

Credit Growth Remains Strong in April 2023, Industry Subdued

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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 15.9% year on year (y-o-y) in April 2023 due to continued strong growth in services and personal loans especially driven by growth in lending to Non-Banking Financial Companies (NBFCs), vehicle loans, and unsecured personal loans¹ segments.
 - Credit growth for the services segment was robust at 21.8% y-o-y in April 2023 as compared with 11.2% a year-ago period due to growth in NBFCs, retail trade and other services.
 - Personal loan growth accelerated by 19.4% y-o-y in April 2023 from 14.4% a year-ago period, driven by credit cards, housing, vehicle loans and other loans.
 - Industry credit offtake growth moderated at 7.0% (y-o-y) from 8.0% over a year ago, registering a lower growth compared to personal loans and services. Infrastructure witnessed a marginal rise of 1.7% due to growth in roads and others, however, power, ports, airports, and telecom dropped in the month.
 - Agriculture and allied activities rose by 16.7% in April 2023 vs. 10.6% in April 2022.

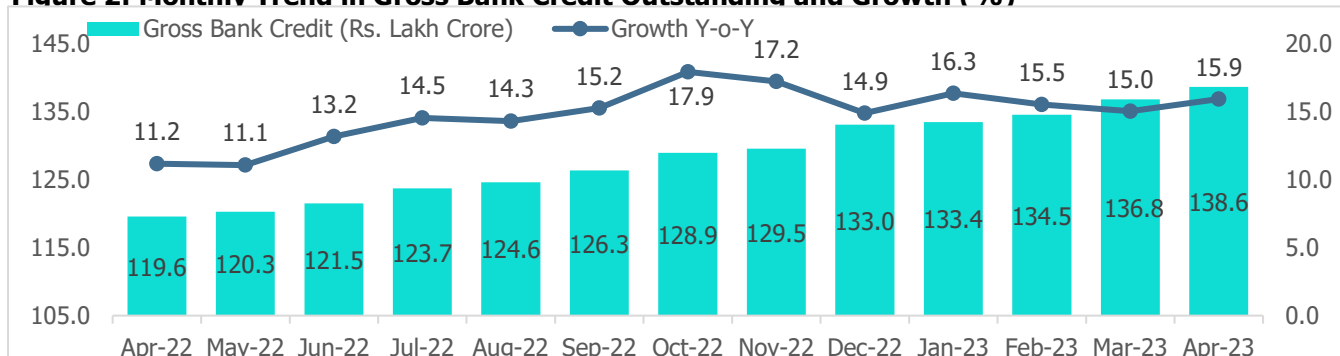
Summary of Sectoral Performance

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

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Apr 21, 2023	Apr 22 vs Apr 21	Apr 23 vs Apr 22	Apr 22 vs Mar 22	Apr 23 vs Mar 23
Gross Bank Credit	138.6	11.2	15.9	0.5	1.3
Non-Food Credit	138.4	11.4	16.1	0.7	1.3
Agriculture & Allied Activities	17.3	10.6	16.7	1.1	2.3
Industry	33.7	8.0	7.0	-0.2	1.0
Services	36.6	11.2	21.6	0.0	1.5
Personal Loans	41.2	14.4	19.4	1.8	0.8

Source: RBI

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



Source: RBI

¹ unsecured personal loans = other personal loans + credit card outstanding + consumer durables

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

Particulars	O/s Credit	% Growth in Credit		% Growth in Inc. Credit	
	As of Apr 21, 2023	Apr 22 vs Apr 21	Apr 23 vs Apr 22	Apr 22 vs Mar 22	Apr 23 vs Mar 23
Gross Bank Credit	138.6	11.2	15.9	0.5	1.3
Food Credit	0.2	-27.1	-50.0	-22.6	7.0
Non-Food Credit	138.4	11.4	16.1	0.7	1.3
Agriculture & Allied Activities	17.3	10.6	16.7	1.1	2.3
Industry	33.7	8.0	7.0	-0.2	1.0
Of which					
MSME	8.6	35.9%	12.4%	2.3%	0.39%
Large	25.1	1.3	5.3	-1.0	1.2
Services	36.6	11.2	21.6	0.0	1.5
Of which					
Trade	8.3	13.2	18.2	1.4	1.8
Commercial Real Estate	3.2	1.2	9.1	1.4	2.3
NBFCs	13.5	14.7	29.2	1.9	1.1
Personal Loans	41.2	14.4	19.4	1.8	0.8
Of which					
Housing	19.5	13.7	14.3	1.2	0.7
Vehicle Loans	5.1	11.4	23.1	2.7	1.2
Unsecured Loans	13.5	19.3	25.0	2.8	1.7

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 32.0% share) witnessed a robust growth of 19.4% y-o-y in April 2023 due to strong growth in unsecured loans, vehicle, and home loans.

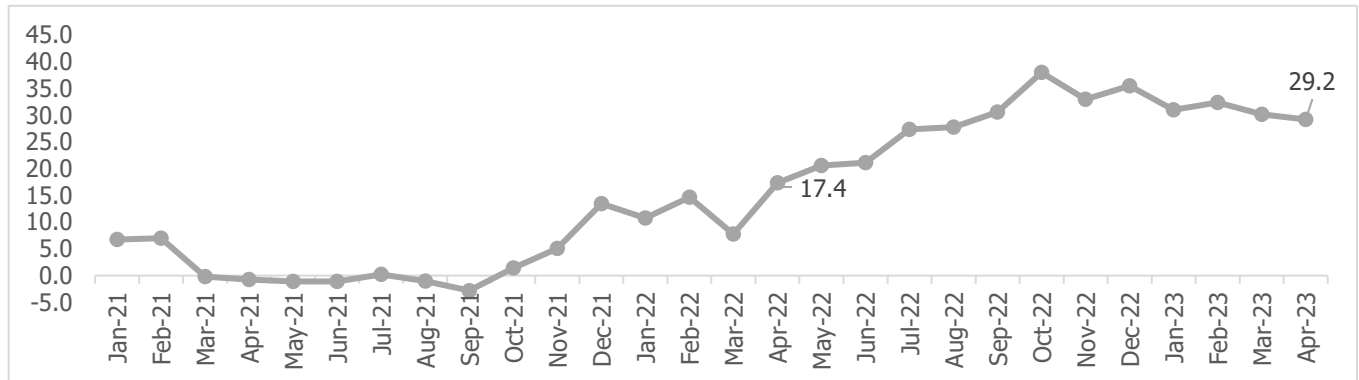
- Housing loans (share of 47.3% within personal loans) grew by 14.3% y-o-y in March 2023 compared to 13.7% a year ago. Despite reporting healthy growth in the month, the share of housing loans reduced to 47.3% in the personal loans segment as of April 21, 2023, vs. 49.4% over a year ago as unsecured loans grew at a faster pace.
- Vehicle loans (a share of 12.4% within personal loans) registered a robust growth of 23.1% y-o-y in April 2023 as compared to 11.4% in the year-ago period. Overall, auto industry sales volume witnessed strong growth in the month. According to the Society of Indian Automobile Manufacturers (SIAM), passenger vehicle sales in April 2023 reached 3.3 lakh units, marking the highest-ever sales for the month of April and reflecting a growth of 12.9% compared to April 2022. The two-wheeler segment saw a strong performance with sales totalling 13.4 lakh units, representing a growth of 15.1% compared to the previous year. Outstanding credit for vehicle loans stood at Rs.5.1 lakh crore as on April 21, 2023.
- Unsecured loans reported a robust growth of 25.0% y-o-y in April 2023 due to the granularisation of credit, digitalization of loans, preferences for premium consumer products, and credit push by banks. Its share increased to 32.9% in the personal loans segment as of April 21, 2023, vs. 31.4% over a year ago. After housing, unsecured loans is 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.

Incremental gross bank credit rose by 1.3% in April 2023, vs.0.5% over a year ago period. Generally, the beginning of the fiscal witnesses marginal growth or drop. However, the growth was positive and strong for the first month of FY24.

Services Segment

The services sector registered robust growth of 21.6% y-o-y in April 2023 compared to a growth of 11.2% over a year ago.

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

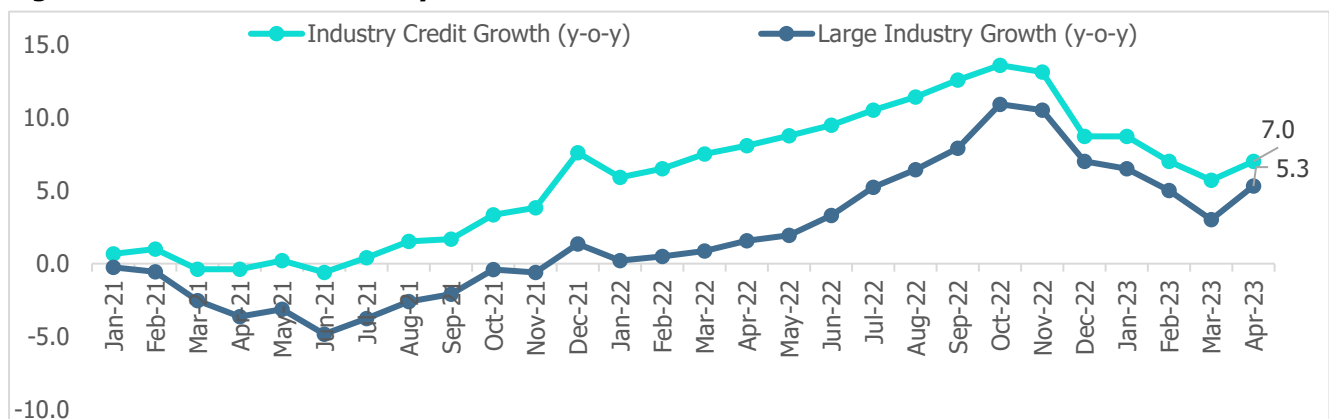


Source: RBI

- Lending to NBFCs (within services, the share of 36.7%) grew by 29.2% y-o-y in April 2023 from a growth of 14.7% in April 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 18.2% in April 2023 as compared to 13.2% in the year-ago period. The growth was driven by retail trade (22.7%) in the period.
- The other services, (share of 19.7% within services) rose by 23.5% y-o-y in April 2023. Other services include Mutual Fund, Banking and Finance other than NBFCs, MFs and other services.
- The growth in services is largely driven by NBFCs, If NBFCs are excluded, the credit growth would be lower at 14.6% on a y-o-y basis.

Industry

Figure 5: Movement in Industry Credit Growth



Source: RBI

The credit outstanding of the industry segment (share of 26.2%) registered a growth of 7.0% y-o-y in April 2023 from 8.0% in the year-ago period.

Within the industry, MSME credit growth moderated to 12.4% in April 2023 vs. 32.8% over a year ago due to a high base. The credit to large industries rose by 5.3% y-o-y from 1.3% in April 2022, however, the growth is much lower as compared with other segments.

- The infrastructure segment (share of 36.2% within industry) rose by 1.7% vs. 9.7% over a year ago period due to a drop in power, telecommunication, ports and airports. Overall, slow growth in infrastructure impacted the industry growth.
- Within infrastructure sector, power, and airports saw a drop by 0.3%, and 7.0% y-o-y, respectively. The credit offtake for roads moderated from 17.3% in April 2022 to 7.8% in April 2023.
- Power (share of 50.2% within infrastructure) reported a fall of 0.3% vs. a growth of 8.1%, meanwhile, Telecom declined by 1.1% y-o-y in April 2023.

As per the CareEdge Report titled "[Infrastructure – Key Driver of India's Amrit Kaal March](#)", to meet the demands of India's growing population and economic development, substantial investments in transport infrastructure are necessary. The budget for overall capex in 2023-24 has seen a significant increase of 33% to Rs.10 lakh crore (USD 122 billion), amounting to approximately 3.3% of GDP. Additionally, the establishment of the Infrastructure Finance Secretariat aims to facilitate private investment opportunities in various sectors, including railways, roads, urban infrastructure, and power.

- Petroleum, coal products and nuclear fuels (share of 4.3% within the industry) witnessed the highest growth of 39.5% y-o-y vs. 25.4% in the year-ago period. The growth can be attributed to higher working capital requirements driven by currency depreciation.
- The mining and quarrying, including coal, (share of 1.8% within the industry) rose 27.5% y-o-y vs. growth of 10.9% in the year-ago period.
- Basis metals and products (share of 1.8% within the industry) rose by 19.2% in April 2023 vs. a drop of 4.4% over a year ago period.

Conclusion

Credit offtake remained robust for FY23 and April 2023 even amid the significant rise in interest rates, and global uncertainties related to geo-political, and supply chain issues. Personal Loans and NBFCs have been the key growth drivers for April 2023. Meanwhile, credit growth is expected to be in sync with the GDP growth in FY24. GoI's capital expenditure plan for FY24 is also expected to drive credit growth. 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 Apr 21, 2023	Apr 22 vs Apr 21	Apr 23 vs Apr 22	Apr 22 vs Mar 22	Apr 23 vs Mar 23
Priority Sector	57.8	14.6	10.1	2.9	-0.8
Agriculture & Allied Activities	16.8	19.7	12.5	1.9	-1.6
Micro & Small Enterprises	15.8	67.2	12.2	2.2	0.7
Medium Enterprises	4.0	5.3	1.6	-0.4	1.0
Housing	6.2	16.7	12.2	2.3	0.4
Weaker Sections	13.6	18.0	2.3	-0.2	-2.1
Others	1.3	17.8	10.2	2.0	-6.9

Source: RBI

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

Personal Loans	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023	Mar 24, 2023	Apr 21, 2023
Housing	48.8	48.4	48.5	48.2	47.7	47.6	47.4	47.3
Advances against FD	2.6	2.6	2.5	2.8	2.8	2.8	3.0	2.7
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	12.1	12.2	12.3	12.3	12.5	12.4	12.3	12.4
Loans against gold jewellery	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2
Unsecured Loans	31.4	31.7	31.5	31.5	31.6	31.6	32.6	32.9
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	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023	Mar 24, 2023	Apr 21, 2023
Transport Operators	4.9	4.8	4.9	4.7	4.8	4.8	4.9	4.9
Computer Software	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Tourism, Hotels & Restaurants	2.1	1.9	2.0	1.8	1.9	1.9	1.8	1.8
Shipping	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Aviation	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Professional Services	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7
Trade	23.1	22.5	22.1	21.9	22.4	22.6	22.7	22.8
Commercial Real Estate	9.2	9.2	9.2	8.8	9.0	8.9	8.7	8.8
NBFCs	36.4	37.8	36.8	37.7	37.0	37.2	36.9	36.7
Other Services	18.9	18.4	19.8	19.8	19.6	19.4	19.6	19.7
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	Sep 23, 2022	Oct 21, 2022	Nov 18, 2022	Dec 30, 2022	Jan 27, 2023	Feb 24, 2023	Mar 24, 2023	Apr 21, 2023
Mining & Quarry	1.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8
Food Processing	4.9	4.8	4.8	5.3	5.3	5.4	5.5	5.3
Beverage & Tobacco	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Textiles	6.6	6.5	6.4	6.6	6.7	6.8	6.8	6.9
Leather & Leather Prod.	0.4	0.4	0.3	0.4	0.3	0.3	0.3	0.3
Wood & Wood Products	0.5	0.5	0.5	0.6	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	4.7	4.8	4.5	5.0	4.6	4.4	4.5	4.3
Chemicals & Chem Prods	6.6	6.8	6.6	6.6	6.5	6.5	6.5	6.4
Rubber, Plastic & Products	2.3	2.3	2.3	2.4	2.4	2.4	2.4	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	1.6	1.6	1.6	1.6	1.7	1.7	1.7
Basic Metal & Metal Prod.	9.5	9.4	9.4	10.0	10.2	10.2	10.3	10.2
Engineering	5.3	5.2	5.2	5.2	5.2	5.3	5.3	5.3
Vehicles, Vehicles. Parts & Transport Equipment	2.8	2.9	2.8	2.9	2.9	3.0	2.9	2.9
Gems & Jewellery	2.4	2.4	2.2	2.4	2.3	2.3	2.3	2.3
Construction	3.7	3.6	3.6	3.6	3.5	3.7	3.7	3.6
Infrastructure	37.5	37.6	37.5	36.4	36.0	35.8	35.6	36.2
Other Industries	7.6	7.6	8.6	7.4	7.9	7.8	7.7	7.7
Industries	100.0	100.0	100	100	100.0	100.0	100.0	100.0

Source: RBI

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