

Bank Credit Profile: October 2020 – The growth engine of personal loans is slowing down

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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 October 2020. All growth comparisons are made in y-o-y terms, unless stated otherwise.

The report profiles the structure and growth of outstanding bank credit in October 2020.

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Overview

The overall bank credit growth in October 2020 continued to decelerate to 5.6%. The Services, retail and agriculture & allied segment registered a growth of 9.5%, 9.3% and 7.4% respectively in October 2020. Industrial segment registered a degrowth of 1.7% during the same period as compared with a growth of 3.4% in October 2019.

The incremental outstanding credit continued to decline for industry and services segment as of October 23, 2020. The industry and services segment witnessed a de growth of 5.7% and 0.7% respectively, whereas the retail segment registered an incremental credit growth of 2.3% as compared to 7.6% a year ago.

The share of industry in total outstanding credit continues to be the highest at 30.0% in October 2020 but has fallen as compared to 32.2% in October 2019, Retail has a share of 28.6% (27.6% in October 2019), Services 28.2% (27.2% in October 2019) and agriculture at 13.3% (13.1% in October 2019) in total outstanding bank credit.

The bank credit growth has been mainly buttressed by disbursements under the Emergency Credit Line Guarantee Scheme (ECLGS) scheme from May 2020 to October 2020.

Retail/Personal loans

- The growth in retail/personal loans segment decelerated in October 2020 with a growth of 9.3% as compared with 17.2% a year ago (9.2% in September 2020). In absolute terms it has increased from Rs 23.9 lakh crore on October 25, 2019 to Rs 26.1 lakh crore on October 23, 2020.

- Housing loans continues to remain the single largest segment of lending in outstanding credit to retail/personal loan portfolio at ~53.0% share of the total credit outstanding in the personal/ retail loan segment. Housing loans segment growth has slowed to 8.2% in October

2020 as compared with 19.4% in October 2019. Education loans registered a de-growth of 2.7% as compared to a de-growth of 3.0% a year ago. Credit card outstanding registered a growth of 4.9% as compared with a growth of 25.9% in October 2019. However, consumer durables (0.3% share) registered a 23.8% growth vs growth of 70.0% in October 2019.

Figure 1: Sectoral Distribution of Credit: October 2020

Particulars	Outstanding credit	% growth in credit		% growth in incremental credit	
	As on Oct 23, 2020 (Rs Lakh Crore)	Oct'19 over Oct'18	Oct' 20 over Oct' 19	Oct' 19 over Mar' 19	Oct' 20 over Mar' 20
Gross Bank Credit	92.1	8.4%	5.5%	0.7%	-0.5%
Food Credit	0.7	26.8%	-4.5%	67.7%	28.8%
Non-food Credit	91.5	8.3%	5.6%	0.3%	-0.7%
Agriculture & Allied Activities	12.2	7.1%	7.4%	2.1%	5.3%
Industry (Micro & Small, Medium and Large)	27.4	3.4%	-1.7%	-3.4%	-5.7%
Micro, Small & Medium	4.8	-0.8%	4.3%	-3.6%	-0.6%
Large	22.6	4.2%	-2.9%	-3.4%	-6.7%
Services	25.8	6.5%	9.5%	-2.6%	-0.7%
Trade	5.8	5.2%	14.0%	-4.4%	4.3%
Commercial Real Estate	2.3	17.9%	3.5%	8.9%	-0.8%
Non-Banking Financial Companies (NBFCs)	7.8	26.8%	9.2%	11.3%	-3.5%
Other Services	5.9	-12.7%	10.8%	-19.8%	-2.8%
Personal Loans	26.1	17.2%	9.3%	7.6%	2.3%
Housing	13.7	19.4%	8.2%	9.4%	2.6%
Vehicle Loans	2.2	5.0%	8.4%	2.3%	1.5%
Other Personal Loans	7.6	22.0%	14.3%	10.2%	5.2%

Note: Oct'20 over Oct'19 growth and Oct'20 over Mar'20: Red – negative growth, Grey – growth < 5%, Green - growth > 5%

Source: Reserve Bank of India

Services

- Of total 9 segments, 8 segments registered a growth. Trade segment registered a highest growth of 14.0% (5.2% in October 2019), followed by Tourism, Hotels & Restaurant with a growth of 12.0% in October 2020 (13.0% in October 2019).
- NBFCs continue to form the largest part in the total credit outstanding to the services sector at 30.2% (30.3% share in October 2019) followed by trade (22.4%) and commercial real estate (8.8%).

Industry

- Large industries account for 82.3% share (83.3% share in October 2019) in the total outstanding credit to industries and this segment reported a reduction of 2.9% in October 2020 vs. a growth of 4.2% in October 2019. Micro, small & medium (MSME) industries grew by 4.3% in October 2020 as compared with a de-growth of 0.8% in October 2019. Within MSME, micro & small industries registered a marginal growth of 0.7%, while medium industries registered a growth of 16.7%, and large industries registered a de-growth as a result overall industry registered a negative growth.

- Under priority sector lending, MSME segment's growth was led by services with a growth of 10.0%, while manufacturing registered a growth of 0.7% in October 2020. In absolute terms the outstanding credit for MSME industries grew from Rs. 4.6 lakh crore in October 2019 to Rs. 4.8 lakh crore in October 2020. Under Rs. 3 lakh crore of ECLGS for MSMEs, banks have sanctioned Rs. 2.05 lakh crores out of which Rs. 1.52 lakh crore were disbursed till October 2020.
- Petroleum, Coal Products & Nuclear Fuel segment registered a highest growth of 16.6% within industries. Growth in credit outstanding to vehicles, vehicle parts & transport equipment increased to 7.1% as compared with 6.3% in October 2019. Construction segment registered a growth of 5.1% in October 2020 as compared to a growth of 8.0% in October 2019. Of total 19 industries, 7 industries witnessed a drop in credit outstanding.
- Though infrastructure has the maximum share of 36.5% in the total bank credit outstanding to industries, the growth of credit outstanding to Infrastructure segment has registered a de growth of 2.0% as of October 2020 as compared with 6.8% a year ago.

Lending to priority sector

Around 32.0% of the Non-food credit (Rs.91.4 lakh crore) as of October 2020 is towards the priority sector. Within priority sector, agriculture accounts for the highest share of ~41.0% in outstanding credit followed by Micro & Small Enterprises (38% share) and weaker sections. Within micro and small enterprises, services registered a growth of 10.0%, while manufacturing registered a growth of 0.7% with a share of ~68.0% and ~32.0%, respectively.

Concluding remarks

Banks continue to remain risk averse due to the pandemic led uncertainty which is contributing to weak credit pick-up. As a result the overall credit growth is expected to remain slower in the near term as banks are being selective in giving fresh loans due to asset quality concerns. In addition to this, though the interest rates of SCBs are falling (by 115bps from October 2019 to October 2020) we are not seeing a pickup in the incremental credit.

Home loans which have a large share in retail credit registered growth of 8.2% in October 2020 (lowest in last 5 years), which indicates though banks are offering various festive offers on home loans, individuals are not taking fresh loans (e.g. Kotak Mahindra Bank, Bank of Baroda, Axis Bank, HDFC Bank reduced interest rate by 10-15bps on home loans).

The bank credit growth from May 2020 (Rs.91.08 lakh crore) to October 2020 (Rs.92.13 lakh crore) has been mainly supported by disbursements in ECLGS scheme which is extended further till March 31, 2021. In October 2020, disbursements under ECLGS scheme were Rs 1.52 lakh crore, which is higher than gross bank credit growth of Rs. 1.0 lakh crore (in absolute terms from May 2020 to October 2020).

Annexure

Figure A1: Distribution of credit within Industries: October 2020

Particulars	Outstanding credit As on Oct 23, 2020 (Rs Lakh Crore)	% growth in credit		% growth in incremental credit	
		Oct'19 over Oct'18	Oct' 20 over Oct' 19	Oct' 19 over Mar' 19	Oct' 20 over Mar' 20
Mining & Quarrying (incl. Coal)	0.4	-4.1%	4.3%	-1.4%	-2.2%
Food Processing	1.4	0.1%	3.2%	-11.1%	-6.5%
Beverage & Tobacco	0.1	8.5%	0.8%	0.4%	-10.2%
Textiles	1.9	-4.6%	-1.0%	-7.8%	-3.4%
Leather & Leather Products	0.1	-1.8%	2.9%	-0.2%	2.4%
Wood & Wood Products	0.1	6.2%	6.6%	0.2%	4.5%
Paper & Paper Products	0.3	1.3%	8.7%	0.6%	7.1%
Petroleum, Coal Products & Nuclear Fuels	0.6	4.0%	16.6%	-16.9%	-19.3%
Chemicals & Chemical Products	1.7	3.8%	-2.6%	-8.0%	-15.5%
Rubber, Plastic & their Products	0.5	7.6%	1.4%	2.4%	-5.6%
Glass & Glassware	0.1	-15.3%	0.7%	-12.1%	-0.3%
Cement & Cement Products	0.6	18.2%	-4.6%	8.8%	-1.5%
Basic Metal & Metal Product	3.4	-7.1%	-3.8%	-5.5%	-3.6%
All Engineering	1.4	5.9%	-17.7%	-1.0%	-12.7%
Vehicles, Vehicle Parts & Transport Equipment	0.9	6.3%	7.1%	3.4%	7.0%
Gems & Jewellery	0.6	-9.4%	-8.6%	-12.8%	-3.6%
Construction	1.0	8.0%	5.1%	-0.1%	0.2%
Infrastructure	10.0	6.8%	-2.0%	-3.4%	-5.2%
Other Industries	2.2	13.6%	0.4%	10.2%	-6.6%

Note: Oct'20 over Oct'19 growth and Oct'20 over Mar'20: Red – negative growth, Grey – growth < 5%, Green - growth > 5%

Source: Reserve Bank of India

Figure A2: Credit outstanding to priority sectors

Particulars	Outstanding credit As on Oct 23, 2020 (Rs Lakh Crore)	% growth in credit		% growth in incremental credit	
		Oct'19 over Oct'18	Oct' 20 over Oct' 19	Oct' 19 over Mar' 19	Oct' 20 over Mar' 20
Priority Sector	29.3	6.3%	5.9%	1.0%	1.1%
Agriculture & Allied Activities	12.0	6.9%	7.0%	1.9%	5.0%
Micro & Small Enterprises	11.3	5.8%	6.8%	-1.3%	-2.1%
Manufacturing	3.6	-1.4%	0.7%	-4.4%	-5.3%
Services	7.6	9.9%	10.0%	0.4%	-0.5%
Housing	4.6	12.7%	1.5%	5.3%	2.7%
Weaker Sections	7.3	18.2%	3.3%	6.3%	-0.5%
Others	1.0	0.7%	-1.7%	7.1%	-7.2%

Note: Oct'20 over Oct'19 growth and Oct'20 over Mar'20: 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	Mar.27, 2020	Apr.24 2020	May.22, 2020	Jun.19, 2020	Jul.31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.6%
Food Processing	5.3%	5.3%	5.2%	5.5%	5.6%	5.6%	5.3%	5.3%
Beverage & Tobacco	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Textiles	6.6%	6.6%	6.6%	6.6%	6.7%	6.8%	6.8%	6.8%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%
Petroleum, Coal Products & Nuclear Fuels	2.6%	2.8%	2.6%	2.6%	2.0%	2.0%	2.2%	2.2%
Chemicals & Chemical Products	7.0%	6.7%	6.4%	6.3%	6.2%	6.3%	6.3%	6.3%
Rubber, Plastic & their Products	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%	1.8%	1.7%
Glass & Glassware	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Cement & Cement Products	2.0%	2.0%	2.0%	2.0%	2.1%	2.1%	2.1%	2.1%
Basic Metal & Metal Product	12.1%	12.3%	12.4%	12.2%	12.0%	12.4%	12.4%	12.3%
All Engineering	5.4%	5.3%	5.4%	5.1%	5.0%	5.0%	5.1%	5.0%
Vehicles, Vehicle Parts & Transport Equipment	2.8%	2.9%	3.0%	3.0%	3.1%	3.2%	3.2%	3.2%
Gems & Jewellery	2.0%	2.0%	2.0%	1.9%	1.9%	2.0%	2.0%	2.1%
Construction	3.6%	3.4%	3.5%	3.6%	3.6%	3.7%	3.8%	3.8%
Infrastructure	36.3%	36.6%	36.9%	37.2%	37.4%	36.8%	36.6%	36.5%
Other Industries	8.2%	8.0%	8.1%	8.3%	8.1%	8.1%	8.0%	8.2%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure A4: Overall share of segments within the Retail segment

Personal Loans	Mar.27, 2020	Apr.24 2020	May.22, 2020	Jun.19, 2020	Jul.31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020
Consumer Durables	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%
Housing (Including Priority Sector Housing)	52.4%	53.4%	53.6%	53.6%	53.2%	53.0%	52.9%	52.6%
Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	3.1%	2.7%	2.6%	2.5%	2.5%	2.5%	2.5%	2.4%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.2%	3.9%	3.7%	3.9%	4.0%	4.1%	4.1%	4.2%
Education	2.6%	2.6%	2.6%	2.6%	2.6%	2.5%	2.5%	2.5%
Vehicle Loans	8.6%	8.7%	8.7%	8.6%	8.6%	8.6%	8.6%	8.6%
Other Personal Loans	28.4%	28.1%	28.2%	28.2%	28.5%	28.7%	28.9%	29.3%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure A5: Overall share of segments within the Services segment

Services	Mar.27, 2020	Apr.24 2020	May.22, 2020	Jun.19, 2020	Jul.31, 2020	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020
Transport Operators	5.6%	5.8%	5.9%	5.8%	5.8%	5.8%	5.7%	5.8%
Computer Software	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Tourism, Hotels & Restaurants	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%
Shipping	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Professional Services	6.8%	6.7%	6.8%	6.9%	6.9%	6.9%	6.8%	6.9%
Trade	21.3%	21.2%	21.2%	21.5%	22.0%	22.2%	22.0%	22.4%
<i>Wholesale Trade (other than food procurement)</i>	47.7%	45.7%	46.9%	47.0%	47.8%	46.7%	46.5%	46.5%
<i>Retail Trade</i>	52.3%	54.3%	53.1%	53.0%	52.2%	53.3%	53.5%	53.5%
Commercial Real Estate	8.9%	8.9%	9.0%	9.1%	9.2%	9.0%	8.9%	8.8%
Non-Banking Financial Companies (NBFCs)	31.1%	31.6%	31.6%	31.6%	31.1%	31.2%	31.2%	30.2%
Other Services	23.6%	23.0%	22.8%	22.3%	22.0%	22.0%	22.6%	23.1%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%