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Profile of Bank credit as of December 2023

The expansion of credit is normally looked at from the point of view of the headline number which provides a very macro picture. The profile of credit however is equally important as it shows how this is spread across the banking system. The foregoing analysis looks at the profile of credit from different perspectives. All data presented here is as of December 2023 from the RBI.

Direction of lending

Direction of lending : Recipients	Rs cr (o/s)	Share (%)
1. Public sector	22,74,552	14.4
2. Co-operative sector	82,077	0.52
3. Private corporate sector	40,75,422	26.0
A) Private Financial Corporations	10,17,111	6.4
B) Private Non-Financial Corporations	30,58,312	19.3
4. Household sector	89,87,872	56.8
4.1 Individuals	73,13,737	46.2
4.2 Household sector-others	16,74,134	10.6
5. Micro finance institutions	3,35,143	2.1
6. Non-profit institutions serving households	51,223	0.32
7. Non residents	10,022	0.06
Total credit	1,58,16,311	100.0

- The table above shows that households are the main recipient of bank credit with a share of 57%. Within this category, individuals account for 46%.
- The private corporate sector has share of 26% and is the second largest recipient. Here, non-financial companies have share of 19%.
- Interestingly public sector has share of 14% and would be more in the fields of infrastructure and finance besides OMCs.

Spread of credit by credit limits

The table below gives the spread of total credit as of December 2023 across different ranges of credit limits.

- For the system as a whole 28% is in the bracket of Rs 100 crore and above. This would be primarily to large industry with capital outlays.
 - o The share of range of credit limit between Rs 1-100 crore was around 24%. Hence roughly a little over 50% of credit is for limit of Rs 1 crore and above. The rest are for smaller ticket sizes.
- The second most popular credit limit range is Rs 10-25 lakhs with share of 11.2% which will be primarily in the SME segment.
- The sum of shares of loans in the Rs 25-Rs 1 crore ranges is 15.2% which would include to a large extent home loans.
- The spread of loans across different categories of banks is interesting which is illustrative of general approaches.

- In case of PSBs the largest share is loans over Rs 100 crore at 37% followed by smaller ticket size of Rs 10-25 lakhs with 11%. Another 24% are for loans less than Rs 10 lakhs. The share of Rs 25-50 lakhs is next highest at 8%.
 - Hence around 42% are less than Rs 50 lakhs while 37% is above Rs 100 cr. These broad segments account of 80% of lending. The smaller ticket size can be explained by the thrust on farmer loans as well as MSMEs under MUDRA loans.
- For private banks the picture is different. There are four ranges which have share of above 10% - Above Rs 100 cr (17%), Rs 10-25 lakhs (12.2%), and Rs 25-50 lakhs and Rs 1 crore to Rs 4 crore (11.3% each).
- Interestingly private banks also have around 43% in the less than Rs 50 lakhs limit range though the tilt is more to the Rs 25-50 lakh ranges.
- Foreign banks present a very different picture with around 69% in the high ranges of Rs 10 crore and above. With limited branch network it is but natural that their lending is concentrated with the larger companies.
- As can be expected small finance banks have over ¾ of loans in the less than Rs 25 lakhs range.

Credit limit ranges	PSB	Private	Foreign	SFB	All
Rs. 25,000 and Less	0.1	0.4	0.1	0.6	0.2
Above Rs. 25,000 and up to Rs. 2 Lakh	6.7	6.4	1.3	36.5	6.8
Above Rs. 2 Lakh and up to Rs. 5 Lakh	7.9	5.6	1.6	8.5	6.7
Above Rs. 5 Lakh and up to Rs. 10 Lakh	8.8	6.8	1.4	14.6	7.8
Above Rs. 10 Lakh and up to Rs. 25 Lakh	10.9	12.2	2.1	15.8	11.2
Above Rs. 25 Lakh and up to Rs. 50 Lakh	7.7	11.3	2.6	6.9	9.0
Above Rs. 50 Lakh and up to Rs. 1 Crore	4.9	8.1	3.4	3.7	6.2
Above Rs. 1 Crore and up to Rs. 4 Crore	4.6	11.3	9.4	4.6	7.6
Above Rs. 4 Crore and up to Rs. 6 Crore	1.4	3.3	4.0	1.4	2.3
Above Rs. 6 Crore and up to Rs. 10 Crore	1.6	3.6	5.3	1.5	2.6
Above Rs. 10 Crore and up to Rs. 25 Crore	2.8	5.7	10.9	2.8	4.3
Above Rs. 25 Crore and up to Rs. 100 Crore	5.4	8.0	22.5	2.7	7.0
Above Rs. 100 Crore	37.2	17.3	35.2	0.5	28.3
Total Credit	100.0	100.0	100.0	100.0	100.0

How Banks lend in terms of interest rates?

The table below gives the interest rate ranges on loans by banks.

- At the aggregate level there is concentration for banks in the 8-10% range. If the range is extended to 11%, the sum of loans within this 3% range would be 65.5%. If the 7-8% range is also included then the consolidated portfolio in interest range of 7-11% would be around 77-78%.
 - Quite significantly there are around 8% of loans which are priced at above 13%.
- SFBs have a distinct trait of having 71% of their loans priced at above 13%. In fact around 90% of their loans are priced at above 10%. This is what adds to their profitability.
- In case of PSBs, the share of high priced loans of 13% plus is just 3%. 80% are priced between 7-11%, while another 12% is in the 11-13% range.
- In case of private banks, 13% are priced at above 13% while 2/3 are in the 8-11% range.
- Foreign banks have a concentration of loans in 7-11% accounting for 84%.

Interest rate range wise	PSB	Private	Foreign	SFB	All
Less than 5%	0.4	0.4	0.8	0.4	0.4
5% and above but less than 6%	1.4	0.5	1.7	0.2	1.0
6% and above but less than 7%	2.8	1.5	4.3	3.6	2.3
7% and above but less than 8%	15.6	7.8	13.8	1.0	12.0
8% and above but less than 9%	30.0	22.8	36.1	1.1	26.7
9% and above but less than 10%	23.1	27.6	23.3	3.9	24.7
10% and above but less than 11%	11.5	17.9	10.5	5.9	14.1
11% and above but less than 12%	8.5	5.4	3.4	6.6	7.0
12% and above but less than 13%	3.7	3.2	2.2	6.4	3.5
13% and above	3.1	13.0	4.0	71.0	8.2
Total Loans and Advances	100.0	100.0	100.0	100.0	100.0

Lending to different sectors

The broad distribution of credit across various sectors is well known as this data is published every month by the RBI. What is of interest is whether there are differences in patterns based on ownership of banks in terms of channelling funds to these sectors. The table below gives some useful insights on how various bank groups approach this issue.

- PSBs do better than the private and foreign banks when it comes to agriculture lending with share of 15%. Industry has a fair share at 25%. Within industry construction has a good share of 6% which is higher than that for any other bank category. The share of trade is lower than that of foreign or private banks. While share of personal loans is lower compare with private banks, the 'other personal loans' category has a higher share of 9.4%.
- Private banks have a distinct tilt to retail loans with share of 36% with home loans dominating. The other exposures are fairly even when compared with other bank categories.
- Foreign banks have highest share of industry with manufacturing being preferred with share of almost 1/3. Finance is the second most important sector for these banks followed by professional services.
- SFBs have maximum exposure to agriculture at 26% followed by trade with 20% and personal loans at 15%.

	PSB	PVT	Foreign	SFB	ALL
I. Agriculture	15.2	7.2	0.3	25.6	11.5
ii. Industry	24.8	21.5	40.4	9.9	23.7
- Manufacturing & processing	12.8	15.1	31.3	8.3	14.4
- Construction	6.5	3.8	3.7	1.4	5.2
iii. Transport operators	1.1	3.0	1.9	4.4	2.0
iv. Professional and other services	4.5	9.2	15.4	13.9	7.0
V. Personal loans	28.6	35.9	12.3	14.7	30.9
Of which:					
1. Housing	15.1	19.2	4.7	8.8	16.4
2. Consumer durables	0.1	0.4	0.0	0.1	0.2
3. Vehicles	2.9	3.7	0.0	0.4	3.1
4. Education	1.2	0.2	0.0	0.1	0.7
5. Personal credit cards	0.0	3.4	1.0	1.3	1.5
6. Other personal loans	9.4	8.9	6.7	4.1	9.0
Vi. Trade	8.6	10.0	9.7	19.9	9.4
Vii. Finance	14.7	8.1	18.9	3.5	11.9
Viii. All others	2.4	5.1	1.1	8.0	3.6
Total credit	100.0	100.0	100.0	100.0	100.0

How does WALR look across sectors?

The WALR for the banking system as a whole went up from 8.90% in March 2022 to 10.18% in December 2023, which is an increase of 128 bps against 250 bps hike in repo rate. The lending rate for any sector will depend on the basis of lending which can be MCLR or EBLR. Further for agriculture the system is different. The table below provides information of levels of WALR for different sectors.

- An interesting observation here is that the WALR for agriculture, transport operators, personal loans, and trade have been higher than the overall average WALR.
- WALR for industry is lower than the macro average which can be explained by the rates being fixed through the MCLR which is less elastic compared with the EBLR. The finance sector too borrows at a much lower rate and is the lowest across segments.
- Personal loans, which as seen earlier have a high share in overall credit, have high levels of WALR and is clearly a very remunerative channel for banks with the added advantage of probability of delinquency being much lower than for other loans.

Occupation	Mar-2022	Dec-2023	Change
	WALR	WALR	bps
I. Agriculture	9.58	10.45	87
li. Industry	8.25	9.52	127
lii. Transport operators	9.58	10.34	76
lv. Professional and other services	8.81	9.98	117
V. Personal loans	9.99	11.23	124
Of which:			
Housing	7.34	9.06	172
Personal credit cards	36.35	37.34	99
Vi. Trade	8.94	10.45	151
Vii. Finance	6.63	8.38	174
Viii. All others	8.91	9.81	90
Total credit	8.90	10.18	128

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