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Trends in sector-wise credit deployment

Our brief analysis of RBI's sectoral deployment of credit data shows that in YoY terms, credit growth (excluding the impact of HDFC merger) as of Sep'23 has moderated a bit this year (15.3%) compared with last year (16.4%). Most of the slowdown can be attributed to industrial sector, within which petroleum/coal, chemicals and infrastructure have pushed the growth lower. On the other hand, credit to agriculture and services sector has fared better this year. Within services, commercial real estate, aviation, professional services and transport operators contributed positively to growth. Personal loan segment growth has been relatively steady. Data from TransUnion CIBIL report shows that delinquency rate for personal loans has improved as of Jun'23.

Broad-classification: At the end of H1FY24, bank credit (excluding the impact of HDFC merger) as of Sep'23 has risen by 15.3% (YoY) compared with 16.4% last year (Sep'22). The pace of growth of non-food credit has been the same this year so far (15.3%), easing from 16.9% as of Sep'22. Within non-food credit, trends were mixed. While credit to industry slowed notably, credit to agriculture and services sector showed improvement and that as personal loans was broadly stable.

Credit growth to agriculture sector picked up to 16.8% this year (as of Sep'23) compared with 13.4% as of Sep'22 and that to services sector rose by 21.3% from 20.2% last year. On the other hand, credit to industry slowed significantly (6.5% versus 12.6%). Growth in personal loan segment settled at 18.2% versus 19.4% noted as of Sep'22.

Table 1: Major sector wise credit growth

Sectors, %YoY	Sep-22	Sep-23
Total bank credit	16.4	15.3
Food credit	(65.1)	20.0
Non-food credit	16.9	15.3
--Agriculture	13.4	16.8
--Industry	12.6	6.5
--Services	20.2	21.3
--Personal loan	19.4	18.2

Source: RBI, Bank of Baroda Research

Industry-wise growth: Out of the 19 sub-sectors tracked under industry, 9 sectors witnessed a slowdown in credit growth as of Sep'23 compared from last year. Amongst these, steepest decline was noted in sectors like petroleum/coal products, chemicals, rubber/plastic products, infrastructure, engineering, leather, paper, and mining sector. On the other hand, most improvement was noted in sectors like beverages & tobacco, glassware, cement and products, gems & jewellery and basis metals.

As many as 12 sectors reported an **above average growth** (6.5%) as of Sep'23 and these included: food processing, beverage & tobacco, textiles, wood and products, rubber/plastic, glass, cement, basic metals, engineering, vehicles & parts, gems & jewellery and other industries.

Sectors witnessing **less than average credit growth** were: mining, leather, paper, petroleum/coal, chemicals, construction and infrastructure.

Table 2: Industry-wise performance

Sectors recording above average growth as of Sep'23	
Food Processing	8.2
Beverage and Tobacco	42.9
Textiles	12.5
Wood and Wood Products	23.3
Rubber, Plastic and their Products	6.5
Glass and Glassware	42.0
Cement and Cement Products	18.2
Basic Metal and Metal Product	19.0
All Engineering	7.3
Vehicles, Vehicle Parts and Transport Equipment	14.6
Gems and Jewellery	15.9
Other Industries	11.4
Sectors recording below average growth as of Sep'23	
Mining and Quarrying (incl. Coal)	3.6
Leather and Leather Products	2.8
Paper and Paper Products	5.0
Petroleum, Coal Products and Nuclear Fuels	(9.4)
Chemicals and Chemical Products	2.6
Construction	5.2
Infrastructure	2.9
Mining and Quarrying (incl. Coal)	3.6
Leather and Leather Products	2.8
Paper and Paper Products	5.0

Source: RBI, Bank of Baroda Research

Services sector growth: Amongst the services, apart from computer software, shipping, trade and NBFCs, all other sub-sectors reported an improvement. Most significant pick up was seen in aviation, where credit growth jumped to 69.4% as of Sep'23, following 22.2% decline last year. Apart from this, credit to professional services (22.2% versus 8.9%), transport operators (21.6% versus 12.1%) and tourism/hotels (11.1% versus 8%) gained the most.

Personal loans: Credit growth under this segment has been holding ground with 18.2% increase seen as of Sep'23 versus 19.4% witnessed last year. Major drivers in this category have been education loans (20.8% versus 12.9%), loans against jewellery (20.1% versus 12.8%), vehicle loans (21.2% versus 19.8%) and credit card outstanding (29.9% versus 26.6%). On the other hand, moderation could be noted under categories like consumer durables (10.9% versus 42.1%) and housing (13.8% versus 15.9%).

Latest report by TransUnion CIBIL shows that delinquency rate, measured in terms of 90+ days past due (dpd), has improved a tad as of Jun'23 to 0.84% from 0.94% as of Mar'23. Higher the rate, more is the risk in terms of more number of accounts getting slipped. The report also provides delinquency rates under other categories as well for comparison purpose (table 3).

Table 3: Product-wise delinquency rates

Products	90+ rate as of Mar-23, %	90+ rate as of Jun-23, %
LAP	1.77	2.18
Two Wheeler Loan	1.57	1.97
Consumer Durable Loan	1.46	1.68
Credit Card	2.94	1.63
Home Loan	1.05	1.21
Personal Loan	0.94	0.84
Auto Loan	0.75	0.69

Source: TransUnion CIBIL, Bank of Baroda Research

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