

# Credit Offtake Robust in Nov, Services Grow Highest for 3<sup>rd</sup> Straight Month

January 06, 2023 | BFSI Research

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 November 2022.

## Synopsis

- Gross credit offtake rose by a robust 17.2% year on year (y-o-y) in November 2022 due to a low base, and strong growth in Non-Banking Financial Companies (NBFCs) and Retail.
- In absolute terms, aggregate credit offtake rose by 24.8% from March 2020 (before Covid-19). The growth picked up since September 2021 due to the opening of the Indian economy post Covid-19 restrictions, pent-up demand, inflation-led working capital requirement, capex push by the government, improvement in capacity utilisation and lower fund raised from the capital market & overseas market.
  - NBFCs reported a rise of 27.4% (in absolute terms) since March 2020. Overall, the growth picked up since January 2022 due to the better financial position & growth visibility of NBFCs, shift of borrowing to the banking system on account of cost optimisation (high yields in the capital market), lower borrowings in the overseas market and impact of Targeted Longer-Term Refinancing Operations (TLTRO).
  - Retail reported a rise of 40.1% (in absolute terms) since March 2020. Housing, auto, consumer durables, credit cards and other personal loans were the key growth drivers in the period.
- The services sector continued to report the highest sectoral growth for the third consecutive month, propelled by NBFCs.
- The growth is expected to remain in double-digits in FY23. Meanwhile, the benefit of a lower base will ease out in the next couple of months, optically leading to a sharp decline in growth rates.

## Summary of Sectoral Performance

**Figure 1: Sectoral Distribution of Credit: November 2022 (Rs. Lakh Crore)**

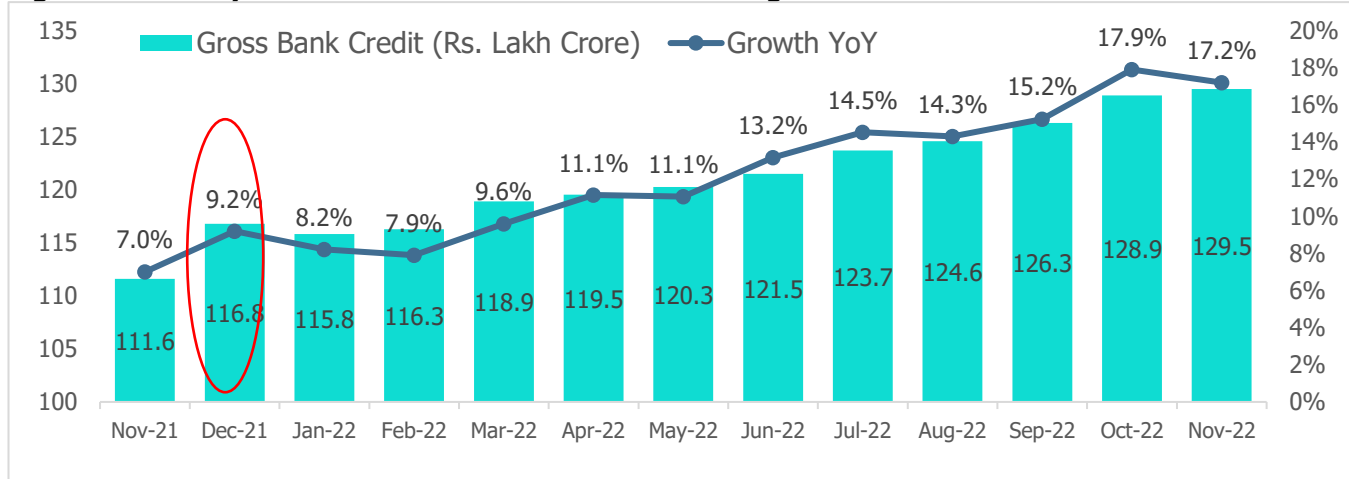
| Particulars                     | O/s Credit         | % Growth in Credit |                  | % Growth in Inc. Credit |                  |
|---------------------------------|--------------------|--------------------|------------------|-------------------------|------------------|
|                                 | As of Nov 18, 2022 | Nov 21 vs Nov 20   | Nov 22 vs Nov 21 | Nov 21 vs Mar 21        | Nov 22 vs Mar 22 |
| Gross Bank Credit               | <b>129.5</b>       | 7.0                | 17.2             | 1.9                     | 8.9              |
| Non-Food Credit                 | <b>129.0</b>       | 7.1                | 17.6             | 1.8                     | 8.9              |
| Agriculture & Allied Activities | <b>16.0</b>        | 10.9               | 13.8             | 5.5                     | 9.1              |
| Industry                        | <b>32.9</b>        | 3.4                | 13.1             | -0.7                    | 4.4              |
| Services                        | <b>33.2</b>        | 3.2                | 21.3             | -1.5                    | 9.9              |
| Personal Loans                  | <b>38.0</b>        | 12.6               | 19.7             | 5.7                     | 12.4             |

Source: RBI

### Robust Annual<sup>1</sup> Growth

Non-Food credit rose by 17.6% from 7.1% over a year ago. It expanded by 1,050 bps primarily due to a low base (Covid-19 second wave related disruption), growth in services, continued and sustained growth in retail credit, inflation-induced working capital requirements, lower funds raised from the capital market and capex build-out. Credit growth has picked up since September 2021 and sustained a double-digit rate during FY23.

**Figure 2: Monthly Trend in Gross Bank Credit Outstanding**



Source: RBI

### Strong Incremental Credit<sup>2</sup> Growth

Incremental bank credit rose by 8.9% in November 2022 vs. a rise of 1.9% over a year ago due to a low base and recovery in economic activities. In absolute terms, total incremental credit rose by Rs.10.6 lakh crore in November 2022 from Rs.2.1 lakh crore in November 2021.

- Retail rose 12.4% vs. 5.7% reported over a year ago period due to strong festive demand (Diwali) post relatively muted economic activities in November 2020 and November 2021.
- Services' credit o/s also rose by 9.9% as against a drop of 1.5% in November 2021 mainly driven by NBFCs (19.2%) and retail trade (10.1%).
- Industry credit rose by 4.4% from a drop of 0.7% over a year-ago period due to demand from M/SMEs, and inflation-induced working capital requirements from petroleum (growth of 38.1%), and chemical industries (growth of 10.0%). Infrastructure (share of 37.5% within the industry) saw a marginal rise of 3.3% and pulled down the incremental credit growth of the industry segment.

**Figure 3: Sectoral Distribution of Credit: November 2022 (Rs. Lakh Crore)**

| Particulars              | O/s Credit         | % Growth in Credit |                  | % Growth in Inc. Credit |                  |
|--------------------------|--------------------|--------------------|------------------|-------------------------|------------------|
|                          | As of Nov 18, 2022 | Nov 21 vs Nov 20   | Nov 22 vs Nov 21 | Nov 21 vs Mar 21        | Nov 22 vs Mar 22 |
| <b>Gross Bank Credit</b> | <b>129.5</b>       | <b>7.0</b>         | <b>17.2</b>      | <b>1.9</b>              | <b>8.9</b>       |
| <b>Food Credit</b>       | <b>0.5</b>         | <b>-7.4</b>        | <b>-36.6</b>     | <b>34.5</b>             | <b>-5.0</b>      |
| <b>Non-Food Credit</b>   | <b>129.0</b>       | <b>7.1</b>         | <b>17.6</b>      | <b>1.8</b>              | <b>8.9</b>       |

<sup>1</sup> Annual Year over Year (y-o-y) growth measures the change in an annualized metric across two comparable periods.

<sup>2</sup> 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 November 2022 from March 2022.

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Agriculture &amp; Allied Activities</b> | <b>16.0</b> | <b>10.9</b> | <b>13.8</b> | <b>5.5</b>  | <b>9.1</b>  |
| <b>Industry</b>                            | <b>32.9</b> | <b>3.4</b>  | <b>13.1</b> | <b>-0.7</b> | <b>4.4</b>  |
| Of which                                   |             |             |             |             |             |
| Micro, Small                               | 5.6         | 15.3        | 19.6        | 7.4         | 4.4         |
| Medium                                     | 2.2         | 37.4        | 29.7        | 25.0        | 5.0         |
| Large                                      | 25.1        | -0.6        | 10.5        | -3.7        | 4.3         |
| <b>Services</b>                            | <b>33.2</b> | <b>3.2</b>  | <b>21.3</b> | <b>-1.5</b> | <b>9.9</b>  |
| Of which                                   |             |             |             |             |             |
| Trade                                      | 7.3         | 10.2        | 16.0        | 0.7         | 5.4         |
| Commercial Real Estate                     | 3.0         | -1.2        | 7.2         | -2.0        | 4.5         |
| Non-Banking Financial Companies            | 12.2        | 5.1         | 33.0        | -3.4        | 19.2        |
| <b>Personal Loans</b>                      | <b>38.0</b> | <b>12.6</b> | <b>19.7</b> | <b>5.7</b>  | <b>12.4</b> |
| Of which                                   |             |             |             |             |             |
| Housing                                    | 18.4        | 12.4        | 16.2        | 6.4         | 9.5         |
| Vehicle Loans                              | 4.7         | 9.1         | 22.5        | 3.7         | 16.2        |

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

The retail segment (largest segment with a 31.7% share) witnessed robust growth of 19.7% y-o-y in November 2022 due to strong festive demand and continued momentum in economic activities.

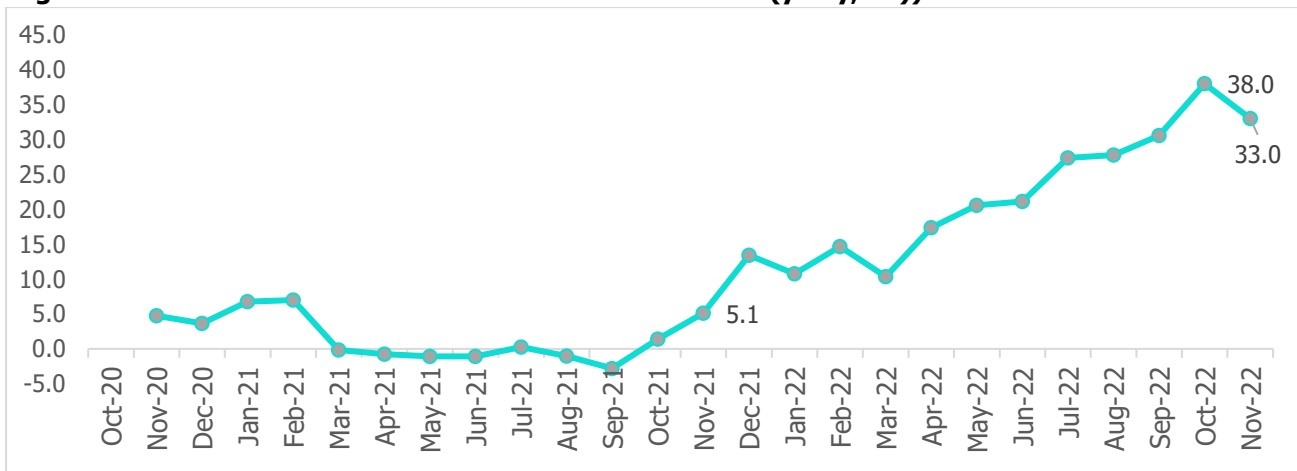
- Housing loans (share of 48.5% within retail) grew at 16.2% y-o-y in November 2022 compared with 12.4% in the year-ago period accompanying the increased sales reported in real estate units by various Department of Registration offices.
- The other personal loan (share of 26.4 within retail) reported a robust growth of 23.0% y-o-y in November due to the miniaturization, digitalization of loans, and credit push by banks.
- Vehicle loans (share of 12.3% within retail) registered a robust growth of 22.5% y-o-y in November 2022 as compared to 9.1% in the year-ago period. According to CareEdge Publication, "[Auto Sales Grow 20% in Nov as Positive Sentiments, Low Base Aid](#)". The growth momentum continued due to a low base, the ongoing wedding season, specific offers, and a somewhat improved supply of semiconductor chips.
- Consumer durables (share of 0.9% within retail) continued its robust growth of 51.2% y-o-y in November 2022. According to the Confederation of All India Traders (CAIT) estimates, the Diwali festival sales crossed Rs.2.5 trillion this year compared to Rs.1.25 trillion last year.
- The credit card outstanding registered a robust growth of 25.0% y-o-y in November 2022 from a growth of 8.6% in the year-ago period due to a rise in the number of active credit cards (19.4% y-o-y) in the reporting period and an increase in e-commerce transactions
- The loan against gold jewellery (share of around 2.2% within retail) rose 17.7% y-o-y in November 2022 as compared with a growth of 23.9% from a year ago. To gain better positioning in the gold loan market, banks have been offering relatively lower rates compared to NBFCs, resulting in intensified competition. Overall, banks have been gaining market share.

## Services

The services sector registered a robust rise of 21.3% y-o-y in November 2022 compared to marginal growth of 3.2% over a year ago.

- NBFCs (within services, share of 36.8%) grew by 33.0% y-o-y in November 2022 from a growth of 5.1% in the year-ago period. The growth was driven by growth in the business of NBFCs themselves, a low base and a shift of borrowings to the banking system due to cost optimisation (high yields in the capital market), lower overseas borrowings and impact of TLTRO.

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



- The trade segment (within services, 22.1% share) grew 16.0% in November 2022 as compared to 4.7% in the year-ago period. The growth was driven by retail trade (21.9%) in the period.
- The remaining segments of the services segment too reported growth except for aviation (dropped by 8.7%) and shipping (dropped by 7.9%) due to uncertain growth prospectus in the key global markets.

On an incremental basis, the services grew by 9.9% in November 2022 as compared to a drop of 1.5% a year ago. All sub-segments reported growth except shipping (dropped by 14.6%) in the period. The lending to NBFCs constituted 65.8% of incremental lending within services and 18.6% of incremental lending of aggregate credit for the current fiscal. Retail constituted 40.0% of incremental lending of aggregate credit in the current fiscal.

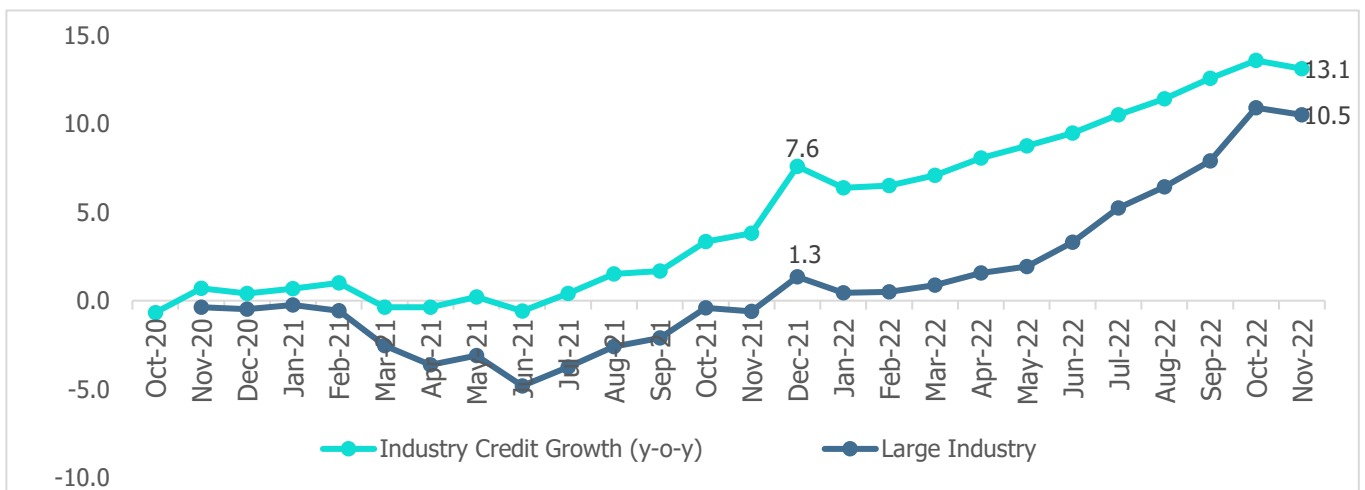
## Industry

The credit outstanding of the industry segment registered a robust growth of 13.1% y-o-y in November 2022 from 4.4% in the year-ago period. The growth was due to robust growth in the MSMEs (22.3%), higher working capital requirements, and capex. The large enterprise segment (share of 76.3% within industry) reported a growth of 10.5% from a drop of 0.6% over a year ago.

- The infrastructure sub-industry (share of 37.5% within the industry) registered a growth of 10.5% from 6.1% in the year-ago period. Within infrastructure, telecommunication, roads, and airports grew by 22.9%, 13.4% and 19.8% y-o-y in the period. Power (share of 18.9% in infrastructure) reported a rise of 7.0% vs. 2.8%. In absolute terms, credit for the infrastructure rose by Rs.1.17 lakh crore from November 2021 and Rs.1.70 lakh crore from Feb 2020 due to government capex for the roads and power sector.

- Petroleum, coal products and nuclear fuels (share of 4.5% within the industry) witnessed the highest growth of 65.0% y-o-y vs 24.6% in the year-ago period. The growth is attributed to higher working capital requirements driven by high crude oil prices and currency depreciation.
- The chemical and chemical products (share of 6.6% within the industry) rose 19.1% y-o-y vs. growth of 6.4% in the year-ago period, while rubber and plastic witnessed a rise of 18.4% in the period.
- All the sub-segments in the industry except gems and jewellery witnessed credit growth in November 2022.

**Figure 5: Strong Industry Credit Growth (y-o-y, (%))**



Source: RBI

Incremental industry credit rose 4.4% in November 2022.

- Petroleum, coal products and nuclear fuels (within the industry) reported the highest growth of 38.1%.
- Credit offtake for Gems & Jewellery, food processing, textile & leather products declined in the reporting period.
- Infrastructure credit rose by a marginal 3.3% in November 2022 wherein airports reported a robust rise of 36.5%, while roads reported a 4.7% growth.

**Conclusion**

The credit growth stayed robust in November 2022 amid the significant rise in interest rates. The growth was also broad-based across the segments and is likely to remain strong in FY23. Retail and NBFCs are expected to be key growth drivers for the fiscal year. Besides, demand for new capex is expected to drive industry credit growth. However, the benefit of a lower base will ease out in the next couple of months, optically leading to a sharp decline in growth rates. A slowdown in global growth due to rising interest rates and multiple rate hikes in India could impact credit growth.

## Annexures

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

|                                 | O/s credit         | % Growth in credit |                  | % Growth in inc. credit |                  |
|---------------------------------|--------------------|--------------------|------------------|-------------------------|------------------|
|                                 | As of Nov 18, 2022 | Nov 21 vs Nov 20   | Nov 22 vs Nov 21 | Nov 21 vs Mar 21        | Nov 22 vs Mar 22 |
| <b>Priority Sector</b>          | <b>55.6</b>        | <b>9.3</b>         | <b>17.3</b>      | <b>5.1</b>              | <b>8.3</b>       |
| Agriculture & Allied Activities | 16.3               | 11.4               | 15.3             | 5.6                     | 9.9              |
| Micro & Small Enterprises       | 14.6               | 1.6                | 17.4             | 2.0                     | 5.8              |
| Medium Enterprises              | 3.7                | 37.8               | 30.2             | 17.5                    | 5.0              |
| Housing                         | 6.1                | 7.0                | 5.6              | 0.5                     | -0.6             |
| Weaker Sections                 | 13.6               | 10.1               | 24.0             | 6.4                     | 15.3             |
| Others                          | 1.3                | 22.5               | 4.7              | 19.9                    | 5.0              |

Source: RBI

### Figure A2: Overall Share of Segments within Retail (%)

| Personal Loans               | Apr 22, 2022 | May 20, 2022 | Jun 17, 2022 | July 29, 2022 | Aug 26, 2022 | Sep 23, 2022 | Oct 21, 2022 | Nov 18, 2022 |
|------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Consumer Durables            | 0.8          | 0.9          | 0.9          | 0.9           | 0.9          | 0.9          | 0.9          | 0.9          |
| Housing                      | 49.6         | 49.3         | 49.5         | 49.2          | 49.0         | 48.8         | 48.4         | 48.5         |
| Advances against FD          | 2.3          | 2.2          | 2.2          | 2.4           | 2.5          | 2.6          | 2.6          | 2.5          |
| Advances to Ind.             | 0.2          | 0.2          | 0.2          | 0.2           | 0.2          | 0.2          | 0.2          | 0.2          |
| Credit Card                  | 4.5          | 4.4          | 4.3          | 4.5           | 4.6          | 4.5          | 4.8          | 4.6          |
| Education                    | 2.4          | 2.4          | 2.4          | 2.4           | 2.4          | 2.4          | 2.4          | 2.4          |
| Vehicle Loans                | 12.0         | 12.1         | 12.1         | 12.2          | 12.2         | 12.1         | 12.2         | 12.3         |
| Loans against gold jewellery | 2.2          | 2.1          | 2.1          | 2.2           | 2.1          | 2.2          | 2.2          | 2.2          |
| Other Personal Loans         | 26.1         | 26.4         | 26.2         | 26.0          | 26.1         | 26.3         | 26.3         | 26.4         |
| <b>Personal Loans</b>        | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: RBI

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

| Services                      | Apr 22, 2022 | May 22, 2022 | Jun 17, 2022 | July 29, 2022 | Aug 26, 2022 | Sep 23, 2022 | Oct 21, 2022 | Nov 18, 2022 |
|-------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Transport Operators           | 5.1          | 5.0          | 5.0          | 4.9           | 4.9          | 4.9          | 4.8          | 4.9          |
| Computer Software             | 0.7          | 0.6          | 0.6          | 0.7           | 0.6          | 0.7          | 0.7          | 0.6          |
| Tourism, Hotels & Restaurants | 2.2          | 2.1          | 2.1          | 2.1           | 2.0          | 2.1          | 1.9          | 2.0          |
| Shipping                      | 0.3          | 0.3          | 0.2          | 0.2           | 0.2          | 0.2          | 0.3          | 0.2          |
| Aviation                      | 0.8          | 0.7          | 0.7          | 0.7           | 0.7          | 0.7          | 0.7          | 0.7          |
| Professional Services         | 3.9          | 3.9          | 3.9          | 3.7           | 3.8          | 3.7          | 3.7          | 3.7          |
| Trade                         | 23.4         | 23.5         | 23.9         | 22.7          | 23.1         | 23.1         | 22.5         | 22.1         |
| Commercial Real Estate        | 9.8          | 9.9          | 9.7          | 9.3           | 9.3          | 9.2          | 9.2          | 9.2          |
| NBFCs                         | 36.1         | 36.0         | 35.9         | 36.7          | 36.2         | 36.4         | 37.8         | 36.8         |
| Other Services                | 17.8         | 18.0         | 18.0         | 19.0          | 19.0         | 18.9         | 18.4         | 19.8         |
| <b>Services</b>               | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: RBI

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

| Industry  | Apr 22,<br>2022 | May 20,<br>2022 | Jun 17,<br>2022 | July 29,<br>2022 | Aug 26,<br>2022 | Sep 23,<br>2022 | Oct 21,<br>2022 | Nov 18,<br>2022 |
|---|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Mining & Quarry                                 | 1.5             | 1.5             | 1.5             | 1.6              | 1.6             | 1.5             | 1.6             | 1.6             |
| Food Processing                                 | 5.6             | 5.5             | 5.5             | 5.3              | 5.1             | 4.9             | 4.8             | 4.8             |
| Beverage & Tobacco                              | 0.6             | 0.6             | 0.6             | 0.5              | 0.5             | 0.5             | 0.6             | 0.6             |
| Textiles  | 7.1             | 6.9             | 6.9             | 6.7              | 6.6             | 6.6             | 6.5             | 6.4             |
| Leather & Leather Products                      | 0.4             | 0.4             | 0.4             | 0.4              | 0.4             | 0.4             | 0.4             | 0.3             |
| Wood & Wood Products                            | 0.5             | 0.5             | 0.5             | 0.5              | 0.5             | 0.5             | 0.5             | 0.5             |
| Paper & Paper Products                          | 1.3             | 1.3             | 1.3             | 1.3              | 1.3             | 1.3             | 1.3             | 1.3             |
| Petroleum, Coal Prod & Nuclear Fuels            | 3.3             | 3.3             | 3.2             | 3.6              | 4.2             | 4.7             | 4.8             | 4.5             |
| Chemicals & Chem Prods                          | 6.5             | 6.6             | 6.5             | 6.6              | 6.6             | 6.6             | 6.8             | 6.6             |
| Rubber, Plastic & Products                      | 2.3             | 2.3             | 2.3             | 2.3              | 2.3             | 2.3             | 2.3             | 2.3             |
| Glass & Glassware                               | 0.2             | 0.2             | 0.2             | 0.2              | 0.2             | 0.2             | 0.2             | 0.2             |
| Cement & Cement Prod.                           | 1.5             | 1.5             | 1.5             | 1.6              | 1.6             | 1.6             | 1.6             | 1.6             |
| Basic Metal & Metal Prod.                       | 9.1             | 9.2             | 9.2             | 9.4              | 9.4             | 9.5             | 9.4             | 9.4             |
| Engineering                                     | 5.3             | 5.3             | 5.3             | 5.2              | 5.2             | 5.3             | 5.2             | 5.2             |
| Vehicles, Vehicles. Parts & Transport Equipment | 2.9             | 2.9             | 2.9             | 2.9              | 2.8             | 2.8             | 2.9             | 2.8             |
| Gems & Jewellery                                | 2.5             | 2.3             | 2.3             | 2.3              | 2.3             | 2.4             | 2.4             | 2.2             |
| Construction                                    | 3.6             | 3.6             | 3.7             | 3.7              | 3.7             | 3.7             | 3.6             | 3.6             |
| Infrastructure                                  | 38.2            | 37.9            | 38.2            | 38.2             | 38.0            | 37.5            | 37.6            | 37.5            |
| Other Industries                                | 8.0             | 8.3             | 7.9             | 7.8              | 7.7             | 7.6             | 7.6             | 8.6             |
| <b>Industries</b>                               | <b>100.0</b>    | <b>100.0</b>    | <b>100.0</b>    | <b>100.0</b>     | <b>100.0</b>    | <b>100</b>      | <b>100</b>      | <b>100.0</b>    |

Source: RBI

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