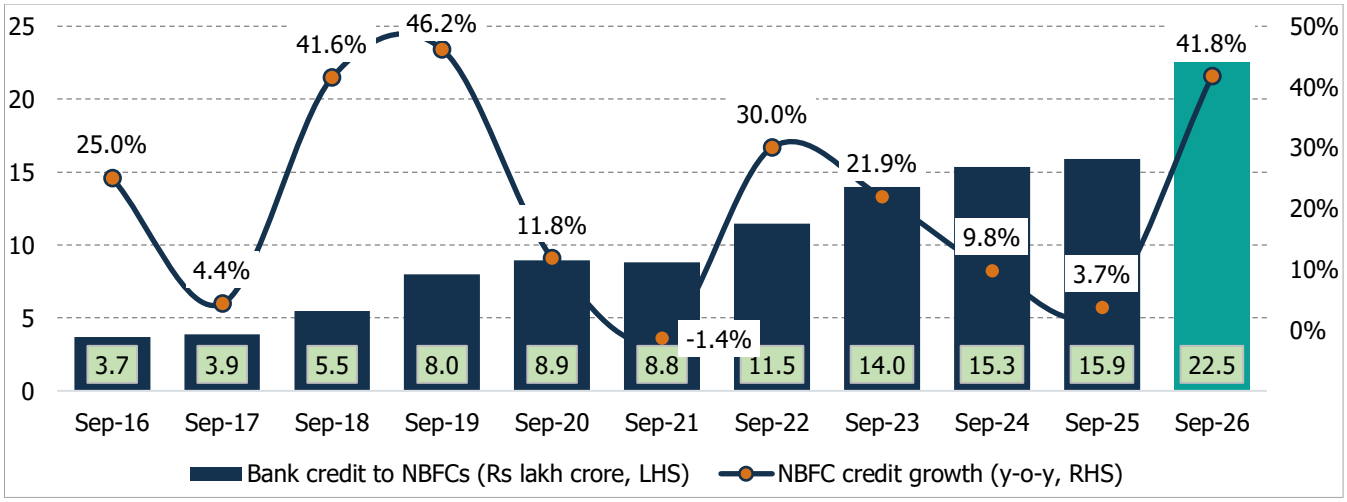
Bank Credit to NBFCs Hits 81-Month High; Reaches 41.8% in Sep 2026

November 03, 2026 | BFSI Research

Overview

"NBFCs are increasingly turning back to banks for funding. Bank credit to NBFCs grew 41.8% year-on-year to Rs 22.5 lakh crore as of September 30, 2026, the fastest annual growth since December 2019. The sharp rise reflects a shift in funding preferences, with costlier bond-market borrowing pushing non-bank lenders towards bank loans. The scale of the increase is striking: banks added Rs 6.6 lakh crore of NBFC credit over the past year, roughly 1.5 times the Rs 4.4 lakh crore added in the previous three years combined. NBFCs now account for 9.8% of gross bank credit, underscoring their growing weight in banks' loan books. The trend also represents a nearly six-fold expansion since 2016, highlighting how deeply NBFCs have become embedded in India's formal credit system," said Vineet Jain, Senior Director, CareEdge Ratings.

Bank Credit to NBFCs Rises Six-fold Since 2016 to Rs 22.5 Lakh Crore



Source: RBI; CareEdge Ratings. NBFCs include HFCs.

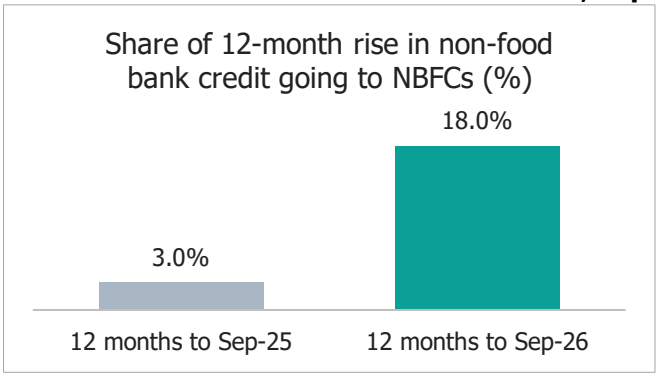
Bank credit to NBFCs has grown six-fold in 10 years, a CAGR of 19.8%, against 11.9% for overall bank credit. Growth slowed over the last three years, as the November 2023 risk-weight hike weighed on lending even after the RBI rolled it back in February 2025, and briefly turned negative in May 2025. Lending has since caught up after this reset. The rise to 41.8% in September 2026 is partly a low-base effect. NBFC credit is now growing more than twice as fast as overall bank credit, lifting NBFCs' share of bank credit to 9.8% in September 2026 from 8.3% a year ago. Borrowers may also have front-loaded funding ahead of the October rate hike, and NBFCs borrowed to fund festive vehicle, durable and gold finance. Bond-market funding has also turned costlier than bank loans.

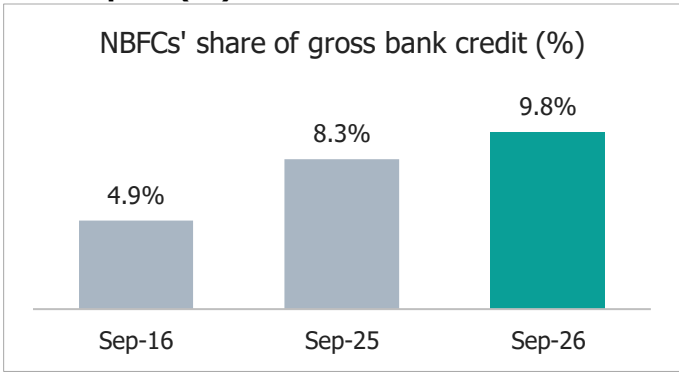
Looking ahead, festive-led and front-loaded borrowing may normalise, and the low-base effect fades from October 2026, so y-o-y growth is likely to moderate even as the absolute level stays higher.

NBFCs Now take Rs 18 of every Rs 100 of New Bank Credit

Banks are steering a much larger slice of their fresh lending to NBFCs. Of every Rs 100 added to non-food bank credit in the 12 months to September 2026, about Rs 18 went to NBFCs, against about Rs 3 a year earlier. NBFCs still hold less than a tenth of total bank credit, but that is about double their share a decade ago. The shift is clearest in services lending: NBFCs now make up about a third of bank credit to services and nearly half of the rise in services credit over the past year. As a larger share of bank lending flows to NBFCs, funding concentration remains a key area to monitor.

NBFCs' Share of New and Total Bank Credit, Sep-16 to Sep-26 (%)





Source: RBI; CareEdge Ratings

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