact on the credit growth in India. The third wave of Covid-19 was not as severe as the first two. However, the subsequent variants, if severe, could lead to lockdowns and cause a slowdown in the economy. The RBI is monitoring the inflation situation in the economy and would likely to take appropriate actions. However, any sharp hike in interest rates could impact the credit growth.

Annexures

Figure A1: Distribution of credit within Industries: March 2022 (Rs. Lakh Crore)

Particulars	O/s credit	% Growth in credit	
	As on Mar 25, 2022	Mar 21 over Mar 20	Mar 22 over Mar 21
Mining & Quarrying (incl. Coal)	0.5	-3.5	12.2
Food Processing	1.7	8.2	10.9
Beverage & Tobacco	0.2	-1.4	3.2
Textiles	2.3	5.0	10.1
Leather & Leather Products	0.1	0.5	9.2
Wood & Wood Products	0.2	10.5	9.1
Paper & Paper Products	0.4	14.6	9.4
Petroleum, Coal Prod. & Nuclear Fuels	0.9	-11.5	30.3
Chemicals & Chemical Products	2.1	-6.8	8.7
Rubber, Plastic & their Products	0.7	6.2	28.7
Glass & Glassware	0.1	-3.5	-9.2
Cement & Cement Products	0.5	-9.6	-13.6
Basic Metal & Metal Product	3.0	-6.4	-9.2
Engineering	1.6	-7.6	8.7
Vehicles, Vehicle Parts & Transport Equipment	0.9	1.5	6.2
Gems & Jewellery	0.8	10.7	8.8
Construction	1.0	-9.4	4.3
Infrastructure	12.0	1.6	9.3
Other Industries	2.8	3.2	5.3
Total	31.7	-0.4	7.1

Source: RBI

Figure A2: Credit Outstanding to Priority Sectors (Rs. Lakh Crore)

Particulars	O/s Credit	% Growth in Credit	
	As on Mar 25, 2022	Mar 21 over Mar 20	Mar 22 over Mar 21
Priority Sector	45.3	8.4	9.3
Agriculture & Allied Activities	13.9	9.4	9.0
Micro & Small Enterprises	13.1	7.9	10.6
Medium Enterprises	3.0	45.6	36.9
Housing	4.9	-4.5	0.4
Weaker Sections	9.1	14.9	4.9
Others	1.2	-2.3	19.6

Source: RBI

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

Personal Loans	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022
Consumer Durables	0.4	0.4	0.4	0.4	0.8	0.8	0.8
Housing	50.7	50.3	49.9	49.3	48.8	47.7	47.1
Advances against FD	2.2	2.2	2.2	2.4	2.2	2.3	2.4
Advances to Individuals against shares, bonds, etc.	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit Card Outstanding	4.0	4.2	4.1	4.0	4.4	4.4	4.4
Education	2.2	2.2	2.1	2.0	2.0	1.9	1.9
Vehicle Loans	9.3	9.2	9.2	9.1	8.9	10.0	9.8
Loans against gold jewellery	2.2	2.2	2.2	2.3	2.2	2.2	2.2
Other Personal Loans	29.0	29.3	29.7	30.3	30.5	30.6	31.4
Personal Loans	100.0	100.0	100.0	100.0	100.0	100	100.0

Source: RBI

Figure A4: Overall Share of Segments within Services (%)

Services	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022
Transport Operators	5.1	5.0	5.0	5.0	5.4	5.0	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	1.9	2.2	2.1
Shipping	0.3	0.3	0.3	0.2	0.2	0.3	0.3
Aviation	1.1	1.0	1.0	0.4	0.8	0.8	0.8
Professional Services	3.9	3.9	3.9	3.7	3.8	3.8	3.8
Trade	22.4	22.9	22.4	22.6	23.1	23.2	23.0
Wholesale Trade	50.6	51.6	51.6	51.6	49.6	49.0	49.0
Retail Trade	49.4	48.4	48.4	48.4	50.4	51.0	51.0
Commercial Real Estate	9.9	9.7	9.9	9.5	9.5	9.7	9.6
Non-Banking Financial Companies	34.1	33.9	35.1	35.2	34.9	34.6	34.7
Other Services	20.6	20.6	19.8	20.8	19.6	19.8	19.9
Services	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

Figure A5: Overall Share of Segments within the Industry (%)

Industry	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022
Mining & Quarrying (incl. Coal)	1.7	1.7	1.8	1.7	1.6	1.6	1.5
Food Processing	5.1	5.1	5.0	5.5	5.4	5.4	5.5
Beverage & Tobacco	0.5	0.5	0.6	0.5	0.5	0.6	0.6
Textiles	7.0	7.0	7.0	7.1	7.2	7.2	7.1
Leather & Leather Prod.	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Wood & Wood Prod.	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Paper & Paper Prod.	1.3	1.3	1.3	1.3	1.3	1.3	1.2
Petroleum, Coal Prod & Nuclear Fuels	2.4	2.4	2.4	2.9	2.5	2.7	2.8
Chemicals & Chemical Prod.	6.4	6.5	6.7	6.6	6.4	6.4	6.8
Rubber, Plastic & their Products	2.1	2.2	2.2	2.2	2.2	2.3	2.3
Glass & Glassware	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cement & Cement Prod.	1.7	1.6	1.6	1.6	1.5	1.6	1.5
Basic Metal & Metal Prod.	10.1	9.8	9.7	9.6	9.5	9.4	9.3
Engineering	5.2	5.2	5.2	5.2	5.3	5.1	5.1
Vehicles, Veh. Parts & Transport Equipment	3.0	2.9	3.0	2.8	2.9	2.9	2.9
Gems & Jewellery	2.5	2.5	2.4	2.3	2.4	2.5	2.5
Construction	3.4	3.4	3.3	3.2	3.2	3.3	3.3
Infrastructure	38.4	38.8	38.9	38.0	38.3	38.1	37.9
Other Industries	8.1	8.1	8.0	8.3	8.7	8.7	8.7
Industries	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

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