

Bank Credit Deployment Update: In February 2022, Retail Remains the Growth Driver



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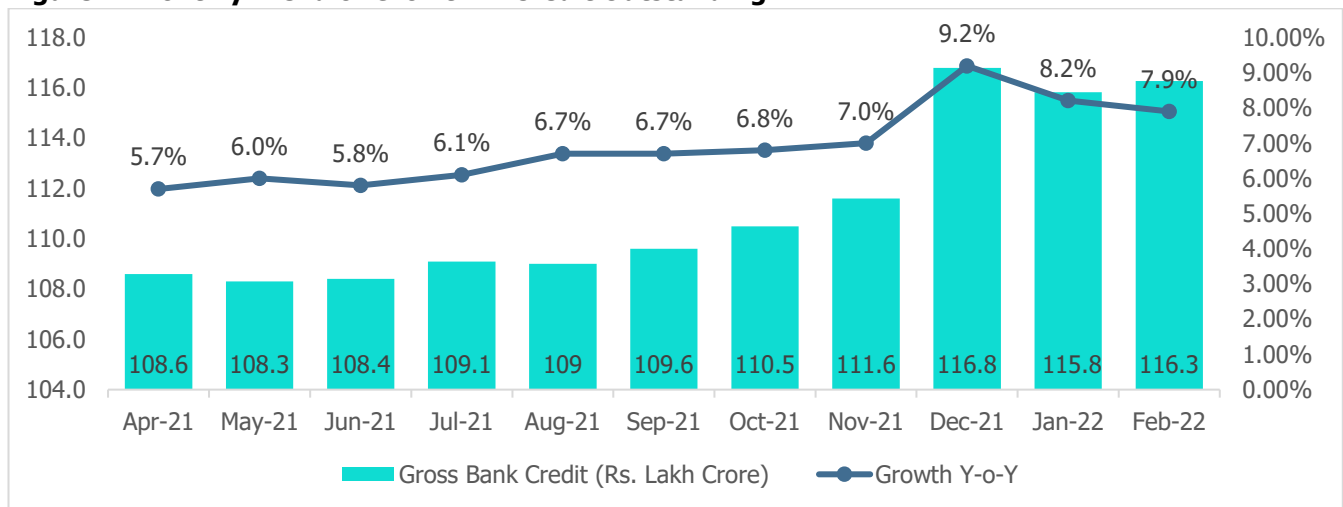
Note: Gross bank credit and non-food credit data are based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) return that covers banks accounting for approximately 94.0% of non-food credit extended by SCBs for February 2022.

Retail Continues to Lead the Show, Industry Shows Signs of Improvement

Overview

The gross banking credit grew 7.9% year-on-year (y-o-y) in February 2022. The non-food credit rose by 8.0% y-o-y as against a growth of 6.6% in February 2021, expanding by 140 basis points (bps) y-o-y due to a pick up in the business activities and credit growth push by the banks. However, the gross credit growth reduced from 9.2% in December 2021 to 8.2% in January 2022 and 7.9% in February 2022. The growth during February 2022 was all round as all segments (retail, agriculture & allied, industry and services) saw growth. Credit outstanding of the retail segment rose by 12.3% y-o-y in February 2022 due to growth in the other personal loans, vehicle, and housing loans driven by an uptick in economic activities and comparatively lower interest rates.

Figure 1: Monthly Trend of Growth in Credit Outstanding



Source: RBI

Incremental credit growth in non-food credit rose by 6.2% in February 2022, up from 3.9% in February 2021. All segments saw growth (agriculture & allied – 7.9%, industry – 3.4%, services – 5.2% and retail – 10.4%) during February 2022.

Figure 2: Sectoral Distribution of Credit: February 2022

Particulars	O/s credit	% Growth in credit		% Growth in Inc. credit	
	As on Feb 25, 2022	Feb 21 over Feb 20	Feb 22 over Feb 21	Feb 21 over Mar 20	Feb 22 over Mar 21
	(Rs. Lakh Crore)	(%)	(%)	(%)	(%)
Gross Bank Credit	116.3	6.6%	7.9%	3.9%	6.2%
Food Credit	0.7	14.6%	-9.3%	45.3%	11.4%
Non-food Credit	115.6	6.6%	8.0%	3.7%	6.2%
Agriculture & Allied Activities	14.5	8.6%	10.4%	8.3%	7.9%
Industry	31.4	1.0%	6.5%	-2.6%	3.4%
Of which					
Micro, Small	4.8	3.1%	19.9%	2.4%	17.4%
Medium	2.4	30.6%	71.4%	29.9%	64.1%
Large	24.2	-0.6%	0.5%	-4.8%	-2.5%
Services	29.7	8.8%	5.6%	2.4%	5.2%
Of which					
Trade	6.9	10.2%	14.4%	7.0%	8.7%
Commercial Real Estate	2.9	0.1%	-0.2%	-0.2%	-0.4%
Non-Banking Financial Companies	10.3	7.0%	14.6%	-6.3%	7.1%
Personal Loans	33.3	9.6%	12.3%	8.9%	10.4%
Of which					
Housing	15.8	8.9%	6.7%	8.0%	5.1%
Vehicle Loans	3.3	7.5%	10.3%	6.7%	9.2%

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 94.0% of total non-food credit extended by all SCBs.

Retail/Personal loans

The credit of the retail/personal loans segment (currently the largest segment with a 30.6% share in bank credit) continued its double-digit growth at 12.3% in y-o-y in February 2022 primarily on account of growth in other personal loans (21.5%) vehicles loans (10.3%), loans against gold jewellery (26.2%), and credit card loans (9.9%) due to continued improvement in business activities post lifting of the covid-19 related lockdowns, and push for retail credit lending by banks, however this high growth has been dragged down by lower growth rate of 6.7% in housing loans and a drop of 2.2% in education loans.

The other personal loans segment has been growing due to growth in the small ticket personal loans, which have grown at a faster rate compared to the aggregate growth and the growth in retail 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 47.7% within retail) grew at a much more modest pace of 6.7% in February 2022 as compared with a growth of 8.9% a year ago. 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. The other personal loans (share of 30.6% within retail) grew at 21.5% in February 2022 as compared with a growth of 11.9% a year ago. Apart from the private sectors banks, large public sector banks are also focusing on unsecured loan growth through their digital platforms.

- Vehicle Loans (share of 10.0% within retail) registered a growth of 10.3% in February 2022 as compared to 7.5% over a year ago.
- Consumer durables (share of 0.8% within retail) continued its robust growth of 55.9% in February 2022 as compared with a growth of 64.1% a year ago due to offers/ sales promotions by various retailers.
- The loan against gold jewellery (share of around 2.2% within retail) registered a growth of 26.2% in February 2022 as compared with a growth of 75.9% in February 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 20.4% in February 2022 from a drop of 14.1% over a year-ago period.

Incremental credit growth of the retail segment stood at 10.4% in February 2022 from a growth of 8.9% over a year ago due to growth in other personal loans, vehicle loans, and consumer durable loans. In absolute terms, credit outstanding has reached Rs.33.1 lakh crore in February 2022 from Rs.29.9 lakh crore in March 2021. Within the retail segment, the other personal loans grew by 19.8% in February 2022 from 12.3% over a year ago. The vehicle loans also grew by 9.2% in February 2022 from 6.7% over a year ago. The consumer durables recorded a strong growth of 53.4% in February 2022 from a marginal growth of 1.8% over a year ago on account of strong demand from the premium segment (TV, washing machines, refrigerator, especially IoT and AI-enabled products which were also supported by attractive offers given by sellers such as cash backs, easy financing, zero down payment and long-term EMI options. Housing loan growth decelerated to 5.1% from 8.0% a year ago. Advances to individuals against shares, bonds, etc. grew by 14.0% in February 2022 from a drop of 15.3% a year ago. Additionally, growth in loans against gold and jewellery decelerated to 17.4% from 68.9% a year ago given the expanding base and declining impact of Covid-19. All sub-segments, except education loans reported growth in February 2022. With normalisation visible in the economy, retail credit growth is likely to pick up due to an uptick in economic activities and focus on retail/personal loans.

Services

The services sector credit growth decelerated to 5.6% y-o-y during February 2022 as compared to 8.8% for the same period of the last year. The Service sector grew due to growth in the NBFCs, Trade, Tourism, Hotel & Restaurant, and Professional services segments, however, growth has been pulled down due to degrowth in shipping (decreased by 11.1%), aviation (dropped by 12.9%), commercial real estate (reduced by 0.2%), and other services (fell by 11.8%). Within Services, NBFCs (share of 34.6%) grew by 14.6% in February 2022 from a growth of 7.0% a year ago as the economy is picking up. Within NBFC, HFC and PFI grew by 22.8% and 47.6% respectively.

On an incremental basis, the services grew by 5.2% in February 2022 as compared to a smaller rise of 2.4% a year ago. All the subsegments saw growth except aviation (-11.1%), shipping (-3.5%) and commercial real estate (-0.4%).

Industry

The credit outstanding of the industry segment registered a growth of 6.5% y-o-y in February 2022 from a marginal growth of 1.0% over a year ago mainly on account of robust growth in the micro and small (19.9%), and medium (71.4%) enterprises segment were driven by ECLGS and reclassification. The large enterprise segment (share of 77.1% within the industry) reported a growth of 0.5% in February 2022 (from a drop of 0.6% in February 2021) due to incremental investments on the ground and higher commodity prices (creating additional demand for working capital).

Of the total nineteen sub-industries, 14 sub-industries witnessed growth in credit outstanding, while 5 sub-industries declined. Within the industry, the petroleum, coal products & nuclear sub-segment registered the highest growth of 42.5% in February 2022 vs. a drop of 3.0% a year ago followed by rubber, plastic, and their products which saw growth of 27.6% vs 7.9% a year ago. The infrastructure sector (share of 38.1% within industry) registered a growth of 11.9% in February 2022 from a marginal growth of 0.3% a year ago on account of strong demand for credit. Within the Infrastructure sector, telecommunications grew at a robust rate of 31.6% y-o-y in February 2022, followed by roads at 20.1%, other infrastructure at 7.9% and power at 6.8%. Ports and airports saw degrowth of 12.1% and 4.4%, respectively during February 2022.

Incremental credit growth of the large industry stood at 3.4% in February 2022 from a drop of 2.6% in February 2021, which can be largely attributed to credit growth in the 'petroleum, coal products & nuclear', 'rubber, plastic & their products' and the 'leather and leather products' subindustries.

Lending to the priority sector

Total lending of the priority sector rose by 8.9% to Rs.45.3 lakh crore in February 2022, driven by growth in the agriculture and allied activities, MSME, the weaker sections, and other sub-segments due to the scheme and improving economic activities. Agriculture & allied accounts for the largest share within priority (share of 30.4%) followed by the micro & small enterprises (share of 29.0%) and medium enterprises (share is 22.7%) and the weaker sections (share of 20.6%).

Concluding remarks and Outlook

Bank credit growth stood at 7.9% y-o-y in February 2022 from 6.6% a year ago and after a sharp spike of 9.2% in December 2021, and 8.2% for January 2022. The credit growth remains within CareEdge's initial estimates of 8.0-9.0%. After witnessing modest credit growth in recent years, the outlook for bank credit growth is expected to remain positive due to economic expansion, rise in government and private capex (especially, capex for renewables and production linked incentive (PLI) schemes), extended ECLGS support, inflation of commodity prices and retail credit push. The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. CPI too is trending up which is likely to add to the credit growth. The Retail loan segment is expected to do well as compared with industry and service segments. The ongoing Russia-Ukraine war is likely to have a limited impact for the credit growth in India due to substantial liquidity available in the market. The third wave of Covid-19 (omicron) was not as severe as the first two waves. However, subsequent variants if severe could lead to lockdowns and cause a slowdown in the economy.

Annexure

Figure A1: Credit Outstanding to Priority Sectors

Particulars	O/s credit	% Growth in credit		% Growth in Inc. credit	
	As on Feb 25, 2022	Feb 21 over Feb 20	Feb 22 over Feb 21	Feb 21 over Mar 20	Feb 22 over Mar 21
	(Rs. Lakh Crore)	(%)	(%)	(%)	(%)
Priority Sector	45.3	8.9%	10.3%	7.4%	9.0%
of which					
Agriculture & Allied Activities	13.8	9.4%	8.9%	8.6%	7.4%
Micro & Small Enterprises	13.1	7.9%	8.4%	4.5%	10.2%
Medium Enterprises	3.0	45.6%	43.3%	39.5%	33.7%
Housing	4.9	-4.5%	-1.8%	2.3%	-0.8%
Weaker Sections	9.3	14.9%	11.4%	8.3%	7.2%
Others	1.2	-8.2%	23.6%	-3.9%	21.3%

Note: January 2022 over January 2021; January 2022 over March 2021: Source: RBI

Figure A2: Overall Share of Segments within Retail

Personal Loans (%)	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022
Consumer Durables	0.4%	0.4%	0.4%	0.4%	0.4%	0.8%	0.8%
Housing (Incl. Priority Sector Hsg)	50.8%	50.7%	50.3%	49.9%	49.3%	48.8%	47.7%
Advances against Fixed Deposits (Incl. FCNR (B), NRNR Deposits)	2.1%	2.2%	2.2%	2.2%	2.4%	2.2%	2.3%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.0%	4.0%	4.2%	4.1%	4.0%	4.4%	4.4%
Education	2.2%	2.2%	2.2%	2.1%	2.0%	2.0%	1.9%
Vehicle Loans	9.3%	9.3%	9.2%	9.2%	9.1%	8.9%	10.0%
Loans against gold jewellery	2.2%	2.2%	2.2%	2.2%	2.3%	2.2%	2.2%
Other Personal Loans	29.0%	29.0%	29.3%	29.7%	30.3%	30.5%	30.6%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%

Source: RBI

Figure A3: Overall Share of Segments within Services

Services (%)	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022
Transport Operators	5.1%	5.1%	5.0%	5.0%	5.0%	5.4%	5.0%
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%	1.9%	2.2%
Shipping	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%
Aviation	1.2%	1.1%	1.0%	1.0%	0.4%	0.8%	0.8%
Professional Services	3.7%	3.9%	3.9%	3.9%	3.7%	3.8%	3.8%
Trade	22.9%	22.4%	22.9%	22.4%	22.6%	23.1%	23.2%
Of which							
Wholesale Trade	52.7%	50.6%	51.6%	51.6%	51.6%	49.6%	49.0%
Retail Trade	47.3%	49.4%	48.4%	48.4%	48.4%	50.4%	51.0%
Commercial Real Estate	10.1%	9.9%	9.7%	9.9%	9.5%	9.5%	9.7%
Non-Banking Financial Companies	34.3%	34.1%	33.9%	35.1%	35.2%	34.9%	34.6%
Of which							
Housing Finance Companies (HFCs)	19.0%	24.2%	23.9%	24.0%	8.1%	8.0%	22.9%
Public Finance Institutions (PFIs)	8.8%	9.1%	9.5%	9.9%	3.8%	4.2%	11.5%
Other Services	19.8%	20.6%	20.6%	19.8%	20.8%	19.6%	19.8%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A4: Overall Share of Segments within the Industry

Industry (%)	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021	Nov 19, 2021	Dec 31, 2021	Jan 28, 2022	Feb 25, 2022
Mining & Quarrying (incl. Coal)	1.8%	1.7%	1.7%	1.8%	1.7%	1.6%	1.6%
Food Processing	5.2%	5.1%	5.1%	5.0%	5.5%	5.4%	5.4%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.6%	0.5%	0.5%	0.6%
Textiles	7.1%	7.0%	7.0%	7.0%	7.1%	7.2%	7.2%
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	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.2%	2.4%	2.4%	2.4%	2.9%	2.5%	2.7%
Chemicals & Chemical Products	6.3%	6.4%	6.5%	6.7%	6.6%	6.4%	6.4%
Rubber, Plastic & their Products	2.1%	2.1%	2.2%	2.2%	2.2%	2.2%	2.3%
Glass & Glassware	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Cement & Cement Products	1.7%	1.7%	1.6%	1.6%	1.6%	1.5%	1.6%
Basic Metal & Metal Product	10.4%	10.1%	9.8%	9.7%	9.6%	9.5%	9.4%
All Engineering	5.2%	5.2%	5.2%	5.2%	5.2%	5.3%	5.1%
Vehicles, Vehicle Parts & Transport Equipment	3.0%	3.0%	2.9%	3.0%	2.8%	2.9%	2.9%
Gems & Jewellery	2.2%	2.5%	2.5%	2.4%	2.3%	2.4%	2.5%
Construction	3.5%	3.4%	3.4%	3.3%	3.2%	3.2%	3.3%
Infrastructure	38.5%	38.4%	38.8%	38.9%	38.0%	38.3%	38.1%
Other Industries	8.0%	8.1%	8.1%	8.0%	8.3%	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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