

Bank Credit Deployment Update: Retail Races ahead

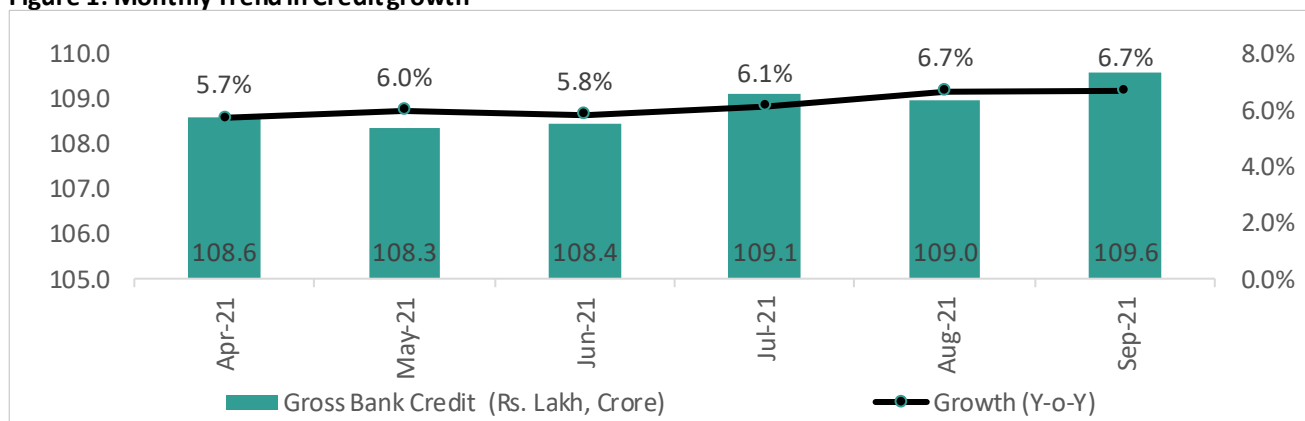
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Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for approximately 90% of non-food credit extended by SCBs for September 2021

Overview

The non-food credit growth accelerated to 6.8% Year-on-Year (y-o-y) in September 2021 as against a rise of 5.1% growth in September 2020, expanding with a 162 basis points (bps) y-o-y and 07 bps Month-on-Month (m-o-m) due to the easing of the lockdown restrictions and beginning of the festival season. The growth was driven by the retail, the agriculture & allied and industry segments, with services reporting sluggish growth. Credit of the agriculture & allied segment rose by 9.9% in September 2021 due to increased demand in rural regions based on higher production estimated for the Kharif crop.

Figure 1: Monthly Trend in Credit growth



Source: RBI

Overall incremental growth turned positive at the end of six months of the financial year; however, showing a tepid pace of 0.1% within the non-food credit, growth of the Agri & allied and retail segments stood at 4.0% and 2.6% in September 2021, while service and industry contracted 2.9% and 2.3%.

Figure 2: Sectoral Distribution of Credit: September 2021

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on September 30, 2021 (Rs Lakh Crore)	September 2020 over September 2019	September 2021 over September 2020	September 2020 over March 2020	September 2021 over March 2021
Gross Bank Credit	109.6	5.2%	6.7%	-1.0%	0.1%
Food Credit	0.6	10.6%	-6.1%	28.3%	1.8%
Non-food Credit	108.9	5.1%	6.8%	-1.1%	0.1%
Agriculture & Allied Activities	13.2	6.2%	9.9%	3.4%	4.0%
Industry (Micro & Small, Medium and Large)	28.3	0.4%	2.5%	-4.2%	-2.3%
<i>Of which</i>					
Micro, Small & Medium	5.7	3.8%	19.4%	0.6%	9.7%
Large	22.6	-0.2%	-1.0%	-5.1%	-4.9%
Services	25.7	9.2%	0.8%	-1.1%	-2.9%
<i>Of which</i>					
Trade	5.8	14.9%	4.5%	5.3%	-2.3%
Commercial Real Estate	2.6	5.7%	-0.2%	-1.7%	-3.2%
Non-Banking Financial Companies (NBFCs)	8.8	9.8%	-2.5%	-4.0%	-6.5%
Personal Loans	29.2	8.4%	12.1%	0.6%	2.6%
<i>Of which</i>					
Housing	14.8	8.2%	9.0%	1.4%	1.4%
Vehicle Loans	2.7	6.0%	8.9%	-1.3%	1.1%

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 90% of total non-food credit extended by all SCBs; September 2021 over September 2020 and September 2021 over Mar 2021, Source: RBI

Retail/Personal loans

The credit of the retail/personal loans segment (currently the largest segment) grew at 12.1% y-o-y in September 2021 (similar to the growth rate witnessed in August 2021) mainly on account of growth in housing, vehicles, loans against gold jewellery and other personal loan (sub-segments) due to the festive seasons and the gradual opening of the Indian economy. SBI's retail loan portfolio grew by 15.2% in Q2 FY22, surpassing the retail loan growth of Indian banking industry. As per media commentary, property registrations in Mumbai recorded a rise of 35% y-o-y September 2021, while residential sales during January - September 2021 increased by 47% across the seven major cities in India. The housing loans (share of 50.7% within retail) grew at 9.0% in September 2021 as compared with a growth of 8.2% a year ago. The housing loan segment was also driven by growth in the affordable housing and low-level interest rates. The other personal loans (share of 29% within retail) grew at 18.2% in September 2021 as compared with a growth of 11.4% a year ago. Apart from the private sectors banks, the key public sector units SBI and BoB have been also focusing for unsecured loan growth through their digital platforms. The housing loan segment was also driven by growth in the affordable housing and low-level interest rates. Consumer durables (share of 0.4% within retail) registered a significant growth of 40% in September 2021 as compared with a growth of 14.9% a year ago, credit card outstanding (share of around 4.0% within retail) grew at 9.5% in the reported period. The loan against gold jewellery (share of around 2.2% within retail) registered the highest growth of 59.1% as compared with a growth of 42.3% in September 2020. SBI gold loan portfolio registered a strong growth of 338.7% in Q1FY22 driven by essential medical needs and job losses due to the Covid-19 second wave, however, growth moderated to 91% in Q2FY22. However, advances to individuals against shares, bond, etc, and the education registered a drop of 25.4% and 2.9%, respectively, in the reported period. Within the retail/personal loans segment, most of the sub-segments reported growth, while couple of reported de-growth during the period.

Incremental credit growth of the retail segment grew at 2.6% in September 2021. In absolute terms, credit outstanding has reached Rs.29.2 lakh crore in September 2021 from Rs.28.5 lakh crore in March 2021. Within the retail segment, advances to individuals against share recorded a growth of 1.4%, while credit card outstanding and education Loan each de-grew by 0.8% in September 2021.

Continued improvement in the credit growth for the retail segment is anticipated due to the ongoing festival season, improving the confidence of the Indian consumers on account of the lower interest rate scenario in the Indian economy and a gradual opening of the Indian economy. However, any additional covid waves could limit growth.

Services

Credit growth of the services sector decelerated to 0.8% y-o-y in September 2021 from 9.2% in the same period of the last year due to a decline in the NBFCs, the commercial real estate and the professional services segments. Within the services, credit growth of the shipping, aviation, and trade stood at 45.3%, 7.2%, 4.5%, respectively; however, NBFCs (share of 34.1% within services) and commercial real estate (share of 9.9% within services) registered a drop of 2.5% and 0.2%, respectively in the reported period, resulting in dragging to overall growth of the services sector. The tourism, hotels & restaurants registered a growth of 1.4% in September 2021 due to the gradual opening of the economy and inclusion in the ECLGS 4.0. The wholesale trade registered a growth of 7.3%, while the professional services (sub-segment) de-grew by 7.6% in the reported period.

On an incremental basis, aviation and tourism, hotels & restaurants, shipping segments reported growth in September 2021, while all other segments reported a decline.

Industry

The credit of the industry segment registered a growth of 2.5% y-o-y in September 2021 from 0.4% a year ago mainly on account of 49% growth in the medium industry, however, it was partially offset by a drop in the large industry. The large industry (share of 79.8% within Industry) reported a drop of 1.0% in the reported period due to deleveraging balance sheets by the core industries. On the other hand, credit of micro & small industries received traction with growth accelerating to 9.7% in September 2021 from a contraction of 0.1% a year ago, driven by the ECLGS and opening of the Indian economy.

The credit of MSME (industry and services) stood at Rs.13.2 lakh crore in September 2021, recording a growth of Rs. ~Rs.13000 crore, a year ago. As per Ministry of Finance's report, disbursement under ECLGS stood at Rs. 214,000 crore as of July 02, 2021, recording an incremental growth of Rs. 33,000 crore from February 28, 2021, and Rs. 88,575 crore from September 21, 2020.

Of the total nineteen sub-industries, twelve sub-industries witnessed growth in credit outstanding, while seven sub-industries could not perform in the reported period. Within industry, the mining and quarrying registered the highest growth of 19.8% in September 2021 vs. 1.0% negative growth a year ago. The petroleum, coal products & and nuclear fuels also registered a strong credit growth of 14.8% in the reported period. The rubber, plastic and their products segment grew at 17.3% in September 2021 as compared with a growth of 7.3% a year ago. The infrastructure sector (share of 38.4% within industry) registered a growth of 5.8% in September 2021 as compared with a growth of 2.5% a year ago. Within the Infrastructure sector, the airport registered a robust growth of 46.5% followed by the road at 24.8%, while credit of ports and telecommunication segments registered a drop of 4.2% and 3.6%, respectively.

Incremental credit growth of the large industry dropped by 4.9% in September 2021, this can be largely attributed to decline in credit of cement and cement-related products, basic metal and metal-related products and infrastructure.

Lending to the priority sector

Total lending of the priority sector rose by 5.6% to 39.6 Lakh crore in September 2021, driven by growth in the agriculture and allied activities, the micro & small industries and the weaker sections due to ECLGS scheme and higher production estimated for Kharif production. The agriculture & allied accounts for the largest share within priority (share of 31.8%) followed by the micro & small enterprises (share of 27.8%) and the weaker sections (share of 21.3%). In absolute terms, outstanding credit for the agriculture and allied activities reached from Rs.12.1 lakh crore in September 2020 to Rs.13.2 lakh crore in September 2021. Credit of social infrastructure (share of 0.1% within priority) registered a strong growth of 114.8% in September 2021 vs. 7% a year ago.

Concluding remarks and Outlook

Bank credit growth improved to 6.7% y-o-y in September 2021 from 5.2% a year ago, while it stood at 6.7% and 6.1%, respectively, for August 2021 and July 2021. The outlook in terms of credit growth is expected to be in the range of 7.5% to 8.0% for FY22 (refers to the period April 1 to March 31) with economic expansion, ECLGS support (extended till March 31, 2022), low interest rates, festive season, and with a low base effect. Also, the sector's medium-term prospects, however, look promising with diminished corporate stress and increased provisioning levels across banks. The Retail loan segment is expected to do well as compared with industry and service segments. However, Covid-19 pandemic-led credit losses could increase if localised lockdown measures persist and changed consumption patterns could negatively affect certain sectors.

Annexure

Figure A1: Distribution of credit within Industries: September 2021

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on September 30, 2021 (Rs Lakh Crore)	September 2020 over September 2019	September 2021 over September 2020	September 2020 over March 2020	September 2021 over March 2021
Mining & Quarrying (incl. Coal)	0.5	-1.0%	19.8%	-7.2%	6.0%
Food Processing	1.5	4.3%	5.8%	-3.4%	-5.2%
Beverage & Tobacco	0.1	0.4%	-0.1%	-9.4%	-6.1%
Textiles	2.0	0.4%	6.3%	-2.5%	-1.0%
Leather & Leather Products	0.1	5.9%	-4.5%	6.2%	-0.4%
Wood & Wood Products	0.1	5.6%	6.5%	4.2%	2.2%
Paper & Paper Products	0.4	10.3%	10.1%	6.8%	2.5%
Petroleum, Coal Products & Nuclear Fuels	0.7	12.9%	14.8%	-18.6%	1.7%
Chemicals & Chemical Products	1.8	-3.4%	4.1%	-14.9%	-5.3%
Rubber, Plastic & their Products	0.6	7.3%	17.3%	-0.3%	10.1%
Glass & Glassware	0.1	-6.0%	-12.9%	2.0%	-6.3%
Cement & Cement Products	0.5	-4.2%	-20.8%	-0.7%	-12.5%
Basic Metal & Metal Product	2.9	-4.1%	-15.9%	-3.0%	-13.1%
All Engineering	1.5	-14.0%	5.3%	-10.9%	0.1%
Vehicles, Vehicle Parts & Transport Equipment	0.9	7.8%	-4.0%	8.6%	3.0%
Gems & Jewellery	0.7	-10.5%	12.1%	-3.0%	10.5%
Construction	1.0	2.6%	-5.5%	-1.7%	1.2%
Infrastructure	10.9	2.5%	5.8%	-2.5%	-0.6%
Other Industries	2.3	5.5%	6.7%	-6.1%	-4.0%

Note: Note: September 2021 over September 2020; September 2021 over Mar 2021: Source: RBI

Figure A2: Credit outstanding to priority sectors

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on September 30, 2021 (Rs Lakh Crore)	September 2020 over September 2019	September 2021 over September 2020	September 2020 over March 2020	September 2021 over March 2021
Priority Sector					
of which					
Agriculture & Allied Activities	12.6	4.2%	9.4%	2.1%	2.2%
Micro & Small Enterprises	11.0	8.5%	-2.6%	4.8%	-1.1%
Medium Enterprises	2.2	40.0%	24.3%	25.0%	5.6%
Housing	4.5	1.3%	-3.7%	-0.3%	-4.8%
Weaker Sections	8.4	4.2%	13.0%	2.4%	3.9%
Others	0.9	0.5%	9.4%	-0.6%	11.3%
Priority Sector					
of which					
Agriculture & Allied Activities	12.6	4.2%	9.4%	2.1%	2.2%
Micro & Small Enterprises	11.0	8.5%	-2.6%	4.8%	-1.1%
Medium Enterprises	2.2	40.0%	24.3%	25.0%	5.6%

Note: September 2021 over September 2020, September 2021 over March 2021: Source: RBI

Figure A3: Overall share of segments within the Industries segment

Industry	March 26, 2021	April 23, 2021	May 21, 2021	June 21, 2021	July 21, 2021	August 30, 2021	September 30, 2021
Mining & Quarrying (incl. Coal)	1.6%	1.5%	1.5%	1.6%	1.7%	1.8%	1.7%
Food Processing	5.3%	5.7%	5.7%	5.7%	5.4%	5.2%	5.1%
Beverage & Tobacco	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Textiles	6.9%	7.1%	7.1%	7.1%	7.1%	7.1%	7.0%
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	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.3%	2.3%	2.4%	2.6%	2.5%	2.2%	2.4%
Chemicals & Chemical Products	6.6%	6.5%	6.3%	6.2%	6.5%	6.3%	6.4%
Rubber, Plastic & their Products	1.9%	1.9%	1.9%	1.9%	2.0%	2.1%	2.1%
Glass & Glassware	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Cement & Cement Products	1.9%	1.7%	1.8%	1.8%	1.7%	1.7%	1.7%
Basic Metal & Metal Product	11.4%	10.8%	10.7%	10.4%	10.4%	10.4%	10.1%
All Engineering	5.1%	5.1%	5.1%	5.1%	5.6%	5.2%	5.2%
Vehicles, Vehicle Parts & Transport Equipment	2.9%	2.9%	2.9%	2.9%	3.1%	3.0%	3.0%
Gems & Jewellery	2.2%	2.0%	2.0%	2.1%	2.2%	2.2%	2.5%
Construction	3.3%	3.4%	3.4%	3.4%	3.5%	3.5%	3.4%
Infrastructure	37.7%	37.7%	37.6%	38.1%	38.3%	38.5%	38.4%
Other Industries	8.2%	8.5%	8.6%	8.1%	7.9%	8.0%	8.1%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A4: Overall share of segments within the Retail segment

Personal Loans	March 26, 2021	April 23, 2021	May 21, 2021	June 18, 2021	July 31, 2021	August 31, 2021	September 30, 2021
Consumer Durables	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
Housing (Including Priority Sector Housing)	51.1%	52.0%	52.5%	52.6%	51.3%	50.8%	50.7%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits, etc.)	2.2%	2.5%	2.4%	2.4%	2.1%	2.1%	2.2%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.1%	4.0%	3.7%	3.7%	3.9%	4.0%	4.0%
Education	2.2%	2.2%	2.3%	2.3%	2.2%	2.2%	2.2%
Vehicle Loans	9.7%	8.6%	8.6%	8.5%	9.3%	9.3%	9.3%
Loans against gold jewellery	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Other Personal Loans	28.1%	27.9%	27.9%	27.9%	28.6%	29.0%	29.0%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A5: Overall share of segments within the Services segment

Services	March 26, 2021	April 23, 2021	May 21, 2021	June 18, 2021	July 30, 2021	August 31, 2021	September 30, 2021
Transport Operators	5.1%	5.6%	5.5%	5.4%	5.1%	5.1%	5.1%
Computer Software	0.7%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Shipping	0.3%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
Aviation	1.0%	1.0%	1.0%	1.0%	1.2%	1.2%	1.1%
Professional Services	4.0%	4.4%	4.4%	4.3%	3.7%	3.7%	3.9%
Trade	22.6%	23.5%	23.9%	23.6%	22.9%	22.9%	22.4%
Of which							
Wholesale Trade (other than food procurement)	52.5%	52.0%	51.4%	51.3%	52.7%	52.7%	50.6%
Retail Trade	47.5%	48.0%	48.6%	48.7%	47.3%	47.3%	49.4%
Commercial Real Estate	10.4%	9.1%	9.1%	8.9%	10.1%	10.1%	9.9%
Non-Banking Financial Companies (NBFCs) of which	36.3%	35.6%	35.0%	34.0%	34.3%	34.3%	34.1%
Of which							
Housing Finance Companies (HFCs)	19.8%	19.9%	18.7%	18.8%	19.0%	19.0%	24.2%
Public Finance Institutions (PFIs)	8.3%	8.1%	8.3%	8.8%	8.8%	8.8%	9.1%
Other Services	17.7%	17.9%	18.2%	19.7%	19.8%	19.8%	20.6%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

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