

Bank Credit Growth Cools, Though July Brings a Modest Uptick

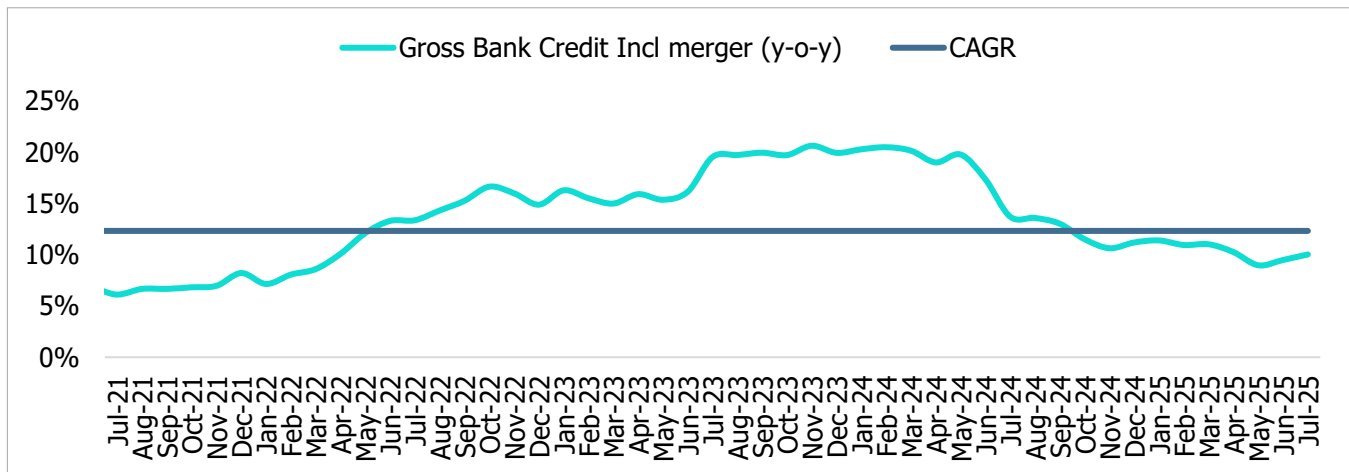
September 03, 2025 | BFSI Research

Note: Gross bank credit and non-food credit data are based on the Section 42 return, which covers all scheduled commercial banks (SCBs). In contrast, sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) returns, which cover 41 banks accounting for approximately 95% of non-food credit extended by SCBs.

Synopsis

- Credit growth continued to moderate in July 2025, with non-food credit growth easing to 9.9% year-on-year (y-o-y), a drop from 13.7% recorded in July 2024.
- Services sector credit growth moderated on a y-o-y basis, driven by a slowdown in lending to NBFCs, though a rebound in commercial real estate provided a m-o-m lift.
- Growth in personal loans decelerated across mortgages, consumer durables, and credit cards.
- The broad-based slowdown reflects a confluence of factors, notably subdued credit demand and banks' cautious stance due to pressures on NIMs.
- Pricing pressures have led banks to take a more cautious approach to protect margins. On the demand side, credit uptake softened in key segments, such as NBFCs and personal loans. Within services, commercial real estate registered a month-on-month(m-o-m) increase, and within personal loans, gold loans emerged as the sub-segment, sustaining robust growth in July 2025.

Figure 1: Gross Bank Credit Growth Moderates, With a Sequential Uptick (y-o-y growth %)



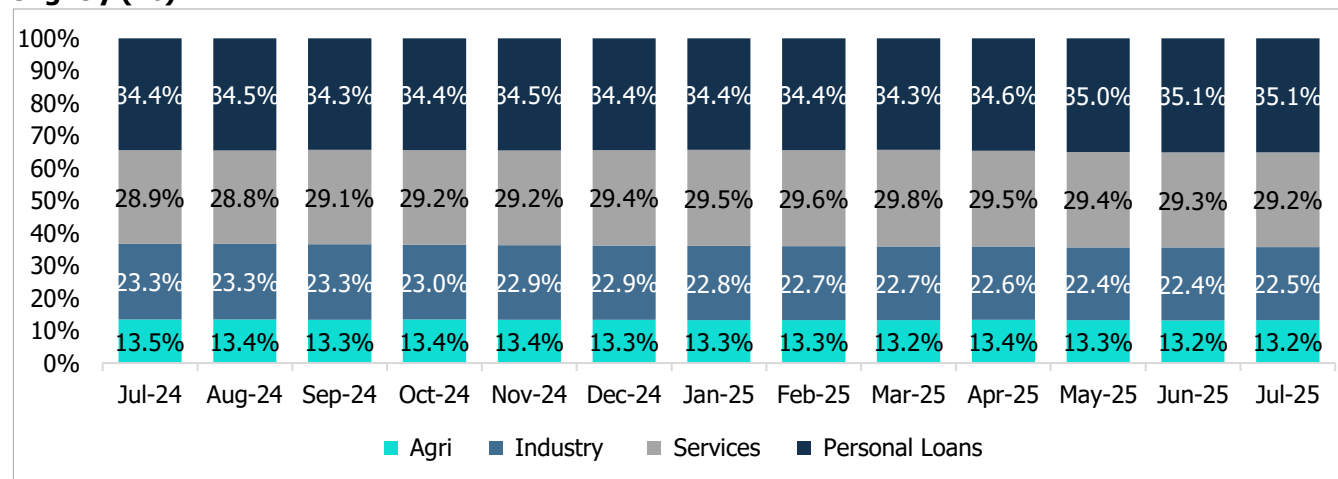
Source: RBI, CareEdge

Figure 2: Broad-Based Deceleration, with Sequential Uptick (y-o-y, %)

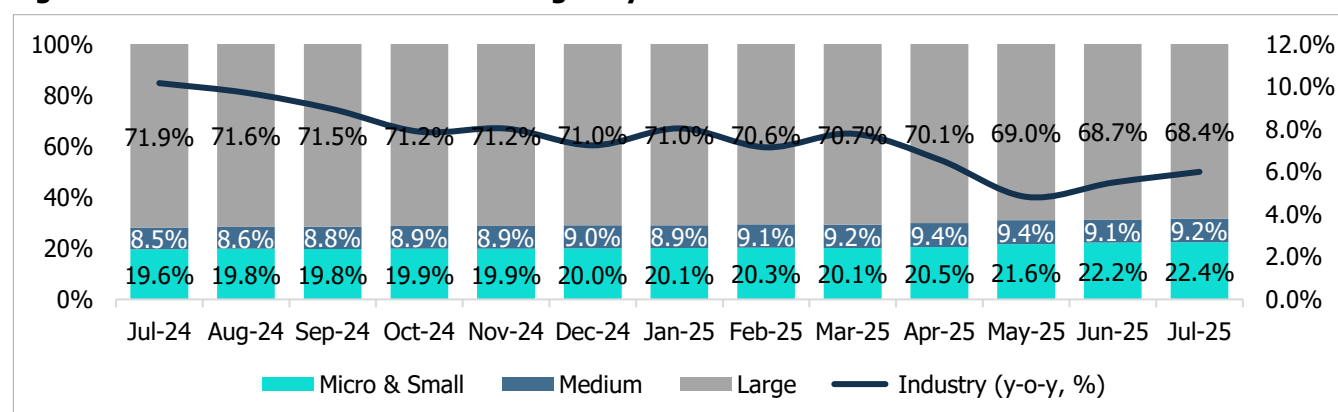
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Non-food	13.7	13.6	13.0	11.5	10.6	11.1	11.4	10.9	11.0	10.2	8.8	9.3	9.9
Agri	18.1	17.7	16.4	15.5	15.3	12.5	12.2	11.4	10.4	9.2	7.5	6.8	7.3
Industry	10.2	9.7	8.9	7.9	8.0	7.2	8.0	7.1	7.8	6.6	4.8	5.5	6.0
Services	14.5	13.9	13.7	12.7	13.0	11.7	12.5	12.0	12.4	10.5	8.7	9.0	10.6
Personal Loans	13.9	13.9	13.4	12.9	13.3	12.0	11.8	11.7	11.6	11.9	11.1	12.1	11.9

Source: RBI, CareEdge

In July 2025, non-food bank credit grew by 9.9% compared to 13.7% in the same period a year ago. The moderation reflects a broad-based deceleration, primarily induced by pricing pressure. Large industries and NBFCs have eased, alongside a tapering in housing credit, vehicle loans, and other personal loan segments.

Figure 3: Personal Loans Continue to Dominate Bank Credit, While the Services Segment Contracts Slightly (%)

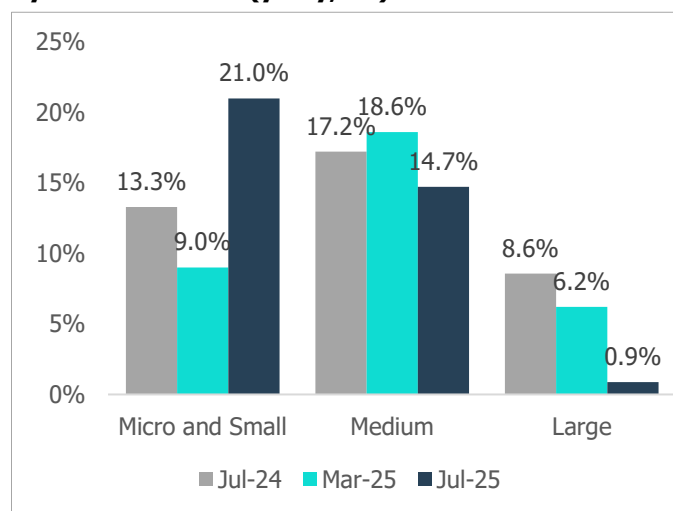
Source: RBI, CareEdge

Industry Credit Growth Remains Weak but Shows Marginal Uptick**Figure 4: Share of MSMEs Increases Marginally**

Source: RBI, CareEdge

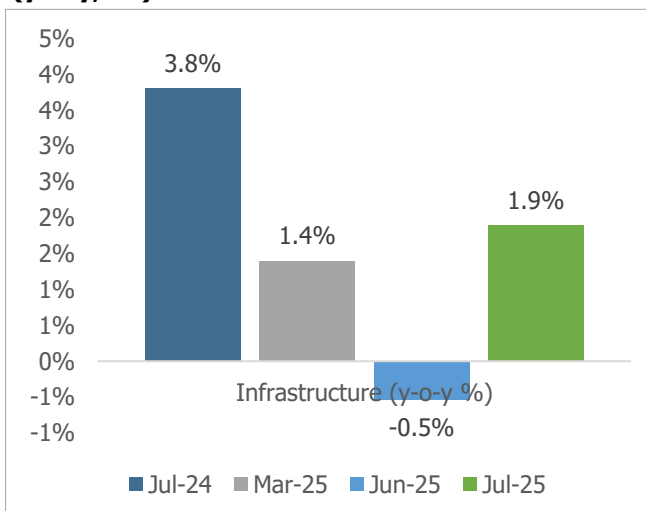
In July 2025, credit outstanding to industry registered a modest m-o-m uptick but eased to 6.0% on a y-o-y basis, down from 10.2% in the corresponding period last year. The deceleration was largely attributable to subdued capital expenditure (capex) activity. Credit growth moderated across key industries, including mining and quarrying, food processing, beverages and tobacco, petroleum and coal products, nuclear fuels, chemicals, glassware, cement, textiles, and basic metals. This was only partially offset by expansion in wood and paper products, rubber and plastics, engineering, electronics, auto components and transport equipment, and gems and jewellery, which continued to record y-o-y growth.

Figure 5: Weakness in Large Industry Cushioned by MSME Growth (y-o-y, %)



Source: RBI, CareEdge

Figure 6: Infrastructure Sees a Mild Recovery (y-o-y, %)

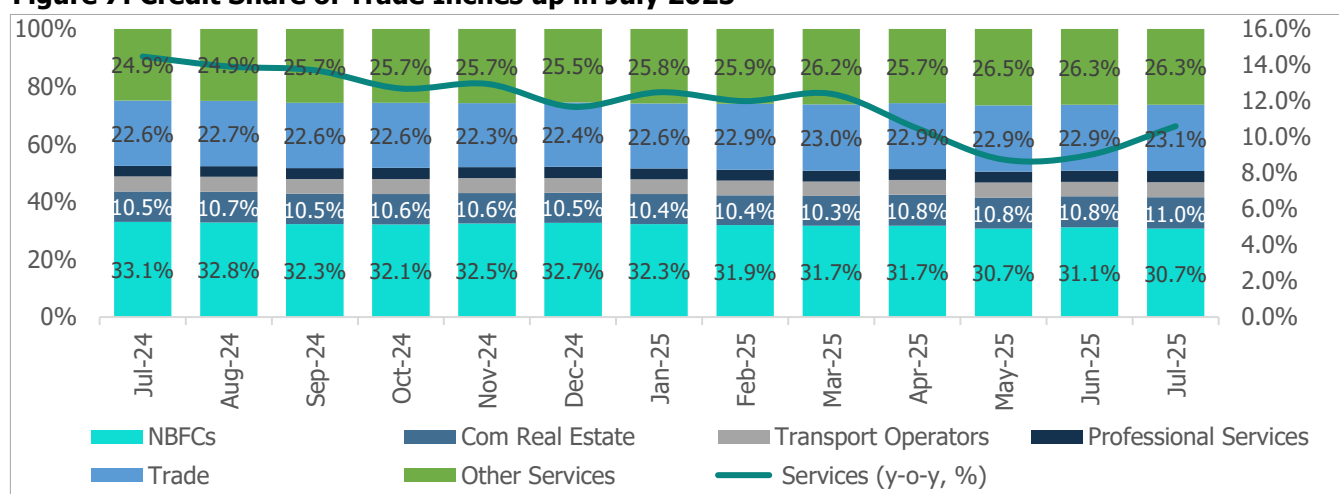


The growth of the MSME segment has consistently outpaced that of the large industry segment, resulting in a shift in credit composition. The share of large industry in total industrial credit declined from 71.9% in July 2024 to 68.4% in July 2025, underscoring the rising contribution of MSMEs to overall credit growth. This shift is driven by policy support measures such as ECLGS and CGTMSE, rising formalisation of small businesses, and comparatively weak credit demand from large corporates.

The infrastructure sector, which constitutes 33.6% of industry credit, recorded a y-o-y growth of 1.9% in July 2025, moderating from 3.8% in the corresponding period last year, while also registering a m-o-m recovery from June 2025. Within the segment, credit to the power sector, which represents 53.2% of infrastructure credit, increased by 10.7%, a significant acceleration from 3.3% the previous year. In contrast, credit to the road sector contracted by 3.5% year-on-year, reversing the 5.7% growth recorded in the last year, while ports, railways, telecommunications, and other infrastructure sub-sectors also experienced weakness.

Services Sector

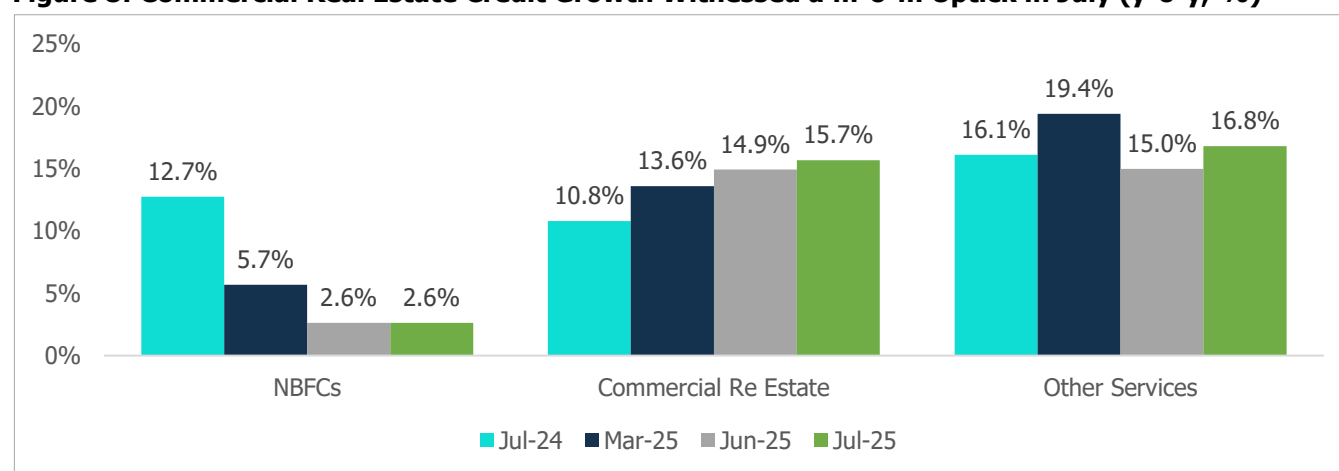
Figure 7: Credit Share of Trade Inches up in July 2025



Source: RBI, CareEdge

Growth in the services sector eased to 10.6% in July 2025, down from 14.5% in the corresponding period last year, largely reflecting weaker credit flows to NBFCs and the retail trade segment. This moderation was partially offset by growth in computer software, shipping, and other services.

Figure 8: Commercial Real Estate Credit Growth Witnessed a m-o-m Uptick in July (y-o-y, %)



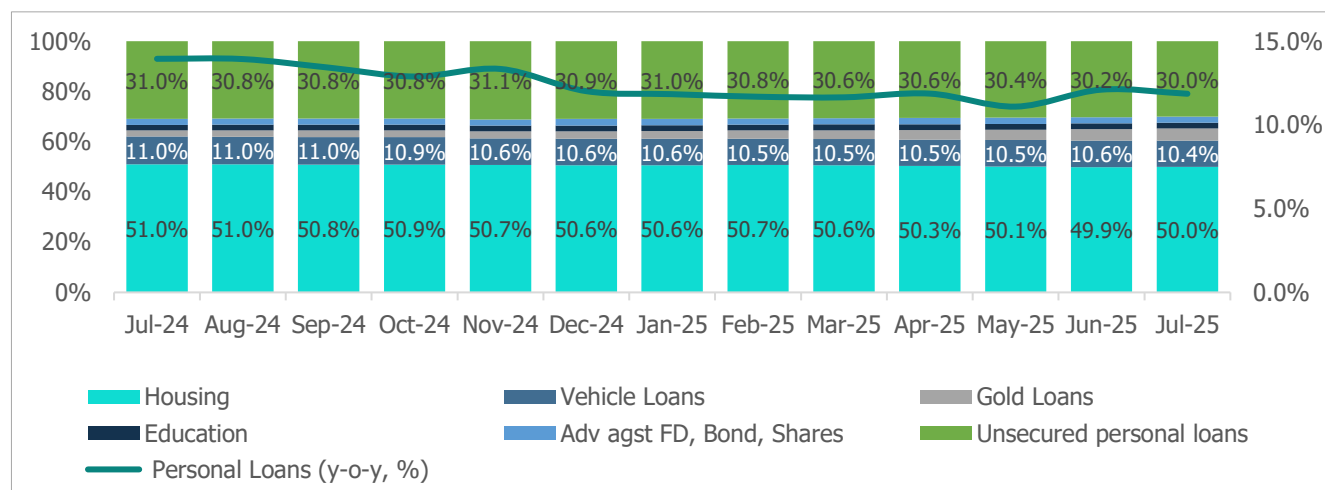
Source: RBI, CareEdge; Note: Other services include computer, tourism, hotels and restaurants, shipping, aviation, mutual Funds, banking, and finance, excluding NBFCs and MFs.

Commercial real estate registered both m-o-m and y-o-y growth in July 2025. Outstanding credit to NBFCs stood at Rs 15.7 lakh crore, reflecting a modest 2.6% increase compared with 12.7% a year earlier. For over a year, credit flows to NBFCs have persistently trailed overall bank credit growth, constrained earlier by regulatory tightening and an adverse base effect. Furthermore, as banks focus on managing NIMs, they may drop some low-yield NBFC exposures at the margin, which could impact their overall sector exposure. Consequently, the share of NBFCs in total bank credit declined from 9.1% in July 2024 to 8.5% in July 2025. Although the partial rollback of risk weights underscores the RBI's confidence in the sector, banks continue to exercise caution toward smaller NBFCs and those with significant exposures to MFIs and unsecured personal loans.

Outstanding credit to the commercial real estate segment stood at Rs 5.6 lakh crore in July 2025, registering growth of 15.7%, up from 10.8% a year earlier, thereby providing a modest boost to the services sector.

Personal Loans

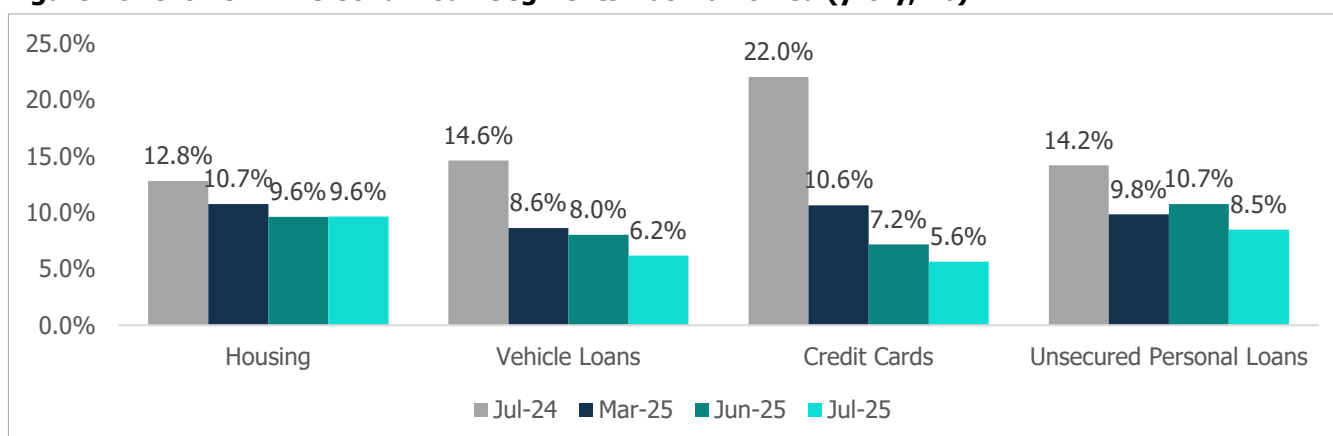
Figure 9: Housing Share Marginally Increased m-o-m in July (y-o-y, %)



Source: RBI, CareEdge; Note: Unsecured personal loans consist of consumer durables, credit card o/s, and other personal loans

The personal loans segment, which accounts for nearly one-third of gross bank credit, recorded a slower y-o-y growth of 11.9% in July 2025, down from 14.0% a year earlier. Growth was heavily skewed by a significant rise in loans against gold jewellery, which rose by 122.0% y-o-y compared with 39.0% in the same period last year. Excluding gold loans, overall personal loan growth would have moderated further to 9.1%. The deceleration was broad-based, with weaker momentum across housing, consumer durables, education, vehicle loans, credit card outstandings, and other personal loans. The slowdown reflects the emerging stress in the unsecured lending space, with the surge in gold loans providing only a partial offset to the overall decline.

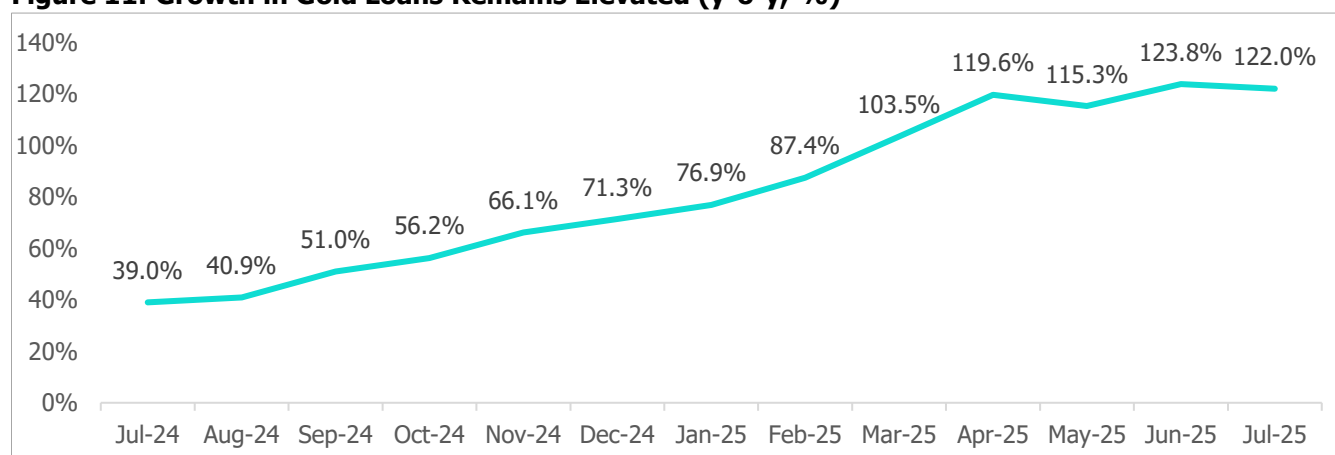
Figure 10: Growth in Personal Loan Segments Has Narrowed (y-o-y, %)



Source: RBI, CareEdge; Note: unsecured personal loans include consumer durables, credit card o/s and other personal loans

In July 2025, growth across mortgages, vehicle loans, credit cards, and other personal loans continued to decelerate, reflecting heightened risk aversion and a marginal rise in delinquencies in unsecured loans and credit cards.

- Mortgage growth slowed to 9.6% y-o-y, compared with 12.8% a year earlier, as per market demand. The shift in demand towards affordable housing, which grew around 15% but with smaller loan sizes and slower disbursements, also weighed on overall growth. In contrast, prime housing loans saw only single-digit growth.
- Vehicle loan growth moderated to 8.9% y-o-y from 14.6% in the corresponding period last year.
- The other personal loans segment reached Rs 15.4 lakh crore, resulting in a y-o-y growth of 8.1%. This growth rate is lower than the 12.7% recorded in the same period last year. The deceleration stems from the emerging stress in their loan portfolios.

Figure 11: Growth in Gold Loans Remains Elevated (y-o-y, %)


Source: RBI, CareEdge

Advances to individuals against gold increased significantly by 122.0% in July 2025, up from 39.0% the previous year. This surge was primarily driven by the reclassification of agri-gold loans to retail loans, owing to higher eligible limits under retail lending. Additionally, a 47.2% rise in gold prices further boosted loan values during the period.

Agricultural Loan Growth Holds Steady

The headline growth of agriculture and allied activities registered a growth of nearly 9.0% (including the estimated impact of the agri gold loan classification) y-o-y in July 2025, compared to 18.1% in the same month last year. This estimated growth is nearly 1.7% higher than the 7.3% reported for the month.

Conclusion

According to Sanjay Agarwal, Senior Director at CareEdge Ratings, "India's bank credit-to-GDP ratio remains relatively low, underscoring significant headroom for long-term credit deepening. Yet, as of July 2025, aggregate credit growth has moderated, shaped by a confluence of sector-specific headwinds. Industrial credit demand continues to underperform, with lending to large industries growing by less than 1% in July. This weakness is largely attributable to subdued private sector capital expenditure, which remains stubbornly low. Within personal loans, the heavy reliance on housing has become a drag, as growth in the mortgage segment has slowed, weighing on overall momentum. The NBFC segment has also registered a significant moderation in credit flow, reflecting tighter regulatory norms and a deliberate shift by larger players toward capital markets and offshore borrowings for cheaper and more diversified funding. Despite comfortable system liquidity, banks have remained conservative in extending credit, prioritising margin preservation and managing CD ratios near the 80% level."

Appendix: Deployment of Gross Bank Credit by Major Sectors

Sector	Rs lakh crore			(Y-o-Y) (%)	
	July 23	July 24	July 25	July 24 vs July 23	July 25 vs July 24
Gross Bank Credit	148.0	168.1	185.0	13.6	10.0
Food Credit	0.2	0.3	0.6	35.3	101.0
Non-food Credit	147.8	167.9	184.5	13.6	9.9
Agri and Allied Activities	18.3	21.6	23.1	18.1	7.3
Industry	33.8	37.2	39.5	10.2	6.0
Micro and Small	6.4	7.3	8.8	13.3	21.0
Medium	2.7	3.2	3.6	17.2	14.7
Large	24.7	26.8	27.0	8.6	0.9
Services	40.4	46.2	51.1	14.5	10.6
Transport Operators	2.0	2.4	2.7	19.7	8.9
Computer Software	0.2	0.3	0.4	20.0	33.7
Tourism, Hotels and Rest	0.7	0.8	0.9	8.6	7.9
Shipping	0.1	0.1	0.1	1.4	23.3
Aviation	0.4	0.4	0.5	12.5	1.3
Professional Services	1.5	1.7	1.9	16.8	13.7
Trade	9.0	10.4	11.8	15.5	13.0
Commercial Real Estate	4.4	4.8	5.6	10.8	15.7
NBFCs	13.6	15.3	15.7	12.7	2.6
Other Services	8.5	9.9	11.7	17.0	17.7
Personal Loans	48.3	55.1	61.6	14.0	11.9
Consumer Durables	0.2	0.2	0.2	11.3	-6.1
Housing	24.9	28.1	30.8	12.8	9.6
Advances against FDs	1.1	1.2	1.4	8.9	16.7
Advances to Ind against share	0.1	0.1	0.1	24.5	3.3
Credit Card	2.3	2.8	2.9	22.0	5.6
Education	1.0	1.2	1.4	19.0	15.0
Vehicle Loans	5.2	5.9	6.4	14.6	8.9
Loans against Gold Jewellery	1.0	1.3	2.9	39.0	122.0
Other Personal Loans	12.6	14.2	15.4	12.7	8.1

Source: RBI

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