

Growth in Credit: Sectoral Profile

Overall growth in credit in FY15 was sluggish even though the GDP numbers suggest an increase in growth to 7.4% compared with 6.9% in FY14. Low demand for credit, high interest rates, capital concerns for some banks, higher NPAs, challenge of restructured assets all combined to keep this rate down. As can be seen in the table below overall growth was just 8.6% for the year compared with 14% in FY14. It may be mentioned here that bank credit has tended to growth by above 18% when the growth in the economy is buoyant. Therefore, even the 14% growth witnessed in FY14 was a low one which has not been bettered but deteriorated in FY15.

Table 1: Sectoral Credit Profile

Sector	o/s on Mar 2015 Rs bn	Share in total %	FY14 % change	FY15 % change
Gross Bank Credit	61,423	100.0	14.0	8.6
Food Credit	994	1.6	-3.6	8.9
Non-food Credit	60,430	98.4	14.3	8.6
Agriculture & Allied Activities	7,700	12.5	13.5	15.0
Industry	26,651	43.4	13.1	5.6
Micro & Small	3,835	6.2	23.7	9.0
Medium	1,278	2.1	2.2	0.3
Large	21,538	35.1	12.2	5.4
Services	14,120	23.0	16.1	5.6
Transport Operators	881	1.4	12.4	-1.6
Trade	3,619	5.9	17.0	12.1
Commercial Real Estate	1,680	2.7	22.4	8.9
NBFCs	3,136	5.1	13.2	6.4
Other Services	3,426	5.6	15.2	1.5
Personal Loans	11,958	19.5	15.5	15.4
Consumer Durables	153	0.2	53.1	19.3
Housing	6,309	10.3	18.4	16.7
Credit Card Outstanding	305	0.5	-0.2	22.6
Education	634	1.0	9.2	5.7
Vehicle Loans	1,505	2.5	17.4	15.4
Other Personal Loans	2,376	3.9	12.6	19.0

Source: RBI

Agriculture and retail loans were the two sectors that witnessed a higher than industry average growth rate, while industry and services registered low rates of growth. In fact, growth in credit to the farm sector was higher in FY15 while that of personal loans was maintained. These two segments account for just about a third of total outstanding credit. The two largest sectors i.e. industry and services, having shares of 43% and 23% respectively grew by just 5.6% each thus bringing down the overall growth rate.

Banks preferred to lend to the retail sector, where loans are more granular and which have a higher propensity to be serviced on time. High growth in credit cards credit is significant as it does indicate that there was enhanced spending by households which can probably be attributed more to the higher income groups. Home loans continue to be the focal point for banks with growth being impressive. Growth in vehicle loans, though higher than the average had slowed down slightly from 17.4% to 15.4%. The hint is that if banks were to lower their base rates and their mortgage rates, we could expect some acceleration in this component.

Lending to the manufacturing sector has been lower at 5.6% against 13.1% last year. The slowdown was significant in case of the large manufacturing and may be attributed to lower growth in this segment as well as bank reluctance to lend where the quality of assets was suspect. The micro and small enterprises continued to do relatively better with growth of 9%. The medium sized units witnessed just 0.3% on top of growth of 2.2% last year. Quite clearly this segment has been at a disadvantage.

Within services, higher than the sector's growth as recorded in case of trade, NBFCs and commercial real estate, which together account for 13.7% of outstanding credit. But still the growth rate was muted compared to last year.

An interesting development has been that companies have been quite prolific in using the CP market this year with the outstanding CPs increasing from Rs 1,066 bn in March 2014 to Rs 1,937 bn in March 2015, registering growth of 81.7%. In FY14, growth had come down by 2.5%. As all CPs would have originated in the manufacturing and services sector, combining the o/s CPs, growth of 'bank accommodation' to companies would be 7.6% in FY14 as against 5.6% going by only conventional bank credit for these two sectors. In FY14 growth would be 13.6% (14.1%).

Industry-wise growth performance

With growth slowing down substantially from 13.1% to 5.6%, all sub-sectors of manufacturing witnessed lower growth in credit with the only exception being construction which witnessed an increase in growth rate from 17.7% to 19.9%. This may be attributed more to the relatively higher activity in the housing segment and commercial real estate sector – both of which have done well in terms of growth in credit.

The industries which had above the average for the manufacturing sector were:

- Food processing: 16.9%
- Infrastructure: 10.1%, including power and roads
- Basic metal and metal products: 6.9%
- Engineering: 5.8%

Infrastructure and iron and steel (included in basic metals and metal products) were included by the RBI in the list of sectors that had high NPAs besides aviation, textiles and mining. While these growth rates are definitely not very high to cause alarm, they would need to be monitored closely.

Table 2: Industry wise Credit Profile

Industry	o/s On Mar 2015 Rs bn	Share %	FY14 % change	FY15 % change
Mining & Quarrying	355	1.3	2.0	0.5
Food Processing	729	6.5	26.1	16.9
Sugar	416	1.6	5.5	19.6
Edible Oils & Vanaspati	211	0.8	24.7	-0.9
Tea	32	0.1	25.5	-1.1
Others	1,071	4.0	37.0	20.7
Beverage & Tobacco	192	0.7	12.6	3.1
Textiles	2,033	7.6	11.1	-0.3
Leather & Leather Products	104	0.4	18.4	1.1
Wood & Wood Products	97	0.4	21.9	4.1
Paper & Paper Products	348	1.3	17.2	5.1
Petroleum, Coal & Nuclear Fuels	561	2.1	-1.3	-11.6
Chemicals & Chemical Products	1,554	5.8	5.3	-7.3
Fertilizers	256	1.0	13.8	-16.4
Drugs & Pharmaceuticals	498	1.9	-0.7	1.2
Petro Chemicals	331	1.2	-1.4	-24.0
Rubber, Plastic & their Products	381	1.4	18.0	3.5
Glass & Glassware	88	0.3	17.0	1.5
Cement & Cement Products	562	2.1	18.0	3.8
Basic Metal & Metal Product	3,869	14.5	15.2	6.9
Iron & Steel	2,846	10.7	13.5	6.0
Other Metal & Metal Product	1,023	3.8	20.5	9.5
All Engineering	1,540	5.8	13.3	5.8
Electronics	369	1.4	9.9	0.5
Others	1,170	4.4	14.6	7.5
Vehicles, Parts & Transport Equipment	692	2.6	15.1	2.1
Gems & Jewellery	736	2.8	17.7	2.3
Construction	736	2.8	17.7	19.9
Infrastructure	9,247	34.7	15.1	10.1
Power	5,577	20.9	17.4	14.2
Telecommunications	924	3.5	3.0	2.3
Roads	1,679	6.3	19.9	6.7
Other Infrastructure	1,066	4.0	9.3	2.8
Other Industries	1,827	6.9	2.2	-1.2
Industries	26,651	100.0	13.1	5.6

Contact:

Madan Sabnavis**Chief Economist**

madan.sabnavis@careratings.com

91-022-61443489

91-022-61443526

Jyoti Wadhwani**Associate Economist**

jyoti.wadhwani@careratings.com

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