28 Feb 2025

Aditi Gupta
Economist

Sectoral credit growth in Jan'25

Growth in bank credit (non-food) moderated in Jan'25, dipping to 11.4% compared with 20.4% in Jan'24. However, on a sequential basis, there was a pickup in credit growth (11.1% in Dec'24). While credit growth to industry held steady at 8% in Jan'25 on a YoY basis, credit to all other sectors slowed down. Agriculture credit growth decelerated to 12.2% in Jan'25 compared with 20% in Jan'24. Within industry, credit growth to medium industry picked up sharply to 18.5% in Jan'25 compared with 10% growth in the same period last year. Credit growth to large industry was also marginally higher at 6.4% compared with 5.7% in Jan'24. However, there was a slowdown in credit growth to the micro and small industry to 9.5% versus 16% in Jan'24.

Table 1: Credit growth across sectors in FY25

Sector	Jan-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Non-Food Credit	20.4	19.1	19.8	17.4	13.7	13.6	13.0	11.5	10.6	11.1	11.4
Agriculture and Allied	20.0	19.8	21.6	17.4	18.1	17.7	16.4	15.5	15.3	12.5	12.2
Industry	8.0	7.4	9.4	8.1	10.2	9.7	8.9	7.9	8.0	7.2	8.0
-Micro and Small	16.0	15.5	15.5	11.0	13.3	13.4	13.4	10.0	10.1	9.8	9.5
--Medium	10.0	13.3	15.5	12.6	17.2	19.2	20.5	19.6	20.0	19.9	18.5
--Large	5.7	4.7	7.1	6.9	8.6	7.7	6.5	6.0	6.1	5.1	6.4
Services	24.2	22.0	23.2	17.4	14.5	13.9	13.7	12.7	13.0	11.7	12.5
Personal Loans	28.6	26.7	28.7	25.6	13.9	13.9	13.4	12.9	13.3	12.0	11.8

Source: CEIC, Bank of Baroda Research

Within industry sectors which saw a sharp contraction in credit growth in Jan'25 include, ports (-23.8%), telecommunications (-9.3%) and fertilisers (-8.0%). On the other hand, credit growth to sectors such as mining and quarrying, leather, petroleum and engineering goods has seen a pickup on a YoY basis.

Credit growth to services sector:

Credit growth in the services sector eased to 12.5% in Jan'25 from 24.2% in Jan'24. Except shipping and computer software, all sub-sectors noted a decline in credit growth vis-à-vis Jan'24. Credit growth to commercial real estate slowed down to 13.9% in Jan'25 versus 42.9% in Jan'24. Credit growth to NBFCs also continued to slow and dipped to 7.7% in Jan'25 versus 15.6% in the same period last year. With RBI restoring the risk weights on SCBs' exposure to NBFCs, this trend is likely to reverse.

Table 2: Credit growth in the services sector

Sector	Jan-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Services	24.2	22.0	23.2	17.4	14.5	13.9	13.7	12.7	13.0	11.7	12.5
--Transport Operators	25.1	19.5	23.7	18.7	19.7	18.1	17.0	15.0	14.6	13.4	11.8
--Computer Software	8.7	-0.8	5.7	13.1	20.0	21.9	23.2	24.0	22.5	18.3	28.2
-- Tourism, Hotels and Restaurants	13.6	10.4	14.1	11.2	8.6	9.0	3.9	5.4	3.9	4.7	5.9
--Shipping	-7.9	2.4	5.1	-3.7	1.4	10.4	7.9	17.6	11.9	1.8	1.1
--Aviation	63.6	52.4	46.9	9.1	12.5	14.8	13.4	17.1	16.9	3.7	0.9
--Professional Services	22.3	23.4	27.9	14.7	16.8	16.9	16.7	21.6	19.4	21.2	18.3
--Trade	18.9	14.8	17.7	14.8	15.5	15.5	14.3	12.4	14.5	14.0	14.5
-Wholesale	21.2	16.3	18.3	15.1	15.0	17.8	17.6	14.4	15.8	15.6	18.1
-Retail	16.5	13.3	17.1	14.4	15.9	13.1	10.9	10.2	13.1	12.3	10.5
--Commercial Real Estate	42.9	42.2	45.3	40.7	10.8	13.1	12.5	13.9	14.3	13.7	13.9
--NBFCs	15.6	15.3	16.0	8.5	12.7	11.9	9.5	6.4	7.8	6.7	7.7
-HFCs	7.5	4.0	3.8	-1.6	0.6	3.4	5.1	-0.3	5.8	-2.7	-3.6
-PFIs	15.8	30.5	29.0	2.3	11.0	9.8	5.2	4.1	3.2	3.1	4.4
--Others	38.4	35.4	32.3	27.6	17.0	14.5	19.7	20.7	17.8	15.1	17.2

Source: CEIC, Bank of Baroda Research

Credit growth to retail sector:

Retail credit growth rose at its slowest pace since Mar'21 at 11.8% in Jan'25, versus 28.6% in Jan'24. Within this segment, while the demand for unsecured lending through other personal loans/credit card outstanding has moderated, demand for gold loans has continued to show a sharp acceleration. In fact, growth in credit card outstanding eased to a 35-month low of 13% in Jan'25, while the other personal loans segment also noted a growth of only 8.7% (slowest since Jan'21). On the other hand, advances against gold jewellery have increased exponentially to 76.9% in Jan'25, compared with just 17.4% growth in Jan'24. Some part of the increase in this segment can be attributed to higher gold prices. However, it can also be assumed that banks have shifted towards gold loans as these are secured, after RBI increased risk weights on unsecured lending. Even so, at Rs. 1.79 lakh crores, the magnitude of these loans in overall bank credit remains relatively modest. There has also been an increase in advances against fixed deposits and shares, bonds etc. which also are a more secured mode of lending. Traditional segments of retail credit, such as education, housing and vehicle loans have witnessed a significant moderation in Jan'25.

Table 3: Trends in credit to retail segment

Sector	Jan-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Personal Loans	28.6	26.7	28.7	25.6	13.9	13.9	13.4	12.9	13.3	12.0	11.8
--Consumer Durables	14.5	11.0	15.0	7.6	11.3	10.1	8.6	6.6	4.8	-1.1	-2.6
--Housing	36.9	36.7	38.7	36.3	12.8	13.1	12.6	12.1	12.2	11.1	11.0
--Adv. against FDs	5.8	7.8	10.1	4.0	8.9	8.4	9.4	10.9	15.2	19.2	16.3
--Adv. against Share, Bonds, etc	-4.4	17.8	21.6	19.3	24.5	26.8	22.9	16.0	6.4	22.0	33.0
--Credit Card O/S	31.3	23.0	26.2	23.3	22.0	19.9	18.0	16.9	18.1	15.6	13.0
--Education	23.5	22.8	24.2	20.0	19.0	18.4	17.6	17.6	17.5	15.8	15.9
--Vehicle	16.4	16.9	17.9	14.9	14.0	13.9	13.3	11.4	10.3	8.8	9.7
--Loans against Gold	17.4	12.0	29.7	30.5	39.0	40.9	51.0	56.2	66.1	71.3	76.9
--Others	23.1	18.0	19.3	15.2	12.8	12.5	11.4	10.9	11.6	9.2	8.7

Source: CEIC, Bank of Baroda Research

The slowdown in credit growth largely mirrors the trend in economic activity. Tighter liquidity and prudential regulatory policies have also contributed to this trend. However, with growth bouncing back, credit growth is also likely to see a revival. RBI's recent measures including a cut in repo rate and restoration of risk weights on SCBs exposure to NBFCs, will also boost credit demand in the economy. Ample liquidity support including VRR auctions, USD/INR swaps and OMOs, will ease the liquidity crunch and support SCBs to fund the growing demand for credit.

For further details about this publication, please contact:

Economics Research Department
Bank of Baroda
+91 22 6698 5143
chief.economist@bankofbaroda.com
aditi.gupta3@bankofbaroda.com