

Non-food credit growth eased in FY25 but stayed in double digits

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Key takeaways

- Excluding the impact of merger of a bank with a non-bank that took place in July 2023, credit growth averaged in double-digits for the third straight year in FY25 but eased to 13.9% from 16.0% in FY24. There was moderation in credit growth across major groups, except industry. Including the merger impact, overall credit growth eased to 13.8% in FY25 from 19.5% in FY24.

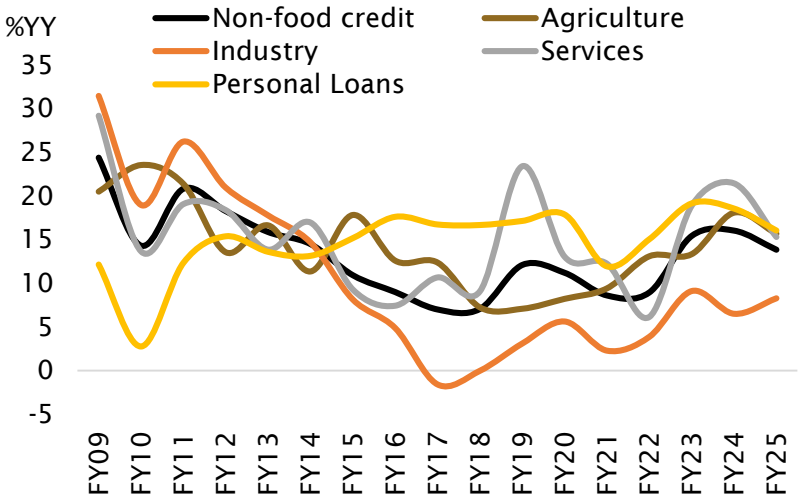
- Few key trends stood out in the latest data:
  - Excluding the merger impact, the largest portion of credit went to personal loans at around one-third share, followed by services, industry, and agriculture.
  - Accordingly, personal loans added the most to year-on-year credit growth, followed by services. Both agriculture and industry contributed the same extent to credit growth (~2 percentage points each).
  - Including the merger impact, higher credit growth to industry in FY25 was led by medium and large industries. Over 70% of credit continued to flow to large firms, followed by micro and small enterprises at about 20%, and the remaining to medium firms.
  - Including the merger impact, moderation in credit growth to services in FY25 was across groups, particularly in real estate and NBFCs. The largest share continued to accrue to NBFCs, though in terms of contribution to growth, the trade category displaced NBFCs to top the list.
  - Personal loan growth eased in FY25, reflecting the impact of increase in risk weights on unsecured consumer credit in November 2023. The moderation was across most segments, though there were exceptions, particularly loans against gold jewellery that averaged 55%YY in FY25 versus 17% in FY24.
  - In an encouraging sign for the real estate segment, (ex-merger) there was an improvement in credit growth to commercial real estate (within services) and housing (within personal loans) in FY25.

- Some of the policy measures that could impact the trends in credit growth include:
  - To rein in the surge in gold loans, the RBI issued draft guidelines in April that indicated tightening of lending norms. At the same time, the ongoing weakness in loans for consumer durables could abate post income tax relief for middle-income households announced in latest Union Budget in February.
  - In recent months, the RBI has also adopted measures to boost credit growth and support economic activity. In March, the RBI revised guidelines on priority sector lending, including enhancement of several loan limits, including housing loans. In February, the RBI restored the risk weights on bank lending to NBFCs to levels before the tightening in November 2023. Also, the RBI also lowered risk weights on microfinance loans in the nature of consumer credit.

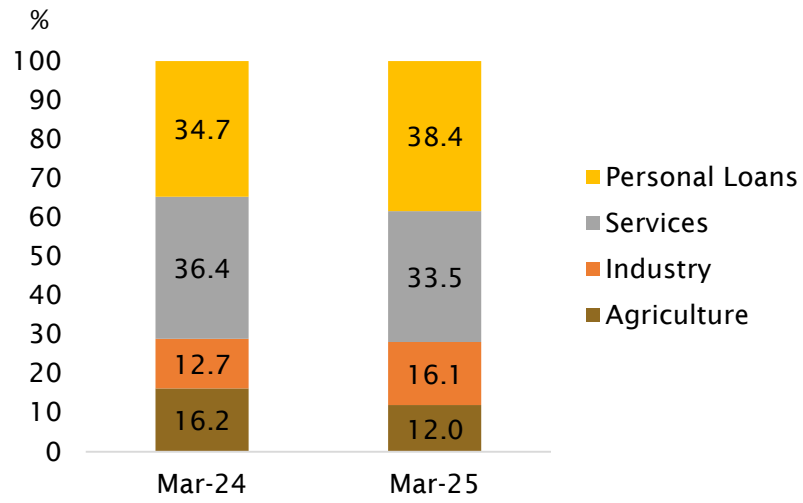
Non-food credit growth eased in FY25 but stayed in double digits

- In FY25, credit growth averaged in double-digits for the third straight year but eased to 13.9% from 16.0% in FY24 amid easing across groups, except for industry. Though credit growth to industry remained the softest among sub-groups, it rose at a faster pace than in FY24. The largest share of credit continued to flow to personal loans, followed by services, industry and agriculture.
- In FY25, the contribution of personal loans to credit growth eased vis-à-vis FY24 due to lower growth but was 0.7pp higher than that of services. Both agriculture and industry added around 2pp each to credit growth, marking an improvement in case of industry and a moderation in case of agriculture, compared to FY24.
- Including the merger impact, overall credit growth eased to 13.8% in FY25 from 19.5% in FY24.
- Non-food credit growth (excl. impact of merger of a non-bank with a bank) improved fractionally to 11.9%YY in March from 11.8% in February, but remained lower vis-à-vis the corresponding month a year ago at 16.3%. The slight improvement compared to the previous month was across key groups, except agriculture where credit growth eased. Overall higher credit growth was due to monthly momentum that offset unfavorable base effects.
- In Mar-2025, personal loans continued to add the most to credit growth. This was reflected in share in year-on-year incremental credit, measured in nominal values. The increase in year-on-year credit growth to industry in FY25 was reflected in high share of incremental credit flowing to this sector, as compared to agriculture.
- Including the merger impact, credit growth improved mildly to 10.8%YY from 10.7% in February.

Non-food credit growth excluding merger impact



Share in incremental non-food credit y-o-y growth

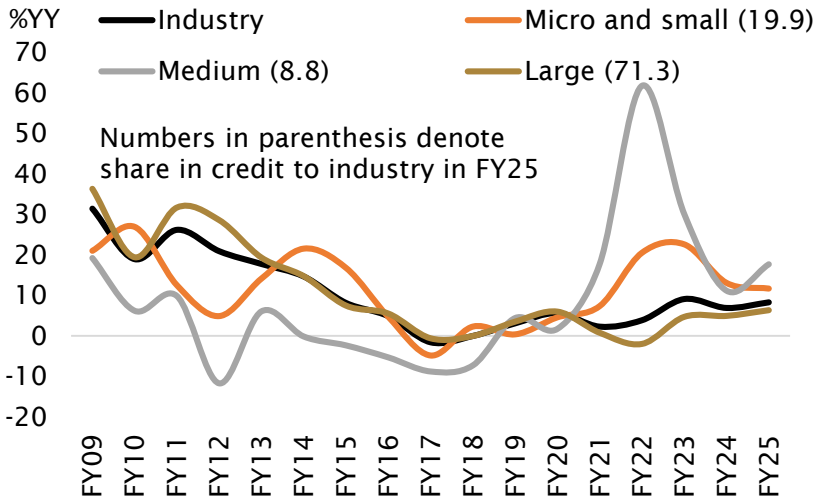


Credit growth to industry improved in FY25 vis-à-vis a year ago

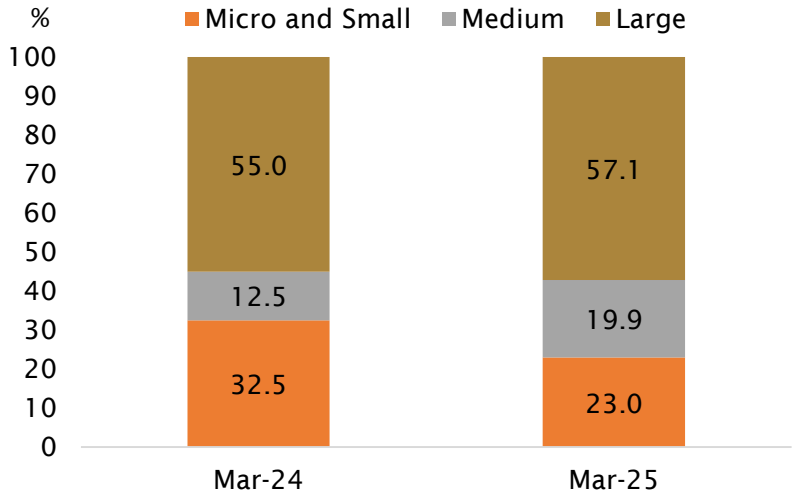
- Including the merger impact, credit growth to industry improved to 8.3%YY in FY25 from 6.9% in FY24, led by higher growth in credit to medium and large industries. Though credit growth to micro and small firms eased, it stayed in double digits. Over 70% of credit continued to flow to large firms, followed by micro and small enterprises at about 20%, and the remaining to medium firms.

- In March, credit to industry rose at a faster rate of 7.8%YY versus 7.1% in February. The improvement was led by higher growth in large and medium enterprises amid easing in micro and small firms. These trends was reflected in incremental credit (nominal y-o-y change) to industry groups, of which more than 50% continued to accrue to large firms.

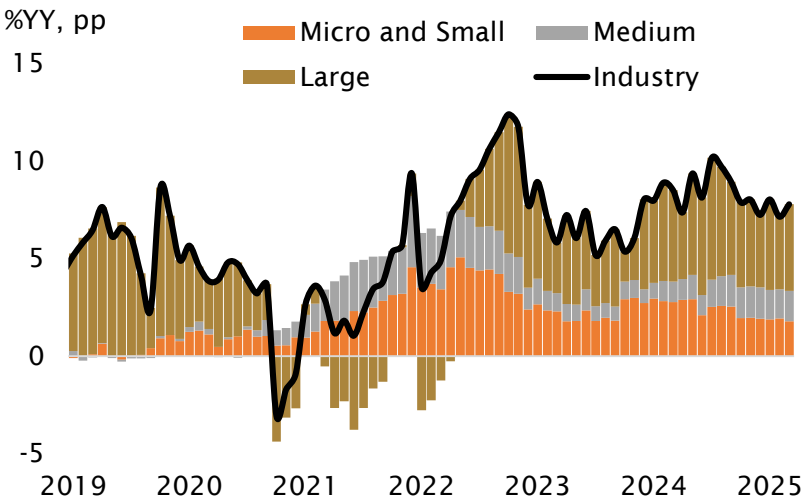
Non-food credit including merger impact: industry



Share in incremental non-food credit growth: industry



Contribution to non-food credit growth: industry



Credit growth to infrastructure eased for the second year in FY25

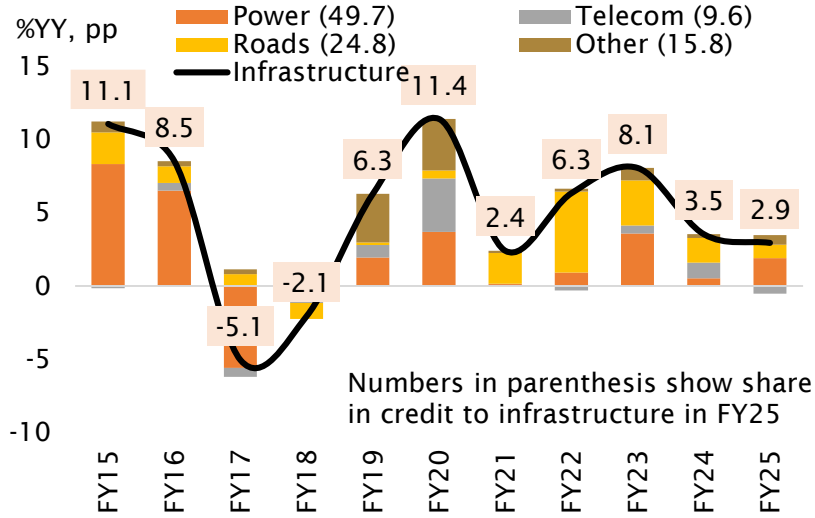
- In FY25, the largest share of credit to industry continued to accrue to infrastructure at more than one-third, though it eased for the third successive year. Credit to infrastructure eased to 2.9%YY from 3.5% in FY24, marking the second straight year of moderation and the slowest pace of increase in the post-pandemic period.
  - Within infrastructure, credit growth either eased or fell in FY25 across most categories. Among major groups, credit growth to power improved, while it fell year-on-year to the telecom segment and moderated to the roads sector. Among other groups, credit growth to airports rebounded after declining in FY24, though it remained in contraction in case of ports and eased in case of railways.
- Apart from infrastructure, there was moderation in credit growth to heavyweights that included basic metals, textiles, and automobile sectors. The mining and quarrying segment was an outlier where credit fell year-on-year. Some of the key industries where credit growth improved included chemicals, engineering, food processing, petroleum and products, and construction.

Industry-wise deployment of bank credit

	Share (%)		%YY	
	FY24	FY25	FY24	FY25
Infrastructure	36.4	34.6	3.5	2.9
Basic metals	10.4	11.0	17.5	13.9
Others	6.9	7.5	5.4	19.0
Textiles	7.0	6.9	11.3	6.8
Chemicals	6.7	6.9	5.7	11.7
Engineering	5.4	5.7	9.1	15.3
Food processing	5.3	5.4	9.2	12.0
Petroleum, coal, etc.	3.7	3.9	-1.7	15.6
Construction	3.7	3.7	7.3	9.6
Vehicles and parts	3.1	3.0	9.2	5.2
Rubber, plastic	2.5	2.5	7.3	10.2
Gems and jewellery	2.5	2.3	11.9	0.1
Cement and products	1.7	1.6	12.3	2.4
Mining and quarrying	1.5	1.4	2.1	-0.4
Paper and products	1.3	1.3	5.0	10.6
Beverage, tobacco	0.8	0.8	34.9	19.5
Wood and products	0.6	0.7	19.7	13.3
Leather and products	0.3	0.3	2.8	4.8
Glass and glassware	0.3	0.3	32.5	18.6

- In Mar-2025, credit growth to infrastructure improved, albeit mildly, to 1.4%YY from four-year low of 0.8% in Feb-2025, and remained less than growth in Mar-2024 at 6.6%.

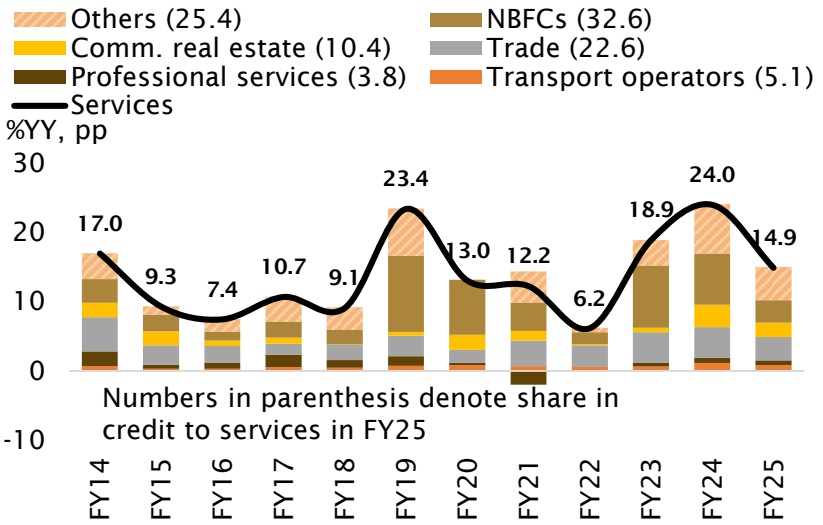
Contribution to credit growth in infrastructure



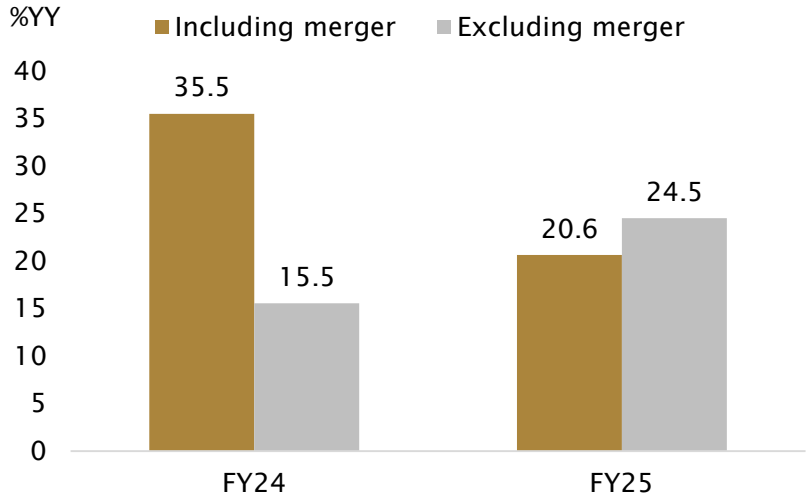
Credit growth to services eased; real estate, NBFCs main laggards

- In FY25, credit to services (including merger impact) moderated to 14.9%YY from 24% in FY24 amid easing across groups, particularly in real estate and NBFCs. The largest share continued to accrue to NBFCs, though in terms of contribution to growth, the trade category displaced NBFCs to top the list. Ex-merger impact, credit growth to services eased to 15.3%YY from 21.5% in FY24. In an encouraging sign though, ex-merger impact, credit growth to commercial real estate improved.
- In Mar-2025, credit growth to services (including merger impact) improved to 12.4%YY from 12.0% in February due to higher credit growth to trade and commercial real estate. Ex-merger impact, credit to services also grew at a faster pace of 13.4%YY versus 13.0% in February. In Mar-2024, however, credit growth to services, both including and excluding merger impact was over 20%YY.

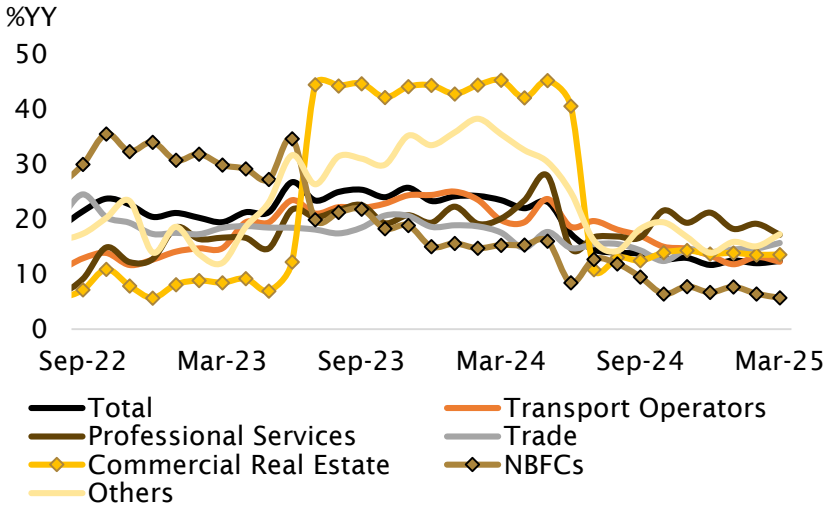
Contribution to non-food credit growth: services



Non-food credit to commercial real estate



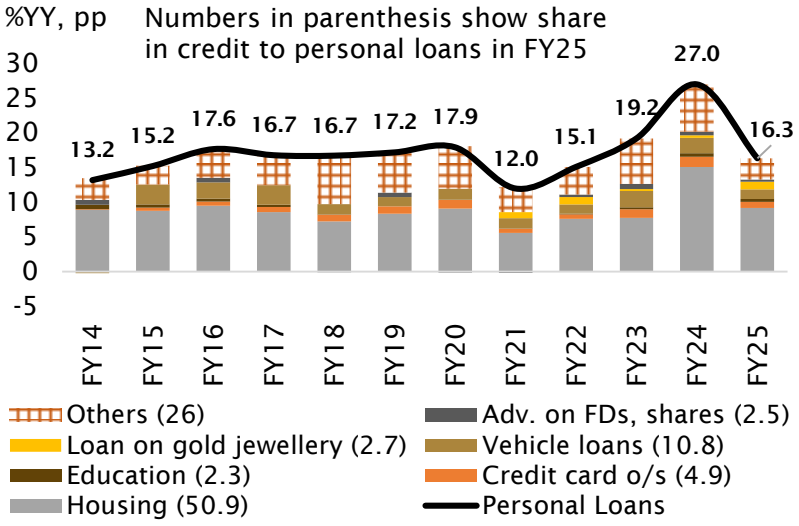
Non-food credit including merger impact: services



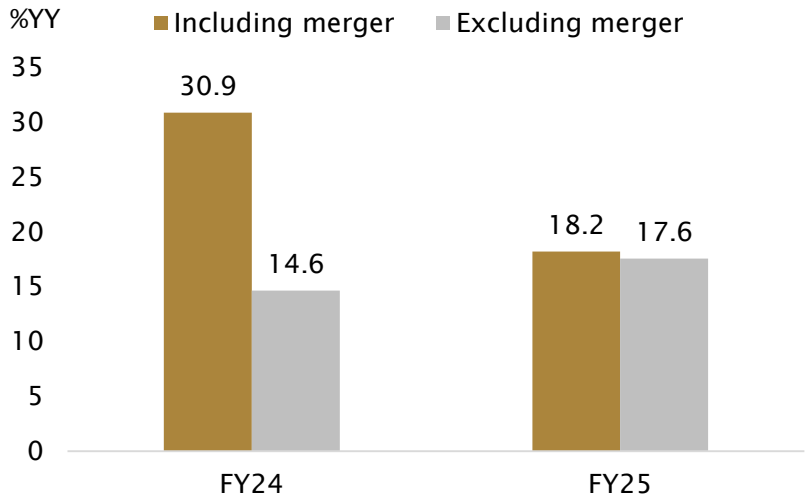
Personal loan growth eased in FY25, gold loans among exceptions

- Both including and excluding the impact of merger of a bank with a non-bank in Jul-2023, personal loan growth eased in FY25, mainly due to increase in risk weights on unsecured consumer credit in Nov-2023.
- Including merger impact, personal loan growth eased to 16.3%YY in FY25 from 27.0% in FY24 amid moderation across segments except advances against shares and bonds, and loans against gold jewellery. To rein in the surge in gold loans, the RBI recently issued draft guidelines that indicated tightening of lending norms.
- Excluding the merger impact, personal loan growth eased to 16.1% from 18.6% in FY24, with the trends in sub-groups similar to the ones including merger impact. In a positive signal for real estate demand, housing loans ex-merger grew at a faster pace in FY25, and continued to constitute half of personal loans.

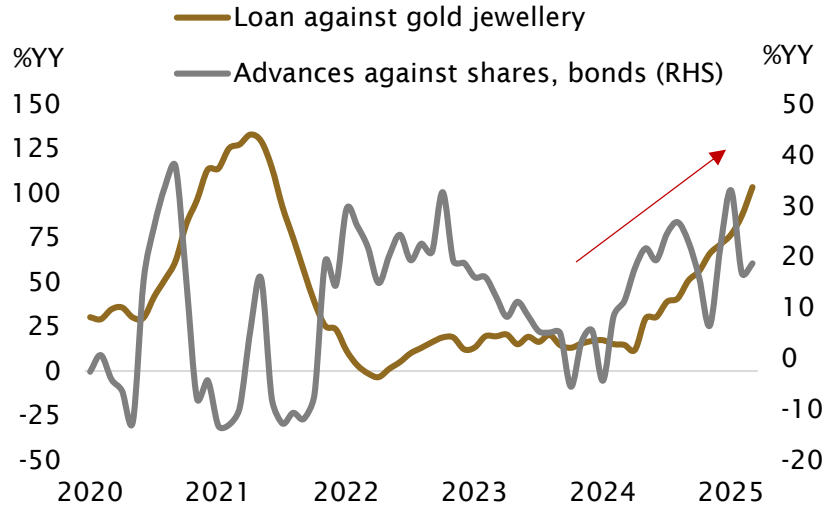
Non-food credit: Contribution to personal loan growth



Ex-merger, housing loan growth improved in FY25



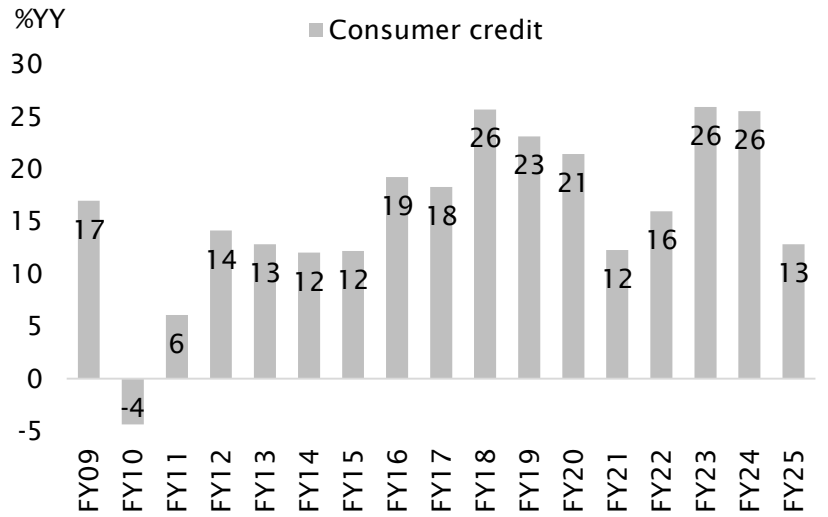
Exceptions amid easing in personal loan growth in FY25



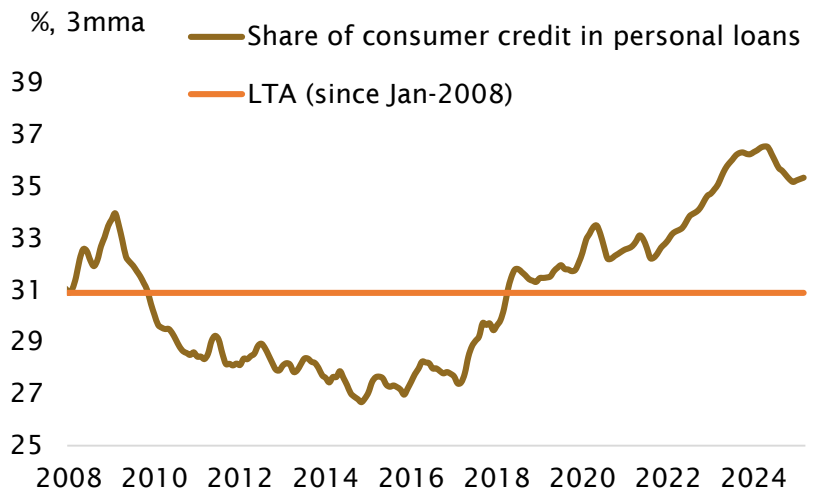
Consumer credit eased in FY25 post hike in risk weights in Nov-23

- Within personal loans, consumer credit includes credit for consumer durables; advances against FDs, shares,; credit card o/s, and other loans. Post the surge in growth in mid-2023, the RBI raised risk weights on bank lending to unsecured consumer credit in Nov-2023.
- As a result, consumer credit growth halved to 13% from around 26% in both FY23 and FY24. Ex-merger reflects similar trends. The share of consumer credit in personal loans eased in FY25, though it continues to constitute around one-third share.
- Within consumer credit, other personal loans comprise three-fourth share, followed by credit card at about 15%, and advances against FDs, shares, etc. totaling 7.0-7.5%. The ongoing weakness in loans for consumer durables could abate post income tax relief for middle-income households announced in latest Union Budget.

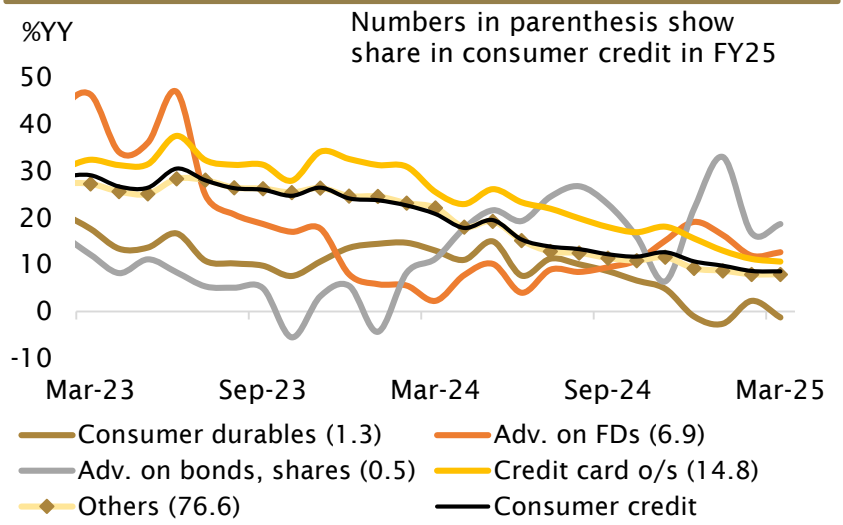
Consumer credit within personal loans (incl. merger)



Share of consumer credit in personal loans (ex-merger)



Growth in consumer credit components (incl. merger)

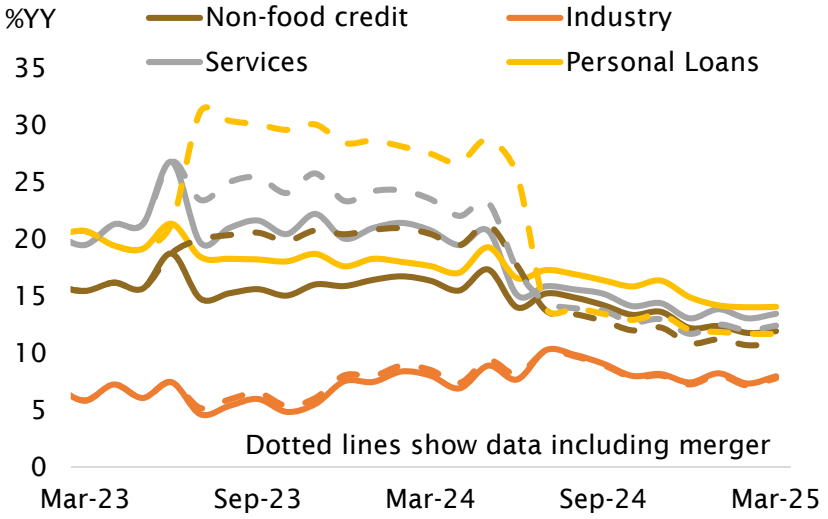


Annexure: Detailed data available only including merger impact

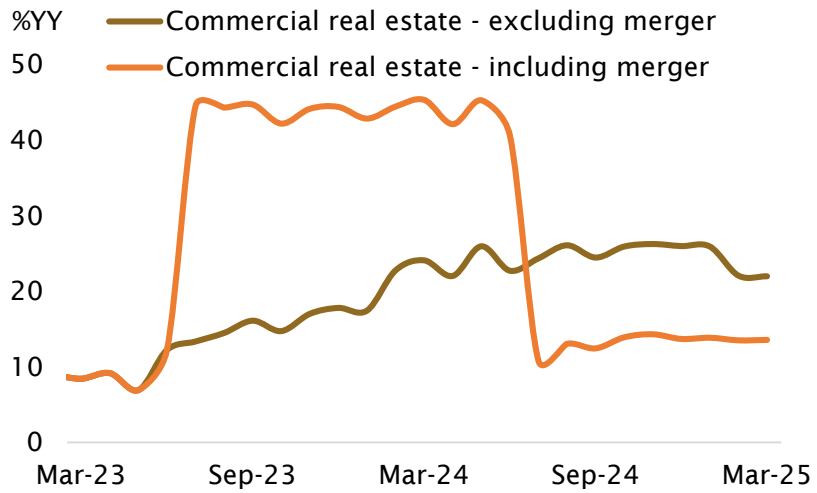
- The headline numbers across sectors (industry, services, personal loans) are available for both – including and excluding the impact of merger of a non-bank with a bank – since July 2023. However, detailed sector-wise data is available across categories only including the impact of the merger, though there are a few exceptions.

- Sector-wise credit data excluding the impact of merger is available for these categories and needs to be interpreted accordingly.
  - Services: Commercial real estate
  - Personal loans: Housing
  - Data for these two groups shows a spike post July 2023 and normalization from July 2024.

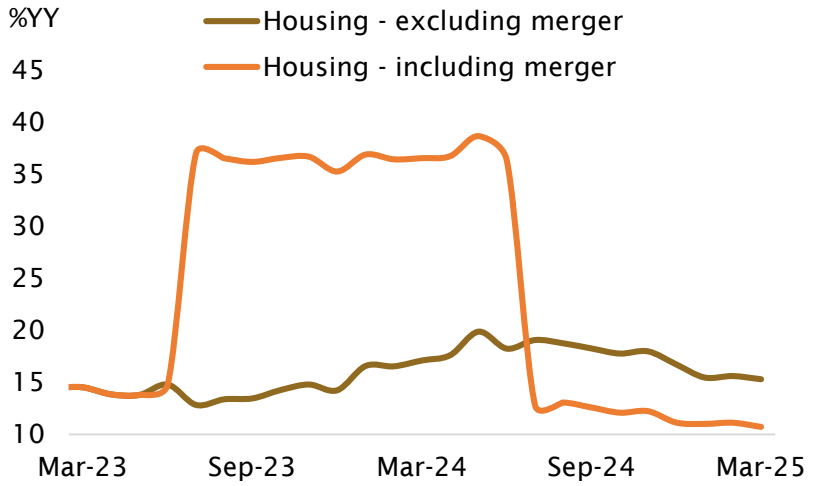
Non-food credit: including and excl. merger impact



Non-food credit: services: commercial real estate



Non-food credit: personal loans: housing



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