Personal Loans Segment Breaches Rs. 50 lakh crore Mark in November

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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 40 banks accounting for approximately 95% of non-food credit extended by SCBs.

Synopsis

- Gross bank credit offtake witnessed an increase of 20.6% year-on-year (y-o-y) in November 2023 propped by sustained robust demand from the personal loans and services segments (however, both categories have moderated compared to prior periods) and the impact of the merger between HDFC Bank and HDFC which offset the tepid growth in the industry segment. Without considering the merger, the y-o-y growth stood at 16.2%, lower by 1.0% than last year's growth number of 17.2%.
  - Personal loans witnessed a robust growth of 30.1% y-o-y due to the impact of the merger (reclassification of HDFC's advances), festival demand, and growth in other personal loans and vehicle loans. Excluding the merger impact, growth rate reduced by around 130 bps to 18.6% in November 2023 on a y-o-y- basis.
  - Services segment reported a rise of 25.4% y-o-y in November 2023 (higher than 23.6% in October 2023) due to continued growth in trade, commercial real estate, and Non-Banking Financial Services (NBFCs) (lower compared to prior period). Without considering the merger, it also reported a robust growth of 21.9% y-o-y vs. 21.3% a year ago.
  - Industry moderated to 6.6% y-o-y in November 2023 from 13.0% over the year-ago period due to slower growth in Micro, Small & Medium Enterprises (MSME) and marginal growth in the infrastructure segment.
- Incremental gross bank credit rose by 14.2% in November 2023. Without considering the merger (at 10.0%), it was higher by approximately 112 bps from 8.9% over a year ago.

Summary of Sectoral Performance

Figure 1: Sectoral Distribution of Credit: November 2023 (Rs. Lakh Crore, %)

Particulars	O/s Credit	Chg	% Growth in Credit		% Growth in Inc. Credit	
	As of Nov 17, 2023	M-o-M (%)	Nov 22 vs Nov 21	Nov 23 vs Nov 22	Nov 22 vs Mar 22	Nov 23 vs Mar 23
Gross Bank Credit	**156.2**	**1.3**	**17.2**	**20.6**	**8.9**	**14.2**
Non-Food Credit	**155.8**	**1.1**	**17.6**	**20.8**	**8.9**	**14.1**
Agriculture & Allied	19.3	0.9	14.0	18.2	9.1	11.8
Industry	36.0	0.8	13.0	6.6	4.4	5.4
Services	42.6	1.3	21.3	25.4	10.0	15.3
Personal Loans	50.6	1.1	19.9	30.1	12.5	20.9

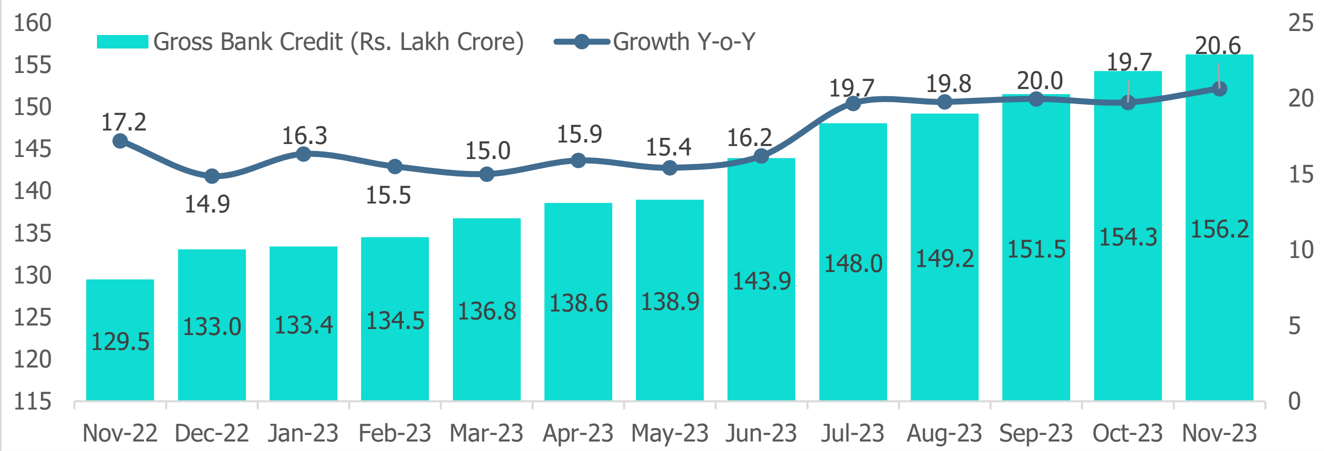
Source: RBI, Merger between HDFC Bank and HDFC Ltd is effective from July 01, 2023, so data is not comparable directly.

Figure 2: Growth Excl. Merger Impact: Marginal Moderation in Personal Loans – Nov-23, (%)

Particulars	Credit Growth (y-o-y)	Changes (y-o-y, bps)	Incremental. Credit Growth	Changes (y-o-y) (bps)
Gross Credit	**16.2**	**-100**	**10.0**	**112**
Non-Food Credit	**16.3**	**-130**	**9.8**	**85**
Industry	6.1	-690	4.9	50
Services	21.9	60	12.1	207
Personal Loans	18.6	-130	10.3	-222

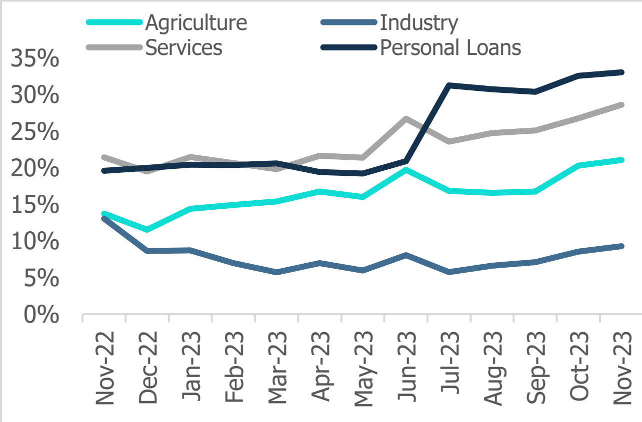
Source: RBI

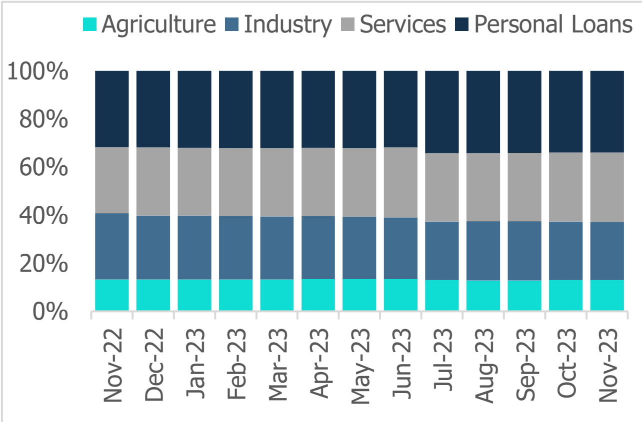
Figure 3: Monthly Trend in Gross Bank Credit Outstanding and Growth (%)



Source: RBI, Merger between HDFC Bank and HDFC Ltd is effective from July 01, 2023, so data is not comparable directly.

Figure 4: Shift Towards Retail in Bank Sectoral Credit Growth (y-o-y) and Share (%)





Source: RBI, Merger between HDFC Bank and HDFC Ltd is effective from July 01, 2023, so data is not comparable directly.

Figure 5: Sectoral Distribution of Credit: November 2023 (Rs. Lakh Crore)

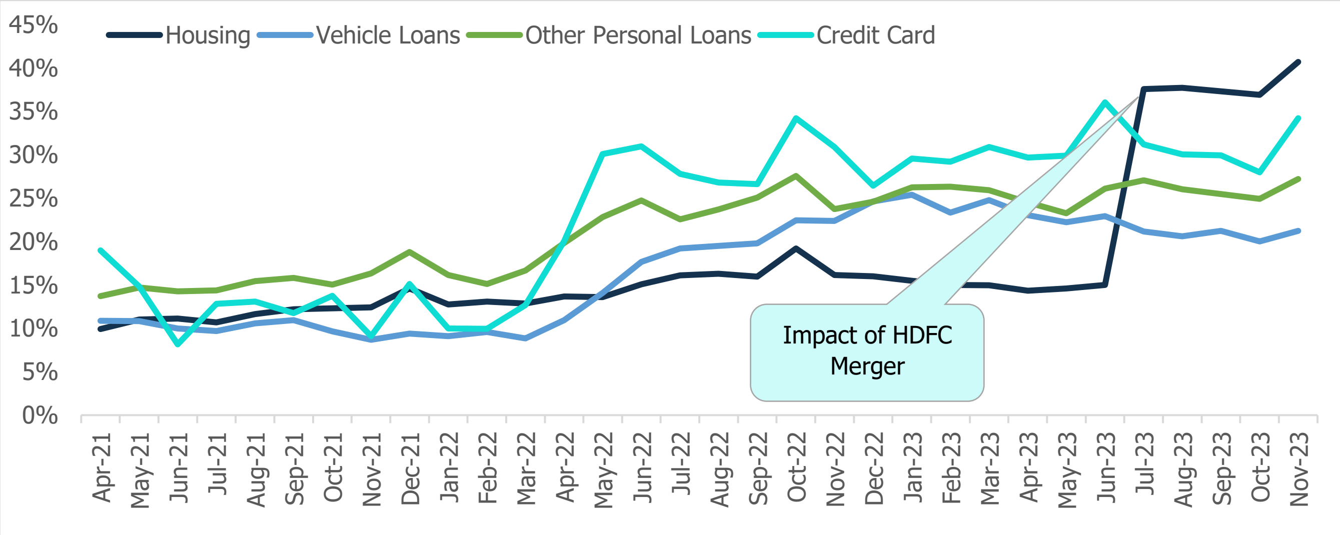
Particulars	O/s Credit	% Chg	% Chg Y-o-Y						
	Nov 17, 2023	M-o-M	Nov 22	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23
Gross Credit	**156.2**	**1.3**	**17.2**	**16.2**	**19.7**	**19.8**	**20.0**	**19.7**	**20.6**
Non-Food	**155.8**	**1.1**	**17.6**	**16.3**	**19.8**	**19.9**	**20.0**	**19.8**	**20.8**
Agri	**19.3**	**0.9**	**14.0**	**19.7**	**16.8**	**16.6**	**16.8**	**20.3**	**18.2**
Industry	**36.0**	**0.8**	**13.0**	**8.1**	**5.8**	**6.6**	**7.1**	**8.6**	**6.6**
MSME	9.7	1.0	21.9	13.0	9.8	10.5	10.0	22.7	15.6
Large	26.3	0.7	10.3	6.4	4.4	5.4	6.1	4.1	3.6
Services	**42.6**	**1.3**	**21.3**	**26.7**	**23.6**	**24.8**	**25.1**	**26.8**	**25.4**
Trade	9.1	-1.6	16.0	17.3	17.1	14.2	16.2	24.0	19.0
Commercial RE	4.3	1.1	7.7	11.5	38.0	38.5	37.8	39.0	37.5
NBFCs	14.9	1.2	32.4	35.0	23.6	25.8	26.3	23.2	21.5
Personal Loans	**50.6**	**1.1**	**19.9**	**20.9**	**31.2**	**30.8**	**30.4**	**32.6**	**30.1**
Housing	25.9	1.1	16.6	15.0	37.6	37.7	37.3	40.6	37.0
Vehicle Loans	5.6	2.1	22.3	22.9	21.2	20.6	21.2	20.5	20.8
Other Pers. Loans	13.0	0.8	24.0	26.1	27.1	26.0	25.5	27.7	24.3

Source: RBI, CareEdge Calc.; Note 1: Segmental Share Calculation based on the sum of Agriculture, Industry, Services & Personal Loans. Note 2: Merger between HDFC Bank and HDFC Ltd effective from July 01, 2023, data is not comparable directly.

Personal Loans

The personal loans segment (the largest segment with a 34% share) witnessed a robust growth of 30.1% y-o-y for November 2023 boosted by the impact of the HDFC merger, festival demand, growth in credit card outstandings, other personal loans, housing loans, and vehicle loans. Credit growth in the personal loans space continues to also be driven by miniaturisation of credit, increased use of credit bureaus for faster decisions and an increase in e-commerce transactions. Within the personal loans segment, all major sub-segments witnessed strong demand during the month. If we consider the growth excluding the merger, it marginally moderated to 18.6% y-o-y as compared to 19.9% y-o-y in November 2022.

Figure 6: Continued Growth in Advances of Banks to Select Personal Loan Segments (y-o-y, %)



Source: RBI

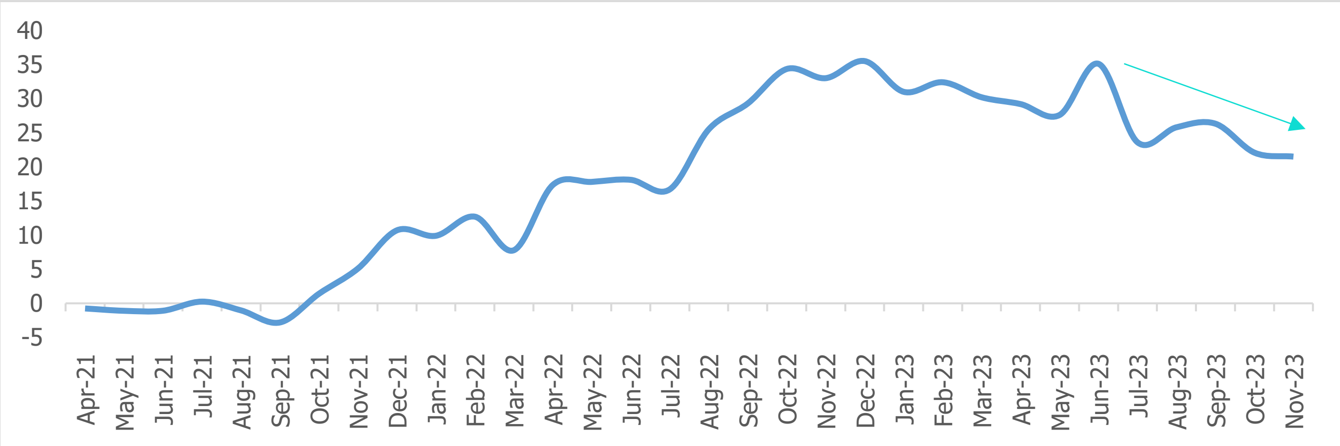
- Housing loans grew by 37.0% y-o-y in November 2023 compared to 16.6% a year ago mainly due to the merger (reclassification of HDFCs' advances) and sales of high value residencies. If the merger was excluded, the growth would have decelerated by roughly 150 bps to 15.0% y-o-y. The rise in interest rates has a larger impact on affordable housing as this borrowing class faces the additional burden of elevated rates.
- Vehicle loans registered a robust growth of 20.8% y-o-y in November 2023 as compared to 22.3% in the year-ago period. The growth can be attributed to comparatively higher sales in the festive season and premiumisation of the vehicle market.
- Credit Card outstanding continued to be elevated in November 2023 reaching Rs 2.4 lakh crore, a y-o-y growth of 34.2%, while staying at the same level sequentially. Meanwhile, the credit card transactions declined after the festive season neared its end, which can be seen by the sequential drop in online payments. However, the point of sale or PoS transactions have witnessed an increase. The credit card segment might see some moderation after the RBI increased the risk weights.
- The other personal loans reached Rs 12.96 lakh crore and rose by 24.3% y-o-y on account of the festival season, a rising trend in small ticket-size loans and faster turnaround due to digitalisation. However, growth rate is likely to moderate given RBI's action of increasing the risk weights on consumer loans.

Services

The services sector reported a robust growth of 25.4% y-o-y in November 2023 compared to a growth of 21.5% in the year-ago period due to growth in commercial real estate (merger impact and demand), NBFCs, transport operators, and other services. Without considering the merger, the growth would have been 21.9% y-o-y.

- The credit exposure of banks to Non-Banking Financial Companies (NBFCs) stood at Rs 14.9 lakh crore in November 2023, indicating a 21.5% year-on-year (y-o-y) growth. This expansion is indicative of the robust progress observed in NBFCs during the post-pandemic period. Furthermore, the proportion of NBFC exposure in relation to aggregate credit has risen from 9.5% in November 2022 to 9.6% in November 2023. On a month-on-month (m-o-m) basis, the amount rose by 1.2%. After the merger of HDFC Limited with HDFC Bank, the quantum of outstanding exposure of banks to NBFCs reduced sequentially, albeit maintaining the y-o-y growth rate which has since moved past the pre-merger level. This trend can be primarily ascribed to the expansion in the AuM of NBFCs. In November 2023, the y-o-y expansion in bank advances to NBFCs reduced to around 22% levels compared to the approximately 30% average growth in the 12 months prior to the same. This may likely be attributed to the RBI's increasing risk weights.

Figure 7: Continued Growth in Advances of Banks to NBFCs (y-o-y, %)



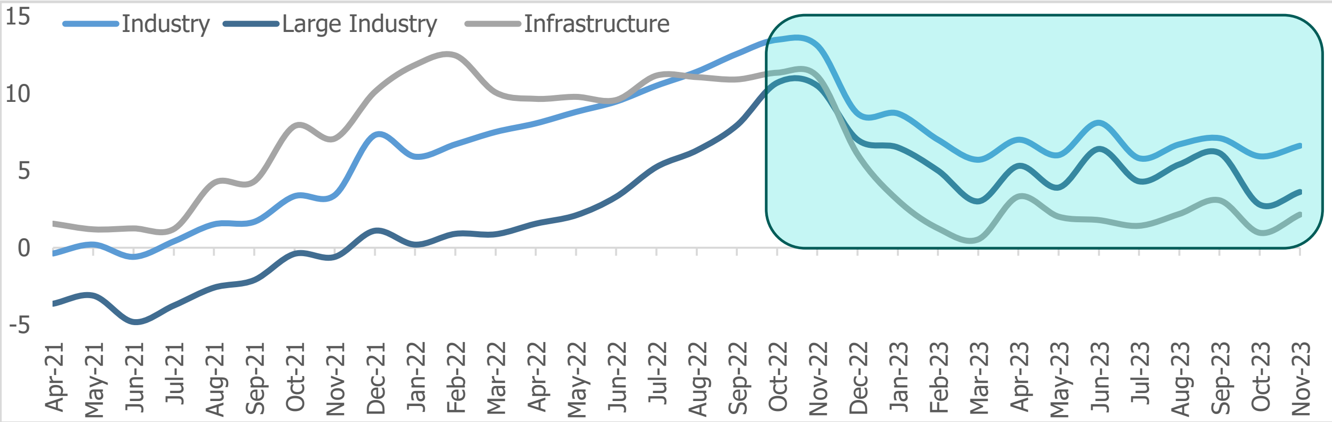
Source: RBI, Note: Merger between HDFC Bank and HDFC Ltd is effective from July 01, 2023, so data is not comparable directly.

- Commercial real estate rose by 37.5% y-o-y in November 2023 due to merger and continued demand. However, without considering the merger it rose by 16.2% y-o-y vs. 7.7% y-o-y in November 2022.
- Trade grew 19.0% in November 2023 as compared to 16.0% in the year-ago period due to growth in wholesale (21.0%).
- The growth in services was also led by 36.2% y-o-y growth in 'other services'. Even if we exclude the merger impact, it rose by 30.6% y-o-y in November 2023 compared to 25.2% in November 2022.

Industry

The credit outstanding of the industry segment registered a moderation in growth at 6.6% y-o-y in November 2023 from 13.0% in the year-ago period. The reduction in growth was partially offset by the HDFC-HDFC Bank merger, if the merger impact had been excluded, growth would have been even slower at 6.1%. The lower growth was due to moderation in credit for infrastructure, 'chemical and 'chemical-related', and 'engineering' industries, along with a reduction in 'petroleum, coal products, & nuclear fuels'. The industry's MSME credit growth slowed from 21.9% y-o-y in November 2022 to 15.6% y-o-y in November 2023 due to a high base. The credit to large industries also moderated from 10.3% y-o-y in November 2022 to 3.6% in November 2023.

Figure 8: Movement in Industry (y-o-y, %) – Muted Growth in Infra Pulls Down Credit Growth



Source: RBI, Note: Merger between HDFC Bank and HDFC Ltd is effective from July 01, 2023, so data is not comparable directly.

- The infrastructure (sub-segment, within the industry 35.6% share) witnessed a marginal credit growth of 2.1% y-o-y in November 2023 vs. a rise of 11.1% over the year-ago period due to a drop in the power, ports, airports, and other infrastructure segments along with comparatively slow growth in the telecommunications, and road. Meanwhile, the railway segment reported a faster growth compared to the drop in the same period last year. The power segment (the largest segment of infrastructure, with a share of 49.4%) witnessed a reduction of 0.4% in November 2023 vs. a rise of 8.6% in November 2022. Meanwhile, the credit offtake for roads slowed from 14.0% y-o-y in November 2022 to 6.4% in November 2023. This deceleration can be attributed to lower allotments of projects and lower working capital requirements. Additionally advances from banks have stagnated as companies borrowed more from other sources like the bond market and non-bank lenders such as Power Finance Corporation (PFC).

Conclusion

The longer-term outlook continues to remain positive, driven by economic expansion, increased capital expenditure, and a sustained focus on retail credit. In terms of segmental performance, the personal loan segment, driven in part by the merger's influence, would outperform industry and service segments in FY24. The unsecured retail and NBFCs could likely witness some deceleration ahead due to risk weights tightening. Revival of credit growth in large industries could accelerate the overall non-food credit growth and provide some cushion in case of a slowdown in growth momentum in the retail vertical. Elevated interest rates, any further rise in the repo rate, inflation, and global uncertainties regarding geo-political issues are other key factors which could weigh on credit growth.

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