
panorama
September 2024

Key Insights:

Equity & investment funds account for 21% of household financial assets, up from 11% in 2012

- Deposits account for 41% of household financial assets, down from 51% a decade ago
- Listed equities account for 14% of total household financial assets in India, compared to 29% in the US
- Household leverage (debt/financial assets) increased to 28% in Mar’23, up from a low of 25% in Sep’21
- During the pandemic, assets grew faster than liabilities; post-pandemic, liabilities outpaced asset growth
- The share of non-banks in household debt rose from 14% in March 2012 to 21% in March 2023

Banking system’s reliance on borrowings and non-retail deposits has increased substantially

- Borrowings have tripled in the past 2 years, though much of the increase is due to a bank & non-bank merger
- Banks’ outstanding certificates of deposit have increased by 8 times since November 2021
- Households' share of bank deposits has decreased, while private non-financial corporates' share has increased
- Non-financial corporates have a runoff factor of 40%, versus 5-10% for retail deposits

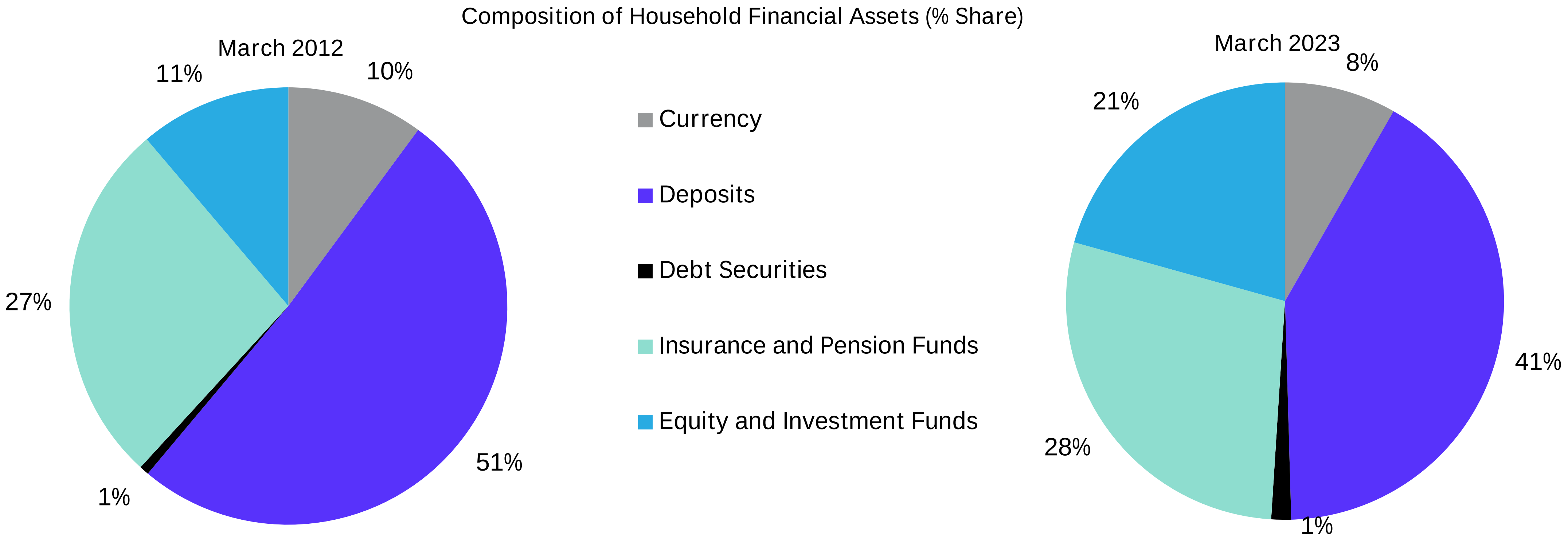
Private corporate investment intentions surged in FY24 and remained strong in Q1FY25

- Investment growth rose in Q1FY25 despite elections and reduced central government capital expenditure
- The recovery in credit to large industries in FYTD25 also reflects a pickup in private capex
- Cyclical sectors such as metals, roads, and construction are witnessing healthy credit off-take
- Retail credit growth and bank loans to NBFCs have slowed due to the RBI's tighter regulations

Indian Household Assets & Liabilities

Equity and investment funds account for 21% of the HH financial assets

Deposits account for a notable 41% share, despite falling from 51% a decade ago



The share of equity and investment funds in household (HH) financial assets increased from 11% in March 2012 to 21% in March 2023

The share of insurance and pension funds has remained steady at around 28%

Deposits continue to account for a significant 41% share of HH financial assets, although this is lower than the 51% share recorded a decade ago

Households hold 8% of their financial assets in cash

Source: RBI, SEBI, 360 ONE Asset Research

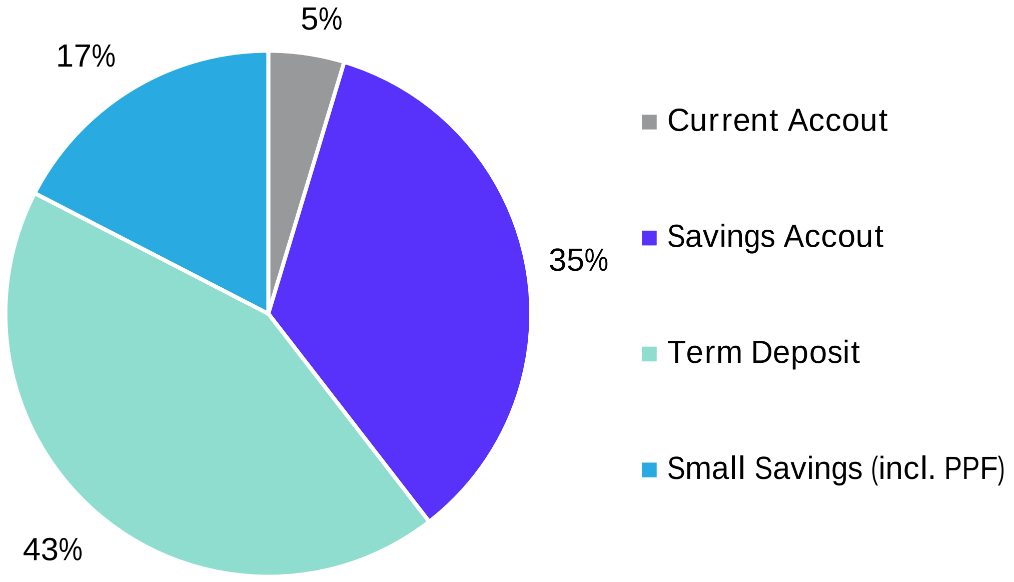
Note: Deposits include Public Provident Fund and other small savings schemes. The data for March 2023 is based on internal calculations that combine information from the RBI and SEBI

60% of the deposits invested in term deposits and small savings schemes

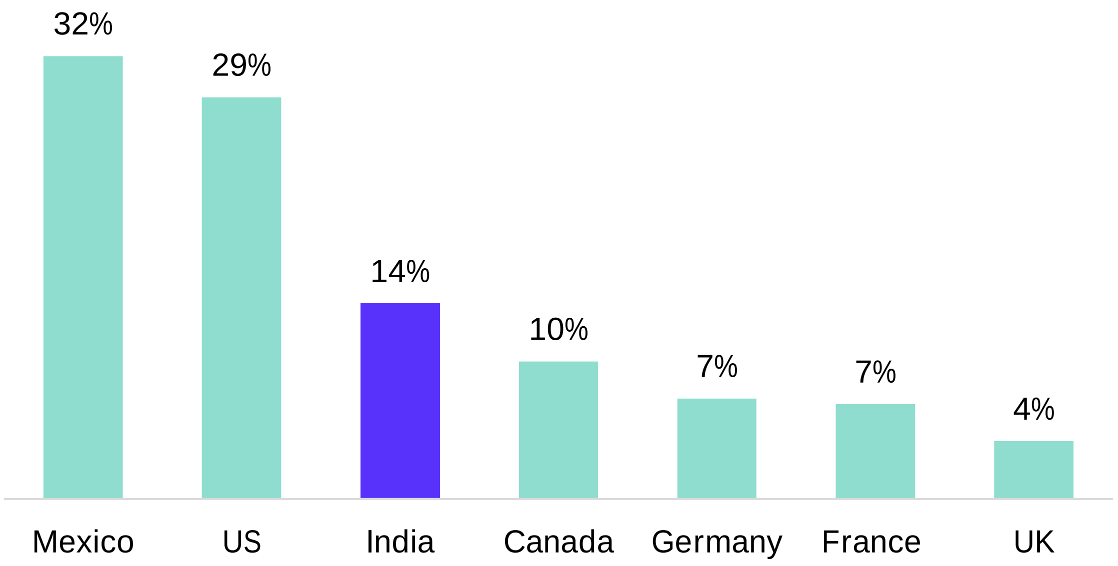
asset 360 ONE

Listed equities account for 14% of total household financial assets in India, compared to 29% in the US

Composition of Household Deposits (% Share) – March 2023



Share of Listed Equity in HH Financial Assets (as on March 2023)



Zero-return current accounts and low-yielding savings accounts represent 40% of total household deposits

43% of deposits are held in term deposits, which offer better returns

17% of deposits are held in Public Provident Funds (PPF) and other small savings schemes

Investments in listed equities account for 14% of Indian household financial assets, which is lower than the 32% and 29% shares in Mexico and the US, respectively

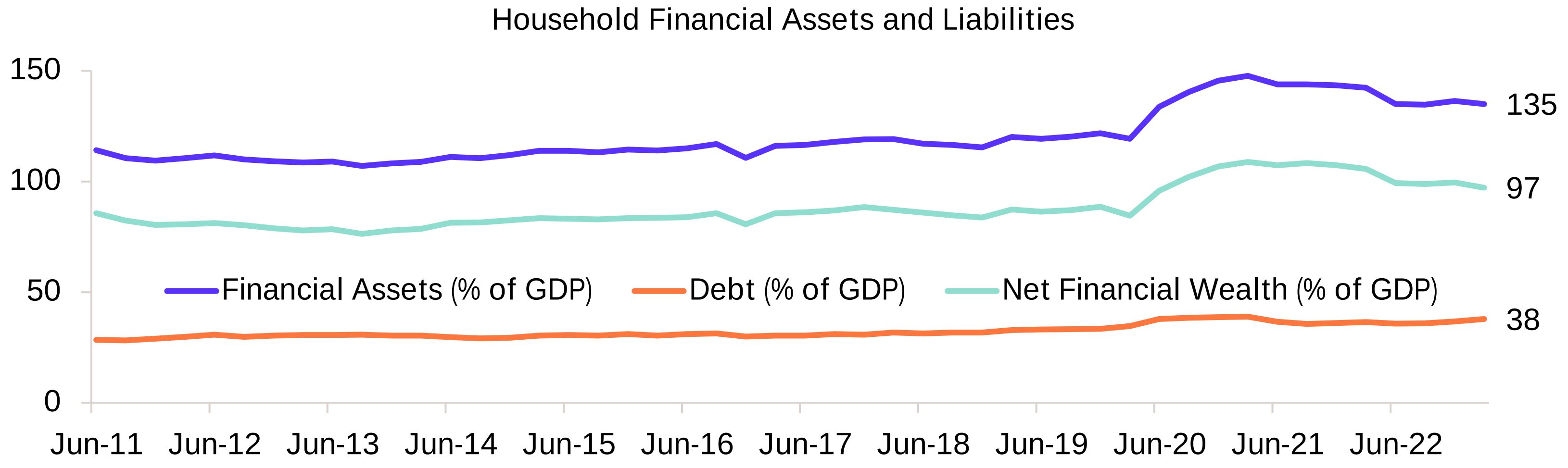
The share in Canada, Germany, France, and the UK is lower, at 10% or below

Source: RBI, SEBI, 360 ONE Asset Research

Note: The share of listed equity in total financial assets for India is based on internal calculations that combine information from the RBI and SEBI

HH leverage rose in FY23 as fin. assets moderated & liabilities increased

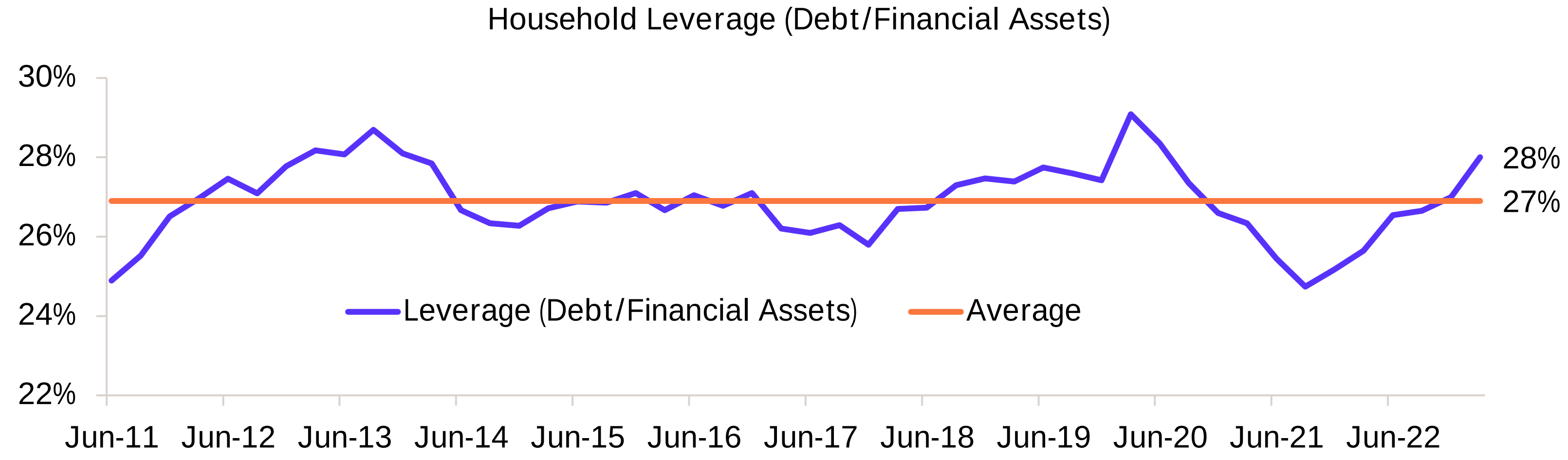
Net financial wealth normalises due to strong lending growth alongside relatively slow growth in financial assets



Household (HH) financial assets as a percentage of GDP moderated to 135% in March 2023, down from a peak of 148% in March 2021

HH liabilities (debt) rose to 38% of GDP in March 2023

Consequently, HH net financial wealth (assets minus liabilities) declined to 97% of GDP, down from a peak of 109% in March 2021



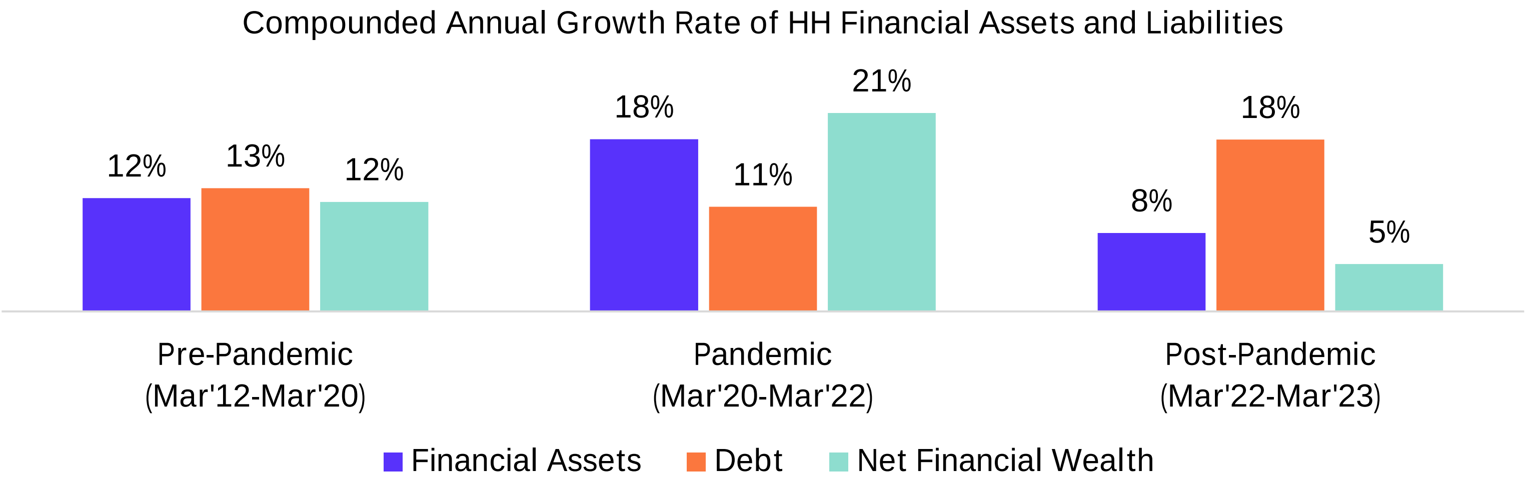
Household leverage (Debt/Assets) has mostly remained rangebound between 24-29% since June 2011

It fell to a low of 25% in September 2021 but later picked up to 28% by March 2023

Source: RBI, 360 ONE Asset Research

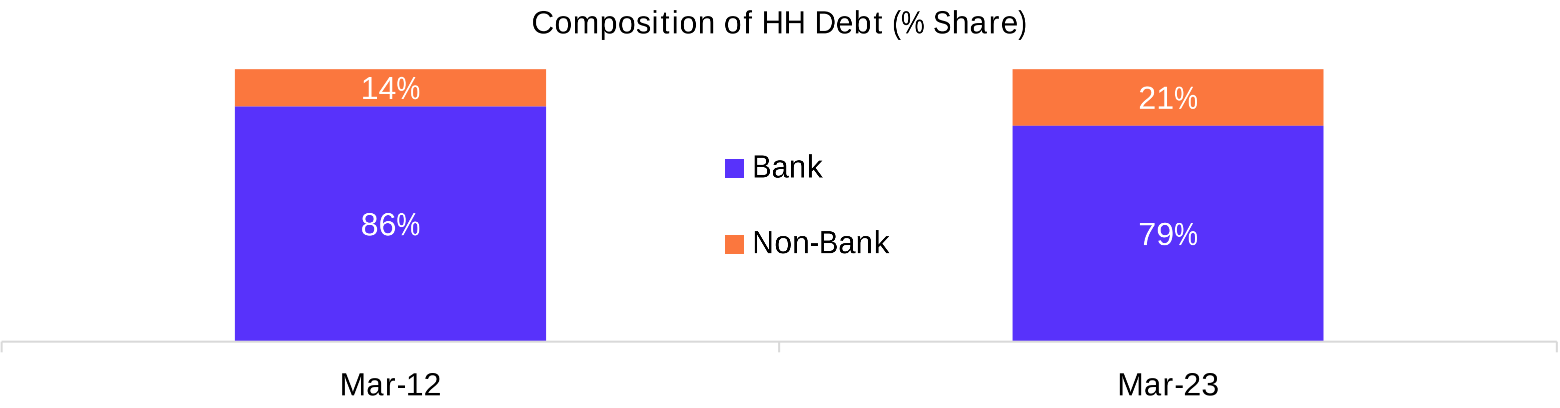
Post-pandemic, liabilities have risen faster than financial assets

The share of non-banks in HH debt has increased by 7 percentage points from March 2012 to March 2023



During the pandemic, financial assets increased at a faster rate than liabilities

However, in the post-pandemic period, this trend reversed, with liabilities outpacing the assets growth



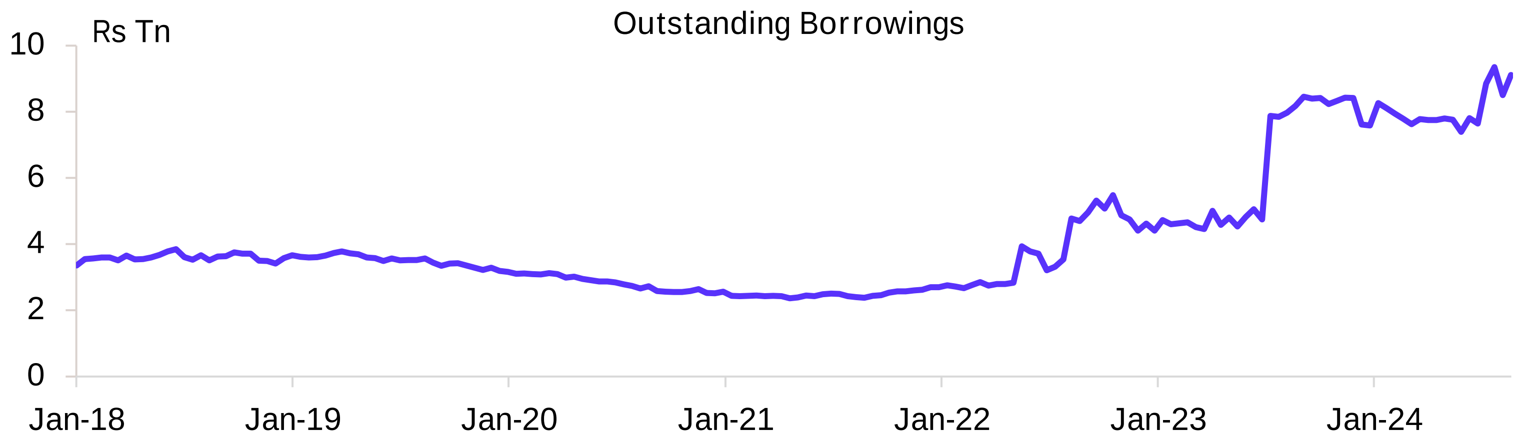
The share of non-banks (Non-Banking Financial Companies and Housing Finance Companies) in HH debt increased from 14% in March 2012 to 21% in March 2023

Source: RBI, 360 ONE Asset Research

Banking Sector Liabilities

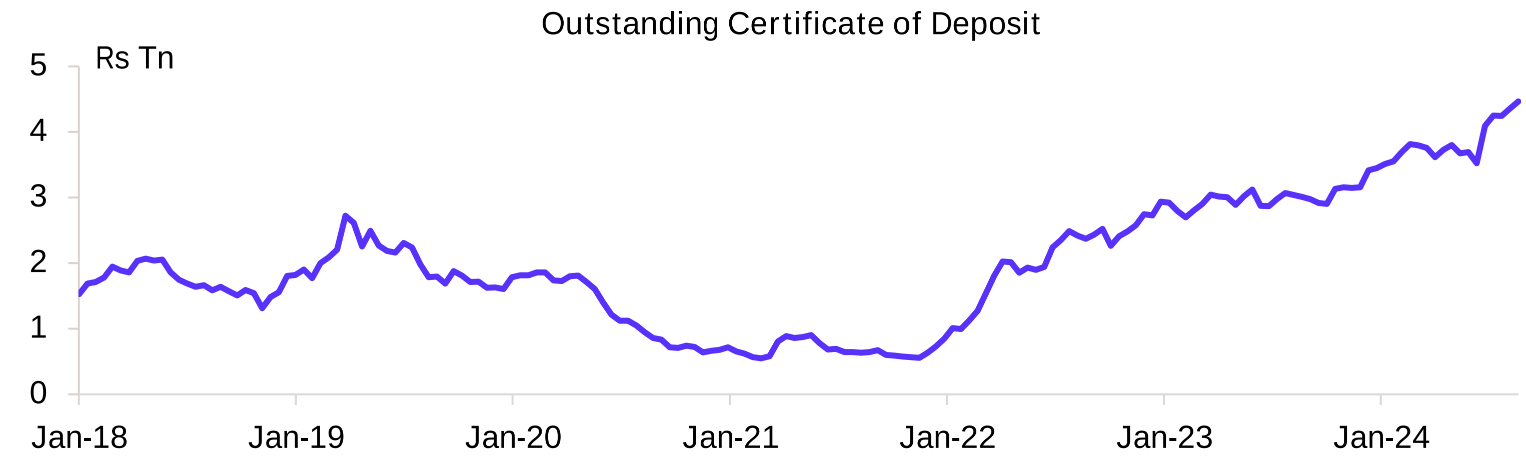
Banking system borrowings have tripled over the past two years

The outstanding certificates of deposit have increased by almost eight times since November 2021



Banks have bridged the gap between credit and deposits by increasing their borrowings

However, a significant portion of this increase is attributed to a merger between a bank and a non-bank entity, effective from July 2023



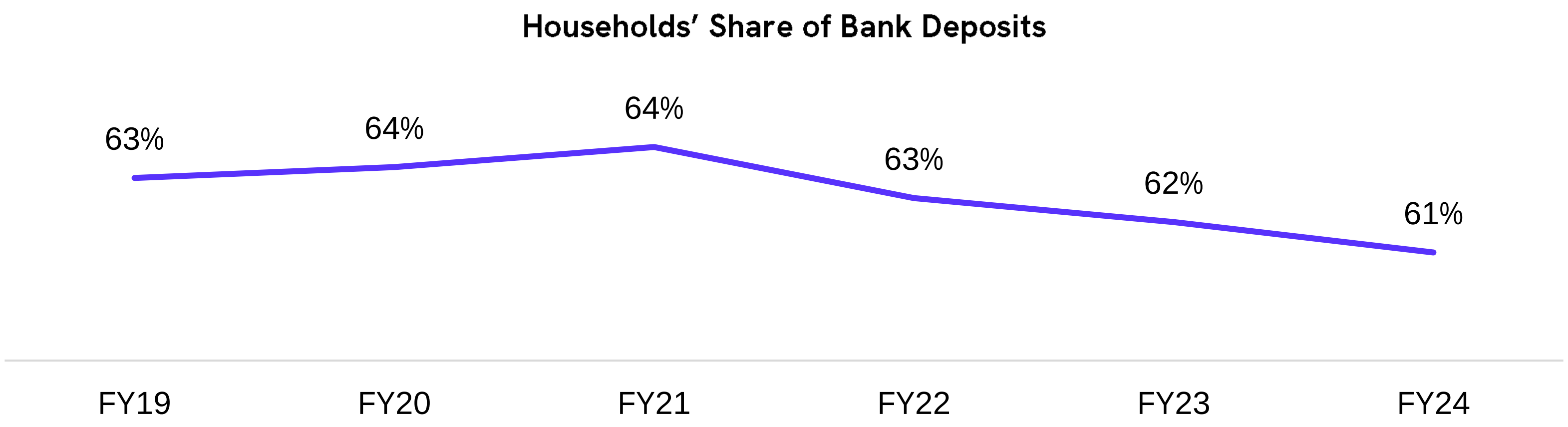
Banks' outstanding certificates of deposit have also increased substantially (~8X) since November 2021

The RBI remains concerned about **banks'** reliance on short-term borrowing and certificates of deposit, as this could expose the system to structural liquidity issues

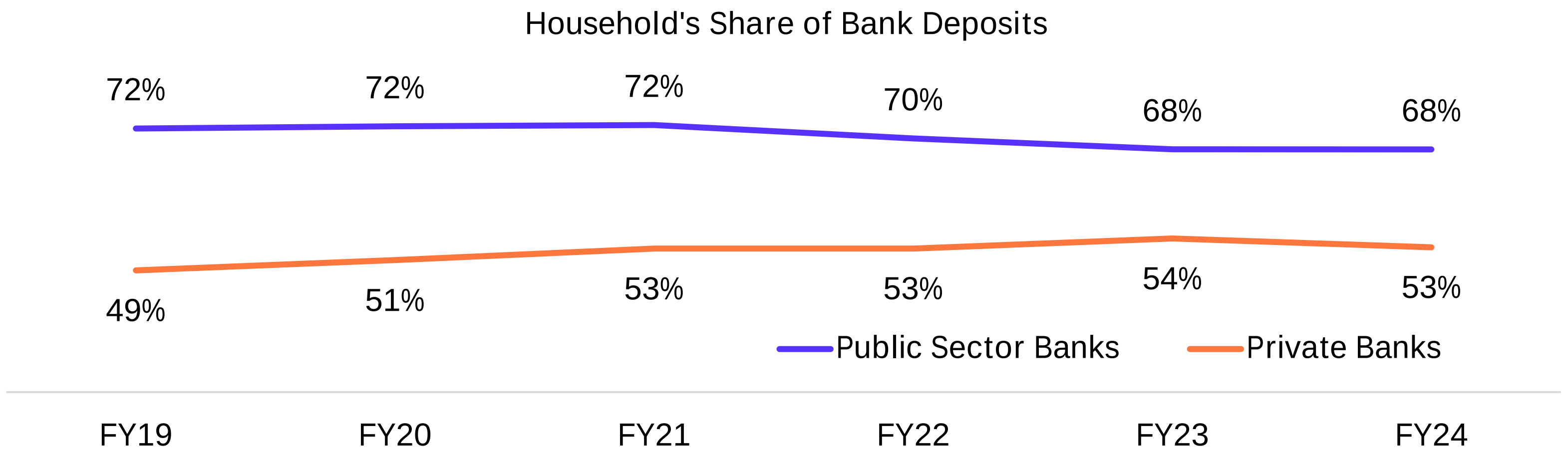
Source: RBI, CMIE, 360 ONE Asset Research

Households' share of bank deposits has steadily come down since FY21

Public sector banks have driven the decline in the share of household deposits



Households' share of bank deposits has come down from 64% in FY21 to 61% in FY24



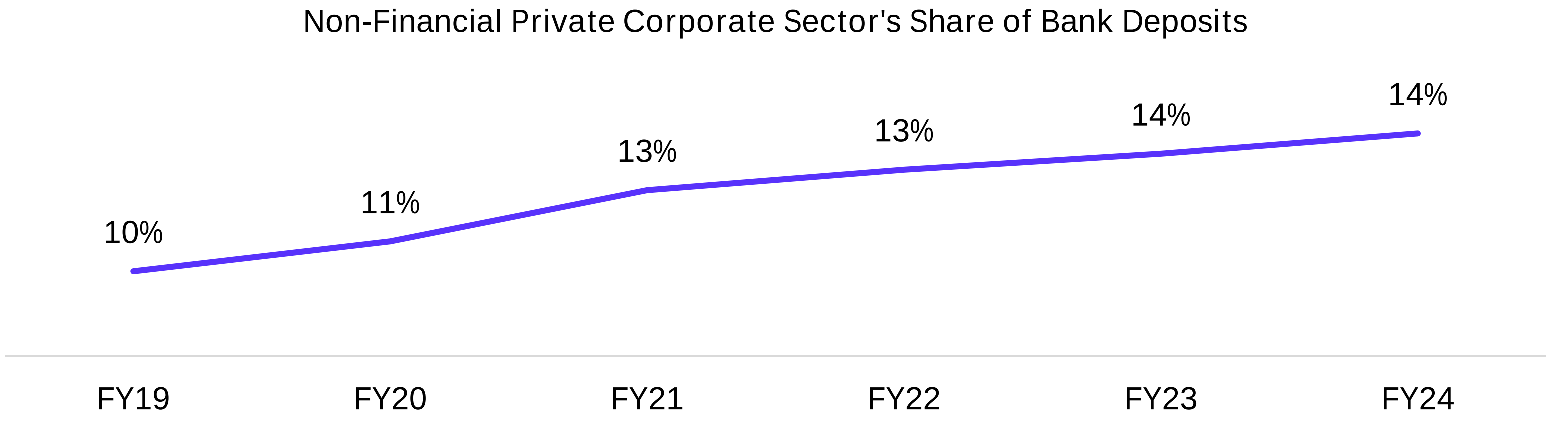
The decline in households' share of bank deposits has largely been driven by a decrease in the share for Public Sector Banks (PSBs), from 72% in FY21 to 68% in FY24

The share for private banks has remained flat but is significantly lower than that of PSBs

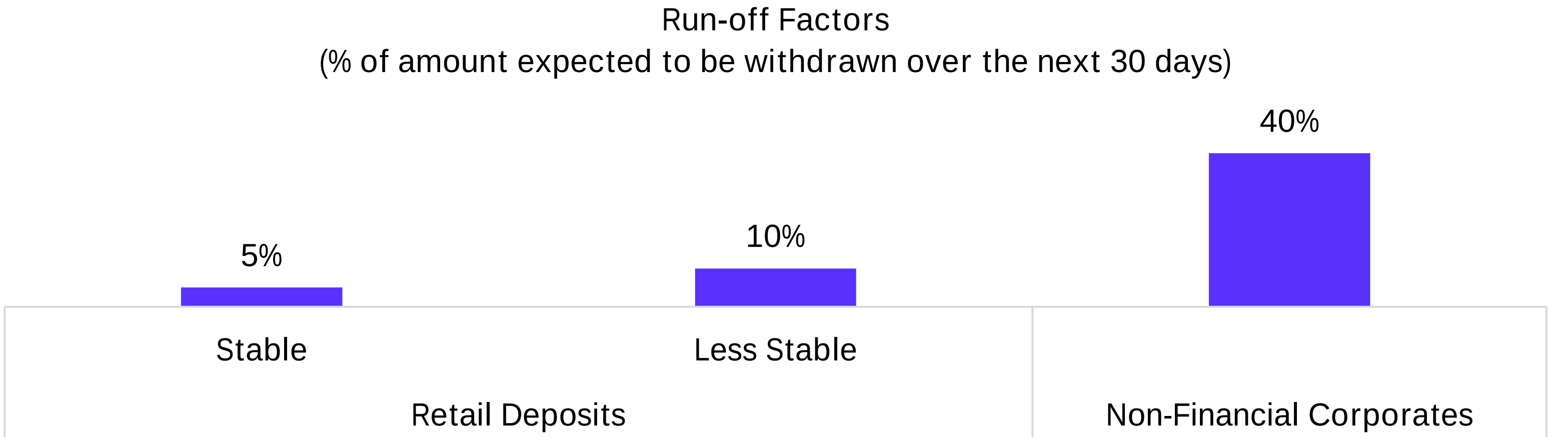
Source: RBI, 360 ONE Asset Research

Share of non-financial private corporates in deposits has increased

The runoff factor for non-financial corporates is substantially higher at 40%, compared to 5-10% for retail deposits



The share of non-financial private corporates in total banking system deposits has increased from 10% in FY19 to 14% in FY24



Deposits from non-financial corporates are considered to be significantly less stable than household/retail deposits

The runoff factor, i.e., the percentage of deposits expected to be withdrawn over the next thirty days, is substantially higher for non-financial corporates at 40%, compared to 5-10% for retail deposits

Source: RBI, 360 ONE Asset Research

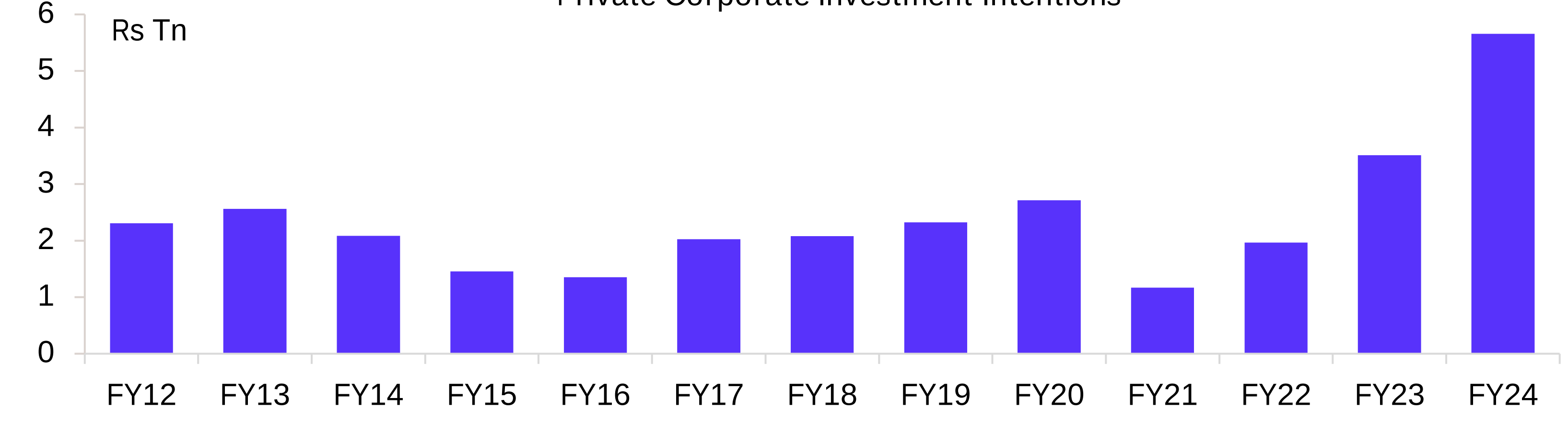
Note: Run-off factors based on RBI's Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards

Investment & Credit

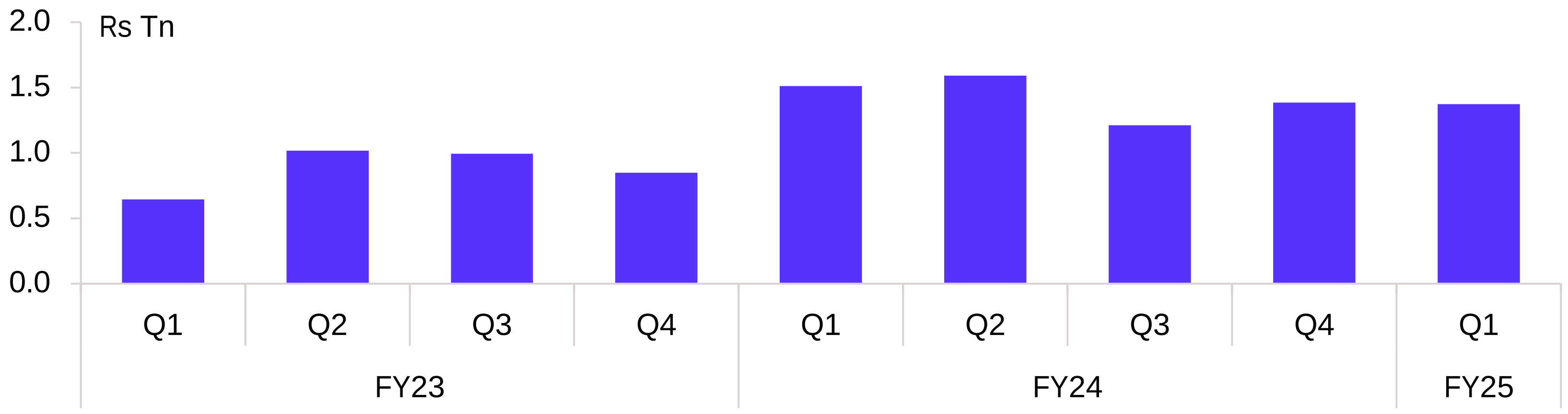
Private corporate investment intentions surge in FY24

Investment momentum remained strong in Q1 FY25 as well

Private Corporate Investment Intentions



Private Corporate Investment Intentions



Private corporate investment intentions, measured by the total cost of projects funded/sanctioned, surged by 61% YoY to Rs 5.7 trillion in FY24, up from Rs 3.5 trillion in FY23

The steady increase since FY21 signifies a durable recovery in private corporate capital expenditure

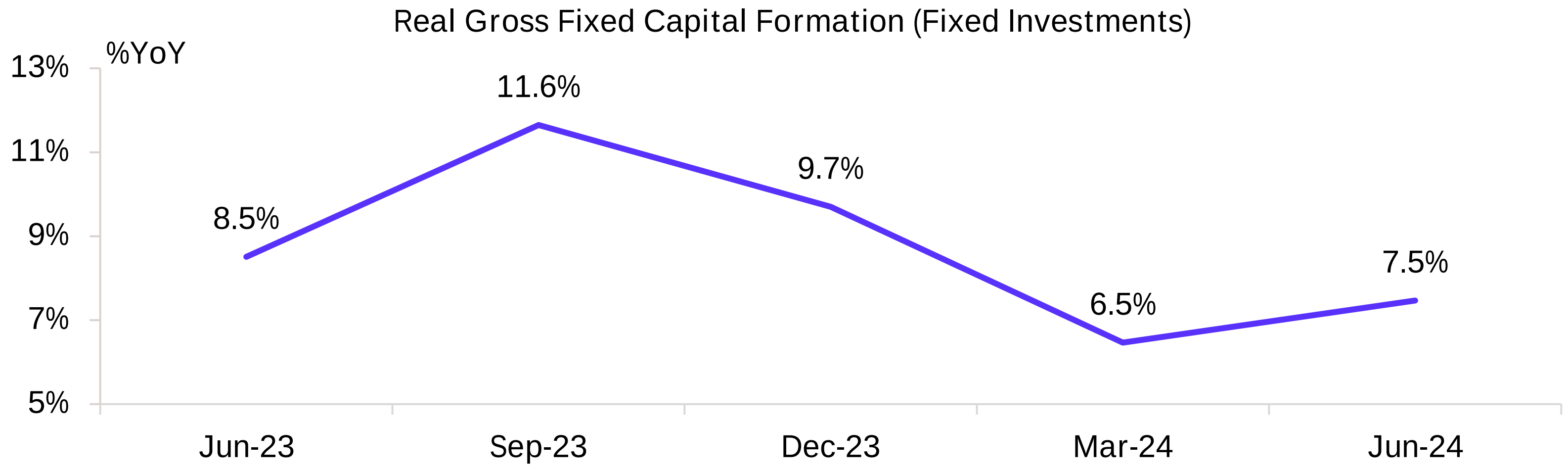
Private corporate investment momentum remained strong in Q1FY25 as well

Source: RBI, 360 ONE Asset Research

Note: Private Corporate Investment Intentions based on projects funded through Banks/FIs/IPOs/ECBs/FCCBs/RDBs, Data are approximate

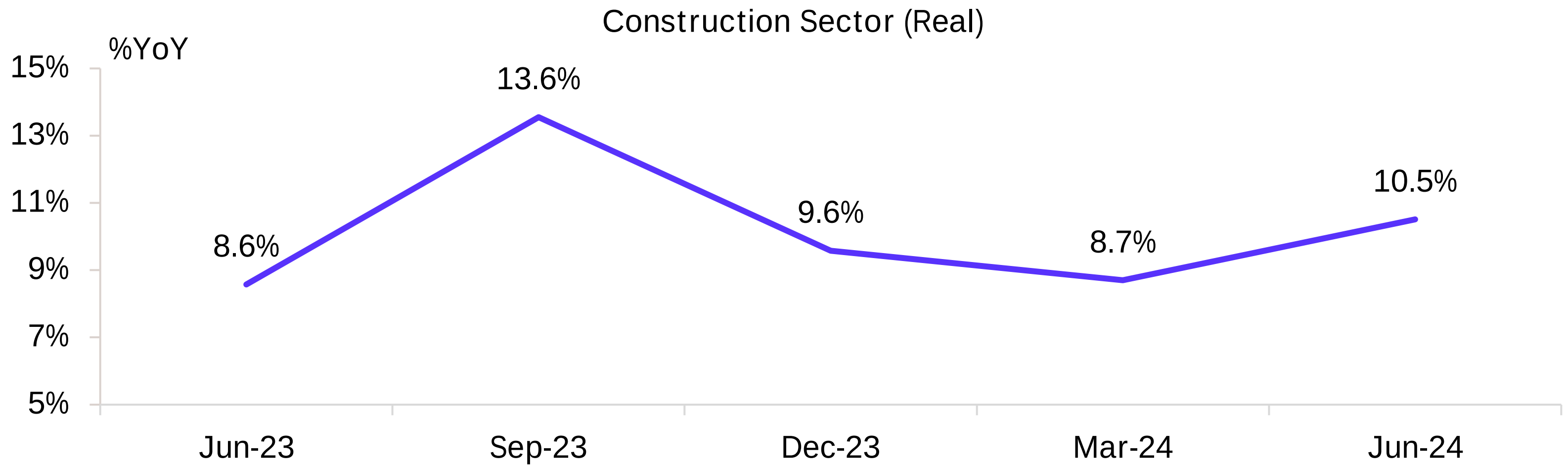
Fixed investment growth picked up to 7.5% YoY in Q1FY25

The construction sector also recorded a double-digit growth of 10.5%



Real gross fixed capital formation (fixed investment) rose to 7.5% YoY, up from 6.5% in the previous quarter

This was achieved despite the general elections during the quarter and a contraction in central government capital expenditure



The construction sector also recorded strong double-digit growth of 10.5% YoY, up from 8.7% in the previous quarter

Source: MOSPI, 360 ONE Asset Research

Retail & Services credit growth slows down while Industry picks up

Retail credit growth and bank loans to NBFCs have slowed due to the RBI's tighter regulations on unsecured lending

Rs Bn	Outstanding (as of Jul 26, 2024)	Financial Year to Date (till July 26, 2024)			
		2024-25		2023-24	
		Δ	YoY (%)	Δ	YoY (%)
Total Credit	1,62,930	4,146	15.1%	5,007	14.7%
Industry	37,053	695	10.2%	(33)	4.6%
Micro & Small	7,299	36	13.3%	111	9.9%
Medium	3,173	133	17.2%	24	9.8%
Large	26,749	524	8.5%	10	3.5%
Services	45,187	283	15.4%	1,983	19.7%
Trade	10,410	153	15.2%	316	18.1%
NBFCs	15,289	(192)	12.7%	136	19.9%
Retail Credit	51,400	2,205	17.8%	1,816	18.4%
Housing	24,435	1,116	19.1%	610	12.9%
Personal Loans & LAP	13,923	302	14.5%	684	25.0%
Vehicle Loans	6,186	293	16.4%	296	21.0%
Agri & Allied Activities	21,560	847	18.1%	996	16.7%

The recovery in credit to large industries also reflects a pickup in private capex

Growth of bank credit to NBFCs has moderated as RBI increased risk weights on bank lending to NBFCs

Housing credit picks up, while personal loans slow down as the RBI expresses discomfort with the high growth of unsecured personal loans and the rise in delinquency in small-ticket personal loans

Source: RBI, 360 ONE Asset Research

Note: The data excludes the impact of a non-bank's merger with a bank

Metals, roads, engg., and construction witness healthy credit off-take

Power, telecom, textiles, food processing and transport equip. witness decline in credit o/s in FYTD25

Rs Bn	Outstanding (as of Jul 26, 2024)	Financial Year to Date (till July 26, 2024)			
		2024-25		2023-24	
		Δ	YoY (%)	Δ	YoY (%)
Infrastructure	13,011	(30)	3.8%	557	1.4%
Power	6,369	(71)	3.3%	40	-1.8%
Telecom	1,296	(86)	-1.0%	32	3.6%
Roads	3,275	95	5.7%	384	5.7%
Other Infra	1,808	41	7.2%	90	5.2%
Metals	4,027	182	13.3%	680	19.3%
Textiles	2,551	(10)	8.6%	71	9.1%
Engineering	2,046	80	10.8%	114	10.0%
Chemicals	2,548	55	16.6%	147	0.3%
Food Processing	2,050	(39)	16.7%	17	4.8%
Energy	1,370	46	23.2%	28	-2.6%
Construction	1,404	69	11.5%	54	5.1%
Transport Equipment	1,092	(40)	2.5%	100	8.9%

Source: RBI, 360 ONE Asset Research

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