

Update on Bank Credit Deployment: Growth in Roads and small ticket personal loans

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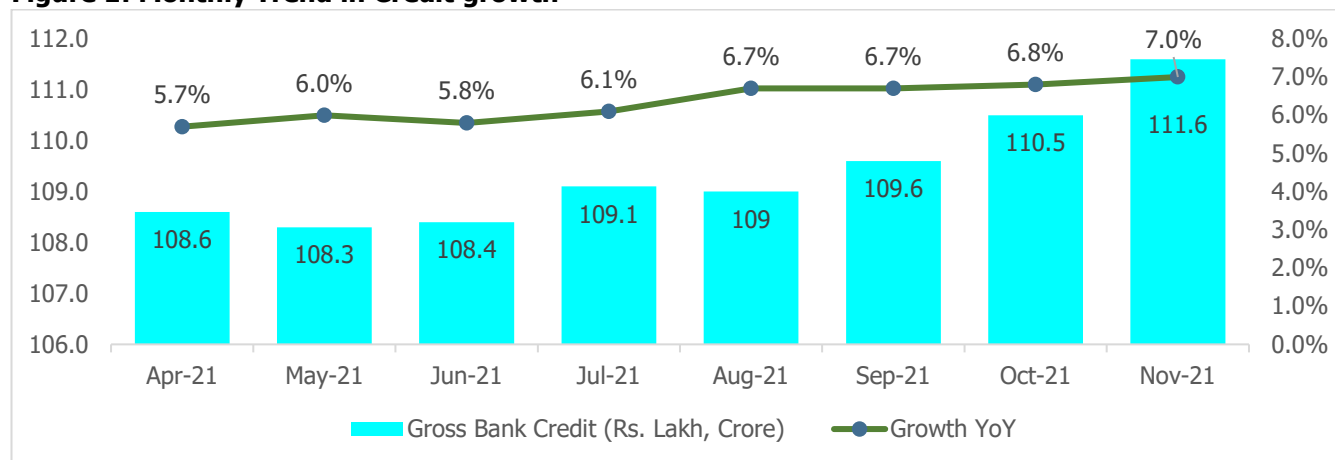
Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for approximately 90% of non-food credit extended by SCBs for November 2021.

Steady improvement in credit growth driven by Retail, Agriculture and MSME

Overview

The non-food credit rose by 7.1% year-on-year (y-o-y) in November 2021 as against a rise of 5.9% growth in November 2020, expanding by 119 basis points (bps) y-o-y and 18 bps month-on-month (m-o-m) due to a pickup in business activities and festive season. Additionally, various banks have also conducted credit outreach program in October and November 2021, resulting in pushing the credit growth. The growth was primarily driven by the retail (11.6%), agriculture (10.4%), and micro small and medium enterprises (MSME), however, large industry growth remained flat, while services segment growth decelerated in November 2021. Credit outstanding of the retail segment rose by 11.6% y-o-y in November 2021 due to credit push by banks in the festive season, uptick in economic activities, lower interest rate and attractive offers such as discounts offered by real estate developers. Loan against gold jewellery and advances against fixed deposit also drove retail growth.

Figure 1: Monthly Trend in Credit growth



Source: RBI

Incremental credit growth rose by 1.7% in November 2021, up from 0.2% in November 2021 and 0.8% in October 2021. Within the non-food credit, growth of the Agri & allied and retail segments stood at 5.7% and 4.9%, respectively, while Service and Industry contracted by 0.8% and 1.0%, respectively, compared with a decline of 1.6% and 4.2%, respectively, in November 2020.

Figure 2: Sectoral Distribution of Credit: November 2021

Particulars	O/s credit	% Growth in credit		% Growth in incremental credit	
	As on November 19, 2021 (Rs Lakh Crore)	November 2020 over November 2019	November 2021 over November 2020	November 2020 over March 2020	November 2021 over March 2021
Gross Bank Credit	111.6	5.8%	7.0%	0.6%	1.9%
Food Credit	0.8	-2.6%	-7.4%	71.8%	34.5%
Non-food Credit	110.8	5.9%	7.1%	0.2%	1.7%
Agriculture & Allied Activities	13.4	7.0%	10.4%	4.7%	5.7%
Industry (Micro & Small, Medium and Large)	28.7	0.7%	3.8%	-4.2%	-1.0%
<i>Of which</i>					
Micro, Small & Medium	5.9	6.0%	21.8%	2.8%	14.3%
Large	22.7	-0.4%	0.0%	-5.6%	-4.4%
Services	26.3	8.2%	3.6%	-1.6%	-0.8%
<i>Of which</i>					
Trade	5.9	15.2%	8.7%	3.4%	-0.3%
Commercial Real Estate	2.6	3.5%	0.4%	-0.6%	-1.5%
Non-Banking Financial Companies (NBFCs)	9.2	4.7%	5.2%	-6.6%	-1.8%
Personal Loans	29.9	9.2%	11.6%	3.3%	4.9%
<i>Of which</i>					
Housing	14.9	8.4%	8.0%	3.2%	2.2%
Vehicle Loans	2.8	6.9%	7.7%	1.5%	3.0%

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 90% of total non-food credit extended by all SCBs; November 2021 over November 2020 and November 2021 over Mar 2021. Green signifies for growth and red signifies for decline. Source: RBI

Retail/Personal loans

The credit of the retail/personal loans segment (within total credit of four segments, largest share of 30.4%) grew at 11.6% y-o-y in November 2021 (continued strong performance after registering growth of 12.1% in September 2021, 11.7% in October 2021) primarily on account of growth in other personal loans, housing, vehicles, and loans against gold jewellery due to continued improvement in business activities post lifting of the covid-19-related lockdowns, festive seasons and push for the retail credit by banks with conducting credit outreach programs. Within the retail/personal loans segment, all sub-segments reported growth except education.

The housing loans (share of 49.9% within retail) grew at 8.0% in November 2021 as compared with a growth of 8.4% a year ago. As per media commentary, property registrations in Mumbai recorded a rise of 122% y-o-y in January-November period of 2021. The housing loan was also driven by growth in the low-level interest rates and discount offered by real estate developers. Many banks before the festive seasons reduced the interest rate, bank like Bank of Baroda announced reduction of 25 bps in its home loan rates from 6.75% to 6.50% w.e.f. from October 7, 2021 to till December 31, 2021. The other personal loans (share of 29.7% within retail) grew at 19.2% in November 2021 as compared with a growth of 12.3% a year ago due to focus on credit cards, personal and small business loans as the economy is improving. Personal loans are back to pre-Covid level, while credit card spending has also been increasing due to strong demand in the economy.

Apart from the private sectors banks, large public sector banks are also focusing on unsecured loan growth through their digital platforms. SBI, HDFC and other various banks also launched credit outreach program in October and November 2021, helping the continued momentum in other personal loan growth.

- Vehicle Loans (share of 9.2% within retail) registered a growth of 7.7% in November 2021 as compared with a growth of 6.9% a year ago.
- Consumer durables (share of 0.4% within retail) continued performed with making a robust growth of 49.2% in November 2021 (44.4% in October 2021) as compared with a growth of 10.7% a year ago due to the festive season. Consumer durables recorded a strong growth of 39.8% in November 2021 from a negative growth of 20.5% a year ago on account of new model launches, campaigning, attractive offers given by sellers such as cash backs, easy financing, zero down payment and long-term EMI options.

The loan against gold jewellery (share of around 2.2% within retail) registered a growth of 42.0% as compared with a growth of 56.6% in November 2020 due to festive season and attractive offer given by banks, like SBI offered gold loans at zero processing fees. SBI gold loan portfolio also registered a strong growth in the last one year wherein its gold loan portfolio grew by 91% y-o-y to Rs.21,945 crore in September 2021 (*SBI holds a share of 33.4% in banking gold loan market). Incremental credit growth of the retail segment stood at 4.9% in November 2021 from a growth of 3.3% in the year ago period.

Services

Credit growth of the services sector decelerated to 3.6% y-o-y in November 2021 from 8.2% in the same period of the last year (however, it was better than 2.9% reported in October 2021) due to a decline in the trade, the commercial real estate, and the other services (sub-segments). Within services, NBFCs (share of 35.1%) grew by 5.2% in November 2021 from 4.7% a year ago. The trade (sub-segment, share of 22.4% within services) reported a growth of 8.7% in November 2021 from 15.2% over a year ago. The credit growth of the shipping and aviation stood at 40.7% and 6.0% in November 2021, respectively; the aviation industry being included in ECLGS 4.0 in May 2021 could also account for the rise in the aviation industry, additionally, domestic air passenger traffic rose by 64% y-o-y in November 2021. The computer software (sub-segment) grew at 6.7%, the trade (sub-segment) at 8.7%, while the professional services (sub-segment) de-grew by 4.7% in the reporting period.

On an incremental basis, the services de-grew by 0.8% in November 2021 due to decline in trade (-0.3%), commercial real estate (-1.5%) and NBFCs (-1.8%). NBFCs have been fulfilling funding requirement through capital market (including commercial papers), while also running down the surplus liquidity, thus impacting the banking credit growth to the NBFCs.

Industry

The credit outstanding of the industry segment registered a growth of 3.8% y-o-y in November 2021 from a growth of 0.7% in a year ago mainly on account of robust (48.7%) growth in the medium industry driven by ECLGS and reclassification. The large industry (share of 79.3% within Industry) reported a flat growth in November 2021 as compared to a negative growth of 0.4% a year ago due to deleveraging of balance sheet by large corporates. On the other hand, credit of micro & small industries received traction with growth accelerating to 12.7% in November 2021 from 0.6% a year ago, driven by inflation and ECLGS.

Of the total 19 sub-industries, 12 sub-industries witnessed growth in credit outstanding, while 7 sub-industries declined. Within industry, the rubber, plastic, and their products registered the highest growth of 21.9% in November 2021 vs. 6.7% growth a year ago, while the mining and quarrying grew by 16.6% from 6.5% a year ago. The petroleum, coal products and nuclear fuels also registered a strong credit growth of 15.1% in November 2021.

The infrastructure sector (share of 38.9% within industry) registered a growth of 8.5% in November 2021 as compared with a growth of 0.5% a year ago on account of capital expenditure done by the government, capex related to production-linked incentives (PLI), renewable capex, etc. Within infrastructure, credit of the power (share of 51.7%) rose by 4.7% in November 2021 over a year ago. The power related PSUs invested capital expenditure of Rs.32,137 crore during the period April 01, 2021 to November 30, 2021, which is 63.4% of the annual Capex target for the year and it also rose by 49.3% over a year ago. The airport (share of 0.7%) registered a robust

*SBI gold loan (AUM) Rs.21,945 in September 2021, divided by total banking credit outstanding for the loan against gold jewelry Rs.65,630 in November 2021).

growth of 30.4% y-o-y in November 2021 followed by the road (share of 22.1%) at 23.2%, railways at 8.2% and other infrastructure at 6.9%. The telecom (share of 9.9%) registered a growth of 3.9% in November 2021 from a negative growth of 17.0% a year ago, while credit of ports registered a decline of 16.1% y-o-y in November 2021.

Incremental credit growth of the large industry de-grew by 1.0% in November 2021 from 4.2% in November 2020, which can be largely attributed to decline in credit of cement and cement-related products, basic metal and metal-related products, glass and glassware products & Other industries.

Lending to the priority sector

Total lending of the priority sector rose by 5.3% to 40.2 lakh crore in November 2021, driven by growth in the agriculture and allied activities, ECLGS scheme and improving economic activities. The agriculture & allied accounts for the largest share within priority (share of 31.9%) followed by the micro & small enterprises (share of 27.4%) and the weaker sections (share of 21.5%). Credit of social infrastructure (share of 0.1% within priority) registered a strong growth of 82.2% in November 2021 vs. a growth of 24.4% a year ago.

Concluding remarks and outlook

Bank credit growth improved to 7.0% y-o-y in November 2021 from 5.8% a year ago, while it stood at 6.8% for September 2021 and 6.7% for October 2021, driven by retail and agriculture loans. The outlook for bank credit growth is expected to be in the range of 8.0% to 9.0% for FY22 with a low base effect, economic expansion, rise in government and private capex (specially, capex for roads, renewables and production linked incentive (PLI) schemes, extended ECLGS support (sanctions permitted till March 2022 and disbursements till June 2022), and retail credit push on mortgage finance as well as small ticket lending. The Retail loan segment is expected to do well as compared with industry and service segments driven by small ticket personal loans and housing. The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. CPI is trending up and hence is likely to push up the credit growth. However, the new coronavirus variant (omicron) could dampen momentum if localized lockdown measures increase.

Annexure

Figure A1: Distribution of credit within Industries: November 2021

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on November 19, 2021 (Rs Lakh Crore)	November 2020 over November 2019	November 2021 over November 2020	November 2020 over March 2020	November 2021 over March 2021
Mining & Quarrying (incl. Coal)	0.5	6.5%	16.6%	-0.3%	10.9%
Food Processing	1.4	8.6%	4.3%	-3.4%	-6.6%
Beverage & Tobacco	0.2	3.3%	8.9%	-12.6%	-1.3%
Textiles	2.0	0.8%	7.4%	-2.5%	0.0%
Leather & Leather Products	0.1	6.3%	-3.1%	3.8%	-1.3%
Wood & Wood Products	0.1	7.0%	5.4%	4.4%	1.3%
Paper & Paper Products	0.4	13.2%	8.3%	10.1%	3.9%
Petroleum, Coal Products & Nuclear Fuels	0.7	15.1%	15.1%	-18.9%	1.6%
Chemicals & Chemical Products	1.9	2.5%	7.3%	-13.3%	-0.6%
Rubber, Plastic & their Products	0.6	6.7%	21.9%	-0.9%	13.7%
Glass & Glassware	0.1	-1.4%	-14.5%	0.3%	-9.6%
Cement & Cement Products	0.4	-1.8%	-25.0%	-1.0%	-17.4%
Basic Metal & Metal Product	2.8	-3.8%	-16.9%	-4.6%	-15.5%
All Engineering	1.5	-14.8%	8.0%	-12.1%	1.2%
Vehicles, Vehicle Parts & Transport Equipment	0.8	5.6%	-0.7%	4.1%	2.0%
Gems & Jewellery	0.7	3.9%	3.8%	5.6%	11.4%
Construction	1.0	1.2%	-3.9%	-3.2%	1.4%
Infrastructure	11.2	0.5%	8.5%	-2.4%	2.1%
Other Industries	2.3	3.9%	7.5%	-6.2%	-3.4%

Note: November 2021 over November 2020; November 2021 over March 2021: Source: RBI

Figure A2: Credit outstanding to priority sectors

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on November 19, 2021 (Rs Lakh Crore)	November 2020 over November 2019	November 2021 over November 2020	November 2020 over March 2020	November 2021 over March 2021
Priority Sector					
of which					
Agriculture & Allied Activities	12.8	6.6%	8.0%	5.1%	3.9%
Micro & Small Enterprises	11.0	7.9%	-2.2%	4.2%	-1.2%
Medium Enterprises	2.4	44.2%	34.2%	27.8%	16.6%
Housing	4.4	-2.7%	0.1%	-4.4%	-5.1%
Weaker Sections	8.6	11.3%	8.1%	9.3%	6.0%
Others	0.8	0.0%	0.1%	0.0%	0.1%

Source: RBI

Figure A3: Overall share of segments within the Retail segment

Personal Loans	May 21, 2021	June 18, 2021	July 31, 2021	Aug 31, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021
Consumer Durables	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%
Housing (Incl. Priority Sector Hsg)	52.5%	52.6%	51.3%	50.8%	50.7%	50.3%	49.9%
Advances against Fixed Deposits (Incl. FCNR (B), NRRR Deposits, etc.)	2.4%	2.4%	2.1%	2.1%	2.2%	2.2%	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	3.7%	3.7%	3.9%	4.0%	4.0%	4.2%	4.1%
Education	2.3%	2.3%	2.2%	2.2%	2.2%	2.2%	2.1%
Vehicle Loans	8.6%	8.5%	9.3%	9.3%	9.3%	9.2%	9.2%
Loans against gold jewellery	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Other Personal Loans	27.9%	27.9%	28.6%	29.0%	29.0%	29.3%	29.7%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%

Source: RBI

Figure A4: Overall share of segments within the Industries segment

Industry	May 21, 2021	June 21, 2021	July 21, 2021	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021
Mining & Quarrying (incl. Coal)	1.5%	1.6%	1.7%	1.8%	1.7%	1.7%	1.8%
Food Processing	5.7%	5.7%	5.4%	5.2%	5.1%	5.1%	5.0%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%
Textiles	7.1%	7.1%	7.1%	7.1%	7.0%	7.0%	7.0%
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%	1.3%	1.3%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.4%	2.6%	2.5%	2.2%	2.4%	2.4%	2.4%
Chemicals & Chemical Products	6.3%	6.2%	6.5%	6.3%	6.4%	6.5%	6.7%
Rubber, Plastic & their Products	1.9%	1.9%	2.0%	2.1%	2.1%	2.2%	2.2%
Glass & Glassware	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Cement & Cement Products	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%	1.6%
Basic Metal & Metal Product	10.7%	10.4%	10.4%	10.4%	10.1%	9.8%	9.7%
All Engineering	5.1%	5.1%	5.6%	5.2%	5.2%	5.2%	5.2%
Vehicles, Vehicle Parts & Transport Equipment	2.9%	2.9%	3.1%	3.0%	3.0%	2.9%	3.0%
Gems & Jewellery	2.0%	2.1%	2.2%	2.2%	2.5%	2.5%	2.4%
Construction	3.4%	3.4%	3.5%	3.5%	3.4%	3.4%	3.3%
Infrastructure	37.6%	38.1%	38.3%	38.5%	38.4%	38.8%	38.9%
Other Industries	8.6%	8.1%	7.9%	8.0%	8.1%	8.1%	8.0%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A5: Overall share of segments within the Services segment

Services	May 21, 2021	June 18, 2021	July 30, 2021	Aug 31, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021
Transport Operators	5.5%	5.4%	5.1%	5.1%	5.1%	5.0%	5.0%
Computer Software	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Shipping	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Aviation	1.0%	1.0%	1.2%	1.2%	1.1%	1.0%	1.0%
Professional Services	4.4%	4.3%	3.7%	3.7%	3.9%	3.9%	3.9%
Trade	23.9%	23.6%	22.9%	22.9%	22.4%	22.9%	22.4%
Of which							
Wholesale Trade (other than food procurement)	51.4%	51.3%	52.7%	52.7%	50.6%	51.6%	51.6%
Retail Trade	48.6%	48.7%	47.3%	47.3%	49.4%	48.4%	48.4%
Commercial Real Estate	9.1%	8.9%	10.1%	10.1%	9.9%	9.7%	9.9%
Non-Banking Financial Companies (NBFCs)	35.0%	34.0%	34.3%	34.3%	34.1%	33.9%	35.1%
Of which							
Housing Finance Companies (HFCs)	18.7%	18.8%	19.0%	19.0%	24.2%	23.9%	24.0%
Public Finance Institutions (PFIs)	8.3%	8.8%	8.8%	8.8%	9.1%	9.5%	9.9%
Other Services	18.2%	19.7%	19.8%	19.8%	20.6%	20.6%	19.8%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

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