

Personal Loans Rise to Cross Rs 40 L cr in Feb; Industry Growth Moderates

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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 December 2022.

Synopsis

- Gross bank credit offtake rose by a robust 15.5% year on year (y-o-y) in February 2023 due to strong growth across all the sectors, especially in the Non-Banking Financial Companies (NBFCs), and unsecured personal loans¹ segments.
 - Personal loans growth accelerated to 20.4% y-o-y in February 2023 from 12.5% a year-ago period, driven by other personal loans, credit cards, housing and vehicle loans.
 - Credit growth for the services was robust at 20.7% y-o-y in February 2023 as compared with 6.2% a year-ago period due to growth in NBFCs and retail trade.
 - Industry credit offtake growth moderated at 7.0% (compared over the last couple of months), registering a lower growth compared to personal loans and services. Infrastructure witnessed a 0.6% growth due to slow growth in the power sector and a decline in the telecom sector and railways.

Summary of Sectoral Performance

Figure 1: Sectoral Distribution of Credit: February 2023 (Rs. Lakh Crore)

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of 24 th Feb, 2023	Feb 22 vs Feb 21	Feb 23 vs Feb 22	Feb 22 vs Mar 21	Feb 23 vs Mar 22
Gross Bank Credit	134.5	9.1	15.5	7.3	13.1
Non-Food Credit	134.2	9.2	15.9	7.3	13.3
Agriculture	16.6	10.3	14.9	8.3	13.3
Industry	32.9	6.7	7.0	4.8	4.3
Services	35.2	6.2	20.7	5.4	17.0
Personal Loans	40.1	12.5	20.4	10.8	18.5

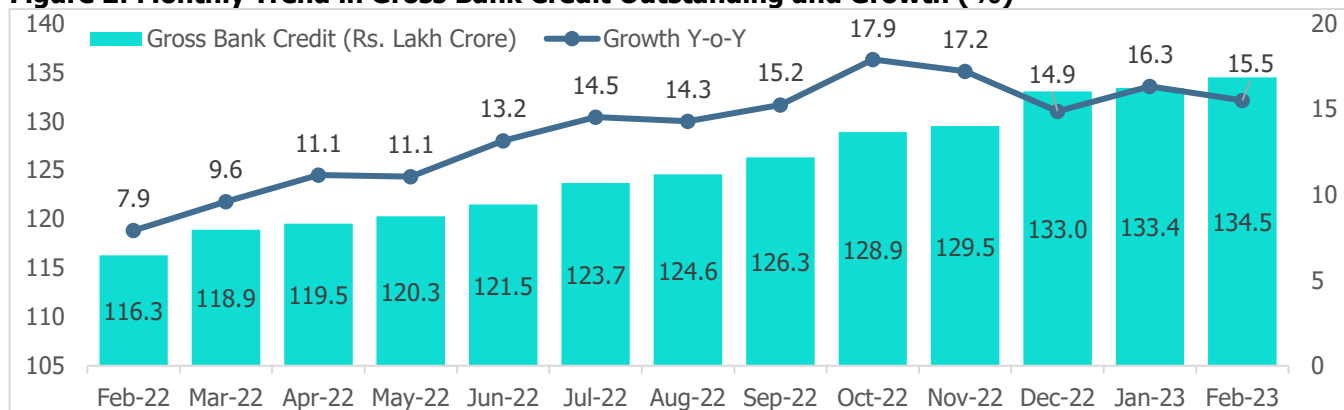
Source: RBI

Robust Annual² Growth

- Non-Food credit offtake rose by 15.9% y-o-y in February 2023 from 9.2% over a year ago. It expanded by 670 bps primarily due to a lower base, robust growth in NBFCs, personal loans, and inflation-induced working capital requirements from petroleum, chemical, glass, other industries, and import-oriented industries.

¹ (other personal loans + credit card outstanding + consumer durables)

² Annual Year over Year (y-o-y) growth measures the change in an annualized metric across two comparable periods.

Figure 2: Monthly Trend in Gross Bank Credit Outstanding and Growth (%)

Source: RBI

Strong Incremental Credit³ Growth

- Incremental bank credit rose by 13.1% in February 2023 vs. 7.3% in February in 2022. Personal loans and Services segments reported robust growth in the period. Nonetheless, infrastructure and gems & jewellery (within the industry segment) declined by 1.3%, and 6.2% y-o-y, respectively.

Figure 3: Sectoral Distribution of Credit: February 2023 (Rs. Lakh Crore)

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Feb 24, 2023	Feb 22 vs Feb 21	Feb 23 vs Feb 22	Feb 22 vs Mar 21	Feb 23 vs Mar 22
Gross Bank Credit	134.5	9.1	15.5	7.3	13.1
Food Credit	0.4	-9.3	-48.3	11.4	-35.9
Non-Food Credit	134.2	9.2	15.9	7.3	13.3
Agriculture & Allied	16.6	10.3	14.9	8.4	13.3
Industry	32.9	6.7	7.0	4.8	4.3
Of which					
Micro, Small & Medium	8.2	31.2	13.3	26.9	10.1
Large	24.7	0.9	5.0	-0.5	2.5
Services	35.2	6.2	20.7	5.4	17.0
Of which					
Trade	8.0	14.6	16.7	8.8	14.6
Commercial Real Estate	3.1	-0.30	8.5	-0.4	7.4
NBFCs	13.1	12.7	32.4	4.3	28.1
Personal Loans	40.1	12.5	20.4	10.8	18.5
Of which					
Housing	19.1	13.1	15.0	11.3	13.4
Vehicle	5.0	10.0	23.4	9.1	23.2
Unsecured Loans	13.2	13.8	26.6	13.8	23.6

Source: RBI; Note: Unsecured Loans = other personal loans + credit card outstanding + consumer durables

Personal Loans Segment

The personal loan segment (largest segment with a 32.1% share) witnessed a robust growth of 20.4% y-o-y in February 2023 due to strong growth in unsecured loans, vehicle, and consumer durables loans.

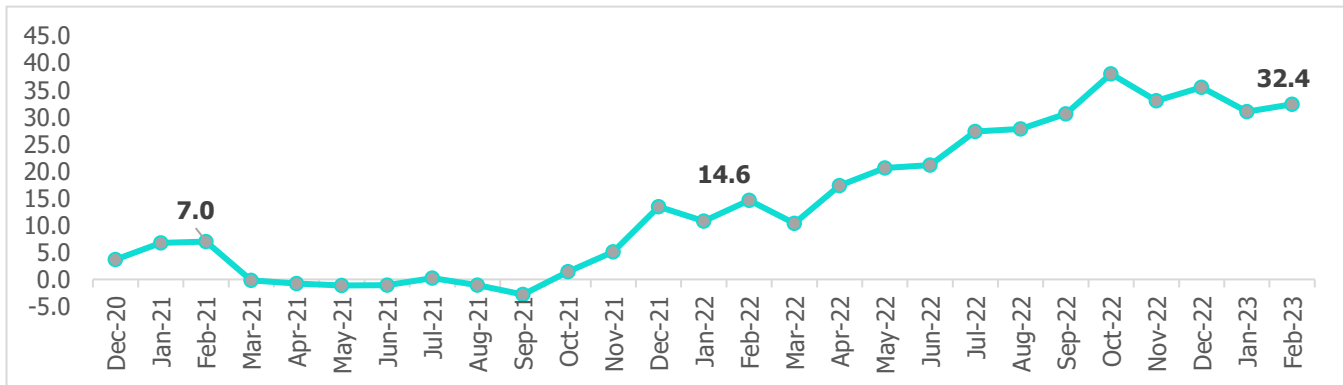
³ Incremental Credit Growth means the credit growth for the fiscal year compared to the end of the March of the last fiscal year. Here it compares growth till November 2022 from March 2022.

- Housing loans (share of 47.6% within personal loans) grew by 15.0% y-o-y in February 2023 compared with 13.1% in the year-ago period. In spite of reporting healthy growth in the month, the share of housing loans dropped to 47.6% in the personal loans segment as of February 24, 2023, vs. 49.8% over a year ago as unsecured loans grew at a faster pace.
- Unsecured loans reported a robust growth of 26.3% y-o-y in February 2023 due to the miniaturization of credit, digitalization of loans (faster loan turnaround and easier process), and preferences for premium consumer products. Its share increased to 32.5% in the personal loans segment as of February 24, 2023, vs. 30.9% over a year ago. After housing, unsecured loans are the second biggest component in the personal loan segments. Given the strong demand for different retail loan verticals, we anticipate retail credit growth to remain in the high digit for FY24.
- Vehicle loans (a share of 12.4% within personal loans) registered a robust growth of 23.4% y-o-y in February 2023 as compared to 10.0% in the year-ago period. Outstanding for vehicle loans stood at Rs.4.96 lakh crore on February 24, 2022. Nonetheless, it declined by 0.1% over January 2023, witnessing a drop after 20 months. As per CareEdge Publication, "Auto Sales Set to Grow 7-9% in FY24 on Infrastructure Boost", in February 2023, domestic automobile sales volumes increased by 9.9% y-o-y. This was driven by rising demand in urban markets, the wedding season, and increased semiconductor production and supply. The growth momentum is expected to continue with the domestic sales volume growth of 7-9% for FY24, supported by favourable demand sentiments and various government initiatives for rural and urban development.

Services Segment

The services sector registered the highest growth at 20.7% y-o-y in February 2023 (among key segments) compared to a marginal growth of 6.2% over a year ago.

Figure 4: Sustained Robust Growth in Advances of Banks to NBFCs (y-o-y, %)



Source: RBI

- NBFCs (within services, share of 37.2%) grew by 32.4% y-o-y in February 2023 from a growth of 12.7% in the year-ago period. The growth continued driven by a low base, and a shift of borrowings to the banking system.
- The trade segment (share of 22.6% within services) grew 16.7% in February 2023 as compared to 14.6% in the year-ago period. The growth was driven by retail trade (20.4%) in the period.
- The other services (share of 19.4% within services) rose by 17.6% y-o-y in February 2023.
- The growth in services is largely driven by NBFCs, If NBFCs are excluded, the credit growth downshifts to about 14.6% on a y-o-y basis.

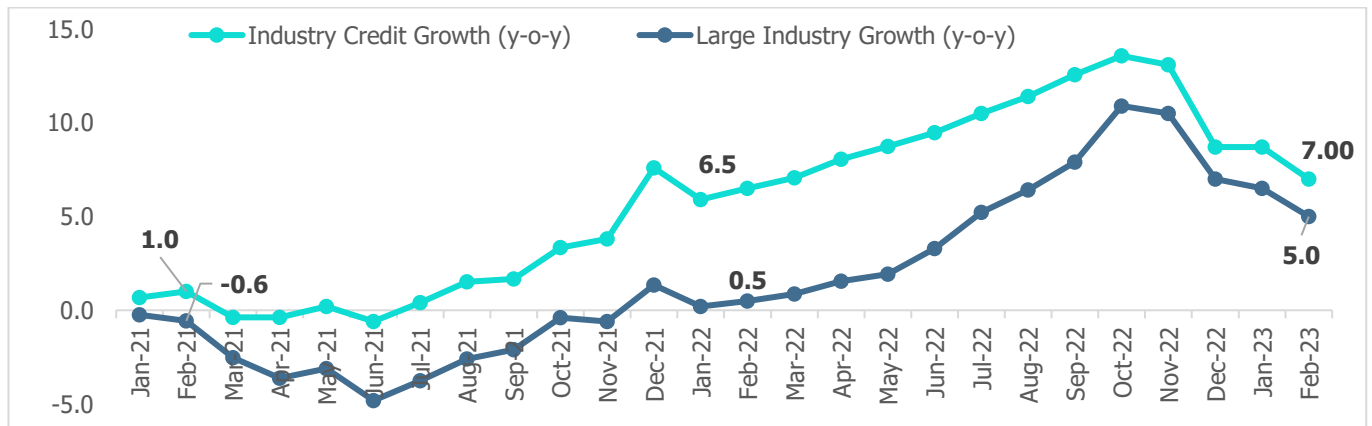
On an incremental basis, the services grew by 17.0% in February 2023 as compared to 5.4% a year ago. Aviation and NBFCs rose by 16.0% and 28.1%, respectively. All sub-segments reported growth except computer software and shipping dropped by 1.3% and 18.4%, respectively, in the period. The lending to NBFCs constituted 56.1% of incremental lending within services, increased from 27.0% over a year ago period.

Industry

The credit outstanding of the industry segment (share of 24.5%) registered a growth of 7.0% y-o-y in February 2023 from 6.7% in the year-ago period.

- MSME credit growth moderated to 13.3% to Rs.8.2 lakh crore in February 2023 vs. 31.2% over a year ago due to a high base, while the large industries segment is seen to have shaken off their lower growth of last year and has reported higher growth vs last year.
- The infrastructure segment (share of 35.8% within industry) rose by 0.6% in the period vs. 11.6% over a year ago period due to significantly lower growth reported by the power sector and a drop in telecommunication, railways, and ports. Overall, slow growth in infrastructure pulled down the industry growth. In absolute terms, credit for the infrastructure rose by Rs.0.1 lakh crore from February 2022, however, it declined by 0.2 lakh crore from March 2022.
 - Within infrastructure, roads, and airports rose by 6.8%, and 38.3% y-o-y, respectively. The credit offtake for roads moderated from 22.1% in February 2022 due to delayed allotment of the projects and completion for the same.
 - Power (share of 51.2% within infrastructure) reported a rise of 0.6% vs. 11.6%. The offtake in the power sector seems to have been impacted due to a lack of new projects in the traditional segments and a lower number of projects in the renewable segments, meanwhile, Telecom declined by 11.8% y-o-y in February 2023.
- Petroleum, coal products and nuclear fuels (share of 4.4% within the industry) witnessed the highest growth of 49.3% y-o-y vs. 33.9% 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 (share of 6.5% within the industry) rose 15.2% y-o-y vs. growth of 4.5% in the year-ago period, while mining and quarrying increased by 21.3% in the period.

Figure 5: Movement in Industry Credit Growth (y-o-y, (%))



Source: RBI

Incremental industry credit rose 4.3% in February 2023 vs. 4.8% in the last year.

- Petroleum, coal products and nuclear fuels (within the industry) reported the highest growth of 36.1%.
- Infrastructure credit declined by 1.3% in February 2023 v/s a growth of 7.0% in the last year.

Conclusion

Credit growth has remained robust in recent months even amid the significant rise in interest rates. The growth has been broad-based across the segments with Personal Loans and NBFCs being the key growth drivers for FY23. Additionally, demand for capex too is expected to drive industry credit growth. Meanwhile, credit growth is expected to be in sync with the GDP growth in FY24. Further, a slowdown in global growth due to rising interest rates, and rate hikes in India could impact credit growth.

Annexures

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

	O/s credit	% Growth in credit		% Growth in inc. credit	
	As of Feb' 24, 2023	Feb' 22 vs Feb' 21	Feb' 23 vs Feb' 22	Feb' 22 vs Mar 21	Feb' 23 vs Mar 22
Priority Sector	58.2	12.8	15.1	12.0	13.2
Agriculture & Allied	16.9	8.8	16.4	8.2	13.6
MSME	19.5	17.9	12.9	18.6	12.9
Housing	6.2	4.8	2.1	4.9	0.4
Weaker Sections	14.3	14.3	25.0	10.8	21.0
Others	1.3	20.4	2.1	20.0	4.1

Source: RBI

Figure A2: Overall Share of Segments within Personal Loan (%)

Personal Loans	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023
Housing	49.2	49.0	48.8	48.4	48.5	48.2	47.7	47.6
Advances against FD	2.4	2.5	2.6	2.6	2.5	2.8	2.8	2.8
Advances to Ind.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Education	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Vehicle Loans	12.2	12.2	12.1	12.2	12.3	12.3	12.5	12.4
Loans against gold jewellery	2.2	2.1	2.2	2.2	2.2	2.1	2.2	2.2
Unsecured Loans	31.4	31.5	31.4	31.7	31.5	31.5	31.6	31.6
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	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023
Transport Operators	4.9	4.9	4.9	4.8	4.9	4.7	4.8	4.8
Computer Software	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.6
Tourism, Hotels & Restaurants	2.1	2.0	2.1	1.9	2.0	1.8	1.9	1.9
Shipping	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Aviation	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Professional Services	3.7	3.8	3.7	3.7	3.7	3.6	3.7	3.7
Trade	22.7	23.1	23.1	22.5	22.1	21.9	22.4	22.6
Commercial Real Estate	9.3	9.3	9.2	9.2	9.2	8.8	9.0	8.9
NBFCs	36.7	36.2	36.4	37.8	36.8	37.7	37.0	37.2
Other Services	19.0	19.0	18.9	18.4	19.8	19.8	19.6	19.4
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	July 29, 2022	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023
Mining & Quarry	1.6	1.6	1.5	1.6	1.6	1.6	1.7	1.7
Food Processing	5.3	5.1	4.9	4.8	4.8	5.3	5.3	5.4
Beverage & Tobacco	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7
Textiles	6.7	6.6	6.6	6.5	6.4	6.6	6.7	6.8
Leather & Leather Prod.	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.3
Wood & Wood Products	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Paper & Paper Products	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Petroleum, Coal Prod & Nuclear Fuels	3.6	4.2	4.7	4.8	4.5	5.0	4.6	4.4
Chemicals & Chem Prods	6.6	6.6	6.6	6.8	6.6	6.6	6.5	6.5
Rubber, Plastic & Products	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4
Glass & Glassware	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cement & Cement Prod.	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7
Basic Metal & Metal Prod.	9.4	9.4	9.5	9.4	9.4	10.0	10.2	10.2
Engineering	5.2	5.2	5.3	5.2	5.2	5.2	5.2	5.3
Vehicles, Vehicles. Parts & Transport Equipment	2.9	2.8	2.8	2.9	2.8	2.9	2.9	3.0
Gems & Jewellery	2.3	2.3	2.4	2.4	2.2	2.4	2.3	2.3
Construction	3.7	3.7	3.7	3.6	3.6	3.6	3.5	3.7
Infrastructure	38.2	38.0	37.5	37.6	37.5	36.4	36.0	35.8
Other Industries	7.8	7.7	7.6	7.6	8.6	7.4	7.9	7.8
Industries	100.0	100.0	100.0	100.0	100	100	100.0	100.0

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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