FY26 Credit Offtake Closes Strong, NBFCs at the Forefront

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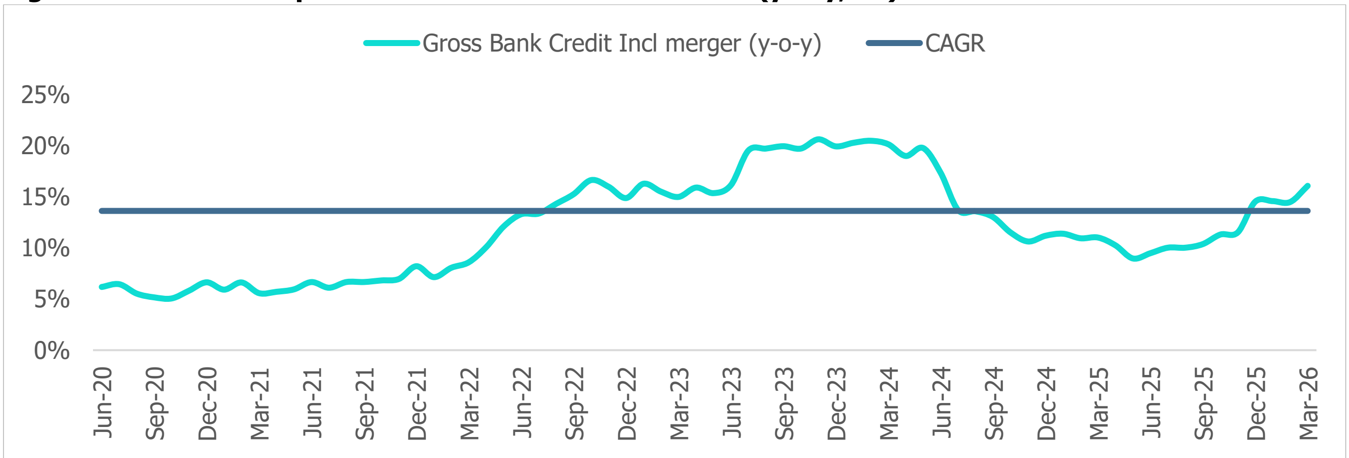
Note: Gross bank credit and non-food credit data are based on the Section 42 return, which covers all scheduled commercial banks (SCBs). In contrast, sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) returns, covering 41 banks that account for approximately 95% of SCBs' non-food credit. Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, w.e.f. December 15, 2025.

Synopsis

- Credit offtake improved in March 2026, with non-food bank credit growth rising to 15.9% year-on-year (y-o-y), compared to 11.0% in March 2025. A part of the acceleration is attributed to changes in the fortnightly reporting framework introduced under the Banking Laws (Amendment) Act, 2025, which has changed the base date, resulting in different periods in both years.
- The growth was broad-based, supported by strong traction in personal loans, particularly vehicle financing, alongside steady expansion in services and industrial credit, where NBFCs and MSMEs continued to act as key growth drivers. Growth in gold loans remained robust, registering a substantial 123.1% y-o-y growth.

Figure 1: Continued Uptick in Gross Bank Credit Growth (y-o-y, %)



Source: RBI, CareEdge, Note: Data since July 28, 2023, includes the impact of the merger of a non-bank with a bank. Note: Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, w.e.f. December 15, 2025.

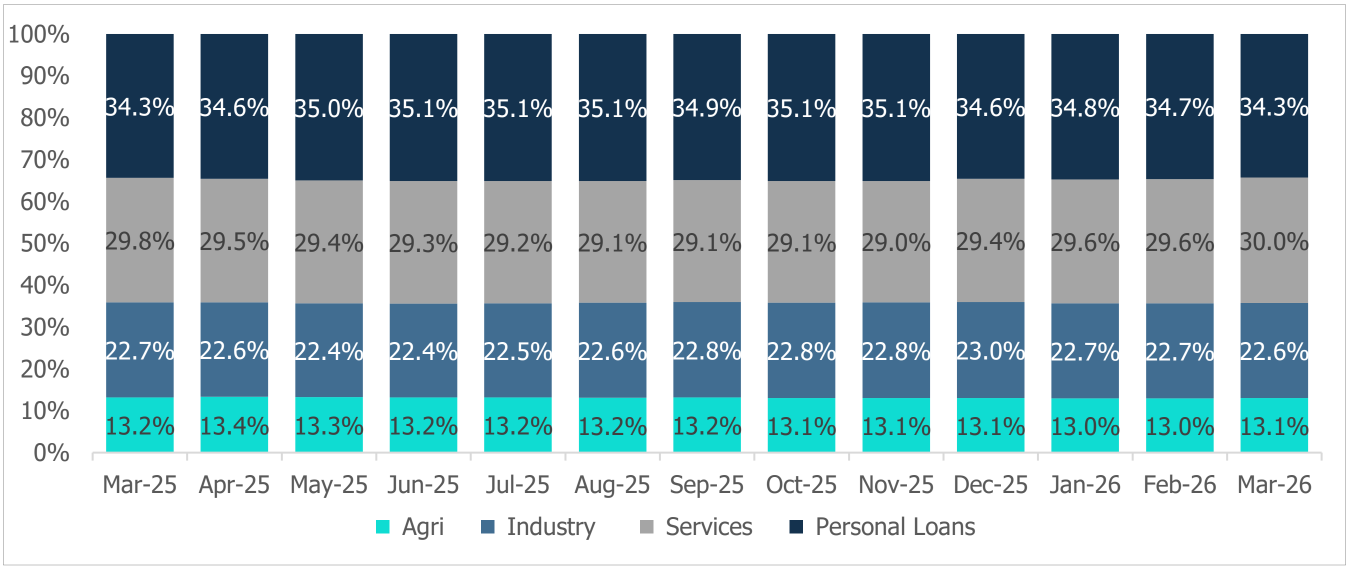
Figure 2: Sustained Growth Momentum in Bank Credit Across Segments (y-o-y, %)

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Non-food	**11.0**	**10.2**	**8.8**	**9.3**	**9.9**	**9.9**	**10.2**	**11.1**	**11.4**	**14.4**	**14.4**	**14.3**	**15.9**
Agri	10.4	9.2	7.5	6.8	7.3	7.6	9.0	8.9	8.7	12.1	11.4	12.3	15.7
Industry	7.8	6.6	4.8	5.5	6.0	6.5	7.3	10.0	9.6	13.3	12.1	13.5	15.0
Services	12.0	10.5	8.7	9.0	10.6	10.6	10.2	13.0	11.7	15.3	15.5	16.3	19.0
Personal Loans	11.6	11.9	11.1	12.1	11.9	11.8	11.7	14.0	12.8	14.4	14.9	15.2	16.2

Source: RBI, CareEdge, Note: Data since July 28, 2023, includes the impact of the merger of a non-bank with a bank. Note: Under the Banking Laws (Amendment) Act, 2025, the definition of fortnight has been revised from alternate Fridays to the 15th and the last calendar day of a month, w.e.f. December 15, 2025.

In March 2026, non-food bank credit grew by 15.9% y-o-y. The growth was driven by NBFCs and personal loans, particularly vehicle financing, while MSME lending continued to grow steadily at double-digit rates. Credit to the services sector, including trade and NBFCs, remained robust, aided by a gradual revival in corporate borrowing activity. Gold loans continued to surge by 123.1% amid elevated gold prices. On a sequential basis, credit growth maintained strong momentum across segments. However, part of this uptick reflects changes in fortnightly reporting norms introduced under the Banking Laws (Amendment) Act, 2025.

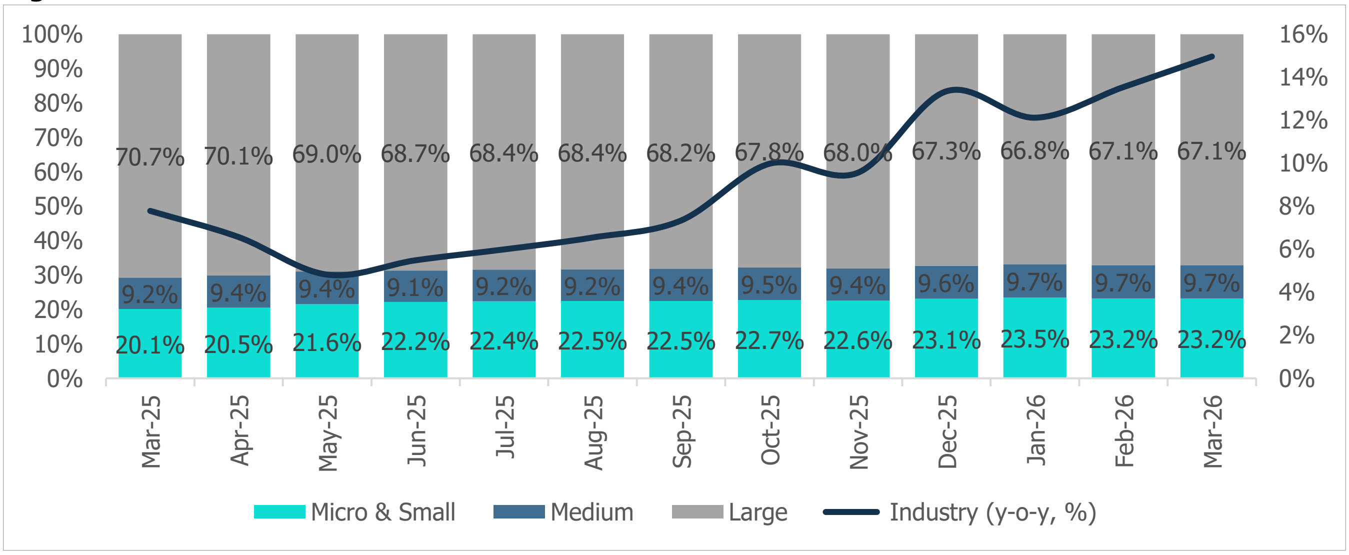
Figure 3: Personal Loans Continue to Dominate the Credit Mix (%)



Source: RBI, CareEdge

Industry Credit Growth Improves

Figure 4: MSME Share Remains Resilient



Source: RBI, CareEdge

In March 2026, industrial credit growth nearly doubled y-o-y to 15.0%, up from 8.2% a year earlier. The acceleration was broad-based, supported by stronger credit offtake across multiple industries, including infrastructure, engineering, basic metals and metal products, chemical and chemical products, and petroleum, coal products, and nuclear fuels, reflecting working capital demand. Credit to MSMEs has sustained, while large industries have improved.

Additionally, heightened geopolitical tensions in West Asia, which remain elevated, continue to pose emerging risks for export-oriented MSMEs, particularly in sectors such as gems and jewellery, textiles, and ceramics. These segments could face pressure from potential demand disruptions and rising input costs, given their limited pricing power. In response, the government has approved an Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. The scheme aims to provide 100% credit guarantee coverage for MSMEs and 90% for non-MSMEs, including the airline sector, for the amount in default under the additional credit facility extended to eligible borrowers to tide over any short-term liquidity mismatches in view of the West Asia Crisis.

Figure 5: MSMEs Continue Outpacing Large Industries (y-o-y, %)

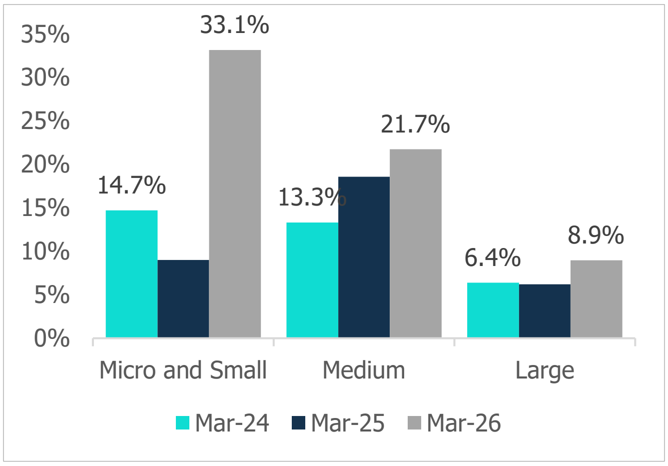
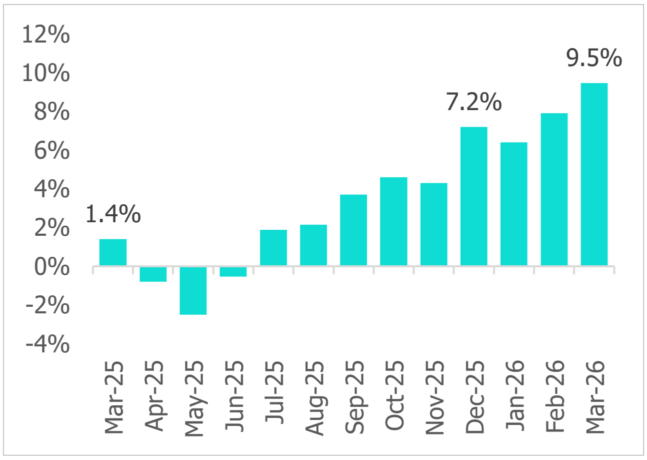


Figure 6: Infrastructure Lending Accelerates (y-o-y, %)



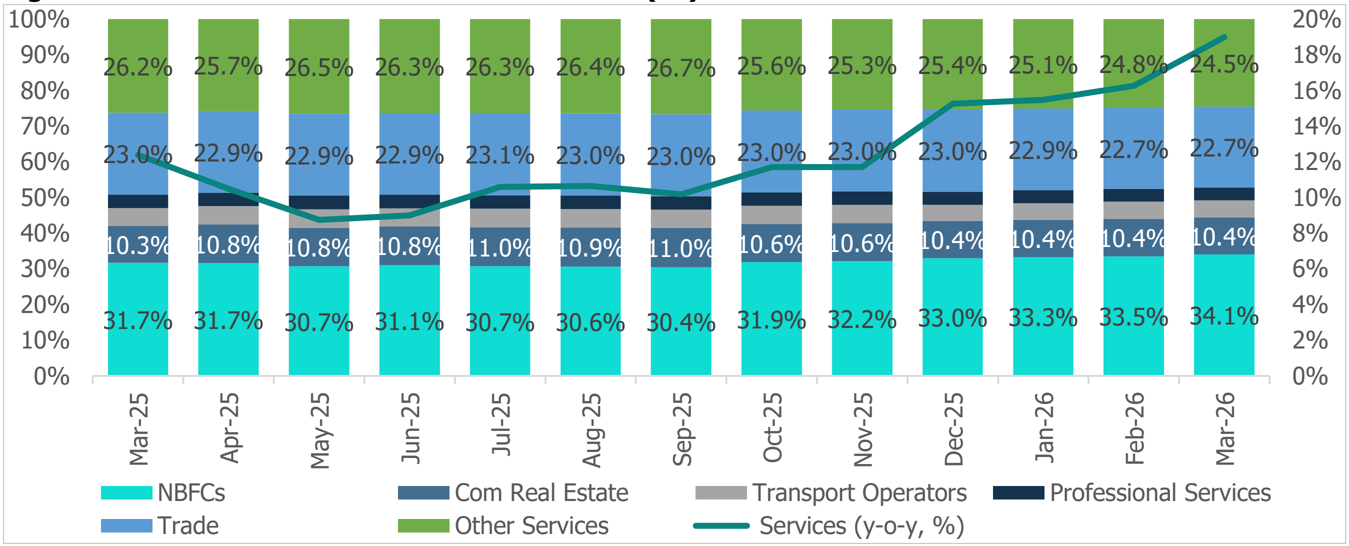
Source: RBI, CareEdge

MSME credit continued to grow faster than lending to large industries, resulting in a gradual shift in the composition of industrial credit. The share of large industries moderated to 67.1% in March 2026 from 70.7% a year earlier, while micro and small enterprises increased their share from 20.1% to 23.2% over the same period. This rebalancing has been further supported by policy measures, including the Union Budget 2025–26 enhancements to MSME investment and turnover thresholds, along with the increase in guaranteed coverage limits. These initiatives, coupled with relatively better yields and a favourable product mix, are reinforcing the growing contribution of MSMEs to overall credit expansion.

Infrastructure credit, which constitutes around one-third of total industrial lending, registered a 9.5% y-o-y growth in March 2026. The expansion was primarily driven by the power sector, accounting for 56.6% of infrastructure credit, with growth accelerating to 22.1% from 6.3% a year ago. This was on the back of record new project implementation in renewables and thermal power. Ports also exhibited robust growth at 48.7%, indicating improving investment activity. However, the overall momentum remained uneven across segments. With a slowdown in new road project awards, credit growth to the road sector fell to 1.1% from 3.1% the previous year. This growth was partly offset by a contraction in lending to railways, airports, telecommunications, and other infrastructure segments.

Services Sector

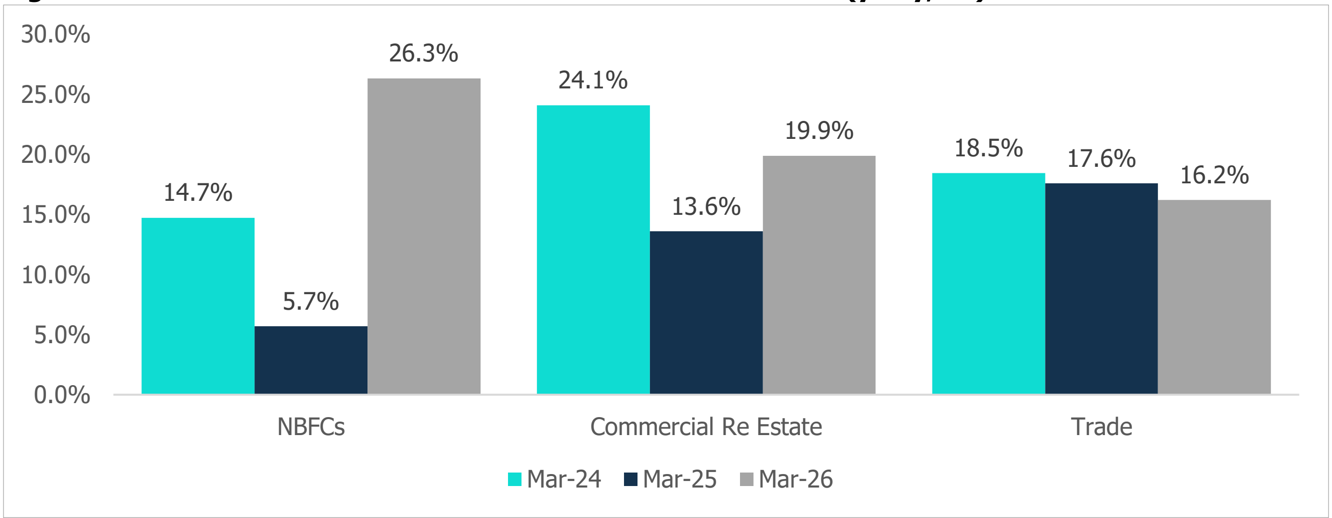
Figure 7: NBFCs Continue to Gain Market Share (%)



Source: RBI, CareEdge

In March 2026, credit to the services sector increased by 19.0% y-o-y, accelerating from 12.0% a year earlier. The rise was led by stronger lending to NBFCs, Trade and commercial real estate.

Figure 8: Robust Momentum Continues in NBFC Credit Growth (y-o-y, %)

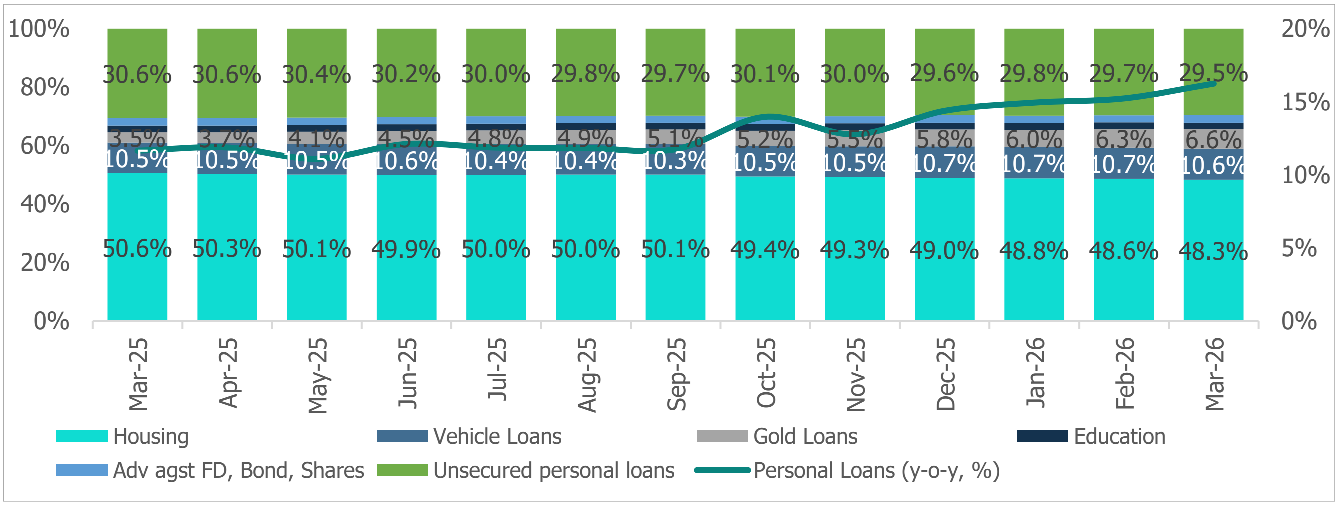


Source: RBI, CareEdge

Bank lending to NBFCs witnessed strong traction in March 2026, with outstanding credit crossing the Rs 20 lakh crore threshold, reaching Rs 20.65 lakh crore and accounting for 9.7% of bank credit. Growth accelerated significantly to 26.3% y-o-y, over 4 times the 5.7% rate recorded a year ago. This strong momentum reflects NBFCs' shift from relatively expensive market borrowings to bank funding. Further, to protect margins and with greater regulatory comfort, banks have been increasingly willing to lend to mid-sized NBFCs compared to last year. In parallel, credit to the trade segment remained resilient, reaching Rs 13.76 lakh crore and registering a 16.2% y-o-y growth, marginally lower than 17.6% recorded in the previous year. Commercial real estate credit, which accounts for around 3% of total bank credit, saw steady acceleration, rising 19.9% y-o-y, up from 13.6% the previous year. Overall steady expansion indicates continued strength in commercial activity and sustained demand for working capital financing.

Personal Loans

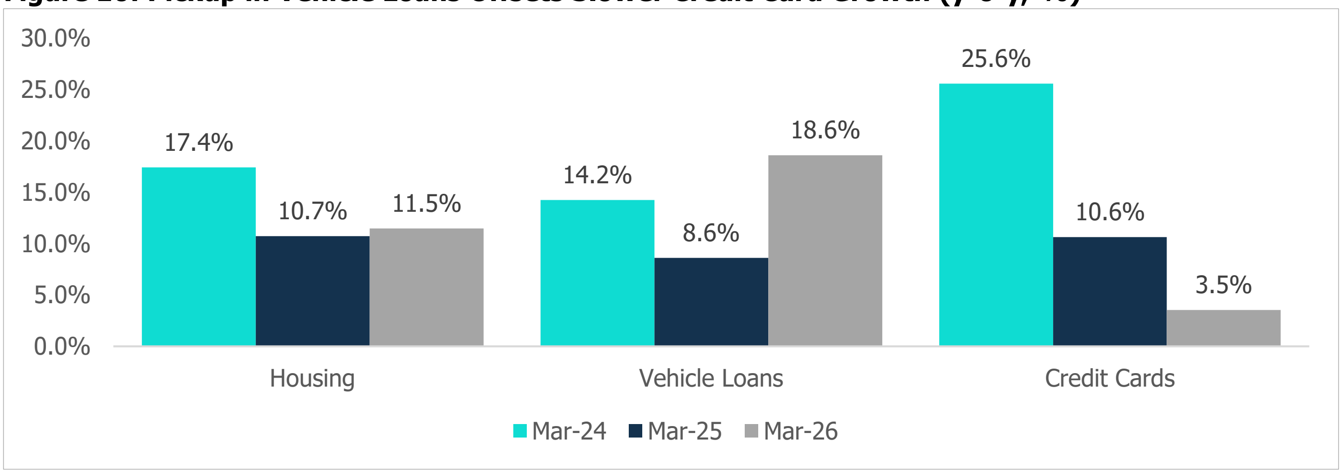
Figure 9: Housing Share Eases Slightly, Gold Loans Continue to Rise (y-o-y, %)



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

Personal loans, which account for nearly one-third of total bank credit, grew 16.2% y-o-y in March 2026, up from 11.7% in the corresponding period last year, reflecting continued strength in retail demand. This acceleration was driven by an increase in vehicle loans along with a surge in gold loans, which grew 123.1%, surpassing the 103.5% growth seen a year ago.

Figure 10: Pickup in Vehicle Loans Offsets Slower Credit Card Growth (y-o-y, %)



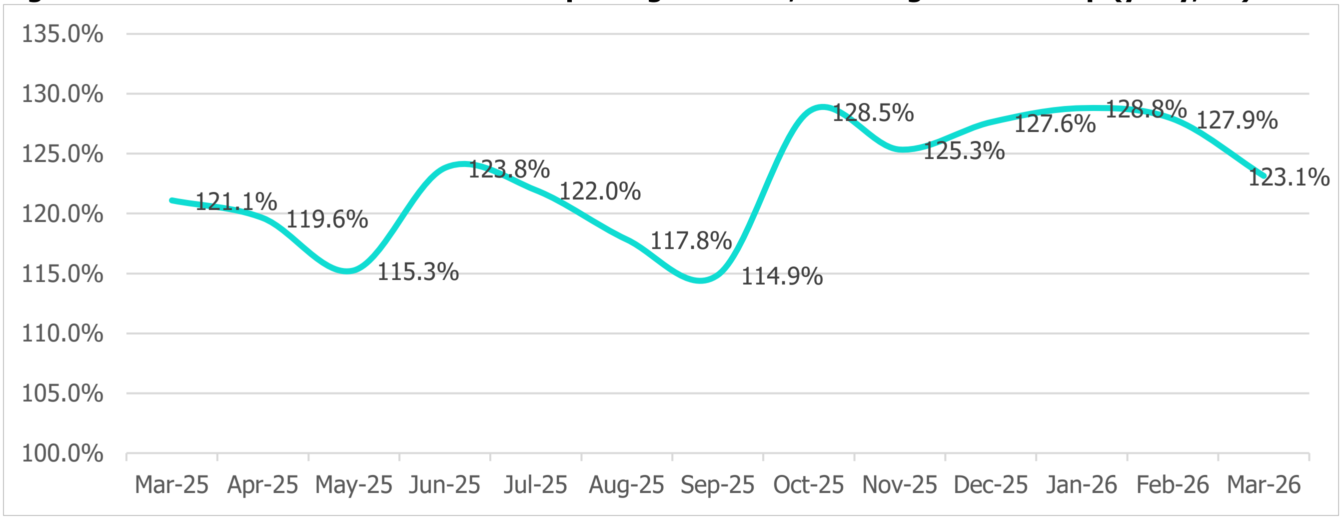
Source: RBI, CareEdge

In March 2026, personal loan growth remained broadly stable across key retail categories, with vehicle loans as the primary driver, while credit card lending continued to slow.

- Mortgage loan growth remained steady at 11.5% y-o-y.
- Vehicle loans saw a notable acceleration, growing by 18.6% y-o-y compared to 8.6% a year ago, supported by improved affordability following the GST rate cut and strong consumer sentiment.

- Credit card outstanding recorded a muted growth of 3.5% y-o-y as compared to 10.6% in March 2025.

Figure 11: Gold Loans Maintain Robust Triple-Digit Growth, with Slight m-o-m Dip (y-o-y, %)



Source: RBI, CareEdge

Advances to individuals against gold surged 123.1% y-o-y in March 2026, accelerating from 121.1% in the corresponding period last year. The growth was partly driven by the reclassification of approximately 20% of agri-gold loans into the retail segment following an upward revision in eligibility limits. In addition, elevated gold prices provided a significant boost to lending volumes. This significant increase in gold prices has effectively inflated the value of gold-backed loans, amplifying the overall growth in this segment.

Steady Momentum Continues in Agri Lending

After adjusting for the reclassification of agri-gold loans, credit to agriculture and allied sectors is estimated to have grown by around 17% y-o-y in March 2026. This adjusted growth is approximately 100 bps higher than the initially reported 15.7%, underscoring the continued resilience of agricultural credit.

Conclusion

Credit growth has been robust in FY26. This was supported by healthy growth in bank lending to NBFCs, passenger and commercial vehicles (post-GST reduction), personal gold loans (due to higher gold prices) and MSME lending. A pickup in lending to large industries and infra spending also provided a boost. Further, with relatively higher rates on bonds/NCDs and overseas borrowings, many large borrowers were inclined to borrow from banks. While the overall figure is slightly inflated due to the readjusted base of April 04, 2025, the MSME lending growth data is also inflated due to the revised definition of MSME during the year. Meanwhile, the banking system has accommodated a higher credit risk tolerance threshold to support growth and protect margins.

Credit growth is expected to remain steady, with overall bank credit growth expected to remain in the 13.0%-14.5% range by FY27. However, the ongoing West Asia crisis, elevated crude prices, and supply chain disruptions may create short-term pressures on input costs and credit growth. A prolonged conflict could raise borrowing costs and tighten lending standards. In this backdrop, banks are likely to remain cautious in unsecured lending, with a continued preference for secured portfolios. The recently announced ECLGS scheme is likely to support the MSME segment during this crisis.

Appendix: Deployment of Gross Bank Credit by Major Sectors

Sector	Rs lakh crore		(Y-o-Y) (%)	
	Mar 25	Mar 26	Mar 25 vs Mar 24	Mar 26 vs Mar 25
Gross Bank Credit	**184.0**	**213.6**	**11.0**	**16.1**
Food Credit	**0.3**	**0.7**	**38.4**	**139.4**
Non-food Credit	**183.7**	**212.9**	**10.9**	**15.9**
Agri and Allied Activities	**22.9**	**26.5**	**10.4**	**15.7**
Industry	**39.9**	**45.8**	**8.2**	**15.0**
Micro and Small	8.0	10.6	8.9	33.1
Medium	3.6	4.4	18.5	21.7
Large	28.2	30.8	6.9	8.9
Services	**50.9**	**60.6**	**12.0**	**19.0**
Transport Operators	2.6	2.9	12.6	9.6
Computer Software	0.3	0.5	27.0	39.0
Tourism, Hotels and Rest	0.8	1.0	7.1	23.0
Shipping	0.1	0.1	3.4	42.2
Aviation	0.5	0.5	6.4	14.4
Professional Services	2.0	2.2	17.2	11.4
Trade	11.8	13.8	15.6	16.2
Commercial Real Estate	5.2	6.3	13.7	19.9
NBFCs	16.4	20.7	7.4	26.3
Other Services	11.2	12.8	14.0	13.5
Personal Loans	**59.7**	**69.4**	**11.7**	**16.2**
Consumer Durables	0.2	0.2	-1.0	-5.3
Housing	30.1	33.6	10.7	11.5
Advances against FDs	1.4	1.7	13.4	19.2
Advances to Ind against share	0.1	0.1	18.7	4.6
Credit Card	2.8	2.9	10.6	3.5
Education	1.4	1.6	15.1	13.4
Vehicle Loans	6.2	7.4	8.6	18.6
Loans against Gold Jewellery	2.1	4.6	121.1	123.1
Other Personal Loans	15.4	17.3	7.5	13.0

Source: RBI

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