

Bank Credit Deployment Update: Retail and Agriculture sectors continue to drive credit growth in June 2021

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Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for approximately 90% of non-food credit extended by SCBs for June 2021. Growth comparisons are in y-o-y terms, unless stated otherwise.

Overview

The gross bank credit growth came in lower by 40 bps at 5.8% in June 2021 as compared to a growth of 6.2% in June 2020, while non-food credit growth stood at 5.9% y-o-y as compared with a growth of 6.0% in June 2020. The non-food credit growth registered a marginal fall of 10 bps (y-o-y) in June 2021, while m-o-m trend remain flat due to the continued impact of second wave. The first quarter of a financial year generally witnesses moderate growth. The overall bank credit growth continues to remain modest as compared with the period before pandemic, mainly due to risk aversion and parking of excess liquidity with RBI.

The overall non-food credit growth continues to be driven by retail and agriculture & allied activities segments during the month of June 2021. Contraction in the industry segment and slower growth in services segment continue to restrict the overall credit growth. The incremental non-food credit registered a negative growth, a similar trend can be observed for most of the years. The incremental credit growth was negative in the month of June for four years out of last five years. On a sequential basis, credit to services segment expanded by 1.1%, while agriculture, industry and personal segment contracted by 0.03%, 0.6%, and 0.03%, respectively.

Figure 1: Sectoral Distribution of Credit: June 2021

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on Jun 18, 2021 (Rs Lakh Crore)	Jun'20 over Jun'19	Jun'21 over Jun'20	Jun' 20 over Mar' 20	Jun' 21 over Mar' 21
Gross Bank Credit	108.4	6.2%	5.8%	-1.2%	-1.0%
Food Credit	0.9	25.0%	-2.7%	72.5%	41.9%
Non-food Credit	107.5	6.0%	5.9%	-1.6%	-1.2%
Agriculture & Allied Activities	12.8	2.4%	11.4%	-0.4%	-1.2%
Industry (Micro & Small, Medium and Large)	28.7	2.2%	-0.3%	-1.0%	-1.7%
<i>Of which</i>					
Micro, Small & Medium	5.2	-4.3%	16.6%	-8.0%	0.6%
Large	23.4	3.6%	-3.4%	0.4%	-2.2%
Services	26.0	10.7%	2.9%	-2.6%	-1.1%
<i>Of which</i>					
Trade	6.1	8.1%	11.1%	0.1%	-0.5%
Commercial Real Estate	2.3	11.6%	1.3%	-0.2%	-1.4%
NBFCs	8.8	29.5%	-2.2%	-3.4%	-6.5%
Personal Loans	27.9	10.4%	11.9%	-2.5%	-1.0%
<i>Of which</i>					
Housing	14.6	12.6%	9.7%	-0.2%	0.4%
Vehicle Loans	2.4	7.1%	11.0%	-2.7%	-1.4%

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 are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 90% of total non-food credit extended by all SCBs; June 2021 over June 2020 and June 2021 over Mar 2021: Red – negative growth, Grey – growth < 5%, Green - growth > 5%; Source: Reserve Bank of India.

Retail/Personal loans

The growth rate of the retail/personal loans segment stood at 11.9% and was higher by 150bps in June 2021 when compared with June 2020. The growth rate came in higher by 170bps as compared with March 2021. In absolute terms, credit outstanding has increased from Rs.24.9 lakh crore in June 2020 to Rs.27.9 lakh crore in June 2021. The retail/personal loans segment continued to contract at a slower rate on sequential basis. The incremental credit growth to sub-segments contracted except for housing loans and loan against gold segment. The Retail/Personal loans segment has continued to be the second largest amongst the four major segments with a share of around 26.0%.

Within retail segment, the housing loan with highest share of 52.6%, slowed to 9.7% as compared with a growth of 12.6% in the same period of the last year. The housing loan segment impacted due to second wave of the pandemic, as home registrations and disbursements slowed due to lockdown across major cities. The higher growth for vehicle loans is attributed to ease in lockdown restrictions and as production gained pace in June 2021. Credit card outstanding (share of 3.7%) registered a growth of 5.3% y-o-y as compared with a growth of 2.8% in June 2020, as discretionary spending was significantly impacted in June 2020 due to the COVID outbreak. The growth in retail loans has been driven by personal unsecured and gold loan lending by some banks to select high-end customers. On a sequential basis, the amount outstanding has witnessed a marginal decline (<1.0%), where again discretionary spending impacted marginally, partly due to the second wave. Incrementally, retail/personal loans segment registered a de-growth. Within retail/personal segment, housing loans and loans against gold witnessed an increase, while the other segments reported a decline.

Services

Bank credit to services sector grew by 2.9% on YoY basis. Within services, NBFCs segment contracted by 2.2% YoY, which further impacted the overall credit growth. The services segment registered a significantly slower growth (YoY), largely due to fall in growth of NBFCs, Commercial Real Estate (CRE) and transport operators segment. Of all the segments, shipping segment (0.3% share) grew the fastest at 32.0%, while NBFCs (the largest segment) grew at a rate of -2.2% versus the significantly faster rate of 29.5% witnessed last year. The slower growth in NBFCs segment can be attributed to slowdown in disbursements and preference to bond market for funding needs. Tourism, Hotels & Restaurants and aviation segment registered a growth of 7.3% and 7.4% respectively. Professional services and other services segment registered a de growth of 5.6% and 5.3%, respectively, during June 2021. On an incremental basis, aviation and tourism, hotels & restaurants segment reported a growth while, the other segments all reported a decline.

Industry

Industry segment witnessed a de growth of 0.3% on YoY basis in June 2021, after witnessing a growth for previous three consecutive months. Large industries account for 81.8% share (84.4% share in June 2020) in the total outstanding credit to industries and this segment reported a drop of 0.3% in June 2021 vs. a growth of 2.2% in June 2020. The growth movement is weak as corporates continue to de-leverage. MSME industries grew by 16.6% in June 2021 (which partially offset the fall in large segments) as compared with a drop of 4.3% in June 2020. The growth in lending to industry and services was almost entirely led by MSME segment, which was driven by disbursements under ECLGS scheme wherein Rs. 2.14 lakh crore were disbursed up till date.

Of total nineteen industries, seven industries witnessed a drop in credit outstanding. Paper and paper products segment (1.3% share) has continued to register the highest growth of 14.7% within industries (growth of 5.1% in June 2020). Rubber, Plastic, and their Products segment growth stood at 12.8% as compared with a growth of 5.6% in June 2020.

Infrastructure segment, which has the highest share of 38.1% in the total bank credit outstanding to industries, registered a growth of 2.2% in June 2021 as compared with a growth of 4.2% a year ago. Within Infrastructure segment, airport segment registered a robust growth of 108.2% followed by the road segment at 28.1% in June 2021. While ports, telecommunication and power segments registered a de growth of 30.7%, 20.5%, and 0.9%, respectively in June 2021 as compared with a growth of 24.8%, 36.8%, and 0.9%, respectively in June 2020.

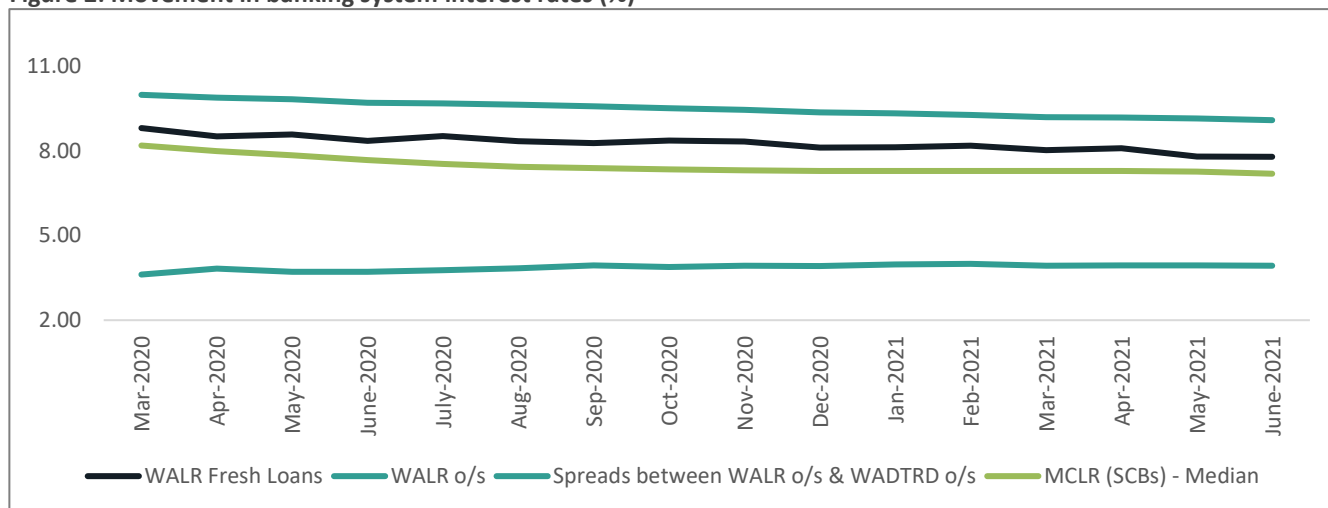
Lending to the priority sector

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 MSMEs grew from Rs.11.9 lakh crore in June 2020 to Rs.12.2 lakh crore in June 2021 (Rs.13.1 lakh crore in March 2021), whereas the incremental growth in this sector was negative despite the ECLGS scheme. The MSME credit grew by Rs 0.35 lakh crore from June 2020 to June 2021, while till date disbursements under ECLGS scheme were Rs 2.14 lakh crore (around 48% of new targeted Rs 4.5 lakh crore).

Banking system interest rates

The interest rates (monthly fresh loans WALR) of SCBs reduced by 57 bps from June 2020 to June 2021. The spread between the Weighted Average Lending Rates (WALR) on outstanding loans and Weighted Average Domestic Term Deposit Rates (WADTDR) on outstanding term deposits stood at 3.9% in June 2021 and remain marginally higher as compared with June 2020. Within bank groups, 1 year MCLR for PVB contracted by 15bps while for PSB it stood flat on sequential basis.

Figure 2: Movement in banking system interest rates (%)



Source: RBI

Concluding remarks and Outlook

Bank credit offtake continues to be driven by agriculture, retail segment and disbursements under the ECLGS scheme. The recent additional measures by Government (e.g., rate cuts, extension in TLTRO, additions to the ECLGS scheme, liquidity support along with special liquidity facility) to mitigate pandemic related stress are expected to improve credit offtake.

The bank credit growth has been moderate which can be ascribed to the risk aversion and regional lockdowns imposed by states this year to curb the spread of coronavirus amid the second wave of the pandemic that started in April 2021. However, many states have declared relaxation in lockdown or imposed partial/local lockdown since June 2021, the result of this on bank credit would be known after reviewing the additions in bank credit by first half of the financial year end FY22. Additionally, despite the low base effect of the previous year (as the country was in a complete lockdown for a substantial part of the last fiscal) the credit growth has grown at a slower pace. The credit growth for FY22 is likely to remain in low double digit and growth is expected in H2FY22 led by improvement in the economy and ECLGS support. The downside risks include partial/complete lockdown in key states, which may impact the industrial as well as service segments.

Annexure

Figure A1: Distribution of credit within Industries: June 2021

Particulars	Outstanding credit As on Jun 18, 2021 (Rs Lakh Crore)	% Growth in credit		% Growth in incremental credit	
		Jun'20 over Jun'19	Jun'21 over Jun'20	Jun' 20 over Mar' 20	Jun' 21 over Mar' 21
Mining & Quarrying (incl. Coal)	0.5	4.3%	8.5%	-2.4%	1.0%
Food Processing	1.6	4.2%	4.3%	2.5%	-0.6%
Beverage & Tobacco	0.2	4.5%	0.8%	-9.1%	-3.3%
Textiles	2.0	-2.3%	7.2%	-1.7%	0.8%
Leather & Leather Products	0.1	-1.9%	4.7%	-1.5%	1.3%
Wood & Wood Products	0.1	7.7%	7.6%	2.9%	1.9%
Paper & Paper Products	0.4	5.1%	14.7%	2.3%	2.3%
Petroleum, Coal Products & Nuclear Fuels	0.7	31.5%	0.0%	-3.3%	1.3%
Chemicals & Chemical Products	1.8	3.1%	-0.5%	-11.3%	-4.2%
Rubber, Plastic & their Products	0.5	5.6%	12.8%	-4.0%	2.0%
Glass & Glassware	0.1	-17.3%	13.5%	-7.3%	1.2%
Cement & Cement Products	0.5	1.8%	-12.1%	-2.6%	-3.7%
Basic Metal & Metal Product	3.0	-0.5%	-14.6%	0.0%	-9.0%
All Engineering	1.5	-10.5%	-1.1%	-6.3%	-1.1%
Vehicles, Vehicle Parts & Transport Equipment	0.8	4.9%	-1.3%	3.4%	0.8%
Gems & Jewellery	0.6	-15.9%	8.0%	-6.4%	-4.1%
Construction	1.0	5.6%	-4.8%	-1.6%	2.2%
Infrastructure	10.9	4.2%	2.2%	1.4%	0.1%
Other Industries	0.1	4.0%	-2.7%	-0.8%	-6.0%

Note: June 2021 over June 2020; June 2021 over Mar 2021: Red – negative growth, Grey – growth < 5%, Green - growth > 5%. Source: RBI

Figure A2: Credit outstanding to priority sectors

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on Jun 18, 2021 (Rs Lakh Crore)	Jun'20 over Jun'19	Jun'21 over Jun'20	Jun' 20 over Mar' 20	Jun' 21 over Mar' 21
Priority Sector					
<i>of which</i>					
Agriculture & Allied Activities	12.5	2.7%	9.6%	1.2%	-0.9%
Micro & Small Enterprises	10.4	3.2%	-3.5%	-0.6%	-6.4%
Medium Enterprises	1.9	0.1%	63.2%	-16.3%	-8.7%
Housing	4.7	4.8%	1.6%	0.5%	0.2%
Weaker Sections	8.3	0.5%	13.6%	0.4%	2.4%
Others	0.9	-9.9%	17.2%	3.6%	-0.7%

Note: June 2021 over June 2020, June 2021 over Mar 2021: Red – negative growth, Grey – growth < 5%, Green - growth > 5%. Source: RBI

Figure A3: Overall share of segments within the Industries segment

Industry	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021	May 21, 2021	Jun 18, 2021
Mining & Quarrying (incl. Coal)	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.6%
Food Processing	5.6%	5.6%	5.5%	5.7%	5.7%	5.7%	5.7%
Beverage & Tobacco	0.5%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%
Textiles	6.9%	7.5%	7.3%	6.9%	7.1%	7.1%	7.1%
Leather & Leather Products	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%
Paper & Paper Products	1.2%	1.3%	1.3%	1.2%	1.2%	1.2%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.1%	2.0%	2.2%	2.5%	2.3%	2.4%	2.6%
Chemicals & Chemical Products	6.4%	6.5%	6.4%	6.4%	6.5%	6.3%	6.2%
Rubber, Plastic & their Products	1.8%	1.8%	1.9%	1.8%	1.9%	1.9%	1.9%
Glass & Glassware	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Cement & Cement Products	2.1%	2.1%	2.1%	1.8%	1.7%	1.8%	1.8%
Basic Metal & Metal Product	11.9%	11.8%	11.8%	11.3%	10.8%	10.7%	10.4%
All Engineering	5.2%	5.1%	5.2%	5.0%	5.1%	5.1%	5.1%
Vehicles, Vehicle Parts & Transport Equipment	3.1%	3.0%	3.0%	2.9%	2.9%	2.9%	2.9%
Gems & Jewellery	2.3%	2.2%	2.2%	2.1%	2.0%	2.0%	2.1%
Construction	3.7%	3.6%	3.5%	3.3%	3.4%	3.4%	3.4%
Infrastructure	36.3%	35.8%	36.0%	37.4%	37.7%	37.6%	38.1%
Other Industries	8.0%	8.3%	8.4%	8.4%	8.5%	8.6%	8.1%
Industries	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	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021	May 21, 2021	Jun 18, 2021
Consumer Durables	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	52.3%	52.0%	51.9%	51.9%	52.0%	52.5%	52.6%
Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	2.5%	2.5%	2.4%	2.5%	2.5%	2.4%	2.4%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.1%	4.3%	4.2%	4.1%	4.0%	3.7%	3.7%
Education	2.4%	2.4%	2.3%	2.3%	2.2%	2.3%	2.3%
Vehicle Loans	8.6%	8.7%	8.6%	8.6%	8.6%	8.6%	8.5%
Loans against gold jewellery	NA	1.6%	2.0%	2.2%	2.2%	2.2%	2.2%
Other Personal Loans	29.6%	28.2%	28.1%	28.0%	27.9%	27.9%	27.9%
Personal Loans	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	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021	May 21, 2021	Jun 18, 2021
Transport Operators	6.0%	5.7%	5.6%	5.5%	5.6%	5.5%	5.4%
Computer Software	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%
Tourism, Hotels & Restaurants	2.0%	1.9%	1.8%	1.9%	1.9%	1.9%	1.9%
Shipping	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%
Aviation	NA	0.5%	0.8%	1.0%	1.0%	1.0%	1.0%
Professional Services	5.0%	4.9%	4.7%	4.5%	4.4%	4.4%	4.3%
<u>Trade</u>	22.9%	22.8%	22.0%	23.5%	23.5%	23.9%	23.6%
<i>Of which</i>							
<i>Wholesale Trade (other than food procurement)</i>	48.5%	49.6%	50.3%	51.7%	52.0%	51.4%	51.3%
<i>Retail Trade</i>	51.5%	50.4%	49.7%	48.3%	48.0%	48.6%	48.7%
Commercial Real Estate	9.0%	8.9%	8.7%	9.0%	9.1%	9.1%	8.9%
<u>Non-Banking Financial Companies (NBFCs)</u>	30.6%	33.6%	33.7%	35.9%	35.6%	35.0%	34.0%
<i>Of which</i>							
<i>Housing Finance Companies (HFCs)</i>	NA	17.0%	18.8%	19.8%	19.9%	18.7%	18.8%
<i>Public Finance Institutions (PFIs)</i>	NA	8.0%	8.9%	8.3%	8.1%	8.3%	8.8%
Other Services	23.6%	20.8%	21.7%	17.6%	17.9%	18.2%	19.7%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Reserve Bank of India

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