

Credit Offtake Accelerates in June 23; Services Outperforms, Retail Sustains

August 02, 2023 | BFSI Research

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 witnessed an accelerated rise of 16.2% year-on-year (y-o-y) in June 2023. The growth was driven by services, personal and agriculture loans. Non-Banking Financial Companies (NBFCs), other services, vehicle loans, unsecured personal loans¹, and retail trade reported robust growth.
 - Services segment reported a robust rise of 26.7% y-o-y in June 2023 as compared with 12.8% a year-ago due to strong credit demand from key sub-segments (NBFCs and Trade).
 - Personal loans reported a sustained growth at 20.9% y-o-y in June 2023 compared to 18.1% a year ago.
 - Industry moderated at 8.1% y-o-y in June 2023 from 9.5% over the year-ago period due to slow growth in MSME and muted growth in infrastructure. Infrastructure rose marginally by 1.7% y-o-y against 9.5% in June 2022 as credit for power witnessed muted growth, road slowed, and telecommunication dropped.
 - Agriculture segment also rose by 19.7% y-o-y in June 2023 due to high demand during sowing season.

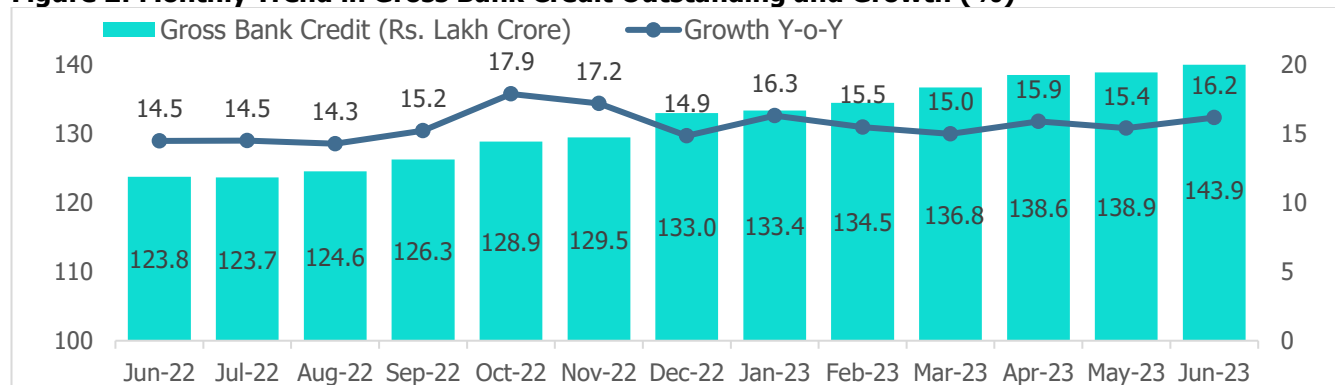
Summary of Sectoral Performance

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

| Particulars | O/s Credit | % Growth in Credit | | % Growth in Inc. Credit | |
|---------------------------------|---------------------|--------------------|--------------------|-------------------------|-------------------|
| | As of June 30, 2023 | June 22 vs June 21 | June 23 vs June 22 | June 22 vs Mar 22 | June 23 vs Mar 23 |
| Gross Bank Credit | 143.9 | 14.5 | 16.2 | 4.1 | 5.2 |
| Non-Food Credit | 143.6 | 15.0 | 16.3 | 4.3 | 5.2 |
| Agriculture & Allied Activities | 18.0 | 12.9 | 19.7 | 2.7 | 6.5 |
| Industry | 34.2 | 9.5 | 8.1 | 0.4 | 2.6 |
| Services | 38.9 | 12.8 | 26.7 | 1.8 | 7.7 |
| Personal Loans | 42.6 | 18.1 | 20.9 | 4.1 | 4.3 |

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: June 2023 (Rs. Lakh Crore)

| Particulars | O/s Credit | % Growth in Credit | | % Growth in Inc. Credit | |
|--------------------------------------------|---------------------|--------------------|--------------------|-------------------------|-------------------|
| | As of June 30, 2023 | June 22 vs June 21 | June 23 vs June 22 | June 22 vs Mar 22 | June 23 vs Mar 23 |
| Gross Bank Credit | 143.9 | 14.5 | 16.2 | 4.1 | 5.2 |
| Food Credit | 0.3 | -55.0 | -25.4 | -32.0 | 40.2 |
| Non-Food Credit | 143.6 | 15.0 | 16.3 | 4.3 | 5.2 |
| Agriculture & Allied Activities | 18.0 | 12.9 | 19.7 | 2.7 | 6.5 |
| Industry | 34.2 | 9.5 | 8.1 | 0.4 | 2.6 |
| Of which | | | | | |
| MSME | 8.9 | 26.1 | 13.0 | 3.7 | 4.4 |
| Large | 25.4 | 3.2 | 6.4 | -0.7 | 2.0 |
| Services | 38.9 | 12.8 | 26.7 | 1.8 | 7.7 |
| Of which | | | | | |
| Trade | 8.6 | 16.7 | 17.3 | 5.3 | 4.9 |
| Commercial Real Estate | 3.3 | 3.3 | 11.3 | 2.6 | 5.6 |
| NBFCs | 14.2 | 18.1 | 35.1 | 3.1 | 7.0 |
| Personal Loans | 42.6 | 18.1 | 20.9 | 4.1 | 4.3 |
| Of which | | | | | |
| Housing | 20.0 | 15.1 | 15.0 | 3.3 | 3.3 |
| Vehicle Loans | 14.1 | 17.7 | 22.9 | 6.2 | 4.6 |
| Unsecured Loans | 5.2 | 34.2 | 27.3 | 5.2 | 5.9 |

Source: RBI; Note: Unsecured personal loans = other personal loans + credit card outstanding + consumer durables, Segmental Share Calculation based on sum of Agriculture, Industry + Services+ Personal Loans.

- Incremental gross bank credit rose by 5.2% in June 2023, vs. 4.1% over the year-ago period due to strong demand from the services and agriculture segment.

Personal Loans Segment

The personal loans segment (largest segment with a 31.9% share) witnessed a robust growth of 20.9% y-o-y in June 2023 due to strong demand across the verticals (sub-segments). All major verticals reported healthy double-digit growth in the month.

- Housing loans (share of 46.9% within personal loans) grew by 15.0% y-o-y in June 2023 compared to 15.1% a year ago due to healthy demand and also price hikes. Despite reporting healthy growth, the share of housing loans reduced to 46.9% in the personal loans segment as of June 30, 2023, vs. 49.3% in June 2022 and 50.6% in June 2021 as unsecured loans and vehicle loans grew at a faster pace.
- Vehicle loans (share of 12.3% within personal loans) registered a robust growth of 22.9% y-o-y in June 2023 compared to 17.7% in the year-ago period. As per SIAM, the volume (y-o-y, growth) of the auto industry rose in the low (single) digits in June 2023. Overall, outstanding credit for vehicle loans stood at Rs 5.2 lakh crore as on June 30, 2023.
- Unsecured loans reported a robust growth of 27.3% y-o-y in June 2023 due to the granularisation of credit, digitalisation of loans, and preferences for premium consumer products. Its share increased to 33.2% in the personal loans segment as of June 30, 2023, vs. 31.5% over a year ago. Within unsecured loans, credit card outstanding witnessed a robust rise of 36.0% y-o-y to Rs 2.1 lakh crore in June 2023 driven by summer

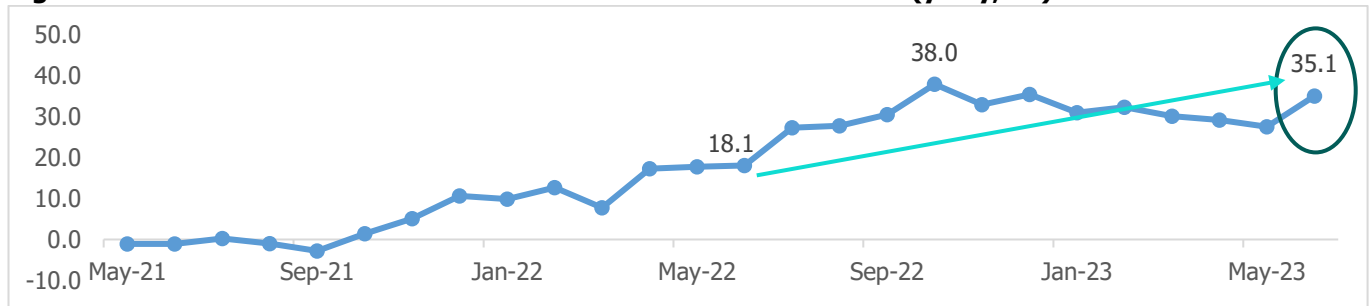
vacations and increasing digitalization. After housing, unsecured loans are the second largest component in the personal loan segments.

In terms of incremental growth, personal loans rose by 4.3% in June 2023 vs 4.2% in June 2022. It was driven by unsecured, education and gold loans.

Services Segment

The services sector outperformed other segments and reported a robust growth of 26.7% y-o-y in June 2023 compared to a growth of 12.8% in the year-ago period. It was driven by robust loan demand from NBFCs, Aviation and other services. All segments reported healthy double-digit growth except shipping which dropped by 16.4% in the month.

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

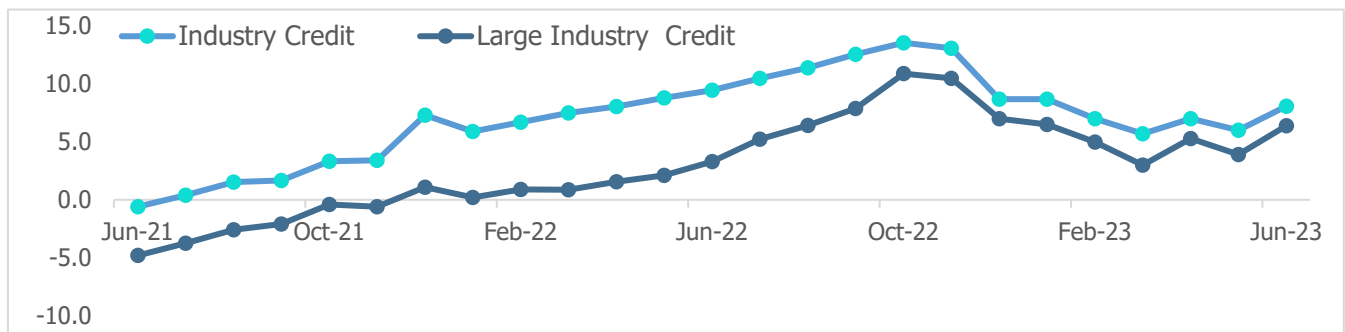


Source: RBI

- Lending to NBFCs (within services, the share of 36.7%) grew by 35.1% y-o-y in June 2023 from a growth of 18.1% in June 2022. It was continued driven by healthy growth reported by NBFCs for their loan disbursement and a shift of borrowings to the banking system.
- The trade sub-segment (share of 22.1% within services) grew 17.3% in June 2023 as compared to 16.7% in the year-ago period due to growth in the retail trade (23.3%).
- The growth in services was also led by growth in 'other services', which grew by 33.8% y-o-y.
- The growth in services is largely driven by NBFCs, If NBFCs are excluded, the credit growth would have been lower but would have remained robust at 22.5% on a y-o-y basis.

Industry

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



Source: RBI

The credit outstanding of the industry segment (share of 25.6%) registered a moderation in growth at 8.1% y-o-y in June 2023 from 9.5% in the year-ago period. Within the industry, MSME credit growth slowed from 34.2% y-o-y in June 2022 to 13.0% y-o-y in June 2023 due to a high base. The credit to large industries rose by 6.4% y-o-y from 3.2% in June 2022. Moreover, the growth is much lower as compared with other segments. Overall Industry's share dropped from 28.1% in June 2022 to 25.6% in June 2023.

- The infrastructure segment (share of 36.0% within the industry) rose by 1.7% vs. 9.5% over a year ago period due to a muted growth witnessed by the power and slow growth in credit growth of the road segment and a drop in telecommunication segment. The power segment (share of 50.7% within infrastructure) witnessed a marginal growth of 0.7% in June 2023 vs. 8.7% in June 2022. The credit offtake for roads also slowed from 17.8% in June 2022 to 5.5% in June 2023, meanwhile, telecommunication declined by 5.7% y-o-y in the same period. Overall, slow growth in infrastructure impacted the industry growth.
- Petroleum, coal products and nuclear fuels (a share of 3.8% within the industry) witnessed one of the highest growths of 31.0% y-o-y vs. 23.9% in the year-ago period. As credit for term loans increased due to increasing capacities and rise in expenditure for marketing and distribution setups. On the other hand, the working capital requirement for the sector decreased as crude oil prices have come down significantly in the period as compared with the same period in the last year.
- The mining & quarrying, cement and basic metal reported healthy double-digit growth in June 2023

Conclusion

The outlook for bank credit offtake remains positive, supported by factors such as economic expansion, increased capital expenditure, the implementation of the PLI scheme, and a push for retail credit. It is important to consider that this growth would be coming off a high base in FY23, which might have a marginal impact on the growth rate. CareEdge has forecasted GDP growth at 6.5% in FY24 (revised upwards from 6.1% earlier) compared to 7.2% in FY23. Based on GDP forecasts and sectoral credit growth expectations, CareEdge estimates that credit growth is likely to be in the range of 13.0%-13.5% for FY24, excluding the impact of the merger of HDFC with HDFC Bank. If the merger is included, the growth rate is expected to be higher by approximately 3.0%. The personal loan segment is expected to perform well compared to the industry and service segments in FY24. Further, the July 2023 numbers would be impacted by the merger of HDFC with HDFC Bank (mostly an increase in personal loans and a reduction in NBFC). However, elevated interest rates and global uncertainties could potentially impact credit growth in India. Moreover, a reduction in inflation could also lead to decreased working capital demand.

Annexures

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

| | O/s credit | % Growth in credit | | % Growth in Inc. credit | |
|---------------------------------|---------------------|--------------------|--------------------|-------------------------|-------------------|
| | As of June 30, 2023 | June 22 vs June 21 | June 23 vs June 22 | June 22 vs Mar 22 | June 23 vs Mar 23 |
| Priority Sector | 61.1 | 17.2 | 18.3 | 0.5 | 4.9 |
| Agriculture & Allied Activities | 18.2 | 8.2 | 25.4 | -2.3 | 6.4 |
| Micro & Small Enterprises | 17.0 | 22.6 | 19.0 | 3.4 | 8.0 |
| Medium Enterprises | 4.2 | 48.1 | 15.1 | 3.3 | 4.8 |
| Housing | 6.3 | 5.2 | 2.2 | 0.0 | 1.5 |
| Weaker Sections | 14.1 | 23.1 | 19.5 | -0.5 | 1.5 |
| Others | 1.5 | 13.6 | 7.3 | 4.4 | 2.4 |

Source: RBI

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

| Personal Loans | Nov 18, 2022 | Dec 30, 2022 | Jan 27, 2023 | Feb 24, 2023 | Mar 24, 2023 | Apr 21, 2023 | May 19, 2023 | June 30, 2023 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Housing | 48.5 | 48.2 | 47.7 | 47.6 | 47.4 | 47.3 | 47.3 | 46.9 |
| Advances against FD | 2.5 | 2.8 | 2.8 | 2.8 | 3.0 | 2.7 | 2.7 | 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 | 12.3 | 12.3 | 12.5 | 12.4 | 12.3 | 12.4 | 12.3 | 12.3 |
| Loans against gold jewellery | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Unsecured Loans | 31.5 | 31.5 | 31.6 | 31.6 | 32.6 | 32.9 | 33.0 | 33.2 |
| 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 | Nov 18, 2022 | Dec 30, 2022 | Jan 27, 2023 | Feb 24, 2023 | Mar 24, 2023 | Apr 21, 2023 | May 19, 2023 | June 30, 2023 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Transport Operators | 4.9 | 4.7 | 4.8 | 4.8 | 4.9 | 4.9 | 4.9 | 4.8 |
| Computer Software | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Tourism, Hotels & Rest. | 2.0 | 1.8 | 1.9 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 |
| Shipping | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Aviation | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 1.1 |
| Professional Services | 3.7 | 3.6 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Trade | 22.1 | 21.9 | 22.4 | 22.6 | 22.7 | 22.8 | 22.8 | 22.1 |
| Commercial Real Estate | 9.2 | 8.8 | 9.0 | 8.9 | 8.7 | 8.8 | 8.7 | 8.6 |
| NBFCs | 36.8 | 37.7 | 37.0 | 37.2 | 36.9 | 36.7 | 36.4 | 36.7 |
| Other Services | 19.8 | 19.8 | 19.6 | 19.4 | 19.6 | 19.7 | 20.1 | 20.5 |
| 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 | Nov 18, 2022 | Dec 30, 2022 | Jan 27, 2023 | Feb 24, 2023 | Mar 24, 2023 | Apr 21, 2023 | May 19, 2023 | June 30, 2023 |
|-------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Mining & Quarry | 1.6 | 1.6 | 1.7 | 1.7 | 1.8 | 1.8 | 1.6 | 1.5 |
| Food Processing | 4.8 | 5.3 | 5.3 | 5.4 | 5.5 | 5.3 | 5.4 | 5.5 |
| Beverage & Tobacco | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Textiles | 6.4 | 6.6 | 6.7 | 6.8 | 6.8 | 6.9 | 6.9 | 6.9 |
| Leather & Leather Prod. | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Wood & Wood Products | 0.5 | 0.6 | 0.6 | 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 | 4.5 | 5.0 | 4.6 | 4.4 | 4.5 | 4.3 | 4.1 | 3.8 |
| Chemicals & Chem Prods | 6.6 | 6.6 | 6.5 | 6.5 | 6.5 | 6.4 | 6.5 | 6.4 |
| Rubber, Plastic & Products | 2.3 | 2.4 | 2.4 | 2.4 | 2.4 | 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 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.6 | 1.7 |
| Basic Metal & Metal Prod. | 9.4 | 10.0 | 10.2 | 10.2 | 10.3 | 10.2 | 10.1 | 10.4 |
| Engineering | 5.2 | 5.2 | 5.2 | 5.3 | 5.3 | 5.3 | 5.3 | 5.4 |
| Vehicles, Vehicles. Parts & Transport Equipment | 2.8 | 2.9 | 2.9 | 3.0 | 2.9 | 2.9 | 2.9 | 3.0 |
| Gems & Jewellery | 2.2 | 2.4 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Construction | 3.6 | 3.6 | 3.5 | 3.7 | 3.7 | 3.6 | 3.7 | 3.8 |
| Infrastructure | 37.5 | 36.4 | 36.0 | 35.8 | 36.0 | 36.2 | 36.4 | 36.0 |
| Other Industries | 8.6 | 7.4 | 7.9 | 7.8 | 7.2 | 7.7 | 7.6 | 7.8 |
| Industries | 100 | 100 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: RBI

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