

# Credit Offtake Remains Robust and Broad-based in May 2024

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

## Synopsis

- Gross bank credit offtake (ex-merger basis) witnessed an increase of 16.1%, higher by 70 bps on a y-o-y basis.
- The services sector experienced strong credit growth of 20.7% y-o-y in May 2024, slightly lower than the 21.3% recorded in May 2023. This growth was bolstered by increased credit in segments such as commercial real estate, transport operators, and professional services. However, credit growth to non-banking financial companies (NBFCs) decelerated compared to the previous year.
- Industry segment exhibited a growth of 8.9% y-o-y in May 2024 compared to 6.0% in May 2023, led by growth in Micro, Small & Medium Enterprises (MSME) lending and growth in sectors like infrastructure and textiles.
- Meanwhile, the personal loans segment growth rate reduced by around 130 bps (from 19.1% for the same period last year) to 17.8% in May 2024. Credit housing, the largest segment within personal loans, saw an acceleration, indicating sustained demand in the housing market.

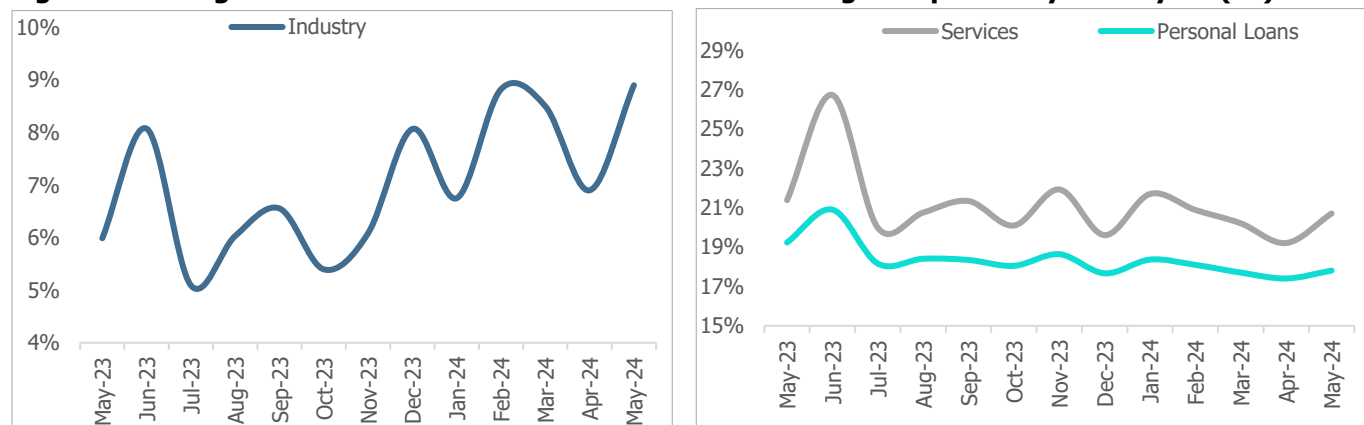
## Summary of Sectoral Performance

Figure 1: Sectoral Distribution of Credit: May 2024 (Rs. Lakh Crore, %)

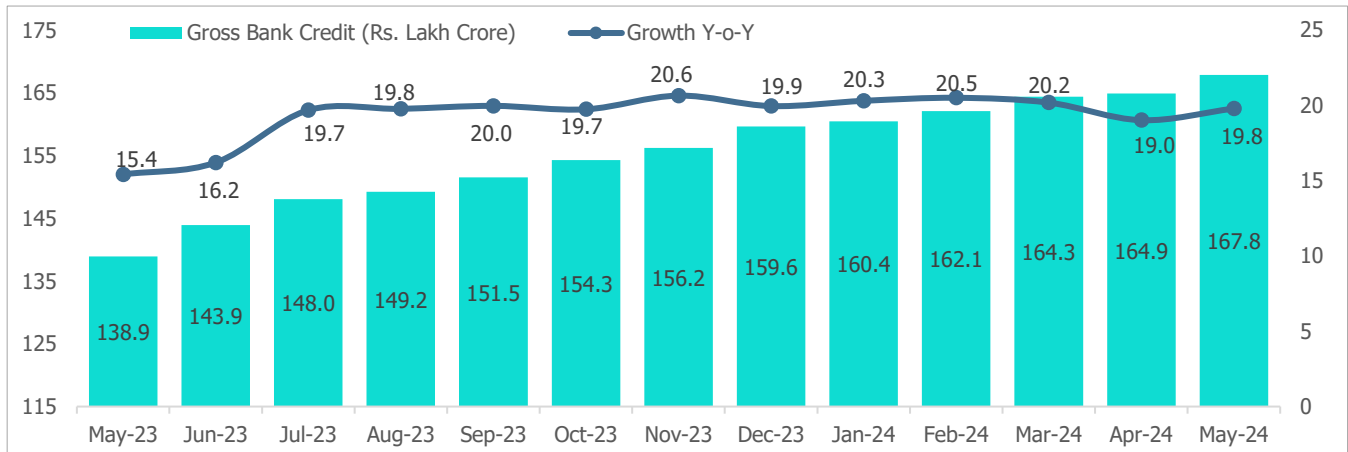
Particulars	O/s Credit	Chg	% Growth in Credit		% Inc. Growth	
	As of May 31, 2024	M-o-M (%)	May 23 vs May 22	May 24 vs May 23	May 23 vs Mar 23	May 24 vs Mar 24
<b>Gross Bank Credit</b>	<b>167.8</b>	<b>1.7</b>	<b>15.4</b>	<b>19.8</b>	<b>2.4</b>	<b>2.1</b>
<b>Non-Food Credit</b>	<b>167.4</b>	<b>1.6</b>	<b>15.5</b>	<b>19.8</b>	<b>2.3</b>	<b>2.0</b>
Agriculture & Allied	21.4	1.2	16.0	21.6	1.9	3.3
Industry	37.0	1.3	6.0	9.4	0.6	1.4
Services	46.8	1.9	21.3	23.2	2.2	1.9
Personal Loans	54.6	1.7	19.1	28.7	1.3	2.4

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

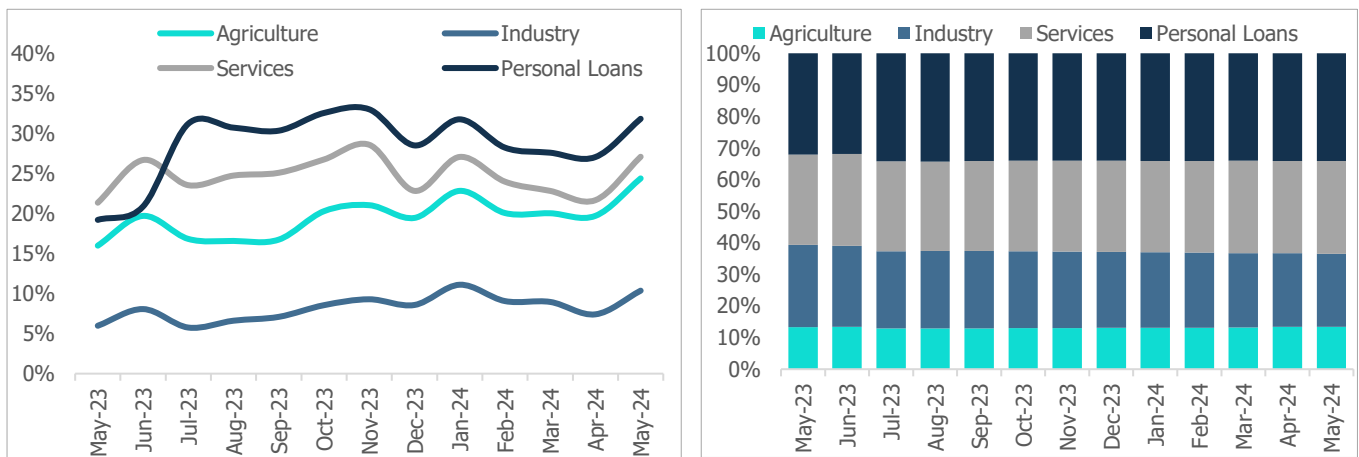
Figure 2: All Segments Continue to Witness Traction Excl. Merger Impact: May 23-May 24 (%)



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: Retailisation of Bank Credit Continues (y-o-y growth, %) and share (%)**

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

**Figure 5: Sectoral Distribution of Credit: May 2024 (Rs. Lakh Crore)**

Particulars	O/s Credit	% Chg	% Chg Y-o-Y (incl Merger)		% Chg Y-o-Y (excl Merger)
	May 31, 2024	M-o-M	May 23	May 24	May 24
<b>Gross Bank Credit</b>	<b>167.8</b>	<b>1.7</b>	<b>15.4</b>	<b>19.8</b>	<b>16.1</b>
<b>Non-Food Credit</b>	<b>167.4</b>	<b>1.6</b>	<b>15.5</b>	<b>19.8</b>	<b>16.2</b>
<b>Industry</b>	<b>37.0</b>	<b>1.3</b>	<b>6.0</b>	<b>9.4</b>	<b>8.9</b>
MSME	10.5	0.7	10.2	15.5	NA
Large	26.5	1.5	4.6	7.1	NA
<b>Services</b>	<b>46.8</b>	<b>1.9</b>	<b>21.3</b>	<b>23.2</b>	<b>20.7</b>
Trade	10.5	3.1	18.5	17.7	NA
Commercial RE	4.8	7.4	6.9	45.3	26.0
NBFCs	15.7	0.9	27.3	16.0	NA

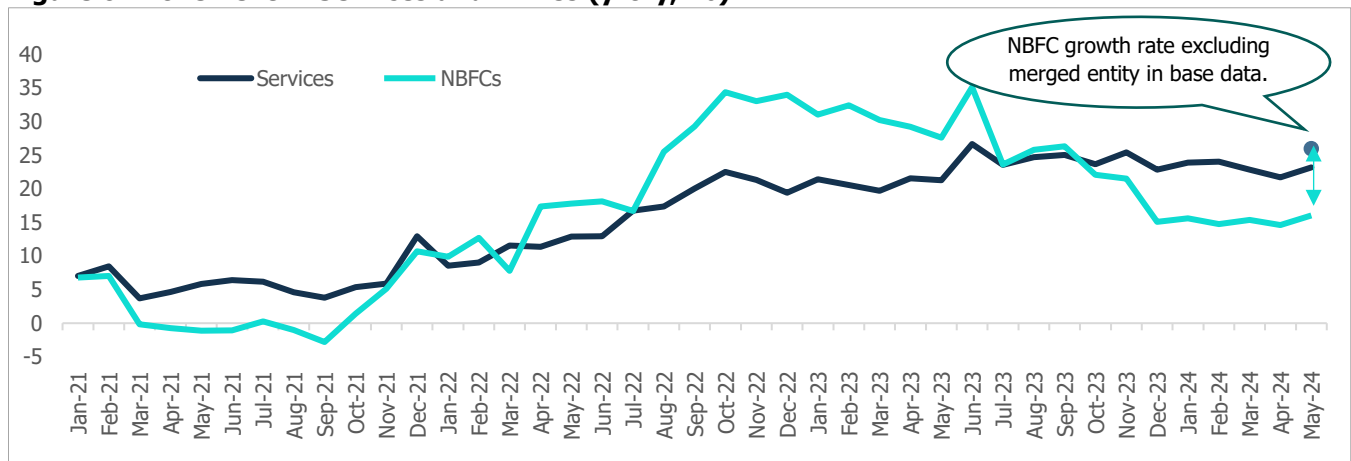
Source: RBI, CareEdge Calc.; Note: Merger between HDFC Bank and HDFC Ltd effective from July 01, 2023, data is not comparable directly.

Lending to businesses (industry + services) increased by 16.7% in May 2024 compared to 13.6% reported in May 2023. Excluding the merger impact, the growth came in at 15.1% in May 2024.

**Services**

The services sector reported a robust growth of 23.2% y-o-y in May 2024 compared to a growth of 21.3% in the year-ago period. The segment experienced a surge in growth, driven by a notable improvement in credit expansion to commercial real estate, transport operators and professional services. Without considering the merger, the growth would have been 20.7% y-o-y.

**Figure 6: Movement in Services and 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

Banks' o/s credit exposure to NBFCs stood at Rs 15.7 lakh crore as of May 2024, indicating a 16.0% y-o-y growth that is approximately half of the growth rate reported in May 2023 indicating a slower increase in comparison. Meanwhile, on a month-on-month (m-o-m) basis, the amount rose by 0.9%. This growth has been despite the reclassification of HDFC's exposures following its merger with HDFC Bank. Further, if we exclude the merged entity from the base data, the growth would have been higher at 26.0%. This adjustment offers a clearer view of the underlying growth trend.

Meanwhile, the proportion of NBFC exposure in relation to aggregate credit has marginally reduced from 9.6% in May 2023 to 9.3% in May 2024. Additionally, the reported growth rate of advances to NBFCs has been below the overall bank credit growth since December 2023. This can be attributed to regulatory actions, base effect (HDFC's numbers are excluded in May 2024, but included in May 2023 data) and capital market borrowings.

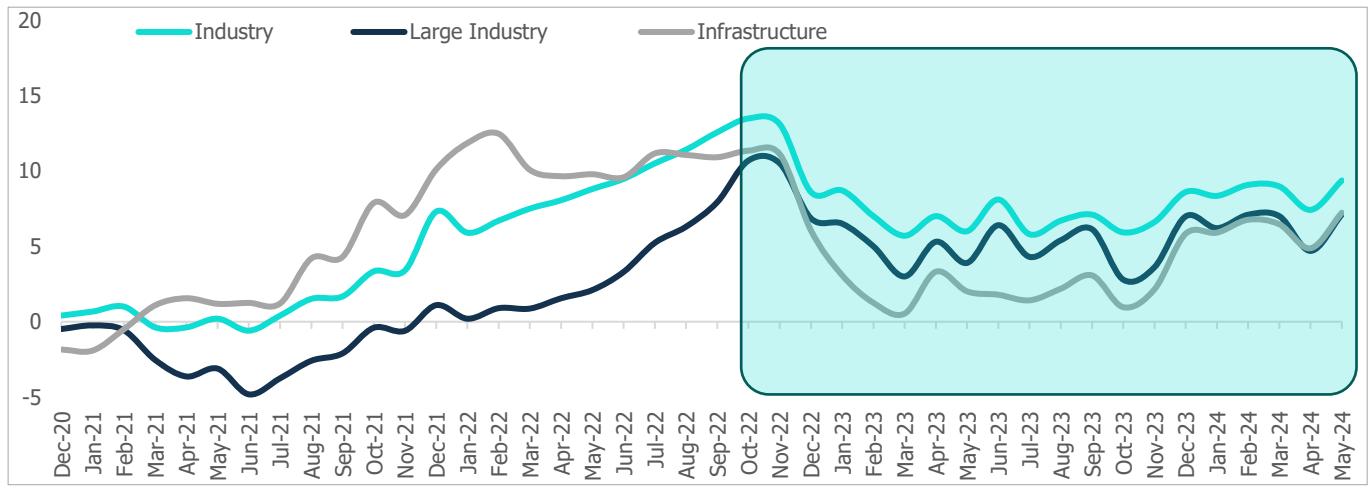
Commercial real estate rose by 45.3% y-o-y in May 2024 and sped up further on a low base, merger impact and continued robust demand. CRE forms only 2.9% of the banking system's gross advances. Meanwhile, without considering the merger, the growth remained strong at 26.0% y-o-y vs. 6.9% y-o-y in May 2023.

The growth rate of trade decelerated in May 2024 to 17.7% from 18.5% in May 2023. Within Trade, retail trade grew at a slower 17.1% in May 2024 compared to 22.8% in May 2023. The growth in services was also led by 32.3% y-o-y growth in 'other services'. Even if we exclude the merger impact, other services rose by 29.8% y-o-y in May 2024 compared to 25.7% in May 2023.

## Industry

Industry growth increased to 9.4% y-o-y in May 2024 compared to 7.4% y-o-y in April 2024 and 6.0% in May 2023 as the measured growth in large corporates was partially offset by growth in MSME. However, if the merger impact had been excluded, growth would have been slower at 8.9% in May 2024. Among major industries, growth in chemicals & chemical products, food processing, and infrastructure accelerated in May 2024 as compared with May 2023. Credit expansion for 'basic metal and metal products' decreased, while it contracted for 'petroleum, coal products, and nuclear fuels'. The credit to large industries increased to 7.1% y-o-y in May 2024 compared to 4.6% in May 2023.

**Figure 7: Movement in Industry (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.

The infrastructure (sub-segment, within the industry 36.1% share) witnessed a credit growth of 7.2% y-o-y in May 2024 vs. 2.1% in the year-ago period. Key infrastructure-linked sectors such as cement and steel, along with industries like electronics, food processing, and telecom, are experiencing higher levels of private investment. This growth is fuelled by government production-linked incentive schemes (PLI), boosting logistics, renewable energy, automobiles, and semiconductors.

The power segment (the largest segment of infrastructure, with a share of 49.1%) witnessed a growth of 6.5% in May 2024 vs. a rise of 0.3% in May 2023. Meanwhile, the credit offtake for roads increased by nearly 380 bps i.e. 9.8% y-o-y in May 2024 from 6.1% in May 2023.

## Personal Loans

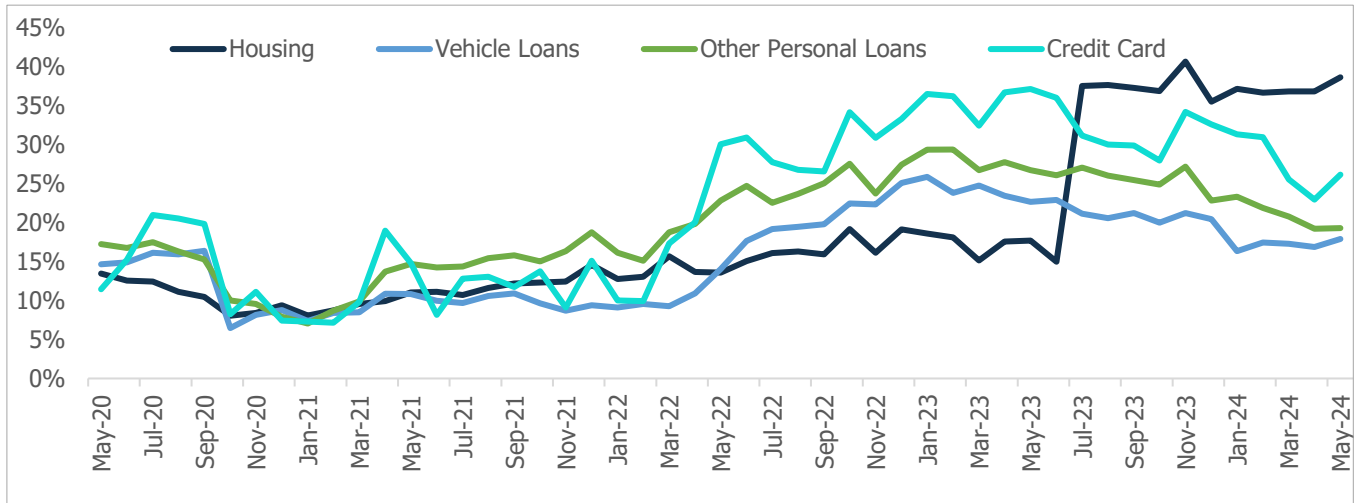
**Figure 8: Sectoral Distribution of Credit: May 2024 (Rs. Lakh Crore)**

Particulars	O/s Credit	% Chg	% Chg Y-o-Y (incl Merger)		% Chg Y-o-Y (excl Merger)
	May 31, 2024	M-o-M	May, 23	May, 24	May 24
<b>Gross Bank Credit</b>	<b>167.8</b>	<b>1.7</b>	<b>15.4</b>	<b>19.8</b>	<b>16.1</b>
<b>Non-Food Credit</b>	<b>167.4</b>	<b>1.6</b>	<b>15.5</b>	<b>19.8</b>	<b>16.2</b>
<b>Personal Loans</b>	<b>54.6</b>	<b>1.7</b>	<b>19.1</b>	<b>28.7</b>	<b>17.8</b>
Housing	27.9	1.5	13.8	38.7	16.9
Vehicle Loans	6.0	1.4	21.5	17.9	NA
Other Pers. Loans	14.0	1.0	25.2	19.3	17.3

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

The personal loans segment witnessed a robust growth of 28.7% y-o-y for May 2024 boosted by the impact of the HDFC merger, growth in credit card outstandings, other personal loans, and housing loans. The growth in this segment is fuelled by digitalization, coupled with higher usage of credit bureaus. Credit expansion in the housing sector, the largest segment of personal loans, experienced an increase, indicating sustained demand in the housing sector. However, if we consider the growth excluding the merger, it moderated to 17.8% y-o-y as compared to 19.1% y-o-y in May 2023,

**Figure 9: Continued Growth in Advances of Banks to Select Personal Loan Segments (y-o-y, %)**



Source: RBI

Housing loans grew by 38.7% y-o-y in May 2024 compared to 13.8% a year ago mainly due to the merger (reclassification of HDFCs’ advances), sales of high-value residencies, strong launch pipeline of residential projects and incentives & schemes offered by developers. Excluding the merger, the growth has remained strong at 16.9% in May 2024.

Vehicle loans registered a lower growth of 17.9% y-o-y in May 2024 as compared to 21.5% in the year-ago period. The continued growth, albeit slower compared to previous periods, can be attributed to higher sales of passenger vehicles, especially SUVs and two-wheelers.

Advances to individuals against gold rose by 29.7% in May 2024 from the 15.1% growth reported in the year-ago period. The increase in gold prices has increased the attractiveness of gold as collateral.

The other personal loans touched Rs 14.04 lakh crore and rose by 19.3% y-o-y, which is slower than the average growth rate of the last twelve months. The deceleration can be ascribed to RBI’s increasing risk weights on consumer loans while growth can be attributed to the digitalization of loans (faster loan turnaround and robust process), and preferences for premium consumer products. Another advantage has been that these loans typically carry relatively higher interest rates, thereby boosting margins.

## **Conclusion**

According to RBI's Financial Stability Report (FSR) for June 2024, credit offtake has continued to rise due to economic demand conditions and is primarily driven by services and personal loans. Further, personal loans accounted for over half of private sector banks' credit growth. Bank credit is expected to remain positive, supported by economic expansion, increased capital expenditure, and retail credit growth. CareEdge estimates that the credit offtake would be in the range of 14%-14.5% during FY25. Anticipated broad-based growth across segments, with personal loans likely to outperform industry and service sectors. Medium-term prospects seem promising, with reduced corporate stress and sufficient provision buffer. Further ebbing inflation could also reduce the working capital demand. However, elevated interest rates and global uncertainties could adversely impact credit growth.

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