

# Retail, NBFCs Continue to Drive Credit Offtake in FY23, Industry 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.

## Synopsis

- Gross bank credit offtake rose by a robust 15% year on year (y-o-y) in March 2023 due to strong growth across all the sectors, especially in the Non-Banking Financial Companies (NBFCs), vehicle, and unsecured personal loans<sup>1</sup> segments.
  - Personal loans growth accelerated to 20.6% y-o-y in March 2023 from 12.6% a year-ago period, driven by other personal loans, credit cards, housing and vehicle loans.
  - Credit growth for the services was robust at 19.8% y-o-y in March 2023 as compared with 8.7% a year-ago period due to growth in NBFCs and retail trade.
  - Industry credit offtake growth moderated at 5.7% (compared over the last couple of months), registering a lower growth compared to personal loans and services. Infrastructure witnessed a drop of 0.7% due to slow growth in the road sector and a decline in power and telecom.

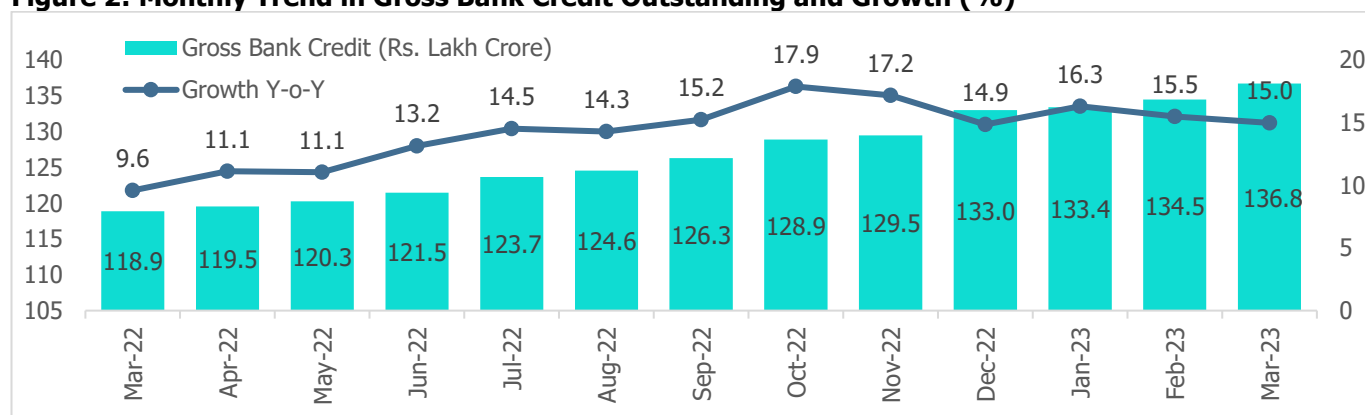
## Summary of Sectoral Performance

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

Particulars	O/s Credit	% Growth in Credit	
	As of 24 <sup>th</sup> Mar, 2023	Mar 22 vs Mar 21	Mar 23 vs Mar 22
Gross Bank Credit	136.8	9.6	15.0
Non-Food Credit	136.6	9.7	15.4
Agriculture	16.9	9.9	15.4
Industry	33.4	7.5	5.7
Services	36.1	8.7	19.8
Personal Loans	40.9	12.6	20.6

Source: RBI

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



Source: RBI

<sup>1</sup> unsecured personal loans = other personal loans + credit card outstanding + consumer durables

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

Particulars	O/s Credit	% Growth in Credit	
	As of Mar 24, 2023	Mar 22 vs Mar 21	Mar 23 vs Mar 22
<b>Gross Bank Credit</b>	<b>136.8</b>	<b>9.6</b>	<b>15.0</b>
Food Credit	0.2	-10.2	-63.8
<b>Non-Food Credit</b>	<b>136.6</b>	<b>9.7</b>	<b>15.4</b>
<b>Agriculture &amp; Allied</b>	<b>16.9</b>	<b>9.9</b>	<b>15.4</b>
<b>Industry</b>	<b>33.4</b>	<b>7.5</b>	<b>5.7</b>
Of which			
Micro, Small & Medium	8.5	30.6	14.4
Large	24.8	2.0	3.0
<b>Services</b>	<b>36.1</b>	<b>8.7</b>	<b>19.8</b>
Of which			
Trade	8.2	10.8	17.8
Commercial Real Estate	3.1	0.6	8.0
NBFCs	13.3	7.8	30.2
<b>Personal Loans</b>	<b>40.9</b>	<b>12.6</b>	<b>20.6</b>
Of which			
Housing	19.4	12.9	15.0
Vehicle	5.0	9.3	24.9
Unsecured Loans	13.3	15.5	26.4

Source: RBI; Note: Unsecured personal 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 20.6% y-o-y in March 2023 due to strong growth in unsecured loans, vehicle, and home loans.

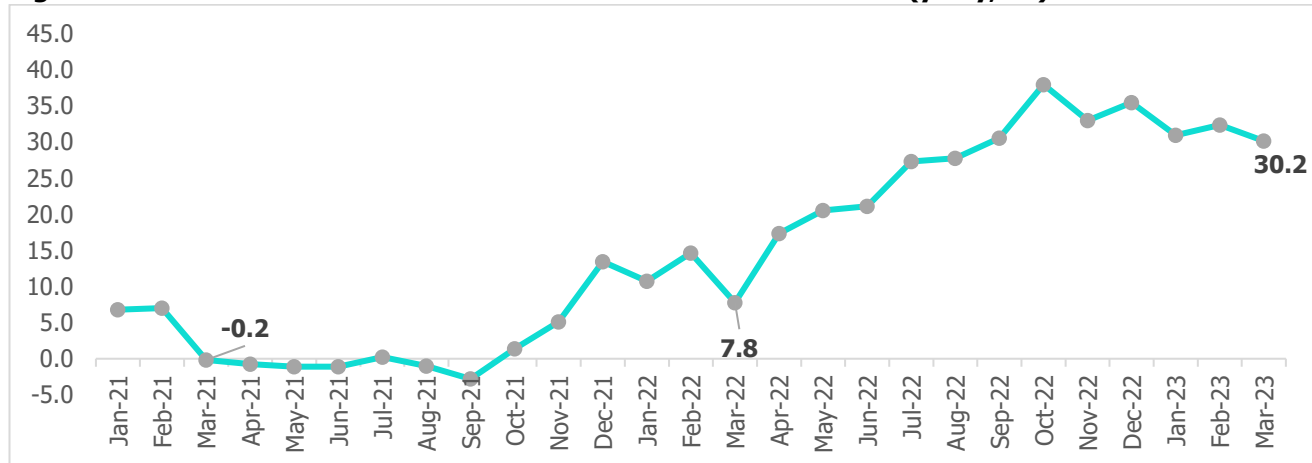
- Housing loans (share of 47.4% within personal loans) grew by 15.0% y-o-y in March 2023 compared with 12.9% in the year-ago period. Despite reporting healthy growth in the month, the share of housing loans dropped to 47.4% in the personal loans segment as of March 24, 2023, vs. 49.7% over a year ago as unsecured loans grew at a faster pace.
- Vehicle loans (a share of 12.3% within personal loans) registered a robust growth of 24.9% y-o-y in March 2023 as compared to 9.3% in the year-ago period. Outstanding for vehicle loans stood at Rs.5.0 lakh crore on March 24, 2022. As per CareEdge Publication, "[After FY23's 20% Jump, Auto Sales Set to Moderate 7.9% in FY24](#)", the domestic automobile sales grew by 20% on a y-o-y basis in FY23. The growth in sales volume across segments was supported by healthy demand in the urban areas, increasing replacement demand, growing demand for utility vehicles in the passenger vehicle segment, vehicle scrappage policy, and higher infrastructure spending.
- Unsecured loans reported a robust growth of 26.4% y-o-y in March 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 32.6% in the personal loans segment as of March 24, 2023, vs. 31.1% 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 robust for FY24.

Furthermore, DAs by NBFCs of over Rs 1.5 lakh crore along with co-lending and direct lending have also contributed to the growth. This has resulted in the segment increasing its share and that is likely to continue to grow further given the focus on the segment.

## Services Segment

The services sector registered the second-highest growth at 19.8% y-o-y in March 2023 (among key segments) compared to a marginal growth of 8.7% over a year ago.

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

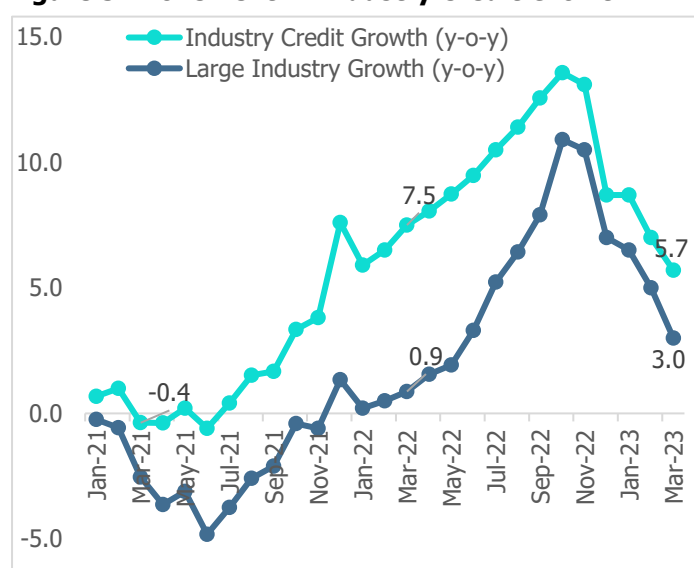


Source: RBI

- NBFCs (within services, the share of 36.9%) grew by 30.2% y-o-y in March 2023 from a growth of 7.8% in March 2022. The growth continued driven by a low base, and a shift of borrowings to the banking system.
- The trade segment (share of 22.7% within services) grew 17.8% in March 2023 as compared to 10.8% in the year-ago period. The growth was driven by retail trade (22.7%) in the period.
- The other services (share of 19.6% within services) rose by 15.8% y-o-y in March 2023.
- The growth in services is largely driven by NBFCs, If NBFCs are excluded, the credit growth downshifts to about 14.5% on a y-o-y basis.

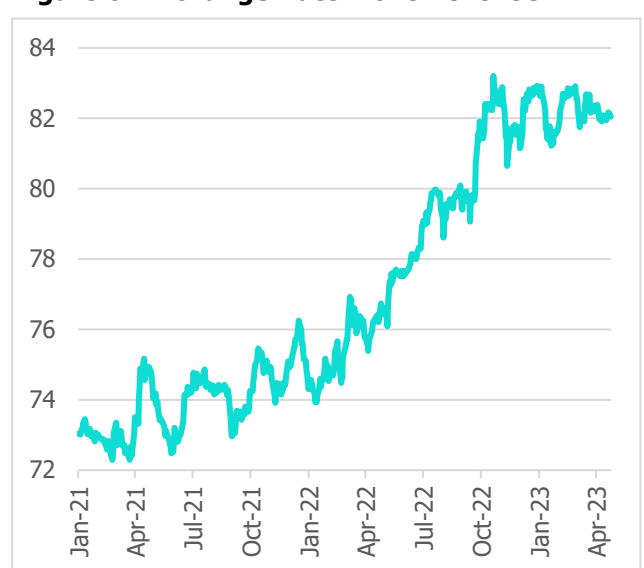
## Industry

**Figure 5: Movement in Industry Credit Growth**



Source: RBI

**Figure 6: Exchange Rate Movement: USD-INR**



Source: RBI

The credit outstanding of the industry segment (share of 26.2%) registered a growth of 5.7% y-o-y in March 2023 from 7.5% in the year-ago period.

- MSME credit growth moderated to 14.4% to Rs.8.5 lakh crore in March 2023 vs. 30.6% over a year ago due to a high base, while growth in the large industries segment seems to have trended lower compared to last year.
- The infrastructure segment (share of 35.6% within industry) dropped marginally by 0.7% vs. 9.1% over a year ago period due to significantly lower growth reported by the roads sector and a drop in power, telecommunication, and ports. Overall, slow growth in infrastructure pulled down the industry growth. In absolute terms, credit for the infrastructure fell marginally from March 2022.
  - Within infrastructure, roads, and airports rose by 5.3%, and 42.8% y-o-y, respectively. The credit offtake for roads moderated from 19.5% in March 2022 due to delayed allotment of the projects and completion for the same.
  - Power (share of 51% within infrastructure) reported a fall of 1.1% vs. a growth of 7.1%. 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 14.6% y-o-y in March 2023.
- Petroleum, coal products and nuclear fuels (share of 4.5% within the industry) witnessed the highest growth of 32.9% y-o-y vs. 35.6% 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 (share of 6.5% within the industry) rose 10.2% y-o-y vs. growth of 6.2% in the year-ago period, while mining and quarrying increased by 19.7% in the period.

## Conclusion

- Credit offtake 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. Additionally, demand for capex across select segments too is expected to drive industry credit growth. Meanwhile, credit growth is likely to moderate marginally in FY24 compared to FY23. Further, a slowdown in global growth due to elevated interest rates, and inflation could impact credit growth.

## Annexures

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

	O/s credit	% Growth in credit	
	As of Mar,' 24, 2023	Mar 22 vs Mar 21	Mar 23 vs Mar 22
<b>Priority Sector</b>	<b>58.8</b>	<b>13.9</b>	<b>14.5</b>
Agriculture & Allied	17.1	10.9	15.1
MSME	19.7	18.6	13.8
Housing	6.2	6.7	0.7
Weaker Sections	14.4	14.6	22.1
Others	1.4	18.1	12.2

Source: RBI

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

Personal Loans	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023	Mar 24, 2023
Housing	49.0	48.8	48.4	48.5	48.2	47.7	47.6	47.4
Advances against FD	2.5	2.6	2.6	2.5	2.8	2.8	2.8	3.0
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	12.1	12.2	12.3	12.3	12.5	12.4	12.3
Loans against gold jewellery	2.1	2.2	2.2	2.2	2.1	2.2	2.2	2.2
Unsecured Loans	31.5	31.4	31.7	31.5	31.5	31.6	31.6	32.6
<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	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023	Mar 24, 2023
Transport Operators	4.9	4.9	4.8	4.9	4.7	4.8	4.8	4.9
Computer Software	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6
Tourism, Hotels & Restaurants	2.0	2.1	1.9	2.0	1.8	1.9	1.9	1.8
Shipping	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Aviation	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Professional Services	3.8	3.7	3.7	3.7	3.6	3.7	3.7	3.7
Trade	23.1	23.1	22.5	22.1	21.9	22.4	22.6	22.7
Commercial Real Estate	9.3	9.2	9.2	9.2	8.8	9.0	8.9	8.7
NBFCs	36.2	36.4	37.8	36.8	37.7	37.0	37.2	36.9
Other Services	19.0	18.9	18.4	19.8	19.8	19.6	19.4	19.6
<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	Aug 26, 2022	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023	Mar 24, 2023
Mining & Quarry	1.6	1.5	1.6	1.6	1.6	1.7	1.7	1.8
Food Processing	5.1	4.9	4.8	4.8	5.3	5.3	5.4	5.5
Beverage & Tobacco	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7
Textiles	6.6	6.6	6.5	6.4	6.6	6.7	6.8	6.8
Leather & Leather Prod.	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.3
Wood & Wood Products	0.5	0.5	0.5	0.5	0.6	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	4.2	4.7	4.8	4.5	5.0	4.6	4.4	4.5
Chemicals & Chem Prods	6.6	6.6	6.8	6.6	6.6	6.5	6.5	6.5
Rubber, Plastic & Products	2.3	2.3	2.3	2.3	2.4	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	1.7	1.7
Basic Metal & Metal Prod.	9.4	9.5	9.4	9.4	10.0	10.2	10.2	10.3
Engineering	5.2	5.3	5.2	5.2	5.2	5.2	5.3	5.3
Vehicles, Vehicles. Parts & Transport Equipment	2.8	2.8	2.9	2.8	2.9	2.9	3.0	2.9
Gems & Jewellery	2.3	2.4	2.4	2.2	2.4	2.3	2.3	2.3
Construction	3.7	3.7	3.6	3.6	3.6	3.5	3.7	3.7
Infrastructure	38.0	37.5	37.6	37.5	36.4	36.0	35.8	35.6
Other Industries	7.7	7.6	7.6	8.6	7.4	7.9	7.8	7.7
<b>Industries</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: RBI

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