

# Bank Credit Growth Continues its Robust Momentum in September

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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 93.2% of non-food credit extended by SCBs for September 2022.

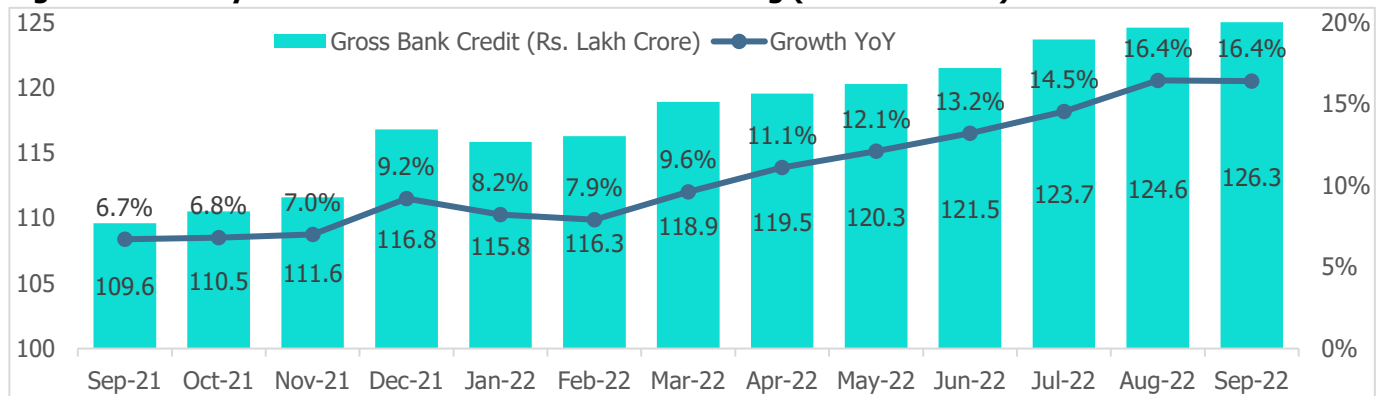
## Synopsis

- In terms of year-on-year (y-o-y) performance, the services sector rose by 20% vs. 1.2% last year and took the pole position from the retail segment (19.6% y-o-y). The growth can be attributed to a low base, strong growth in NBFCs (30.6%) and Trade. NBFCs and retail are expected to drive aggregate credit growth in FY23.
- Industry credit witnessed a robust growth of 12.6% y-o-y from 1.7% in the year-ago period due to strong credit growth in petroleum, coal, chemicals, nuclear fuels, rubber, plastic, and telecom segments.
- Incremental credit offtake rose by 6.2% in September 2022. The Retail segment outperformed other segments registering a 9.5% growth.

## Robust Annual<sup>1</sup> Growth Seen Across the Segments

Gross credit growth has been continuously trending upwards and witnessed a robust 16.4% year on year (y-o-y) in September 2022 compared to 6.7% over a year ago. The non-food credit grew by 16.9% from 6.8% over a year ago period. The growth expanded by 977 bps primarily due to a low base, strong retail credit, inflation-induced working capital requirements, improvement in capacity utilisation ratio, lower funds raised from the capital market and credit demand for capital 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 (Rs. Lakh Crore)**



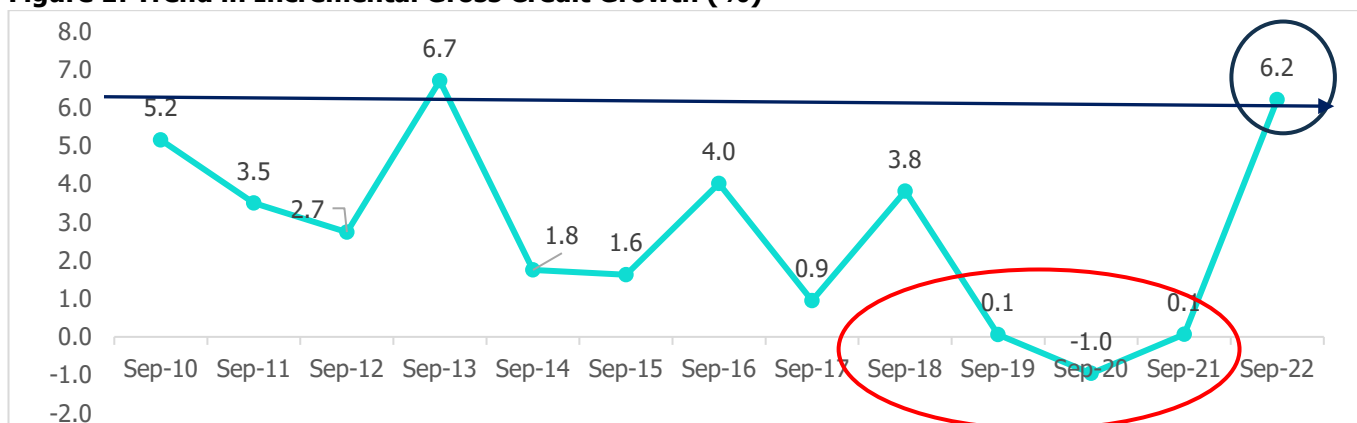
Source: RBI

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

### Incremental Credit<sup>2</sup> Growth near decadal high

Incremental bank credit rose by 6.2% in September 2022 vs. a rise of 0.1% over a year ago due to a low base (Covid-19 second wave caused disruption) and recovery in economic activities. In addition, growth has been showing signs of recovery after muted growth reported over Sep-19 to Sep-21 period. It was also near the decadal high growth (reported a growth of 6.7% in September 2013). Retail rose 9.5% vs. 3.1% reported over a year ago period. Industry credit rose by 2.7% from a drop of 1.9% over a year-ago period due to inflation-induced working capital requirements, improvement in capacity utilisation and credit demand for capital expenditure. Services' credit also rose by 6.8% as against a drop of 3.3% in Sep-21 mainly driven by NBFCs and trade.

**Figure 1: Trend in Incremental Gross Credit Growth (%)**



Source: RBI

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

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Sep 23, 2022	Sept 21 vs Sept 20	Sept 22 vs Sept 21	Sept 21 vs Mar 21	Sept 22 vs Mar 22
<b>Gross Bank Credit</b>	<b>126.3</b>	<b>6.7</b>	<b>16.4</b>	<b>0.1</b>	<b>6.2</b>
<b>Food Credit</b>	<b>0.2</b>	<b>-6.1</b>	<b>-65.1</b>	<b>1.8</b>	<b>-60.4</b>
<b>Non-food Credit</b>	<b>126.1</b>	<b>6.8</b>	<b>16.9</b>	<b>0.1</b>	<b>6.5</b>
<b>Agriculture &amp; Allied Activities</b>	<b>15.6</b>	<b>10.6</b>	<b>13.4</b>	<b>3.6</b>	<b>6.8</b>
<b>Industry</b>	<b>32.4</b>	<b>1.7</b>	<b>12.6</b>	<b>-1.9</b>	<b>2.7</b>
Of which					
Micro, Small	5.7	13.1	27.1	4.0	7.5
Medium	2.3	37.1	36.2	19.2	5.2
Large	24.4	-2.1	7.9	-4.2	1.4
<b>Services</b>	<b>32.2</b>	<b>1.2</b>	<b>20.0</b>	<b>-3.3</b>	<b>6.8</b>
Of which					
Trade	7.5	5.4	21.3	-2.1	7.1
Commercial Real Estate	3.0	-1.9	6.7	-3.6	2.2
Non-Banking Financial Companies	11.7	-2.8	30.6	-7.5	8.6
<b>Personal Loans</b>	<b>37.0</b>	<b>13.2</b>	<b>19.6</b>	<b>3.1</b>	<b>9.5</b>
Of which					
Housing	18.1	12.2	16.0	4.3	7.2
Vehicle Loans	4.5	11.4	19.9	1.8	11.6

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

<sup>2</sup> 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 September 2022 from March 2022.

## Retail

The retail segment (the largest segment with a 31.6% share) witnessed a robust growth of 19.6% y-o-y in September 2022 due to festive demand and an uptick in business activities. The other personal loans (24.4%), credit card receivables (27.2%) and consumer durable loans (60.7%), vehicle loans (19.9%) were leading growth drivers, driven by the onset of the festival season and an uptick in business activities. All sub-segments reported double-digit growth within the retail segment for the period.

- The housing loans (share of 48.8% within retail) grew at 16.0% y-o-y in September 2022 compared with 12.2% in the year-ago period. The growth was due to the festive season driven by offering discounts by builders and innovative payment schemes. According to the Department of Registration and Stamps Government of Maharashtra, Mumbai city recorded the highest property sale registrations of 8,628 apartment units in the last 10 years during September 2022. In addition, the Svamitva scheme has also been picking up well in rural areas.
- Vehicle loans (share of 12.1% within retail) registered a growth of 19.9% y-o-y in September 2022 as compared to 11.4% in the year-ago period due to tax reasons, festival demand, a low base in the last year and improving semiconductors shortage issues. According to [CareEdge publication 'Festive Season Boosts Near-term Demand Momentum for Auto Sector'](#), the sales volume of two-wheelers grew by 12.9% y-o-y, passenger vehicles by 90.1% and three-wheelers by 69.3% in the period.
- Consumer durables (share of 0.9% within retail) continued its robust growth of 60.7% y-o-y in September 2022 (August growth: 65.2%, July growth: 69.8%) 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.
- The credit card outstanding registered a robust growth of 27.2% y-o-y in September 2022 from a growth of 11.3% in the year-ago period. The growth remained strong due to the festive season despite a reduction in credit card units by around 290,000. The reduction took place due to RBI's rule for the closing of the cards if inactive for a year. In addition, the share of e-commerce transactions increased in September Month.
- The loan against gold jewellery (share of around 2.2% within retail) rose 11.8% y-o-y in September 2022 as compared with a growth of 54.4% from a year ago. In absolute terms, loans against gold jewellery stood at Rs.80,617 crore as of September 26, 2022, from Rs.72,111 crore as of September 24, 2021. Banks have been giving tough competition to gold loan NBFCs, resulting in capturing market share by the former from the latter.

All sub-segments within retail witnessed growth during the reporting 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 20.0% y-o-y in September 2022 as compared to marginal growth of 1.2% over a year ago period due to an increase in the NBFCs, trade and Other Services. 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 22.2%) and shipping (dropped by 6.7%).

- NBFCs (within services, share of 36.4%) grew by 30.6% y-o-y in September 2022 from a drop of 2.8% in the year-ago period. The growth was driven by a low base in the last year, and NBFCs also shifted to bank borrowings due to elevated capital market yields.
- The trade segment (within services, 23.1% share) grew 21.3% in September 2022 as compared to 5.4% in the year-ago period.

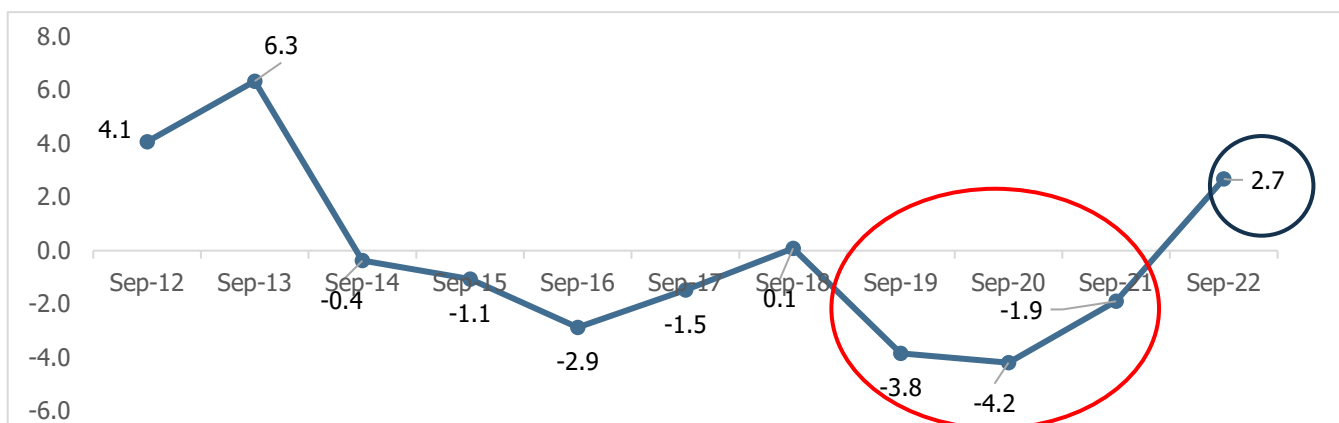
On an incremental basis, the services grew by 6.8% in September 2022 as compared to a drop of 3.3% a year ago. However, shipping dropped by 14.2% due to uncertain growth prospectus in the key global markets, besides aviation too dropped by 2.4% in the same period.

**Industry**

The credit outstanding of the industry segment registered a robust growth of 12.6% y-o-y in September 2022 from 1.7% in the year-ago period. The growth was due to robust growth in the MSMEs (29.6%) which were driven by ECLGS, inflation-induced working capital requirements, ease of doing business supported by increasing digitisation in the banking system for faster loan turnarounds and demand for new capex. The demand for the new capex is taking place with rising demand from infrastructure (road, telecom, renewables), auto and consumer durable companies. The large enterprise segment (share of 75.7% within the industry) reported a growth of 7.9% from a drop of 2.1% over a year ago.

All the industry sub-segments witnessed growth in credit in September 2022. Petroleum, coal products and nuclear fuels witnessed the highest growth of 75.9% y-o-y vs 20.3% in the year-ago period due to higher working capital requirements driven by high crude oil prices and currency depreciation, followed by the chemical and chemical products which rose 22.5% y-o-y vs. marginal growth of 1.9% in the year-ago period. The infrastructure sub-industry (share of 37.5% within the industry) registered a growth of 10.9% from 3.4% in the year-ago period. Within infrastructure, telecommunication and other infrastructure grew at a robust rate of 16.3% and 19.0% y-o-y. Within the infrastructure, roads and airports reported growth of 13.4% y-o-y each in the month.

**Figure 4: Incremental Credit Growth – Industry Showing Signs of improvement**



Source: RBI

Incremental industry credit rose 2.7% in September 2022 from a drop of 1.9% over a year periods. Petroleum, coal products and nuclear fuels (within the industry) reported the highest growth of 41.1% whereas food processing products dropped by 7.6%.

## Lending to the Priority Sector

Total lending of the priority sector rose by 20.1% to Rs.55.3 lakh crore in September 2022, driven by credit growth in the MSMEs (27.0%), renewable energy (77.5%) weaker sections (24.5%). Credit for agriculture and allied activities rose by 15.8% in September 2022. MSMEs accounts for the largest share within priority (33.6%), followed by agriculture (29.0%) and the weaker sections (23.8%).

## CareEdge Outlook

The credit growth is likely to remain elevated in the short term due to the festive demand. After a modest credit growth in recent years. The medium-term prospects look promising with diminished corporate stress and a substantial buffer for provisions. Despite an increase in repo rate during H1FY23, credit offtake remained robust in H1FY23 and is expected to be in the range of 12-13% for FY23 as previously estimated by CareEdge. However, further hikes in policy rates could dampen 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 Sep 23, 2022	Sep 21 vs Sep 20	Sep 22 vs Sep 21	Sep 21 vs Mar 21	Sep 22 vs Mar 22
<b>Priority Sector</b>	<b>55.3</b>	<b>7.8</b>	<b>20.1</b>	<b>7.6</b>	<b>2.0</b>
Agriculture & Allied Activities	16.0	12.8	15.8	3.3	7.8
Micro & Small Enterprises	14.8	-2.2	23.2	-1.0	7.7
Medium Enterprises	3.7	27.9	44.6	6.5	5.7
Housing	6.3	5.3	9.2	-0.9	1.4
Weaker Sections	13.2	10.1	24.5	2.7	11.6
Others	1.3	20.1	1.1	20.5	1.8

Source: RBI

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

Personal Loans	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022	May 20, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022
Consumer Durables	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9
Housing	47.7	47.1	49.6	49.3	49.5	49.2	49.0	48.8
Advances against FD	2.3	2.4	2.3	2.2	2.2	2.4	2.5	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	4.4	4.5	4.4	4.3	4.5	4.6	4.5
Education	1.9	1.9	2.4	2.4	2.4	2.4	2.4	2.4
Vehicle Loans	10.0	9.8	12.0	12.1	12.1	12.2	12.2	12.1
Loans against gold jewellery	2.2	2.2	2.2	2.1	2.1	2.2	2.1	2.2
Other Personal Loans	30.6	31.4	26.1	26.4	26.2	26.0	26.1	26.3
<b>Personal Loans</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: RBI

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

Services	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022	May 22, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022
Transport Operators	5.0	5.1	5.1	5.0	5.0	4.9	4.9	4.9
Computer Software	0.7	0.7	0.7	0.6	0.6	0.7	0.6	0.7
Tourism, Hotels & Restaurants	2.2	2.1	2.2	2.1	2.1	2.1	2.0	2.1
Shipping	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Aviation	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Professional Services	3.8	3.8	3.9	3.9	3.9	3.7	3.8	3.7

Trade	23.2	23.0	23.4	23.5	23.9	22.7	23.1	23.1
Commercial Real Estate	9.7	9.6	9.8	9.9	9.7	9.3	9.3	9.2
NBFCs	34.6	34.7	36.1	36.0	35.9	36.7	36.2	36.4
Other Services	19.8	19.9	17.8	18.0	18.0	19.0	19.0	18.9
<b>Services</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: RBI

**Figure A4: Overall Share of Segments within the Industry (%)**

Industry	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022	May 20, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022	Sep 23, 2022
Mining & Quarry	1.6	1.5	1.5	1.5	1.5	1.6	1.6	1.5
Food Processing	5.4	5.5	5.6	5.5	5.5	5.3	5.1	4.9
Beverage & Tobacco	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Textiles	7.2	7.1	7.1	6.9	6.9	6.7	6.6	6.6
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	1.3	1.2	1.3	1.3	1.3	1.3	1.3	1.3
Petroleum, Coal Prod & Nuclear Fuels	2.7	2.8	3.3	3.3	3.2	3.6	4.2	4.7
Chemicals & Chem Prods	6.4	6.8	6.5	6.6	6.5	6.6	6.6	6.6
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.	1.6	1.5	1.5	1.5	1.5	1.6	1.6	1.6
Basic Metal & Metal Prod.	9.4	9.3	9.1	9.2	9.2	9.4	9.4	9.5
Engineering	5.1	5.1	5.3	5.3	5.3	5.2	5.2	5.3
Vehicles, Vehicles. Parts & Transport Equipment	2.9	2.9	2.9	2.9	2.9	2.9	2.8	2.8
Gems & Jewellery	2.5	2.5	2.5	2.3	2.3	2.3	2.3	2.4
Construction	3.3	3.3	3.6	3.6	3.7	3.7	3.7	3.7
Infrastructure	38.1	37.9	38.2	37.9	38.2	38.2	38.0	37.5
Other Industries	8.7	8.7	8.0	8.3	7.9	7.8	7.7	7.6
<b>Industries</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>

Source: RBI

## Contact

Sanjay Agarwal	Senior Director	sanjay.agarwal@careedge.in	+91 - 22 - 6754 3582 / +91-81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careedge.in	+91 - 22 - 6754 3519 / +91-90049 52514
Vijay Singh Gour	Lead Analyst – BFSI Research	vijay.gour@careedge.in	+91 - 22 - 6754 3630 / +91-98937 89622
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

## CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022

Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

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