

Credit Offtake at Near Historic Levels; Sustained Growth Across Segments

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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 93% of non-food credit extended by SCBs for October 2022.

Overview

Gross credit growth has been continuously rising upwards and witnessed a robust 17.9% year on year (y-o-y) in October 2022 compared to 6.8% over the year-ago period. The services sector continued posting the highest sectoral growth rate for the second month in a row. The growth is likely to be in double-digit for FY23. Retail and Non-Banking Financial Companies (NBFCs) are expected to be the key credit growth driver for the fiscal year. Incremental credit offtake rose by 8.4% in October 2022 wherein Retail outperformed the other segments.

Summary of Sectoral Performance

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

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Oct 21, 2022	Oct 21 vs Oct 20	Oct 22 vs Oct 21	Oct 21 vs Mar 21	Oct 22 vs Mar 22
Gross Bank Credit	128.9	6.8	17.9%	0.9	8.4
Non-food Credit	128.6	6.9	18.3%	0.9	8.7
Agriculture & Allied Activities	15.9	10.8	13.6	5.3	8.8
Industry	32.9	3.3	13.6	-1.3	4.3
Services	33.2	2.8	22.5	-2.3	10.1
Personal Loans	37.7	12.6	20.2	4.4	11.5

Source: RBI

The services sector rose by 22.5% (y-o-y) in October 2022 vs. 2.8% last year. This growth is attributable to a low base, and strong growth in NBFCs. The lending of NBFCs constituted 58.3% of incremental lending within Services and 17.8% of incremental lending of aggregate credit. The retail segment reported a sustained and robust rise of 20.2% y-o-y in October 2022. Industry credit o/s witnessed a growth of 13.6% y-o-y from 3.3% in the year-ago period due to growth in petroleum, coal, chemicals, telecom, road, and aviation segments due to inflation-linked funding requirements. The corporate, segment especially the large corporates after undergoing deleveraging over the past few years, is now better positioned to embark on releveraging supported by economic activity, planned Capex and spending on consumption may sustain the momentum. Further, given that industry constitutes a significant share of aggregate credit, any increase in industry segment would be an incremental delta for aggregate credit offtake.

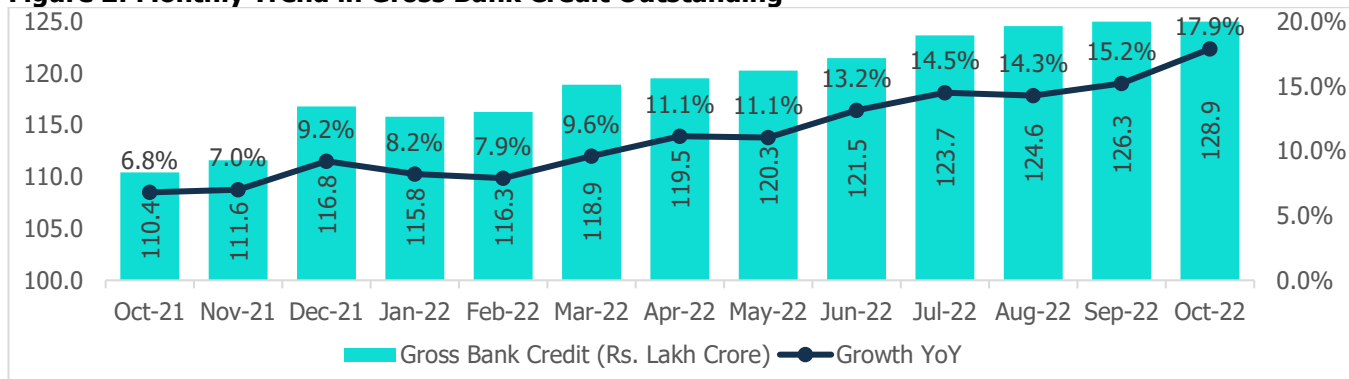
Robust Annual¹ Growth

Gross credit growth has been continuously rising upwards and witnessed a robust 17.9% y-o-y in October 2022 compared to 6.8% over the year-ago period. The non-food credit grew by 18.3% from 6.9% over a year ago. The growth expanded by 990 bps primarily due to a low base, growth in services, continued and sustain retail credit, inflation-induced working capital requirements, lower funds raised from the capital market and capital

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

expenditure build-out. The growth is likely to sustain in FY23, however, global issues and inflation fuelled rate hikes may dent credit growth.

Figure 2: Monthly Trend in Gross Bank Credit Outstanding



Source: RBI

Strong Incremental Credit² Growth

Incremental bank credit rose by 8.4% in October 2022 vs. a rise of 0.9% over a year ago due to a low base (Covid-19 second wave caused disruption) and recovery in economic activities. Retail rose 11.5% vs. 4.4% reported over a year ago period due to strong festive demand post the muted economic activities in October 2020 and October 2021. Industry credit rose by 4.3% from a drop of 1.3% over a year-ago period due to inflation-induced working capital requirements from petroleum and chemical industries, improvement in capacity utilisation and credit demand for capital expenditure. Services' credit also rose by 10.1% as against a drop of 2.3% in October 2021 mainly driven by NBFCs and trade.

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

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Oct 21, 2022	Oct 21 vs Oct 20	Oct 22 vs Oct 21	Oct 21 vs Mar 21	Oct 22 vs Mar 22
Gross Bank Credit	128.9	6.8	17.9	0.9	8.4
Food Credit	0.3	-4.4	-59.7	4.0	-53.4
Non-food Credit	128.6	6.9	18.3	0.9	8.7
Agriculture & Allied Activities	15.9	10.8	13.6	5.3	8.8
Industry	32.9	3.3	13.6	-1.3	4.3
Of which					
Micro, Small	5.5	14.6	20.4	5.8	3.6
Medium	2.2	35.1	31.0	21.8	3.3
Large	25.2	-0.4	10.9	-3.9	4.5
Services	33.2	2.8	22.5	-2.3	10.1
Of which					
Trade	7.5	7.5	17.0	1.5	7.2
Commercial Real Estate	3.1	-2.2	10.2	-4.4	4.8
Non-Banking Financial Companies	12.6	1.4	38.0	-6.2	16.4
Personal Loans	37.7	12.6	20.2	4.4	11.5
Of which					
Housing	18.3	12.3	16.2	5.3	8.4
Vehicle Loans	4.6	10.1	22.1	2.6	14.6

² 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 October 2022 from March 2022.

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 (the largest segment with a 31.5% share) witnessed a robust growth of 20.2% y-o-y in October 2022 due to strong festive demand and an uptick in business activities. The other personal loans (24.0%), credit card receivables (28.4%) and consumer durable loans (57.1%), vehicle loans (22.1%) were leading growth drivers.

- The housing loans (share of 48.4% within retail) grew at 16.2% y-o-y in October 2022 compared with 12.3% in the year-ago period. The growth was due to discounts offered by builders, specific and reduced interest rates by several banks on home loans and rising prices for real estate. Many banks have waived-off registration fees and offered special interest rates to build their loan book.
- Vehicle loans (share of 12.2% within retail) registered a robust growth of 22.1% y-o-y in October 2022 as compared to 10.1% in the year-ago period. [According to CareEdge Publication, "Oct Auto Sales Grow 7% on Healthy Demand, 2W Still in Recovery Mode"](#), the domestic automobile sales volumes in October 2022 grew by 7.0% y-o-y on account of continued healthy demand, new model launches and semiconductor chip shortage issues easing off, as well as increasing private and public infrastructure spending. CareEdge Research expects the domestic automobile industry sales volume to grow in the range of 17-19% for FY23.
- Consumer durables (share of 0.9% within retail) continued its robust growth of 54.1% y-o-y in October 2022 (September growth: 60.7%, August growth: 65.2%) as compared with a growth of 50.8% in the year-ago period. The growth was due to higher demand for premium products in the festive season and pent-up demand. 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 28.4% y-o-y in October 2022 from a growth of 13.2% in the year-ago period.
- The loan against gold jewellery (share of around 2.2% within retail) rose 15.5% y-o-y in October 2022 as compared with a growth of 37.0% from a year ago. In absolute terms, loans against gold jewellery stood at Rs.83,620 crore as of October 21, 2022, from Rs.72,420 crore as of October 22, 2021. To capture the lucrative gold market, the banks have been focusing on the gold market and lowering the lending rates, resulting in intensified competition. Overall, the banks have been gaining market share.

All sub-segments within retail witnessed double-digit growth during the period. Retail credit growth is likely to be strong due to underlying demand and a rise in economic and social activities. The Retail credit growth is expected to sustain in FY23 and is anticipated to remain the leading driver for the aggregate credit offtake.

Services

The services sector registered a robust rise of 22.5% y-o-y in October 2022 compared to marginal growth of 2.8% over a year ago. The segment was hit by Covid-19 disruption in the last year period. The remaining segments of the services segment too reported growth except for aviation (dropped by 17.7%) due to uncertain growth prospectus in the key global markets.

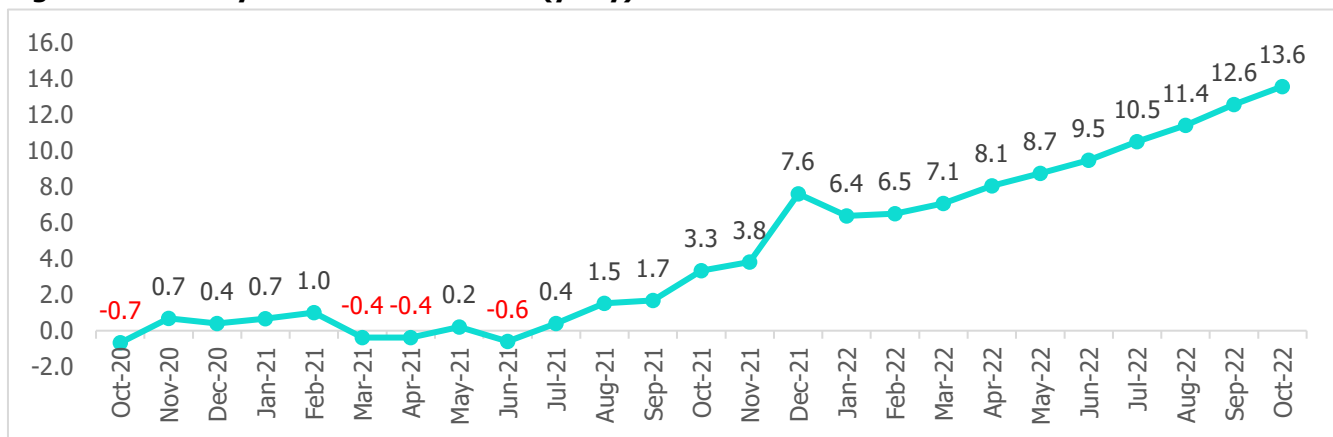
- NBFCs (within services, the share of 37.8%) grew by 38.0% y-o-y in October 2022 from a drop of 1.4% in the year-ago period. The growth was driven by a low base and NBFCs’ preference for bank borrowings due to high capital market yields.
- The trade segment (within services, 22.5% share) grew 17.0% in October 2022 as compared to 7.5% in the year-ago period.

On an incremental basis, the services grew by 10.1% in October 2022 as compared to a drop of 2.3% a year ago. All segments reported growth however, tourism and aviation dropped by 1.0% and 0.1%.

Industry

The credit outstanding of the industry segment registered a robust growth of 13.6% y-o-y in October 2022 from 3.3% in the year-ago period. The growth was due to robust growth in the MSMEs (23.3%) which were driven by ECLGS, ease of doing business supported by increasing digitisation in the banking system for faster loan turnarounds, higher working capital requirement especially from petroleum and chemical sub-segments and for new capex from the private sector and the government. Performance Linked Incentives (PLI) scheme is also creating demand for credit. The demand for the new capex is taking place with rising demand from infrastructure (road, telecom, renewables), steel & iron, auto (electric vehicles) and consumer durable companies. The large enterprise segment (a share of 76.5% within the industry) reported a growth of 10.9% from a drop of 0.4% over a year ago.

Figure 4: Industry Credit Growth Trend (y-o-y)



Source: RBI

All the industry sub-segments witnessed credit growth in October 2022. Petroleum, coal products and nuclear fuels witnessed the highest growth of 82.4% y-o-y vs 22.6% 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 rose 25.1% y-o-y vs. growth of 6.0% in the year-ago period. The infrastructure sub-industry (share of 37.6% within the industry) registered a growth of 10.9% from 6.9% in the year-ago period. Within infrastructure, telecommunication, roads, and airports grew by 18.4%, 13.8% and 18.2% y-o-y in the period.

Incremental industry credit rose 4.3% in October 2022 from a drop of 1.3% over a year period. Petroleum, coal products and nuclear fuels (within the industry) reported the highest growth of 47.2%, followed by chemical and related products (13.3%) whereas food processing products dropped by 9.0%.

Lending to the Priority Sector

Total lending of the priority sector rose by 18.5% to Rs.55.3 lakh crore in October 2022, driven by credit growth in the MSMEs (20.3%), renewable energy (102.1%) weaker sections (27.8%). Credit for agriculture and allied activities rose by 14.9% in October 2022. MSMEs accounted for the largest share within priority (32.6%), followed by agriculture (29.4%) and the weaker sections (24.2%).

Outlook

The credit growth stayed robust in October 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 will likely drive the industry's credit growth. However, the benefit of a lower base will ease out in the next couple of months, optically leading to lower growth rates. A slowdown in global growth due to rising interest rates, continuous pandemic restrictions in China and multiple rate hikes in India could impact credit growth.

Annexures

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

Particulars	O/s credit	% Growth in credit		% Growth in inc. credit	
	As of Oct 21, 2022	Oct 21 vs Oct 20	Oct 22 vs Oct 21	Oct 21 vs Mar 21	Oct 22 vs Mar 22
Priority Sector	55.2	7.0	18.5	3.0	7.4
Agriculture & Allied Activities	16.2	12.5	14.9	5.5	9.3
Micro & Small Enterprises	14.3	0.6	15.9	1.4	3.8
Medium Enterprises	3.7	27.3	41.1	8.5	5.0
Housing	6.3	3.2	9.1	0.2	2.4
Weaker Sections	13.4	4.4	27.8	1.5	13.3
Others	1.3	19.0	1.3	20.3	4.1

Source: RBI

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

Personal Loans	Mar 25, 2022	Apr 22, 2022	May 20, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022
Consumer Durables	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Housing	47.1	49.6	49.3	49.5	49.2	49.0	48.8	48.4
Advances against FD	2.4	2.3	2.2	2.2	2.4	2.5	2.6	2.6
Advances to Ind.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit Card	4.4	4.5	4.4	4.3	4.5	4.6	4.5	4.8
Education	1.9	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Vehicle Loans	9.8	12.0	12.1	12.1	12.2	12.2	12.1	12.2
Loans against gold jewellery	2.2	2.2	2.1	2.1	2.2	2.1	2.2	2.2
Other Personal Loans	31.4	26.1	26.4	26.2	26.0	26.1	26.3	26.3
Personal Loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

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

Services	Mar 25, 2022	Apr 22, 2022	May 22, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022
Transport Operators	5.1	5.1	5.0	5.0	4.9	4.9	4.9	4.8
Computer Software	0.7	0.7	0.6	0.6	0.7	0.6	0.7	0.7
Tourism, Hotels & Restaurants	2.1	2.2	2.1	2.1	2.1	2.0	2.1	1.9
Shipping	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.3
Aviation	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Professional Services	3.8	3.9	3.9	3.9	3.7	3.8	3.7	3.7
Trade	23.0	23.4	23.5	23.9	22.7	23.1	23.1	22.5
Commercial Real Estate	9.6	9.8	9.9	9.7	9.3	9.3	9.2	9.2
NBFCs	34.7	36.1	36.0	35.9	36.7	36.2	36.4	37.8
Other Services	19.9	17.8	18.0	18.0	19.0	19.0	18.9	18.4
Services	100.0	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	Mar 25, 2022	Apr 22, 2022	May 20, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022
Mining & Quarry	1.5	1.5	1.5	1.5	1.6	1.6	1.5	1.6
Food Processing	5.5	5.6	5.5	5.5	5.3	5.1	4.9	4.8
Beverage & Tobacco	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6
Textiles	7.1	7.1	6.9	6.9	6.7	6.6	6.6	6.5
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	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Petroleum, Coal Prod & Nuclear Fuels	2.8	3.3	3.3	3.2	3.6	4.2	4.7	4.8
Chemicals & Chem Prods	6.8	6.5	6.6	6.5	6.6	6.6	6.6	6.8
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	1.5	1.6	1.6	1.6	1.6
Basic Metal & Metal Prod.	9.3	9.1	9.2	9.2	9.4	9.4	9.5	9.4
Engineering	5.1	5.3	5.3	5.3	5.2	5.2	5.3	5.2
Vehicles, Vehicles. Parts & Transport Equipment	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.9
Gems & Jewellery	2.5	2.5	2.3	2.3	2.3	2.3	2.4	2.4
Construction	3.3	3.6	3.6	3.7	3.7	3.7	3.7	3.6
Infrastructure	37.9	38.2	37.9	38.2	38.2	38.0	37.5	37.6
Other Industries	8.7	8.0	8.3	7.9	7.8	7.7	7.6	7.6
Industries	100.0	100.0	100.0	100.0	100.0	100.0	100	100

Source: RBI

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