

Bank Credit Profile: February 2021 – Uptick in Bank credit growth. Share of Retail segment surpasses Service segment.

April 06, 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 February 2021. All growth comparisons are made in y-o-y terms, unless stated otherwise.

Overview

The incremental Non-Food outstanding credit (YTD) growth improved to 3.1% in February 2021 (2.2% in January 2021), led by growth of 10.0% in agriculture & allied activities (9.5% in January 2021) and 8.6% in retail (6.7% in January 2021) segments. The incremental growth in services segment improved to 2.5% in February 2021 (1.6% in January 2021) largely led by shipping, transport and trade. Incremental lending to NBFCs de-grew by 0.9% as compared with a growth of 17.1% same period previous year. Industry segment continues to report negative incremental growth owing to risk aversion from both lenders and borrowers.

The non-food credit growth witnessed an uptrend in February 2021 and grew by 6.5% y-o-y (highest month end growth rate in last seven months) as compared with a growth of 5.7% in January 2021 and 7.3% in February 2020. The agriculture & allied and retail segments have driven the overall credit growth during the month of February 2021 growing by 10.2% (highest in last four years) and 9.6%, respectively. The Services segments registered a growth of 9.3% in February 2021. On the other hand, the Industries segment registered a fall of 0.2% during the same period as compared with a growth of 0.7% in February 2020. The share of industry in total outstanding credit continues to be the highest at 29.3% in February 2021, but has fallen compared with 31.3% in February 2020. Retail has a share of 29.2% (28.4% in February 2020), and Services has a share of 28.0% (27.3% in February 2020) in total outstanding bank credit.

Retail/Personal loans

- The growth rate of the retail/personal loans segment was higher by 0.5% in February 2021 as compared with the previous month. The growth rate came in lower by 749 bps as compared with February 2020. In absolute terms, credit outstanding has increased from Rs.25.3 lakh crore in February 2020 to Rs.27.7 lakh crore in February 2021.
- Within the retail segment, growth in Housing loans slowed to 8.4% as compared with a growth of 17.1% and growth in vehicle loans slowed to 8.3% as compared with a growth of 10.3% 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. Sequentially both housing and vehicle loans segment witnessed an improvement in growth figures 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 registered a lower growth of 4.8% due to end of festive season as compared with a growth of 33.0% in February 2020. However, consumer durables (0.3% share) registered a growth of 11.5% (due to base effect) versus growth of 43.4% in February 2020.

Figure 1: Sectoral Distribution of Credit: February 2021

Particulars	Outstanding credit	% growth in credit		% growth in incremental credit	
	As on Feb 26, 2021 (Rs Lakh Crore)	Feb'20 over Feb'19	Feb' 21 over Feb' 20	Feb' 20 over Mar' 19	Feb' 21 over Mar' 20
Gross Bank Credit	95.7	7.3%	6.6%	3.5%	3.3%
Food Credit	0.7	6.3%	14.6%	57.7%	45.3%
Non-food Credit	94.9	7.3%	6.5%	3.3%	3.1%
Agriculture & Allied Activities	12.7	5.8%	10.2%	4.0%	10.0%
Industry (Micro & Small, Medium and Large)	27.9	0.7%	-0.2%	-3.2%	-4.1%
Micro, Small & Medium	5.1	0.6%	5.9%	-0.6%	4.0%
Large	22.8	0.7%	-1.5%	-3.7%	-5.7%
Services	26.6	6.9%	9.3%	0.8%	2.5%
Trade	5.8	6.7%	8.6%	2.0%	5.9%
Commercial Real Estate	2.3	15.1%	1.6%	13.1%	1.2%
Non-Banking Financial Companies (NBFCs)	9.0	24.6%	9.2%	17.1%	-0.9%
Other Services	5.8	-12.9%	28.9%	-24.3%	14.6%
Personal Loans	27.7	17.0%	9.6%	14.0%	8.6%
Housing	14.4	17.1%	8.4%	14.6%	7.6%
Vehicle Loans	2.4	10.3%	8.3%	9.4%	8.5%
Other Personal Loans	7.8	20.2%	13.6%	17.7%	12.4%

Note: Feb'21 over Feb'20 growth and Feb'21 over Mar'20: Red – negative growth, Grey – growth < 5%, Green - growth > 5%; nm – not meaningful
Source: Reserve Bank of India

Services

Of the total nine segments, seven segments registered growth. Shipping and NBFCs segment registered a y-o-y growth of 38.9% and 9.2%, respectively (-26.5% and 24.6% in February 2020). Professional services and computer software segments registered a de growth of 28.1% and 3.6%, respectively, during the month.

NBFCs which form the largest part in the total credit outstanding to the services sector (33.7% share in February 2021) has registered a growth of 9.2% (highest in last four months) as compared with a growth of 24.6% in February 2020 and 6.6% (lowest in last three years) in January 2021. As per RBI (Bulletin March 2021), 26 stressed sectors identified by the Kamath Committee were brought within the ambit of TLTRO scheme in December which was further expanded to include bank lending to NBFCs (for further on-lending to these sectors) in February 2021. Trade and commercial real estate segment has a share of 22.0% and 8.7% in the total credit outstanding to the services sector.

Industry

Large industries account for 81.8% share (82.9% share in February 2020) in the total outstanding credit to industries and this segment reported a reduction of 0.2% in February 2021 versus a growth of 0.7% in February 2020. Micro, small & medium (MSME) industries grew by 5.9% in February 2021 (which only partially offset the fall in large segments) as compared with a growth of 0.6% in February 2020. This was supported by ECLGS disbursements of Rs.1.65 lakh crore (as on January 08, 2021) which is around 55.0% of ambitious Rs.3.0 lakh crore. Within MSME, micro & small industries registered a growth of 1.5%, while medium industries registered a growth of 21.0%, and large industries registered a de growth, resultantly the overall industry registered a negative growth.

Of total nineteen industries, six industries witnessed a drop in credit outstanding. Paper and paper products segment (1.3% share) have registered the highest growth of 15.5% within industries (growth of 1.3% in February 2020). Growth in credit outstanding to textiles increased by 8.0% as compared with a de growth of 6.6%. Vehicles, vehicle parts & transport equipment growth stood at 4.4% as compared with a de growth of 1.0% in February 2020. Construction segment registered a de growth of 6.6% in February 2021 as compared with a growth of 8.4% in February 2020.

Though infrastructure has the maximum share of 36.0% in the total bank credit outstanding to industries, the credit outstanding to Infrastructure segment has registered a de growth of 1.6% as of February 2021 as compared with a growth of 3.3% a year ago.

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.10.6 lakh crore in February 2020 to Rs.11.3 lakh crore in February 2021. Under Rs.3 lakh crore of ECLGS for MSMEs, banks have sanctioned Rs.2.14 lakh crore, out of which Rs.1.65 lakh crore was disbursed till January 8, 2021.

Concluding remarks and outlook

The bank credit growth has continued to be propped up by the retail segment and by disbursements under ECLGS scheme, which had been extended further till March 31, 2021. These have been further supported 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 (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). For the fortnight ended March 12, 2021, the bank credit grew by 6.6% y-o-y. Growth figures for year-end March 2021 would have the benefit of lower base of previous year end since that was the period of beginning of lockdowns and disruption of activities, including lending.

Annexure

Figure A1: Distribution of credit within Industries: February 2021

Particulars	Outstanding credit	% growth in credit		% growth in incremental credit	
	As on Feb 26, 2021 (Rs Lakh Crore)	Feb'20 over Feb'19	Feb' 21 over Feb' 20	Feb' 20 over Mar' 19	Feb' 21 over Mar' 20
Mining & Quarrying (incl. Coal)	0.4	0.2%	6.7%	-0.4%	1.1%
Food Processing	1.5	-3.1%	1.8%	-4.6%	-1.0%
Beverage & Tobacco	0.2	3.3%	7.0%	2.7%	-2.5%
Textiles	2.0	-6.6%	8.0%	-7.6%	5.5%
Leather & Leather Products	0.1	-2.3%	6.0%	-3.2%	2.3%
Wood & Wood Products	0.1	2.9%	9.7%	1.1%	8.5%
Paper & Paper Products	0.4	1.3%	15.5%	0.9%	14.2%
Petroleum, Coal Products & Nuclear Fuels	0.6	5.4%	2.2%	-7.1%	-20.9%
Chemicals & Chemical Products	1.8	0.7%	-2.8%	-3.8%	-11.7%
Rubber, Plastic & their Products	0.5	7.8%	6.6%	6.4%	3.0%
Glass & Glassware	0.1	-14.8%	8.4%	-14.1%	4.9%
Cement & Cement Products	0.6	2.9%	1.8%	1.7%	-1.8%
Basic Metal & Metal Product	3.3	-10.0%	-1.1%	-10.2%	-5.8%
All Engineering	1.4	-4.8%	-7.4%	-7.8%	-8.5%
Vehicles, Vehicle Parts & Transport Equipment	0.8	-1.0%	4.4%	-0.9%	0.0%
Gems & Jewellery	0.6	-16.8%	3.4%	-17.9%	2.8%
Construction	1.0	8.4%	-6.6%	4.5%	-6.9%
Infrastructure	10.0	3.3%	-1.6%	-3.5%	-4.8%
Other Industries	2.3	23.0%	-1.2%	17.5%	-2.0%

Note: February 2021 over February 2020 growth and February 2021 over March 2020: 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		% growth in incremental credit	
	As on Feb 26, 2021 (Rs Lakh Crore)	Feb'20 over Feb'19	Feb' 21 over Feb' 20	Feb' 20 over Mar' 19	Feb' 21 over Mar' 20
Priority Sector					
Agriculture & Allied Activities	12.5	3.9%	10.7%	2.3%	10.4%
Micro & Small Enterprises	11.3	3.2%	6.4%	1.1%	4.8%
Medium Enterprises	1.9	12.1%	27.9%	-7.0%	46.4%
Housing	4.7	15.2%	1.5%	15.6%	3.3%
Weaker Sections	7.8	5.8%	4.1%	-0.9%	7.4%
Others	0.9	2.1%	2.9%	8.7%	6.7%

Note: February 2021 over February 2020 growth and February 2021 over March 2020: 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	Jul 31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%
Food Processing	5.6%	5.6%	5.3%	5.3%	5.4%	5.6%	5.6%	5.5%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%
Textiles	6.7%	6.8%	6.8%	6.8%	6.8%	6.9%	7.5%	7.3%
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	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.0%	2.0%	2.2%	2.2%	2.2%	2.1%	2.0%	2.2%
Chemicals & Chemical Products	6.2%	6.3%	6.3%	6.3%	6.5%	6.4%	6.5%	6.4%
Rubber, Plastic & their Products	1.7%	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.9%
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%	2.1%
Basic Metal & Metal Product	12.0%	12.4%	12.4%	12.3%	12.1%	11.9%	11.8%	11.8%
All Engineering	5.0%	5.0%	5.1%	5.0%	5.0%	5.2%	5.1%	5.2%

Vehicles, Vehicle Parts & Transport Equipment	3.1%	3.2%	3.2%	3.2%	3.1%	3.1%	3.0%	3.0%
Gems & Jewellery	1.9%	2.0%	2.0%	2.1%	2.2%	2.3%	2.2%	2.2%
Construction	3.6%	3.7%	3.8%	3.8%	3.7%	3.7%	3.6%	3.5%
Infrastructure	37.4%	36.8%	36.6%	36.5%	36.6%	36.3%	35.8%	36.0%
Other Industries	8.1%	8.1%	8.0%	8.2%	8.0%	8.0%	8.3%	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

Personal Loans	Jul 31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021
Consumer Durables	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	53.2%	53.0%	52.9%	52.6%	52.3%	52.3%	52.0%	51.9%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits etc.)	2.5%	2.5%	2.5%	2.4%	2.4%	2.5%	2.5%	2.4%
Advances to Individuals against share, bonds, etc.	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.0%	4.1%	4.1%	4.2%	4.3%	4.1%	4.3%	4.2%
Education	2.6%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.3%
Vehicle Loans	8.6%	8.6%	8.6%	8.6%	8.7%	8.6%	8.7%	8.6%
Other Personal Loans	28.5%	28.7%	28.9%	29.3%	29.4%	29.6%	29.8%	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

Services	Jul 31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021
Transport Operators	5.8%	5.8%	5.7%	5.8%	6.0%	6.0%	5.7%	5.6%
Computer Software	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.8%
Shipping	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Professional Services	6.9%	6.9%	6.8%	6.9%	5.0%	5.0%	4.9%	4.7%
Trade	22.0%	22.2%	22.0%	22.4%	22.4%	22.9%	22.8%	22.0%
Wholesale Trade (other than food procurement)	47.8%	46.7%	46.5%	46.5%	47.8%	48.5%	49.6%	50.3%
Retail Trade	52.2%	53.3%	53.5%	53.5%	52.2%	51.5%	50.4%	49.7%
Commercial Real Estate	9.2%	9.0%	8.9%	8.8%	9.1%	9.0%	8.9%	8.7%
Non-Banking Financial Companies (NBFCs)	31.1%	31.2%	31.2%	30.2%	30.7%	30.6%	33.6%	33.7%
Other Services	22.0%	22.0%	22.6%	23.1%	23.9%	23.6%	21.2%	22.5%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Reserve Bank of India

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