Bank Credit Growth to Cool as Corporates Expand Funding Options

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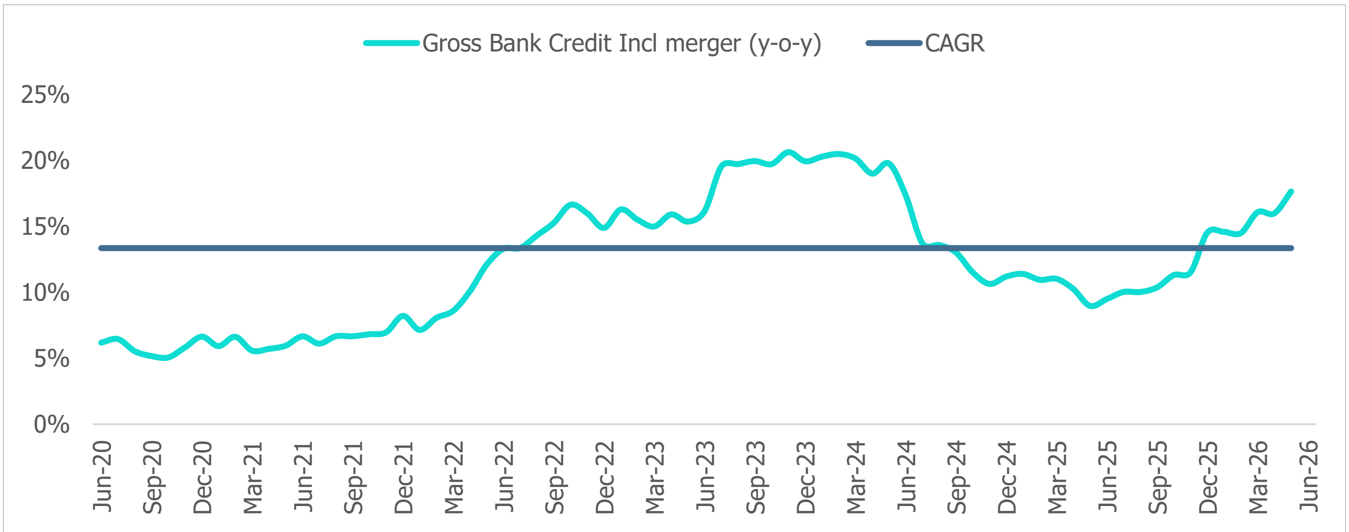
Note: Gross bank credit and non-food credit data are based on the Section 42 return, which covers all scheduled commercial banks (SCBs). In contrast, sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) returns, covering 41 banks that account for approximately 95%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

- Non-food bank credit growth accelerated to 18.3% y-o-y in June 2026 from 9.3% a year earlier, reflecting broad-based growth. Sequentially, the increase in outstanding credit was primarily driven by higher lending to industry and services.
- Services remained the key driver of credit expansion, recording 21.4% y-o-y growth and above 15% growth for the seventh consecutive month. The momentum was led by robust lending to NBFCs. At the same time, industrial credit continued to strengthen on the back of rising borrowings by large corporates, as the favourable growth differential for MSMEs normalised and working capital requirements increased amid geopolitical tensions in West Asia. The recent pickup in bank lending was also supported by elevated yields in domestic debt markets, prompting borrowers to rely increasingly on bank financing. Retail credit remained resilient, with vehicle finance and gold loans continuing to support personal loan growth.
- Going forward, bank credit growth is expected to remain healthy, supported by improving liquidity, sustained government capital expenditure, and resilient domestic economic activity. However, the pace of growth is likely to normalise as funding conditions improve. The RBI's recent measures to encourage FCNR(B) deposits and reduce hedging costs for eligible ECB borrowings are expected to strengthen banks' funding position while encouraging eligible borrowers to access overseas markets.

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.

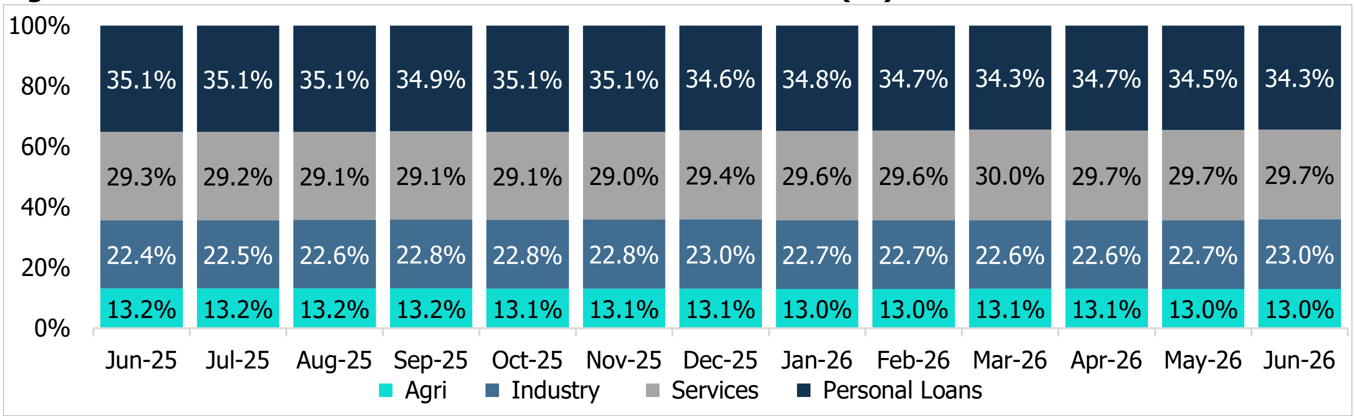
Figure 2: Broad-Based Credit Growth Sustains Momentum Across Key Segments (y-o-y, %)

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Non-food	**9.3**	**9.9**	**9.9**	**10.2**	**11.1**	**11.4**	**14.4**	**14.4**	**14.3**	**15.9**	**15.8**	**17.4**	**18.3**
Agri	6.8	7.3	7.6	9.0	8.9	8.7	12.1	11.4	12.3	15.7	13.7	14.9	16.8
Industry	5.5	6.0	6.5	7.3	10.0	9.6	13.3	12.1	13.5	15.0	15.1	17.5	19.2
Services	9.0	10.6	10.6	10.2	13.0	11.7	15.3	15.5	16.3	19.0	18.6	20.4	21.4
Personal Loans	12.1	11.9	11.8	11.7	14.0	12.8	14.4	14.9	15.2	16.2	16.0	15.4	15.8

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.

Bank credit growth remained well diversified across sectors in June 2026, with non-food credit increasing by 18.3% y-o-y. Lending to the services sector continued to lead the expansion, supported by strong credit flows to NBFCs and commercial real estate (CRE). Industrial credit maintained its momentum, growing 19.2% y-o-y, driven by rising financing requirements of infrastructure projects and large corporates. Meanwhile, personal loans remained resilient, recording 15.8% growth, while agricultural credit sustained healthy double-digit growth of 16.8%. Gold loans have increased 93.8% y-o-y, aided by elevated gold prices, while a high base has restrained the growth rate.

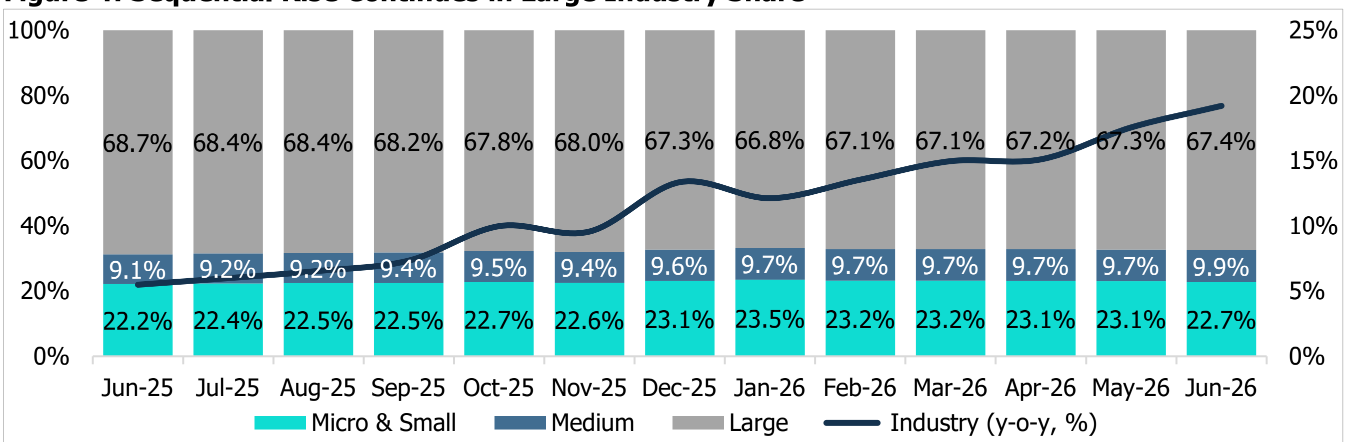
Figure 3: Personal Loans Continue to Dominate the Credit Mix (%)



Source: RBI, CareEdge

Industry Sustains Momentum

Figure 4: Sequential Rise Continues in Large Industry Share



Source: RBI, CareEdge

Industrial credit growth accelerated further to 19.2% y-o-y in June 2026, up from 17.5% in May 2026 and 6.3% a year earlier, reflecting broad-based improvement across manufacturing and infrastructure-related industries. Credit growth remained well supported by sectors such as engineering, infrastructure, petroleum products, chemicals, basic metals, vehicles and transport equipment, and gems & jewellery, highlighting sustained investment activity alongside healthy working capital requirements. While MSMEs continued to record healthy growth, the recent acceleration in industrial credit was increasingly led by large industries, reflecting their significantly higher contribution to incremental credit as the favourable base effect for MSMEs gradually faded. Higher borrowing by large corporates also reflected increased working capital and funding requirements, partly due to elevated input costs and longer operating cycles amid geopolitical tensions in West Asia, alongside continued investment activity across core industries.

Looking ahead, industrial credit is expected to remain supported by healthy capacity utilisation, ongoing investment activity, and sustained working capital requirements across manufacturing and infrastructure-related industries. However, external risks, including geopolitical tensions, global trade uncertainties, and commodity price volatility, continue to pose challenges for export-oriented industries such as gems & jewellery, textiles, leather, and select engineering segments through higher logistics costs, supply chain disruptions, and longer receivable cycles. Nevertheless, industrial asset quality is expected to remain broadly stable, supported by healthy corporate balance sheets, prudent underwriting standards, and adequate provisioning ahead of the transition to the Expected Credit Loss (ECL) framework. In addition, the government's ECLGS 5.0 and CGSMFI 2.0 schemes are expected to improve credit availability and liquidity for eligible borrowers, thereby supporting credit quality in relatively vulnerable segments.

Figure 5: Bank Lending to Large Industry Continues to Recover (y-o-y, %)

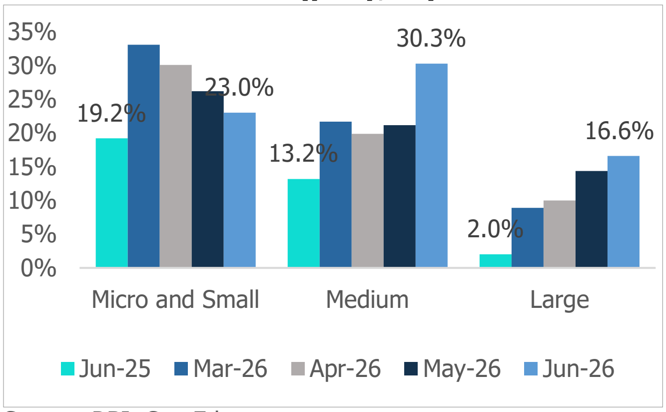
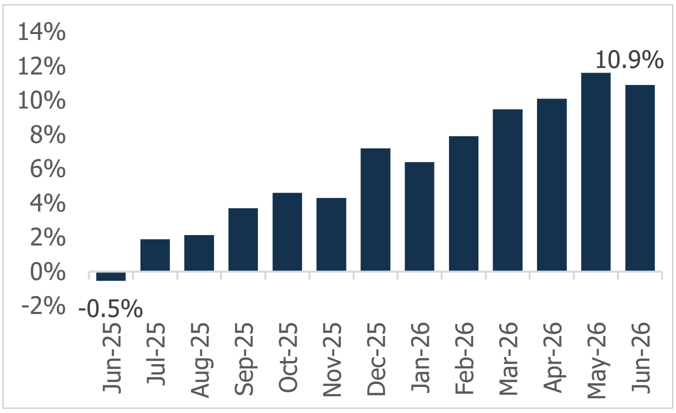


Figure 6: Infrastructure Credit Remains Healthy, Despite Sequential Moderation (y-o-y, %)



Source: RBI, CareEdge

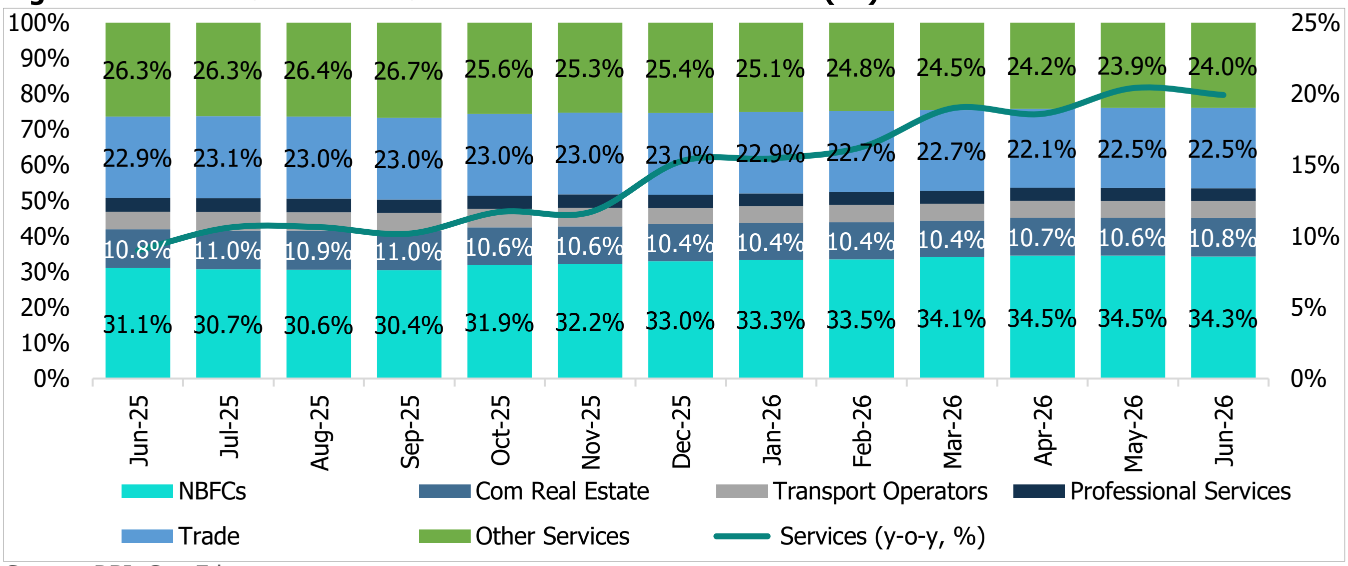
Credit to large industries continued to strengthen, with growth accelerating to 16.6% y-o-y in June 2026 from 2.0% a year earlier, reflecting a broad-based improvement in borrowing by large corporates. The expansion was driven by sectors such as engineering, basic metals, chemicals, power and transport equipment. In addition to ongoing investment activity, geopolitical tensions in West Asia and elevated crude oil prices increased working capital requirements across several industries through higher input costs, freight expenses and longer inventory cycles. While credit growth to micro and small industries moderated as the favourable impact of the revised MSME classification gradually faded, lending to medium industries remained robust, reflecting healthy domestic demand, continued government support and sustained formalisation of businesses.

Infrastructure credit remained in double digits, though growth moderated marginally to 10.9% y-o-y in June 2026, down from 11.6% in May. The expansion continued to be supported by robust public capital expenditure, which rose to Rs 3.40 lakh crore in YTDFY27, up 23.6% y-o-y from Rs 2.75 lakh crore in the corresponding period last year, alongside the ongoing execution of large infrastructure projects. The power sector remained the primary growth driver, with credit expanding 23.2% y-o-y, supported by continued investments in renewable energy, transmission infrastructure and conventional generation capacity. Credit to ports also remained exceptionally strong, increasing 75.9% y-o-y, reflecting continued investments in logistics and capacity expansion. Meanwhile, lending to roads and urban infrastructure remained supportive, although relatively weaker credit growth in telecommunications, railways and airports continued to weigh on the overall infrastructure portfolio.

Looking ahead, industrial credit is expected to remain resilient. The Government's sustained focus on capital expenditure, manufacturing expansion and the energy transition should continue to support demand for long-term financing. Freight activity also remained encouraging, with cargo handled at major ports increasing 9.2% y-o-y in June 2026 and registering a ~7.4% CAGR over the past two years, indicating continued strength in trade and logistics. At the same time, the pace of bank lending to corporates may moderate if lower bond yields encourage highly rated borrowers to increasingly access the corporate bond market instead of bank financing.

Services Sector

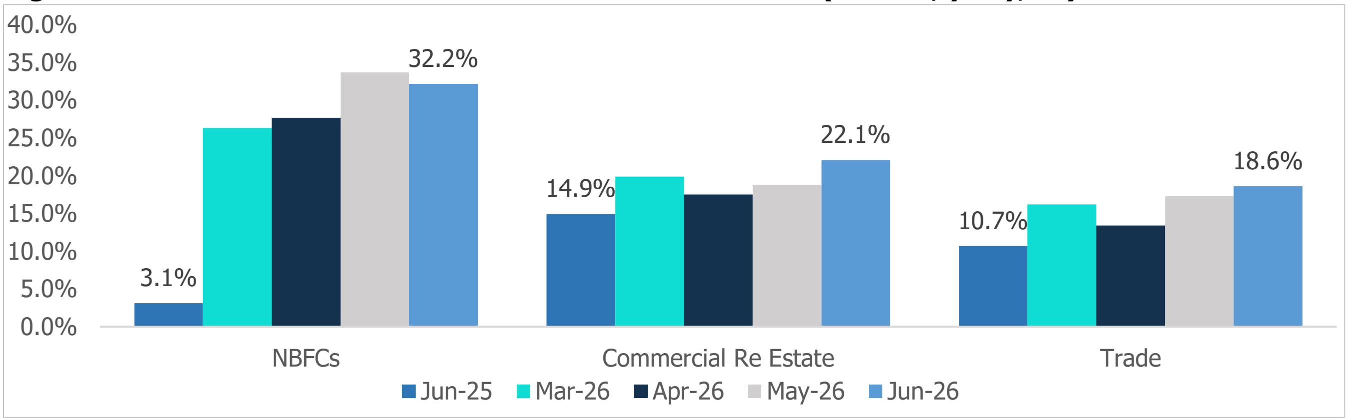
Figure 7: NBFCs Hold Their Ground in Overall Services Credit (%)



Source: RBI, CareEdge

Credit to the services sector remained the strongest among major segments, expanding 21.4% y-o-y in June 2026, up from 8.8% a year ago. The growth was supported by robust lending to NBFCs, trade and CRE, with NBFCs continuing to account for the largest share of services-sector credit.

Figure 8: NBFCs Lead While Trade and CRE Remain Resilient (Growth, y-o-y, %)



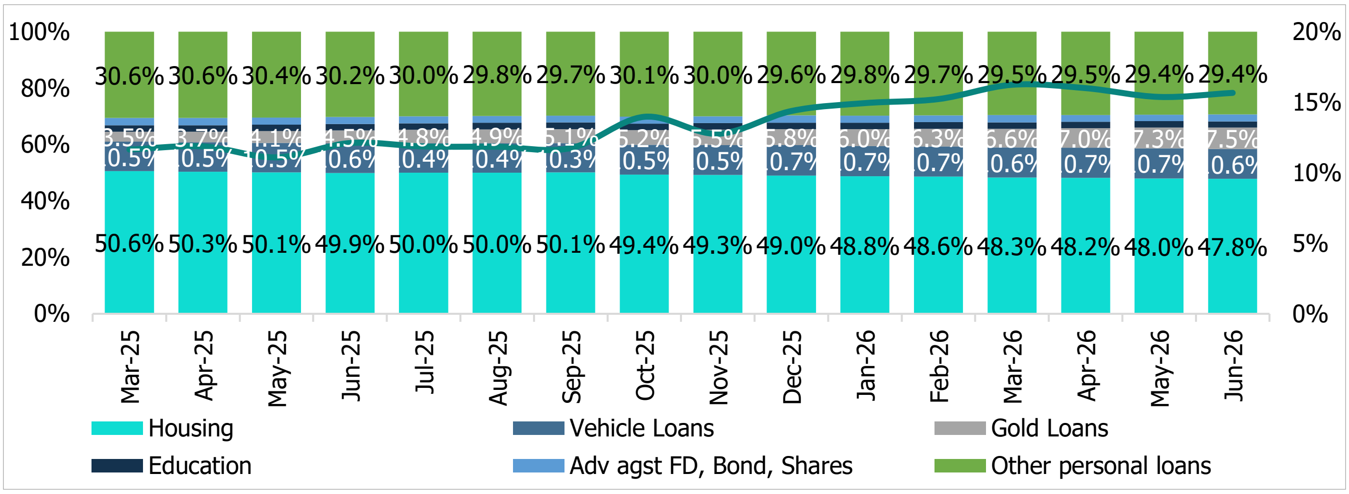
Source: RBI, CareEdge

The services sector continued to remain the largest contributor to overall bank credit growth in June 2026, led by strong lending to NBFCs. Bank credit to NBFCs increased to Rs 21.1 lakh crore, an all-time high, with growth accelerating to 32.2% y-o-y from a modest 3.1% a year earlier. As a result, NBFCs' share of services-sector credit rose to 34.2% in June 2026, up from 31.4% a year earlier. The sharp increase in bank lending reflected subdued activity in domestic debt markets. As a result, many NBFCs increasingly relied on bank borrowings to meet refinancing and funding requirements, supported by improving liquidity and relatively attractive borrowing costs.

Beyond NBFCs, credit growth remained healthy across other service segments. Lending to trade increased 18.6% y-o-y, supported by steady business activity and working capital demand, while credit to CRE grew 22.1%, reflecting sustained financing needs. Additionally, credit to the computer software segment continued to record exceptionally strong growth of 48.7% in June 2026, supported by rising investments in AI, cloud infrastructure, digital transformation and expansion of Global Capability Centres (GCCs). The relatively small base (Rs 0.53 lakh crore) of the sector also amplified the reported y-o-y growth. Going forward, the services sector credit is expected to remain healthy. However, the pace of lending to NBFCs may moderate if debt market conditions improve and bond issuances recover, enabling NBFCs to diversify their funding sources.

Personal Loans

Figure 9: Gold Loans Expand While Housing Share Remains Steady(y-o-y, %)

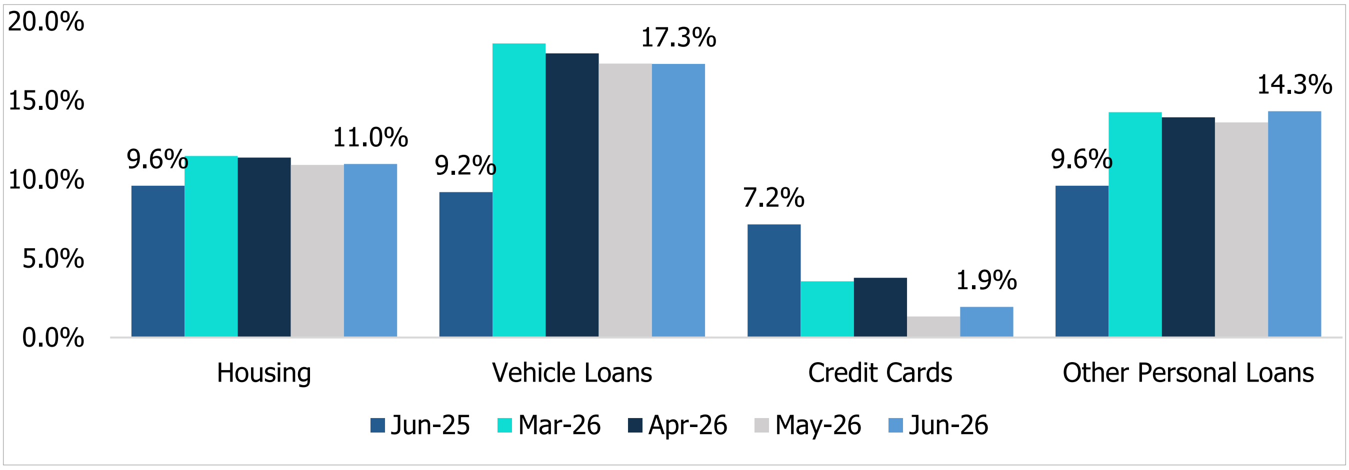


Source: RBI, CareEdge; Note: Other personal loans consist of consumer durables, credit card o/s, and others

Personal loan growth remained resilient, expanding 15.8% y-o-y in June 2026, up from 11.7% a year earlier, supported by sustained demand across key retail lending segments. While housing loans continued to account for the largest share of the personal loan portfolio, their share moderated slightly over the past year but remains steady. Vehicle loans also remained a key contributor, reflecting healthy consumer demand, including high vehicle sales and improving financing activity.

Gold loans continued to be the fastest-growing personal loan segment, recording robust growth of 93.8% y-o-y in June 2026, although the pace moderated from the exceptionally high growth of 140.9% a year earlier. The sharp expansion was supported by elevated gold prices and the reclassification of certain agricultural gold loans under the gold loan category, along with sustained demand for loans against gold. Consequently, the share of gold loans in the overall personal loan portfolio has continued to increase.

Figure 10: Housing and Vehicle Loans Offset Weakness in Credit Cards (y-o-y, %)



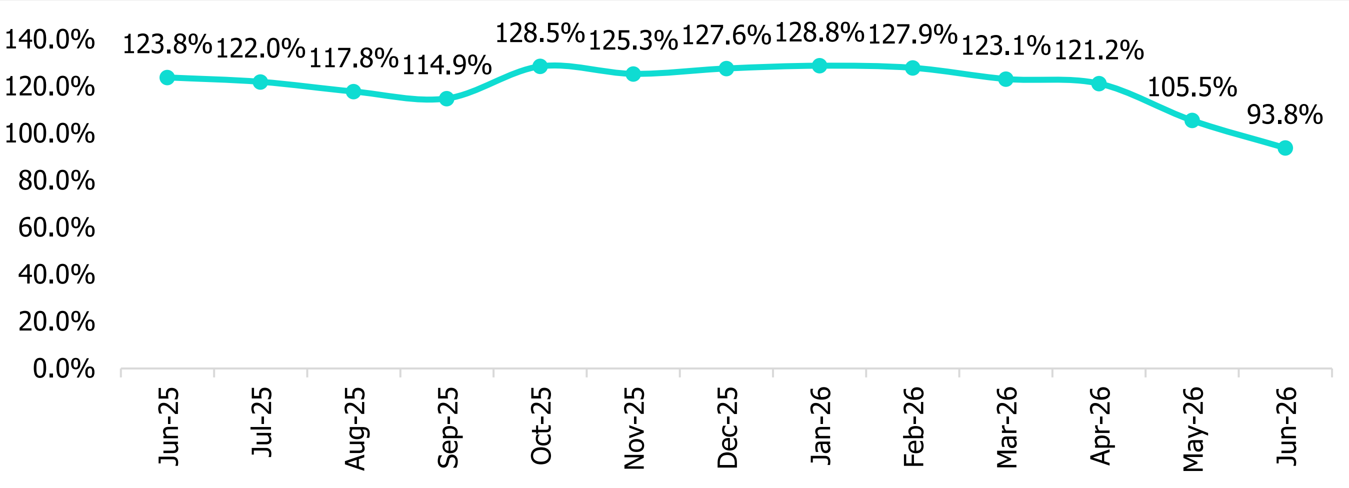
Source: RBI, CareEdge

In June 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 on a y-o-y basis and saw a slight increase on a m-o-m basis.

- Mortgage loan growth remained steady at 11.0% y-o-y.
- Vehicle loans saw a notable acceleration, growing by 17.3% y-o-y compared to 9.2% a year ago, supported by improved affordability following the GST rate cut and strong consumer sentiment.
- Credit card outstanding recorded a muted growth of 1.9% y-o-y as compared to 7.2% in June 2025, reflecting continued moderation in unsecured retail lending as borrowers increasingly shifted towards other personal loan products.

Looking ahead, personal loan growth is expected to remain healthy, supported by sustained demand for housing and vehicle finance. Gold loans are also expected to remain a key growth driver. However, growth is likely to normalise gradually as the high base effect strengthens, despite continued support from elevated gold prices. However, banks are likely to remain selective in unsecured retail lending, particularly credit cards, as they continue to prioritise asset quality and prudent underwriting. Meanwhile, gold loan growth is expected to remain robust, although the pace may gradually normalise due to a higher base and stabilising gold prices.

Figure 11: Gold Loan Growth Remains Robust Despite Sequential Moderation (y-o-y, %)



Source: RBI, CareEdge

Gold loan growth remained exceptionally strong at 93.8% y-o-y in June 2026, although the pace moderated from 105.5% in May 2026 and the exceptionally high levels recorded during the previous year. Despite this moderation, gold loans continued to be the fastest-growing retail credit segment, supported by elevated gold prices, strong demand for collateral-backed borrowing, and the reclassification of certain agricultural gold loans into the gold loan category.

Looking ahead, gold loan growth is expected to remain healthy, supported by elevated gold prices, improving liquidity conditions, and sustained demand from households and small businesses seeking secured credit. However, the pace of expansion is likely to moderate further as the base effect strengthens and growth gradually normalises.

Conclusion

Bank credit growth remained broad-based in June 2026, with non-food credit rising 18.3% y-o-y, driven by services, industry, agriculture, and personal loans. Services remained the key growth engine, led by lending to NBFCs, CRE, and trade. At the same time, industrial credit strengthened on higher demand from large corporates, as the favourable base effect supporting MSME lending gradually normalised, shifting the momentum towards large industries. Rising working capital requirements amid geopolitical tensions in West Asia also supported industrial credit demand. Personal loans remained resilient, supported by vehicle and gold loans, and agricultural credit continued to grow at a healthy pace. Credit growth was aided by improving economic activity, government capex, infrastructure spending, lower borrowing costs, and higher reliance on bank funding by NBFCs and corporates amid elevated bond yields.

Looking ahead, bank credit growth is expected at 14.5%-15.5% in FY27, moderating from recent highs. RBI liquidity measures and incentives for ECBs, OFCBs, and FCNR(B) deposits have attracted USD 40.8 billion in forex inflows (as of July 31, 2026), supporting bank funding, liquidity, and credit growth while narrowing the loan-deposit gap. However, the composition of incremental financing is expected to evolve over the coming quarters. The RBI's concessional forex swap facility has significantly reduced the effective hedging cost of eligible overseas borrowings, providing a funding advantage to qualifying public sector and infrastructure-related borrowers. Simultaneously, softer government security yields are expected to improve domestic bond market conditions, encouraging large borrowers to increasingly diversify towards market-based funding. Consequently, while overall credit demand is likely to remain robust, the pace of bank credit growth is expected to moderate gradually as a larger share of financing requirements is met through overseas borrowings and domestic debt markets. Despite a favourable outlook, risks from geopolitical tensions, higher commodity prices, and global trade disruptions persist. Nevertheless, healthy corporate balance sheets, prudent underwriting, and continued policy support through initiatives such as ECLGS 5.0 and CGSMFI 2.0 are expected to support credit quality through FY27.

Appendix: Deployment of Gross Bank Credit by Major Sectors

Sector	Rs lakh crore			(Y-o-Y) (%)	
	June 24	June 25	June 26	June 25 vs June 24	June 26 vs June 25
Gross Bank Credit	**168.9**	**184.9**	**219.3**	**9.5**	**18.6**
Food Credit	**0.3**	**0.6**	**1.3**	**89.9**	**105.1**
Non-food Credit	**168.5**	**184.2**	**218.0**	**9.3**	**18.3**
Agri and Allied Activities	**21.6**	**23.1**	**26.9**	**6.8**	**16.8**
Industry	**37.6**	**40.0**	**47.7**	**6.3**	**19.2**
Micro and Small	7.4	8.8	10.8	19.2	23.0
Medium	3.2	3.6	4.7	13.2	30.3
Large	27.1	27.6	32.2	2.0	16.6
Services	**46.6**	**50.7**	**61.5**	**8.8**	**21.4**
Transport Operators	2.4	2.7	2.9	9.9	7.7
Computer Software	0.3	0.4	0.5	35.8	48.7
Tourism, Hotels and Rest	0.8	0.9	1.1	8.1	24.7
Shipping	0.1	0.1	0.1	14.6	28.9
Aviation	0.5	0.5	0.6	11.9	12.6
Professional Services	1.7	2.0	2.3	14.1	14.7
Trade	10.6	11.7	13.9	10.7	18.6
Commercial Real Estate	4.8	5.5	6.7	14.9	22.1
NBFCs	15.5	16.0	21.1	3.1	32.2
Other Services	10.0	11.1	12.5	10.8	12.3
Personal Loans	**55.0**	**61.5**	**71.1**	**11.7**	**15.8**
Consumer Durables	0.2	0.2	0.2	-2.8	-0.6
Housing	28.0	30.7	34.0	9.6	11.0
Advances against FDs	1.3	1.5	1.6	15.5	11.2
Advances to Ind against share	0.1	0.1	0.1	5.6	4.6
Credit Card	2.7	2.9	3.0	7.2	1.9
Education	1.2	1.4	1.6	14.4	13.3
Vehicle Loans	5.9	6.4	7.5	9.2	17.3
Loans against Gold Jewellery	1.1	2.8	5.4	140.9	93.8
Other Personal Loans	14.5	15.5	17.7	7.1	14.2

Source: RBI

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