

Non-food credit growth slowly reverting to double digits

October 13, 2025

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Data Highlights

Non-food credit by sector

- In August, total non-food credit growth to farm, industry, services, and personal loans (including impact of merger of a non-bank with a bank) improved for the third straight month to 9.7%YY from 9.5% in July. There was improvement in credit growth across most segments, except personal loans where it eased fractionally.

Agriculture & Industry

- Credit growth to agriculture improved to 7.6%YY from 7.3% in July.
- Credit to industry rose at an increased pace of 6.5%YY versus 6.0% growth in July. Compared to July, the year-on-year credit growth to large industries improved, while it eased towards medium and small industries. But credit to small firms continued to grow at the fastest pace, followed by medium ones, so that in terms of contribution to growth and share in incremental credit (year-on-year nominal change), micro and small firms topped the list, followed by credit to large and medium industries.

Services

- Compared to July, credit growth to services was stable at around 10.6%YY. Within services, credit growth to transport operators and NBFCs improved, while it eased towards other segments. Professional services, trade, and commercial real estate (CRE) continued to clock double-digit growth, with credit to trade and CRE contributing the most to year-on-year credit growth to services. The largest portion of incremental credit continued to accrue to trade, followed by CRE.

Personal loans

- Personal loan growth eased slightly to 11.8%YY from 11.9% in July. There was moderation in credit growth across segments, except housing where it improved fractionally, and for consumer durables, where it remained in contraction for the sixth straight month. More than 40% of incremental credit continued to accrue to housing, followed by loans against gold jewellery at around one-fourth share, so that the two segments added the most to year-on-year growth in personal loans.

Non-food credit by industry

- Despite moderation vis-à-vis Aug-2024, infrastructure continued to attract the most share in credit to industry at around 33%, followed by metals at about 11%. However, the largest share of incremental credit went to engineering. Of the 19 key industries, four posted double-digit year-on-year growth.

Outlook

- **Insights from survey data:** Results from the RBI's latest quarterly Bank Lending Survey show that banks expect loan demand to improve in coming quarters up to Q1-FY27. On average, the increase in loan demand in H2-FY26 is expected to be led by agriculture and manufacturing, while in Q1-FY27, banks expect the services sector to take the lead. Banks also expect overall loan terms and conditions to ease in coming quarters, particularly for the manufacturing sector amid mixed trends for other sectors.

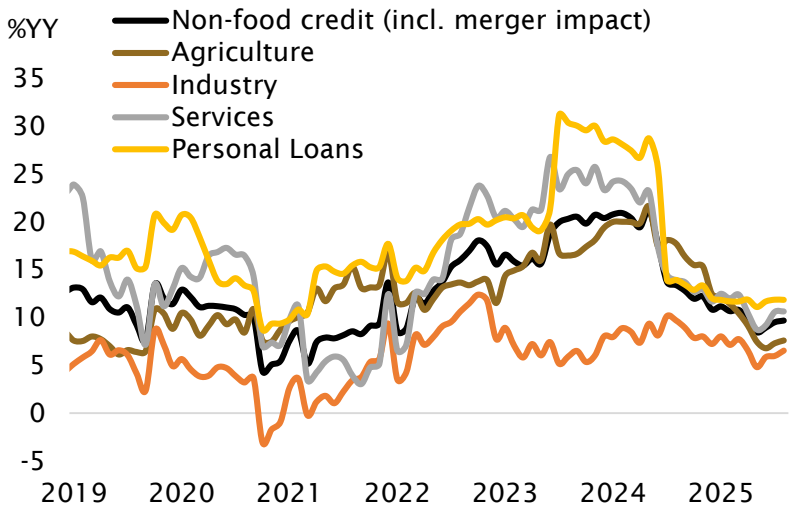
- **Regulatory credit easing by the RBI:** At the time of its monetary policy decision in Oct-2025 by the RBI MPC, the Governor announced a package of measures as part of regulatory changes aimed at credit easing. Some of these are likely to have an impact on bank credit growth in coming quarters and years. Some of the key proposed changes include:
  - Review of capital market exposure guidelines for banks to remove limits for lending against listed debt securities, enhance limits for lending by banks against shares from Rs.20 lakh to Rs.1 crore, and for IPO financing from Rs.10 lakh to Rs.25 lakh per person.
  - Lowering risk weights on certain segments, particularly for MSMEs and residential real estate (including home loans), as part of draft guidelines on implementation of revised Basel framework on Standardised Approach for Credit Risk for Scheduled Commercial Banks.
  - To remove the restriction on overlap in the businesses undertaken by a bank and its group entity(ies) in the final guidelines on "Forms of Business and Prudential Regulation for Investments."
  - To withdraw the framework introduced in 2016 that disincentivized lending by banks to specified borrowers (with credit limit from banking system of Rs.10,000 crore and above).

- **Outlook:** One of the key trends that has emerged since May-2025 is the slowdown in credit flow to large industries amid an increased flow to micro and small firms. The underlying reason is that corporates are increasingly accessing alternative channels for funding, so that the flow of resources from non-bank sources is rising. The recently proposed regulatory changes could be a game changer not only for bank lending in case of large firms, but also for certain segments of personal loans such as housing, and advances against shares and bonds. These measures, if implemented soon, could improve the flow of credit to the economy and support domestic economic activity, thereby offsetting some of the impact of external headwinds from high US tariffs on Indian exports.

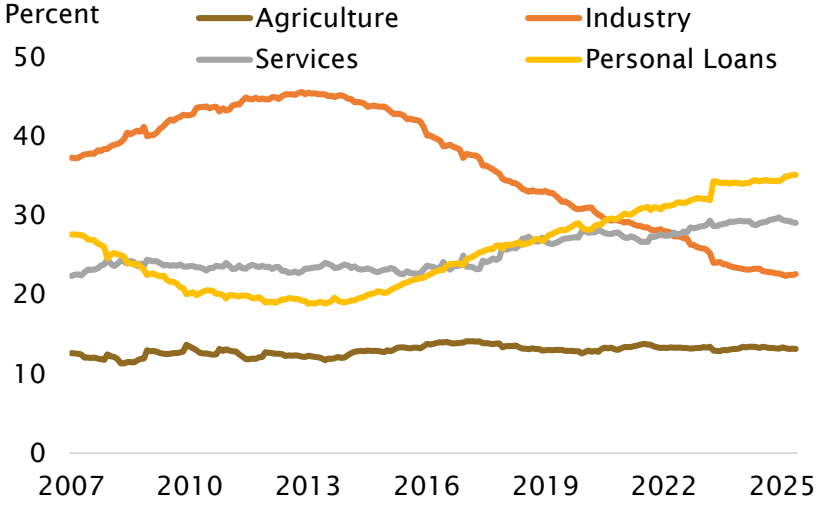
Non-food credit growth improved for third straight month in August; personal loans continued to add the most to growth

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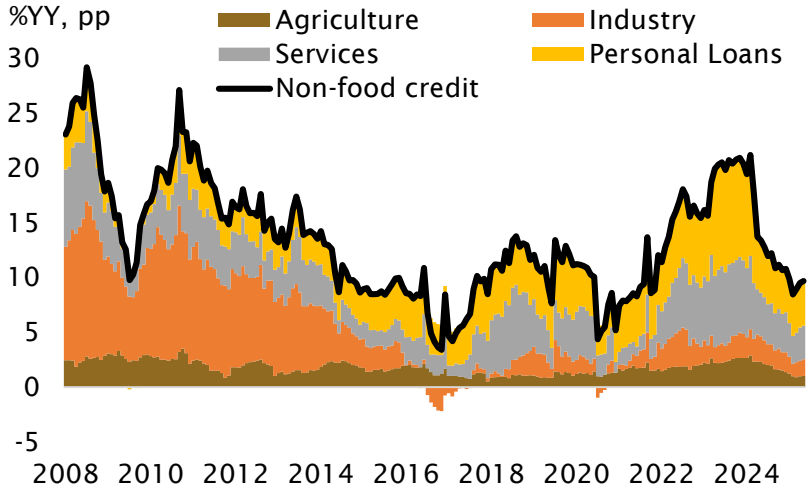
Non-food credit growth including impact of merger



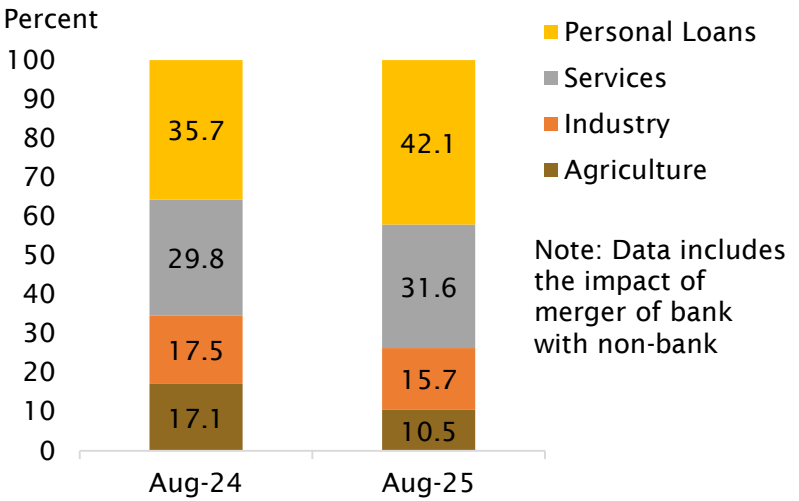
Share in non-food credit by sector



Contribution of sectors to non-food credit growth



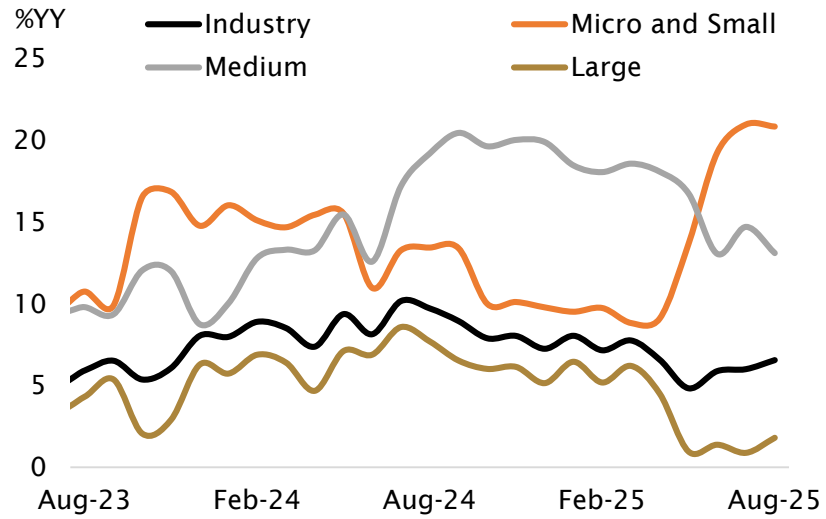
Share in incremental credit (nominal y-o-y change)



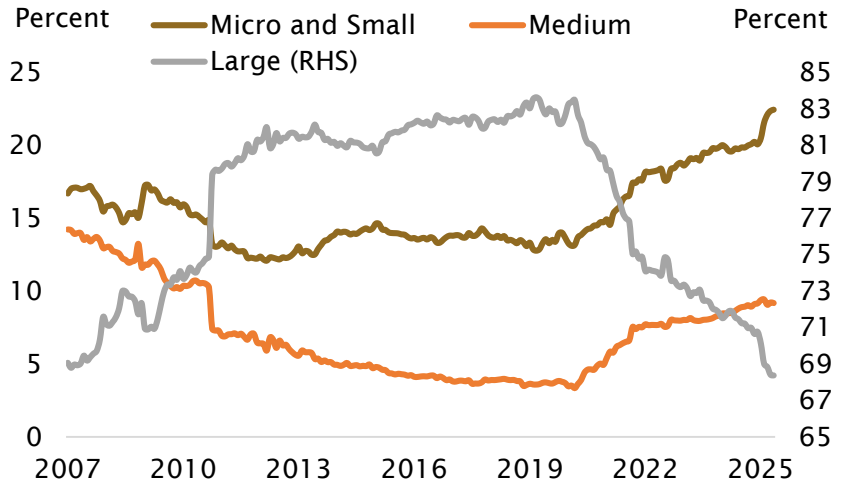
Compared to a year ago, larger portion of incremental credit accrued to small firms, replacing credit to large firms

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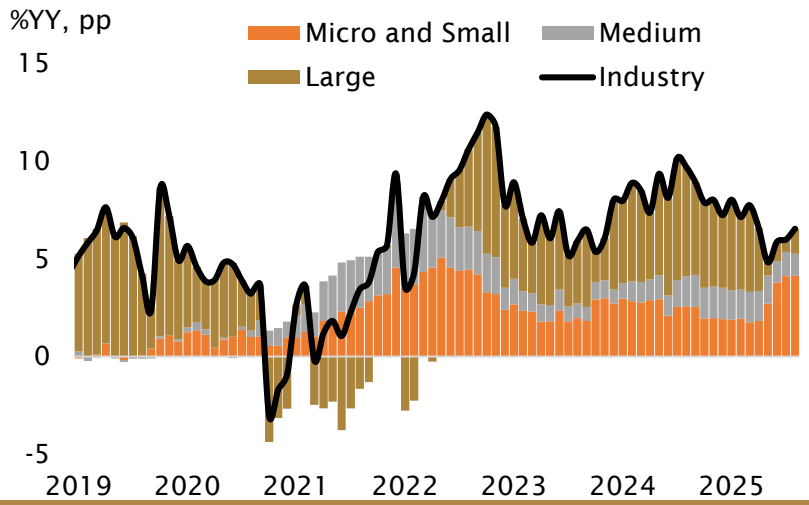
Non-food credit including merger impact: industry



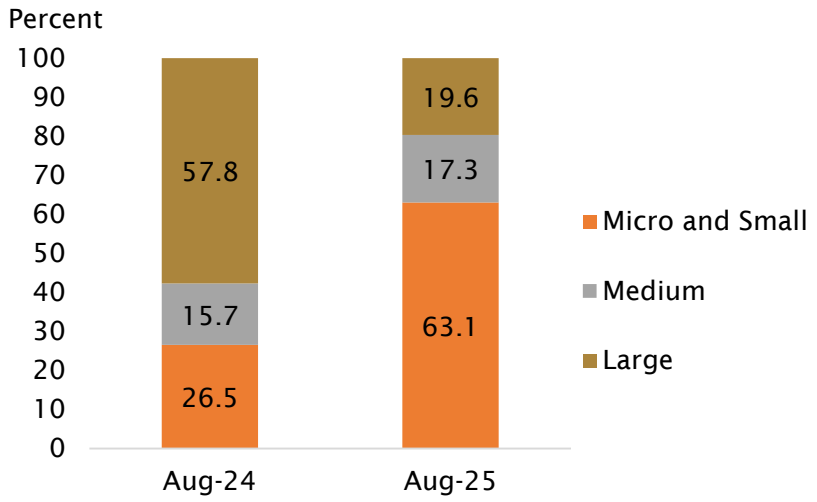
Share in non-food credit: industry



Contribution to non-food credit growth: industry



Share in incremental non-food credit growth: industry



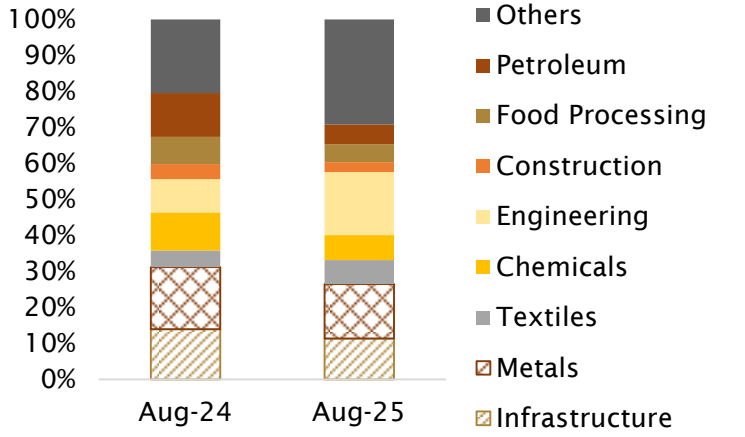
By industry, largest share of incremental credit accrued to engineering, followed by metals and infrastructure

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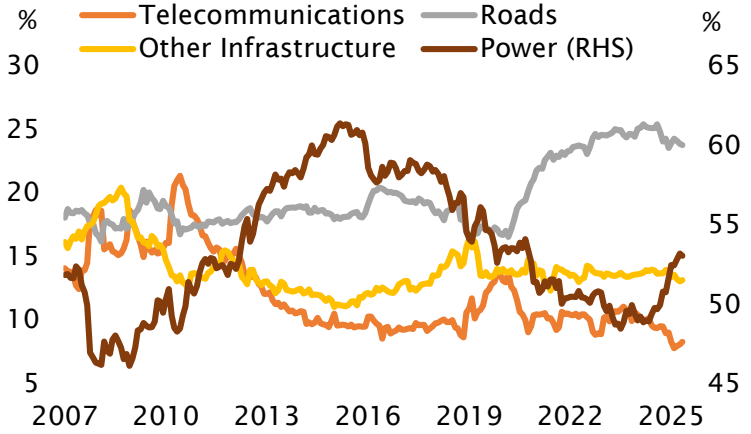
Industry-wise deployment of bank credit

	Share (%)		%YY		Share in incremental credit (%)	
	Aug-24	Aug-25	Aug-24	Aug-25	Aug-24	Aug-25
Infrastructure	34.8	33.3	3.7	2.1	13.9	11.4
Basic metals	11.0	11.3	16.1	8.9	17.2	15.0
Others	7.3	7.4	18.9	8.6	13.1	9.5
Textiles	6.8	6.8	6.4	6.4	4.6	6.7
Chemicals	6.8	6.9	15.9	6.7	10.6	7.0
Engineering	5.7	6.5	16.6	19.9	9.2	17.5
Food processing	5.3	5.3	14.4	6.1	7.5	5.0
Petroleum, coal, etc.	4.2	4.3	34.1	8.6	12.1	5.5
Construction	3.8	3.7	11.0	4.7	4.2	2.7
Vehicles and parts	3.0	3.0	4.1	8.0	1.3	3.7
Rubber, plastic	2.4	2.6	10.2	13.5	2.6	5.0
Gems and jewellery	2.3	2.4	-8.9	9.1	-2.5	3.2
Cement and products	1.6	1.5	2.7	0.7	0.5	0.2
Mining and quarrying	1.4	1.4	3.2	7.4	0.5	1.6
Paper and products	1.3	1.3	12.5	9.8	1.6	1.9
Beverage, tobacco	0.8	0.9	24.1	17.2	1.8	2.2
Wood and products	0.7	0.7	12.2	13.5	0.8	1.4
Leather and products	0.3	0.3	5.6	5.7	0.2	0.3
Glass and glassware	0.3	0.3	20.6	4.7	0.6	0.2

Share in incremental credit to industry



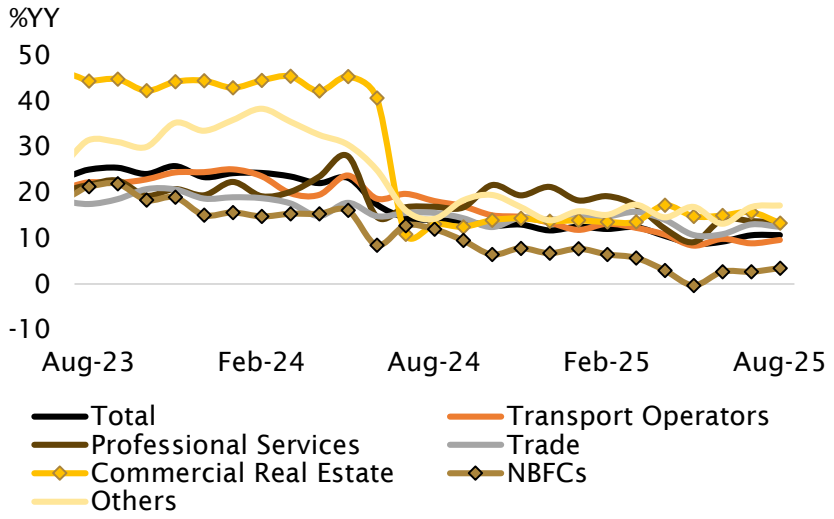
Share in deployment of bank credit: infrastructure



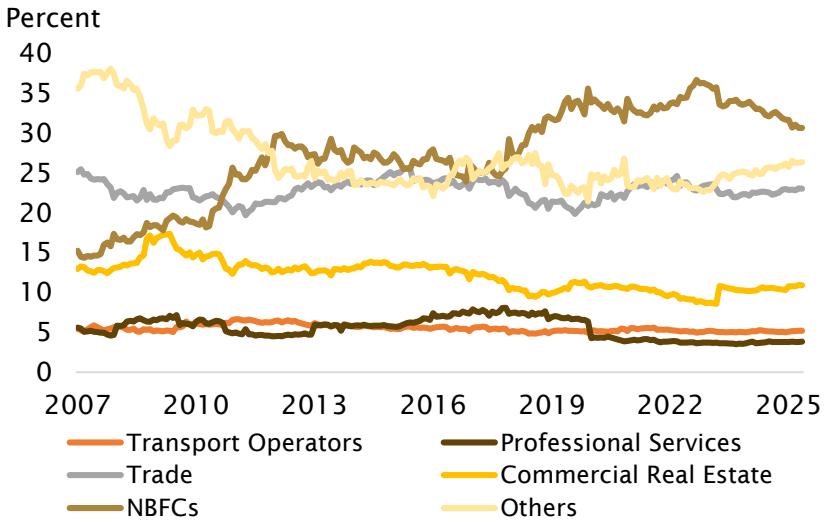
Trade, commercial real estate, NBFCs contributed the most to year-on-year credit growth to services

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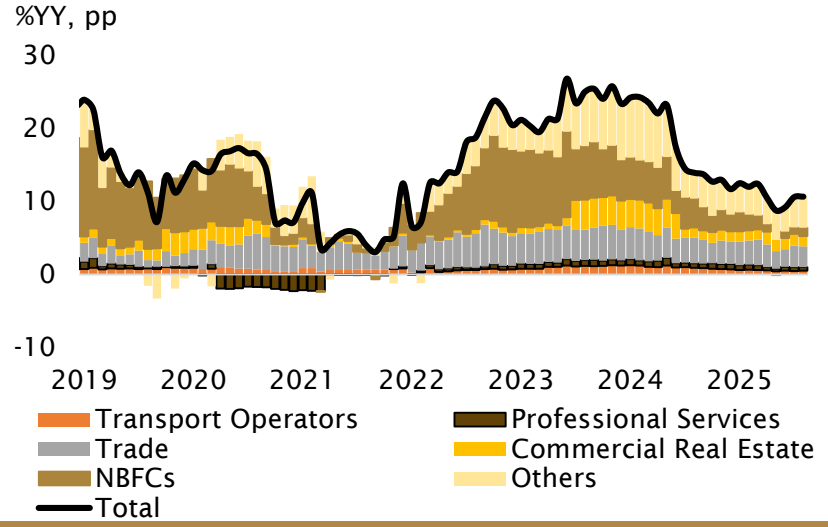
Non-food credit including merger impact: services



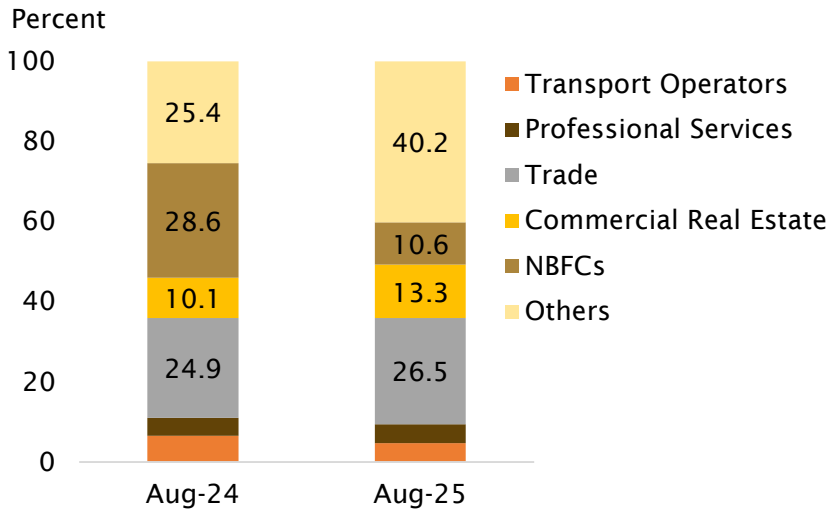
Share in non-food credit: services



Contribution to non-food credit growth: services



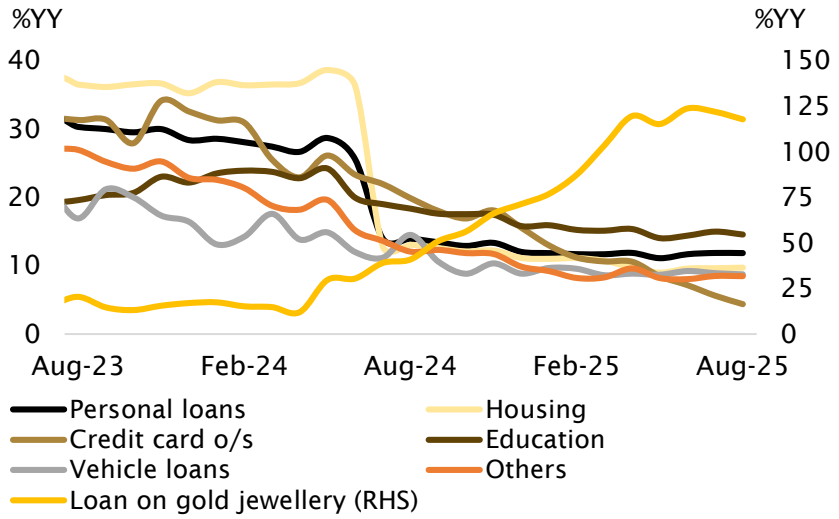
Share in incremental non-food credit growth: services



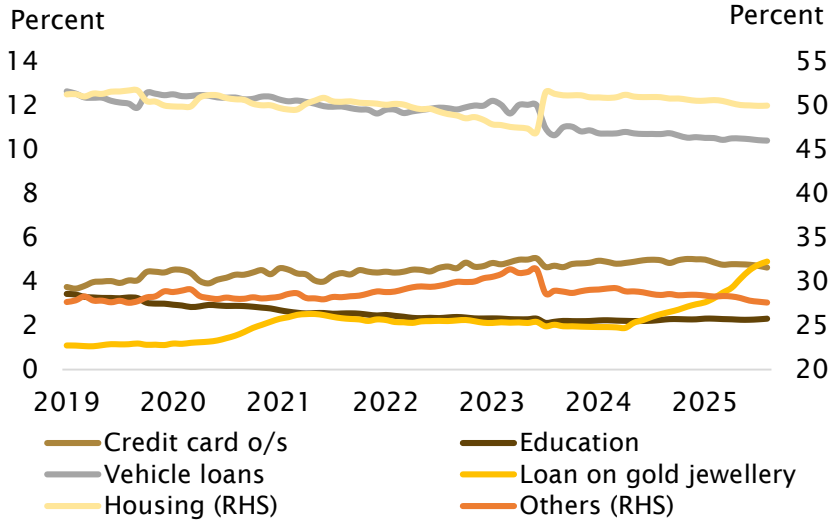
Within personal loans, more than 40% of incremental credit continued to accrue to housing

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Non-food credit incl. merger impact: personal loans

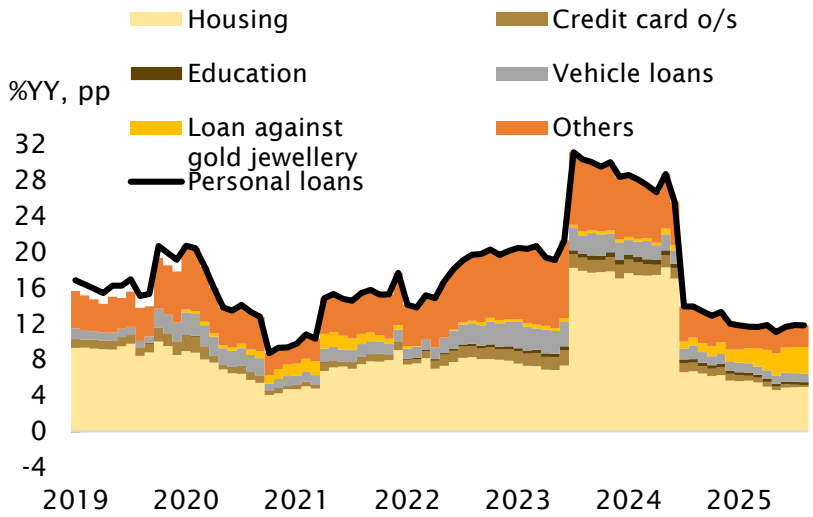


Share in non-food credit: personal loans

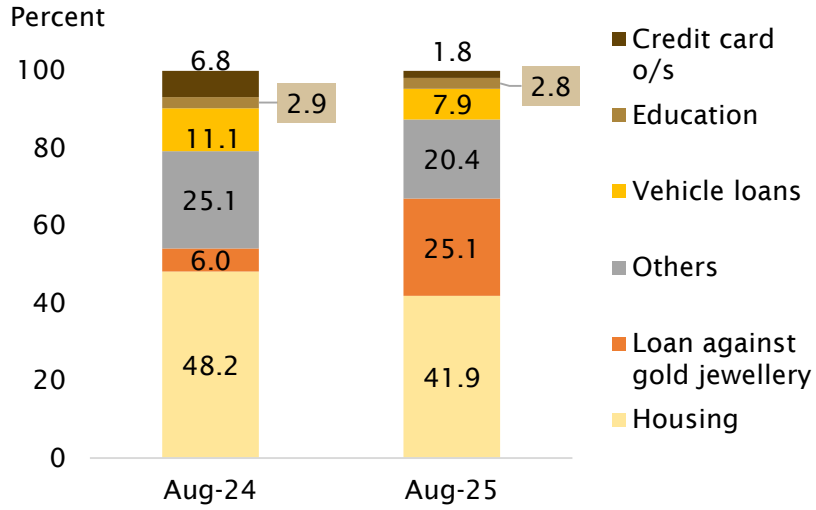


Note: Others includes loans for consumer durables, advances against FDs, shares and bonds, etc.

Contribution to non-food credit growth: personal loans

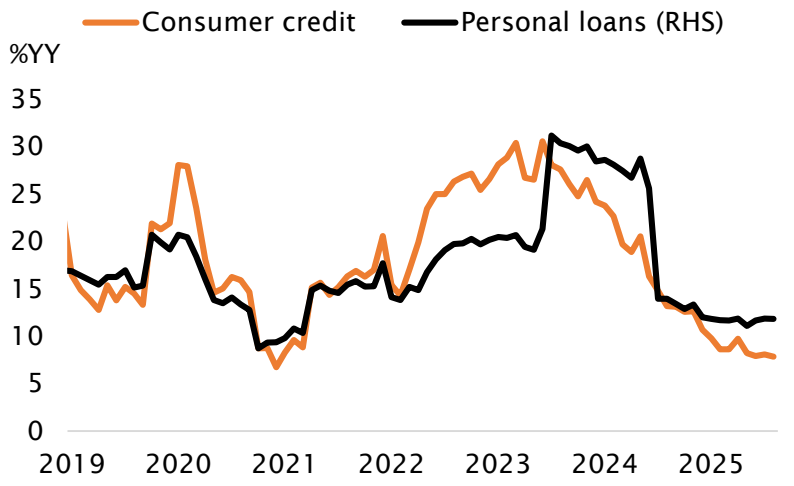


Share in incremental credit growth: personal loans

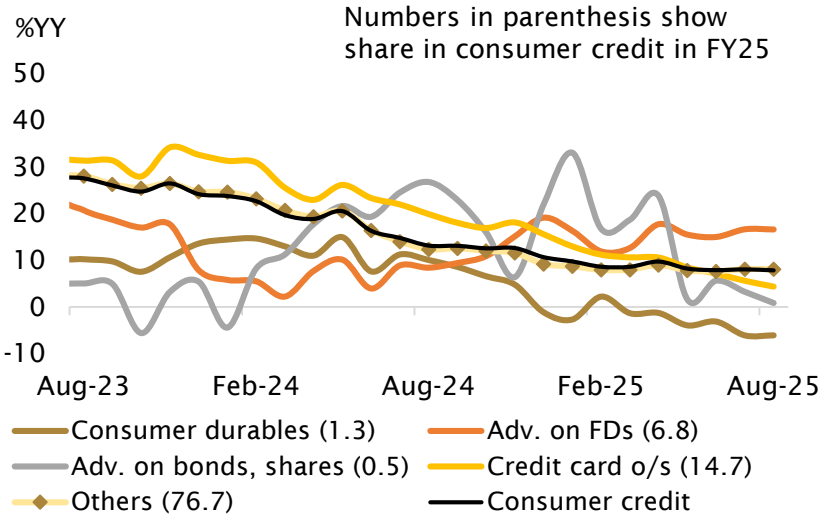


Consumer credit growth eased fractionally, in line with the trend in personal loan growth

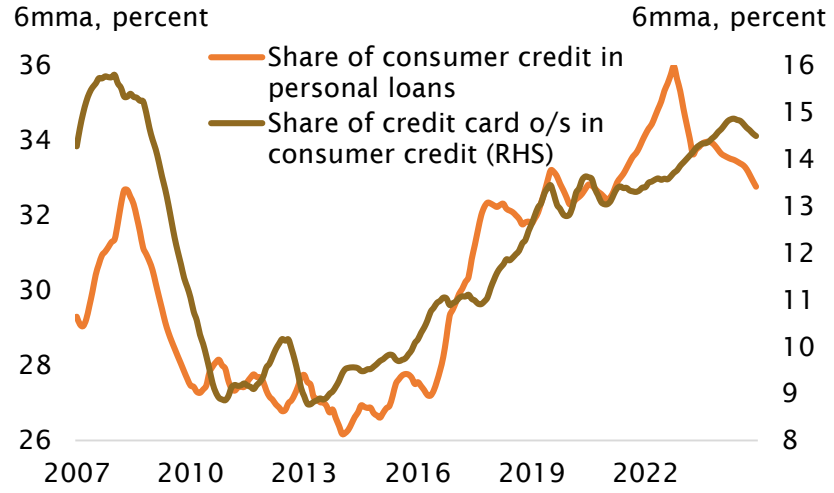
Non-food credit incl. merger impact: consumer credit



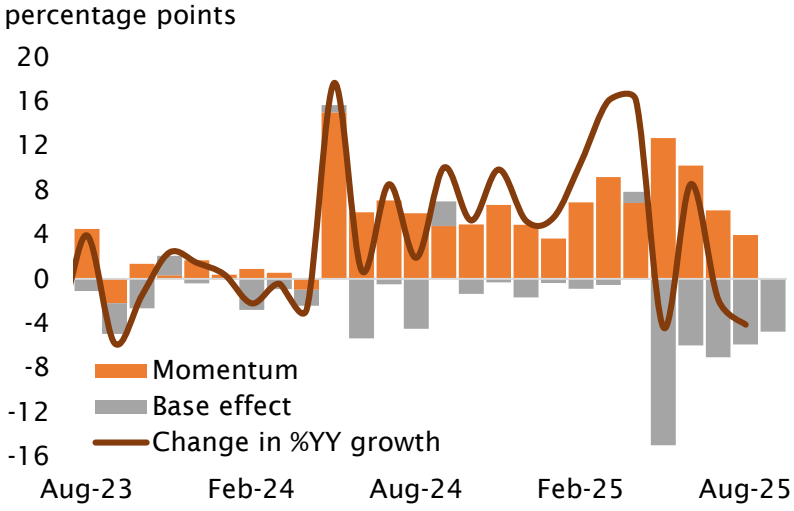
Share in non-food consumer credit



Trends in consumer credit and credit card outstanding



Loans against gold jewellery within personal loans



Results from RBI's latest bank lending survey show expectation of loan growth increasing in coming quarters

Note: Net Response (NR) is computed as the difference of percentage of banks reporting increase/optimism and those reporting decrease/pessimism in respective parameter.

Loan demand assessment: Net response (%)

	Q3:2024-25	Q4:2024-25	Q1:2025-26	Q2:2025-26
All sectors	46.3	42.6	37.5	38.9
Agriculture	40.0	41.7	30.0	39.7
Mining	11.7	10.0	12.1	1.9
Manufacturing	44.6	42.9	36.2	37.5
Infrastructure	36.7	36.7	22.4	20.7
Services	42.9	41.1	33.9	35.2
Retail/personal	42.3	52.0	27.8	37.5

Note: Positive values show increase in loan demand, and vice versa

Loan demand expectations: Net response (%)

	Q2:2025-26	Q3:2025-26	Q4:2025-26	Q1:2026-27
All sectors	41.1	42.6	44.6	44.6
Agriculture	36.7	44.8	45.0	41.7
Mining	8.6	14.8	12.5	19.6
Manufacturing	43.1	44.6	39.7	43.1
Infrastructure	25.9	34.5	35.0	38.3
Services	33.9	37.0	42.9	46.4
Retail/personal	42.6	39.3	41.7	32.8

Note: Positive values show optimism in loan demand, and vice versa

Loan terms & conditions assessment: Net response (%)

	Q3:2024-25	Q4:2024-25	Q1:2025-26	Q2:2025-26
All sectors	14.3	16.1	12.5	9.3
Agriculture	13.3	15.0	11.7	15.5
Mining	-5.4	-1.7	-1.7	0.0
Manufacturing	20.4	19.0	17.9	12.5
Infrastructure	12.5	10.0	10.0	6.9
Services	16.7	16.7	16.1	18.5
Retail/personal	24.0	22.9	22.9	18.5

Note: Positive/higher values show easy terms & conditions, and vice-versa

Loan terms & conditions expectations: Net response (%)

	Q2:2025-26	Q3:2025-26	Q4:2025-26	Q1:2026-27
All sectors	16.1	18.5	20.4	24.1
Agriculture	15.0	19.0	17.2	19.0
Mining	-1.7	3.7	3.7	3.7
Manufacturing	21.4	21.4	26.8	26.8
Infrastructure	13.3	10.3	19.0	17.2
Services	23.2	22.2	18.5	18.5
Retail/personal	22.0	22.2	20.7	21.4

Note: Positive/higher values show expectation of easy terms & conditions, and vice-versa

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