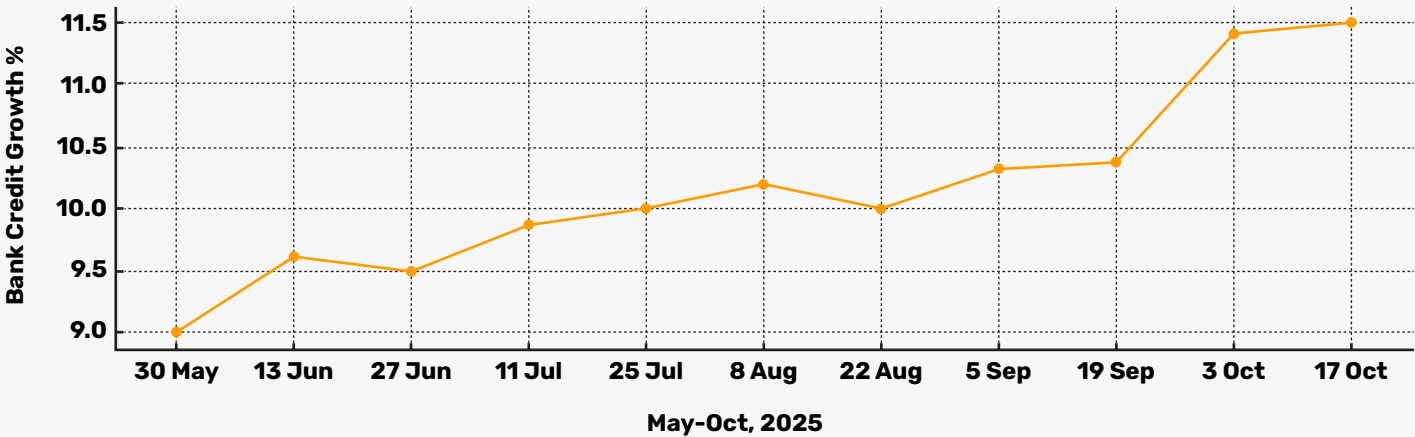




India's Steady Credit Growth Backed by Sound Capital Buffers

Indian banks enter FY26 on a stable footing, supported by comfortable capital positions and cleaner balance sheets. Credit growth has moderated from last year's peak but continues to grow in double digits, with early signs of month-on-month improvement emerging around seasonal and consumption-led demand.

Bank Credit Growth % Over Time



Source: Share India Research

Recent Developments in Credit Growth

1. Credit expands at a softer pace but stays in double-digits

Bank credit grew 10.2–10.4% YoY in Sep'25, lower than last year's 13%, but improved from 9.9% in Aug and continued rising in October to around 11.5% YoY – indicating early signs of momentum returning around festive demand and better consumer activity.

2. Credit growth remains broad-based with a shift in composition

Agri grew 9.0%, industry 7.3%, services 10.2%, and personal loans 11.7% YoY. Within industry, **micro & small units (22%)** and **medium enterprises (14.3%)** outpaced **large corporates (2.4%)**, indicating comparatively higher credit demand among smaller businesses.

3. Funding gap persists, but system buffers remain comfortable

Credit (~11.5% YoY) continues to grow faster than **deposits (~9.5% YoY)**, but the overall credit-to-deposit ratio over 80% shows banks still have adequate liquidity. Lending rates have only partly reflected the repo cuts announced so far and as further transmission flows through in the coming months, lower EMIs and cheaper borrowing could gradually support credit demand.

4. Retail and infra segments continue to drive business

Housing grew 10.1%, vehicle loans 7.3%, and gold-backed loans surged 114.9% YoY. Infrastructure lending improved to 3.7% YoY, led by power projects (12%) and ports (17.1%), partly offsetting weaker demand from NBFCs (3.9%) and large corporates.

Sources: RBI, Share India Research, CareEdge | Data as on 31st October, 2025.

Past performance may or may not be sustained in future.

Please note that the reference to any industry/sector/stock is provided for illustrative purposes only. This should not be construed as a research report or a recommendation to buy or sell any security or sector.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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