Cooling Trend Continues with a Sequential Rise in June 2025

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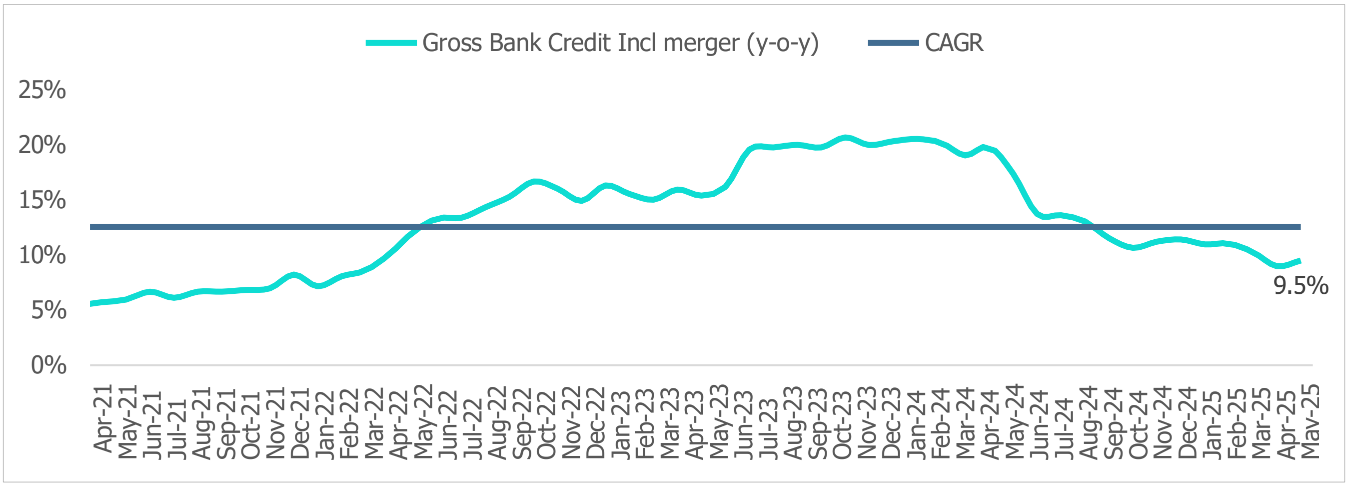
Note: Gross bank credit and non-food credit data are based on the Section 42 return, which covers all scheduled commercial banks (SCBs). In contrast, sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) returns, which cover 41 banks accounting for approximately 95%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

Synopsis

- Credit growth continued to moderate in June 2025, with non-food credit growth easing to 9.3% year-on-year (y-o-y), a significant drop from 17.3% (13.9% excl. merger) recorded in June 2024. In agriculture, the deceleration was partly driven by the reclassification of agri-gold loans under personal loans.
- Services sector growth eased, especially for NBFCs and commercial real estate, while personal loan growth weakened across mortgages, consumer durables, and credit cards.
- This broad-based slowdown can be attributed to a combination of factors, including a high base effect, subdued demand, and a cautious approach by banks towards managing the Credit-to-Deposit (CD) ratio, which continues to hover near the 80%-mark.
- Pricing pressure has also led banks to adopt a more conservative lending stance to preserve margins. On the demand side, credit uptake remained weak across key segments such as commercial real estate, NBFCs, and personal loans. Notably, gold loans (within personal loans) stood out as the only sub-segment maintaining robust growth in June 2025.

Figure 1: Gross Bank Credit Uptake Continues to Soften (y-o-y growth %)



Source: RBI, CareEdge

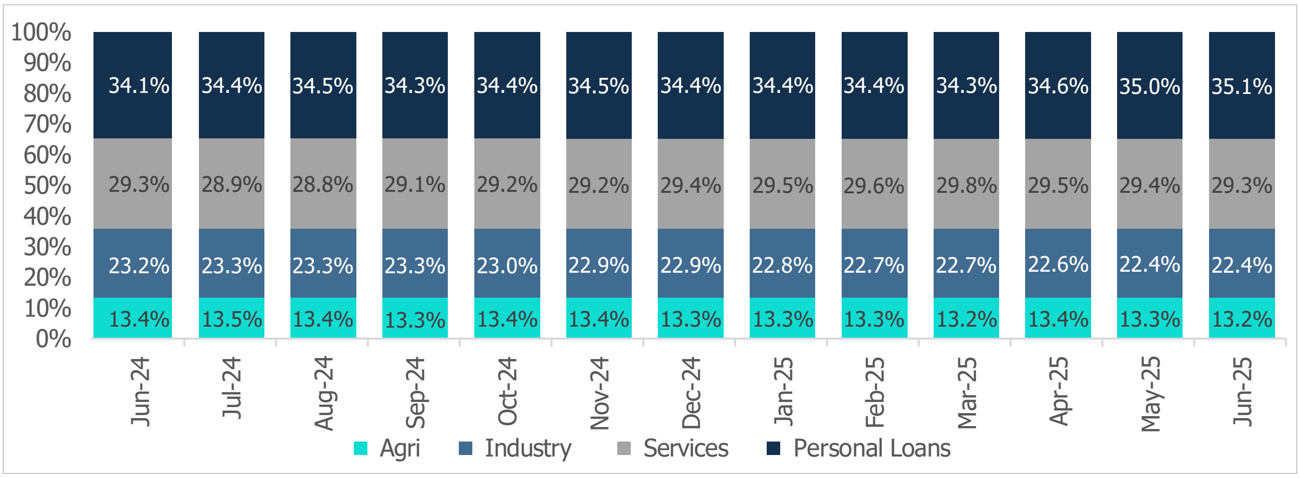
Figure 2: Broad-Based Slowdown with Minor m-o-m Uptick excl. Agri (y-o-y, %)

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Non-food	**13.9**	**13.7**	**13.6**	**13.0**	**11.5**	**10.6**	**11.1**	**11.4**	**10.9**	**11.0**	**10.2**	**8.8**	**9.3**
Agri	17.4	18.1	17.7	16.4	15.5	15.3	12.5	12.2	11.4	10.4	9.2	7.5	6.8
Industry	7.7	10.2	9.7	8.9	7.9	8.0	7.2	8.0	7.1	7.8	6.6	4.8	5.5
Services	15.1	14.5	13.9	13.7	12.7	13.0	11.7	12.5	12.0	12.4	10.5	8.7	9.0
Personal Loans	16.6	13.9	13.9	13.4	12.9	13.3	12.0	11.8	11.7	11.6	11.9	11.1	12.1

Source: RBI, CareEdge; Note: FY24 numbers are excl. merger

The gross credit offtake has continued to moderate, reaching 9.5% in June 2025 after expanding in the range of 10%-16% over the past couple of years. This deceleration can primarily be attributed to a slowdown in the large industries, NBFCs, commercial real estate, housing, vehicle, and other personal loan segments. In June 2025, non-food bank credit grew by 9.3% compared to 13.9% in the same period a year ago.

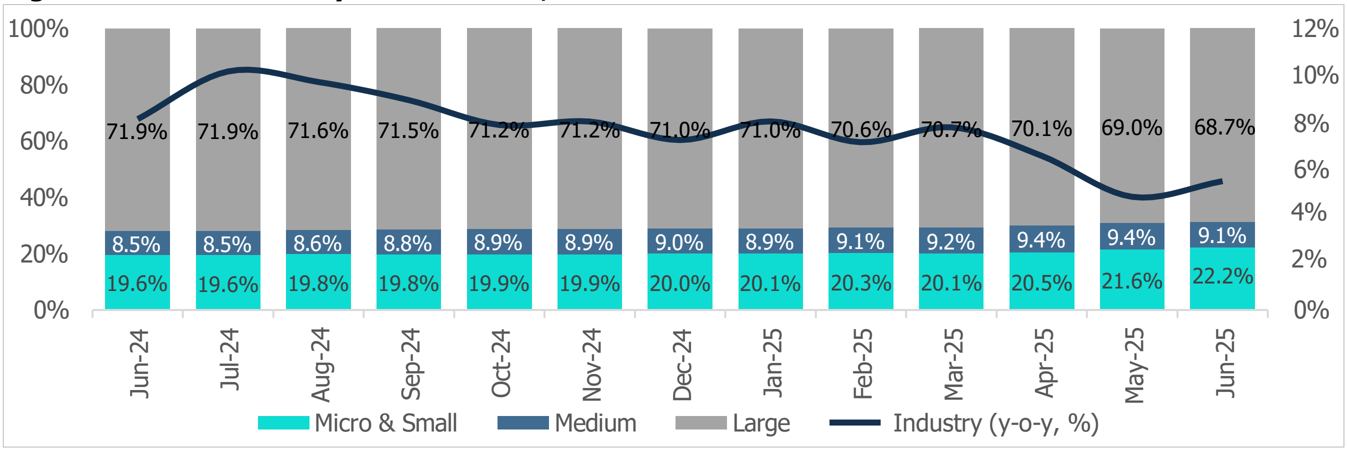
Figure 3: Personal Loans Remain the Largest Segment in Bank Credit, while Services Shrinks Marginally (%)



Source: RBI, CareEdge; Note: FY24 numbers are excl. merger

Credit to Industry Grows at a Slower Pace

Figure 4: Overall Industry Growth Slows; Share of MSMEs Increases



Source: RBI, CareEdge

In June 2025, credit outstanding to industry fell to 5.5% compared to 8.1% (7.7% excluding merger) in the year-ago period, driven by a pronounced slowdown in the capex spending and infrastructure segments. Among major sectors, outstanding credit to mining and quarrying, food processing, beverages and tobacco, petroleum, coal products, nuclear fuels, chemicals and chemical products, glass and glassware, cement and cement products, basic metal and metal products decelerated, which was only partially offset by the textiles, wood and paper products, rubber and plastic products, engineering, electronics, construction and gems and jewellery, which recorded year-over-year growth.

Figure 5: Sluggish Large Industry Offset by MSME Growth (y-o-y, %)

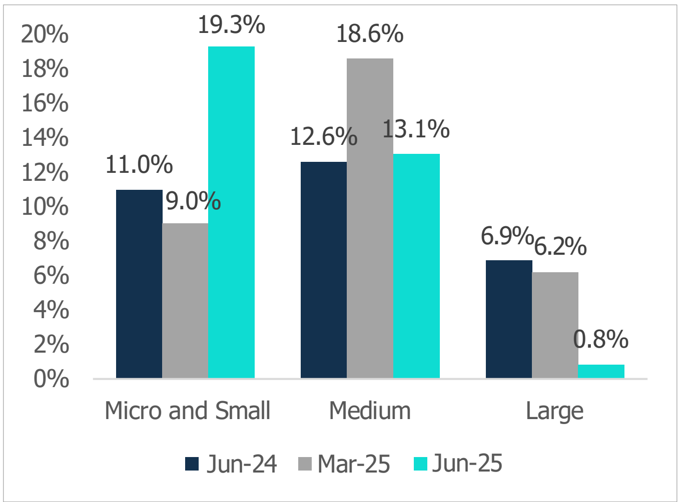
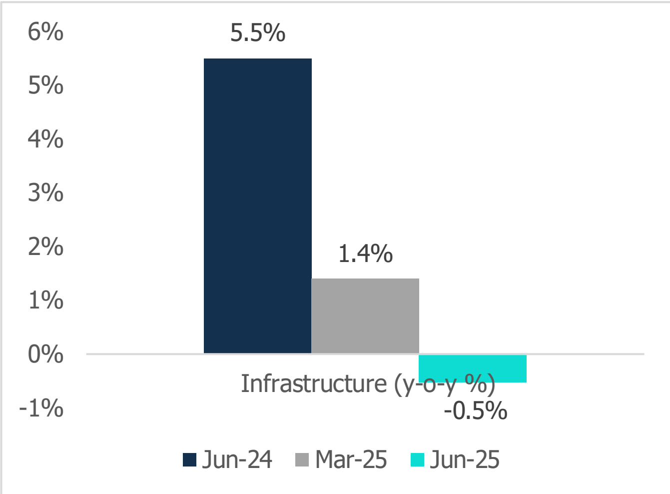


Figure 6: Infrastructure Sees Contraction (y-o-y, %)

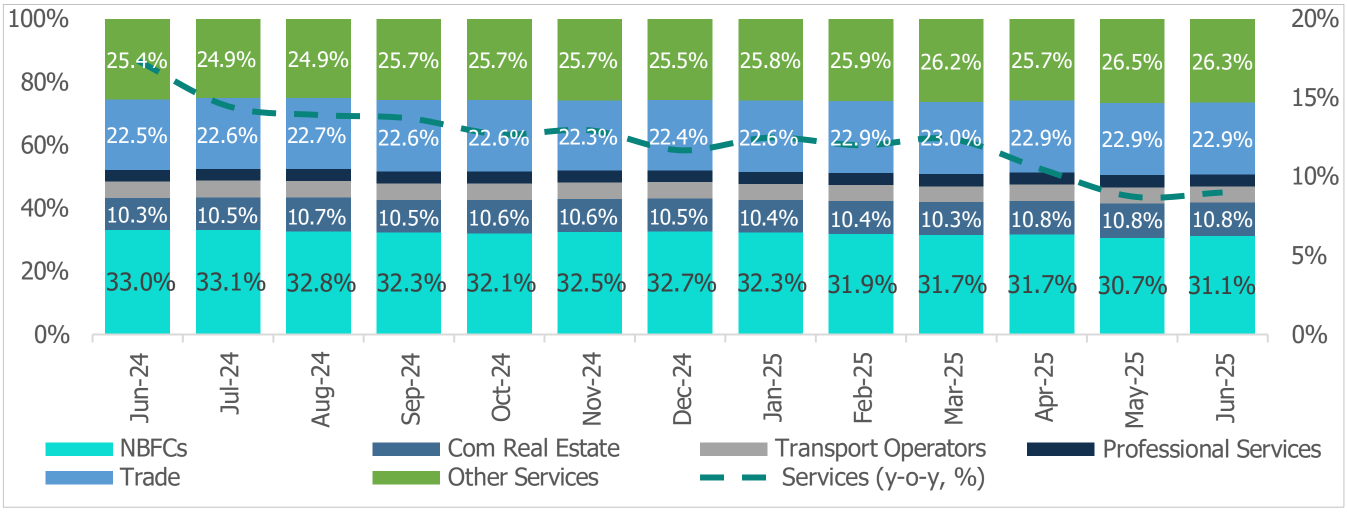


Source: RBI, CareEdge

- The MSME segment has generally continued to outpace the large segment, leading to a shift in the credit composition. The share of large industry in overall industrial credit declined from 71.9% in June 2024 to 68.7% in June 2025, reflecting a relative increase in the MSME share contributing to growth in the MSME sector. This shift is driven by policy support measures such as ECLGS and CGTMSE, rising formalisation of small businesses, and comparatively subdued credit demand from large corporates.
- The infrastructure sector, accounting for 33.5% of overall industry credit, saw a y-o-y contraction of 0.5% in June 2025, a reversal from 5.5% growth a year earlier. Within this, the power sector, comprising 52.8% of infrastructure credit, grew modestly at 7.6%, down from 3.3% in June 2024. In contrast, credit to the roads segment declined by 5.7% y-o-y, following an 8.8% growth seen in the previous year, with similar weakness observed in the ports, railways, telecommunications and other infrastructure sectors. The contraction reflects a combination of high base effects and shifting to alternative funding.

Services Sector

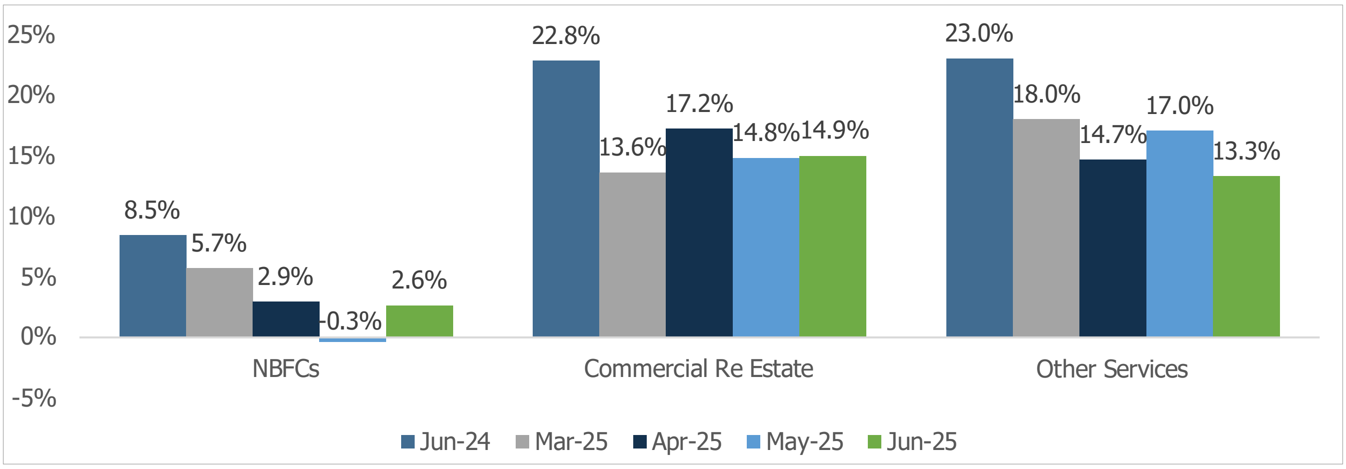
Figure 7: The Share of NBFCs Slightly Edges Up in June 2025



Source: RBI, CareEdge

Growth in the services sector moderated to 9.0% in June 2025, nearly half of the 17.4% (15.1% excluding merger) rate reported a year ago, primarily due to a decline in lending to NBFCs, commercial real estate and other services, and was only mitigated in part by growth in the computer software and shipping, aviation.

Figure 8: NBFCs Credit Growth Witnessed a m-o-m Uptick in June 2025 (y-o-y, %)



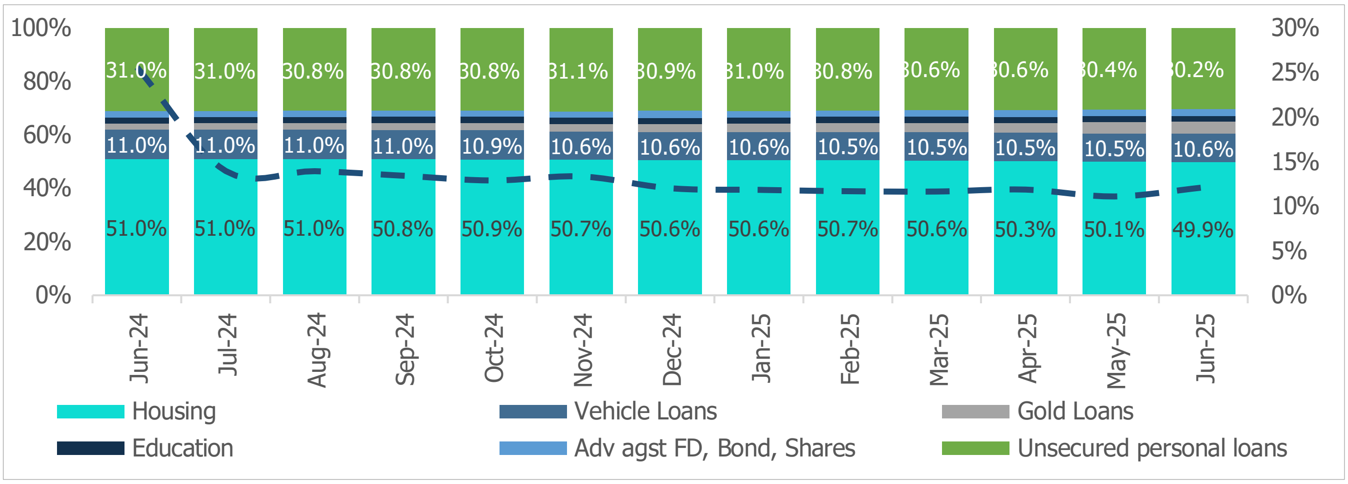
Source: RBI, CareEdge; Note: Other services include computer, tourism, hotels and restaurants, shipping, aviation, mutual Funds, banking, and finance, excluding NBFCs and MFs. For June 24, commercial real estate and other services do not include the merger impact.

- Bank lending to NBFCs saw a month-on-month(m-o-m) uptick in June 2025, but the y-o-y growth moderated. Outstanding credit to NBFCs stood at Rs 15.9 lakh crore, reflecting a modest 2.6% increase compared to 8.5% growth in June 2024. For over a year, credit flow to NBFCs has consistently lagged overall bank credit growth, constrained by regulatory tightening, an unfavourable base effect, and a shift towards foreign and capital market funding. NBFCs' share in total bank credit declined from 9.2% in June 2024 to 8.6% in June 2025. While the partial rollback of risk weights signals RBI's confidence, sustained growth remains unlikely, as banks remain cautious toward smaller NBFCs and those exposed to MFIs, consumer credit, and unsecured personal loans. Meanwhile, larger NBFCs are increasingly turning to capital markets for cheaper funding and greater diversification, further limiting their reliance on bank credit.

- Outstanding credit to the commercial real estate segment stands at Rs 5.5 lakh crore, with growth moderating to 14.9% in June 2025, down significantly from 40.7.% in the same period last year (22.8% excluding merger), reflecting a continued slowdown in the segment.

Personal Loans

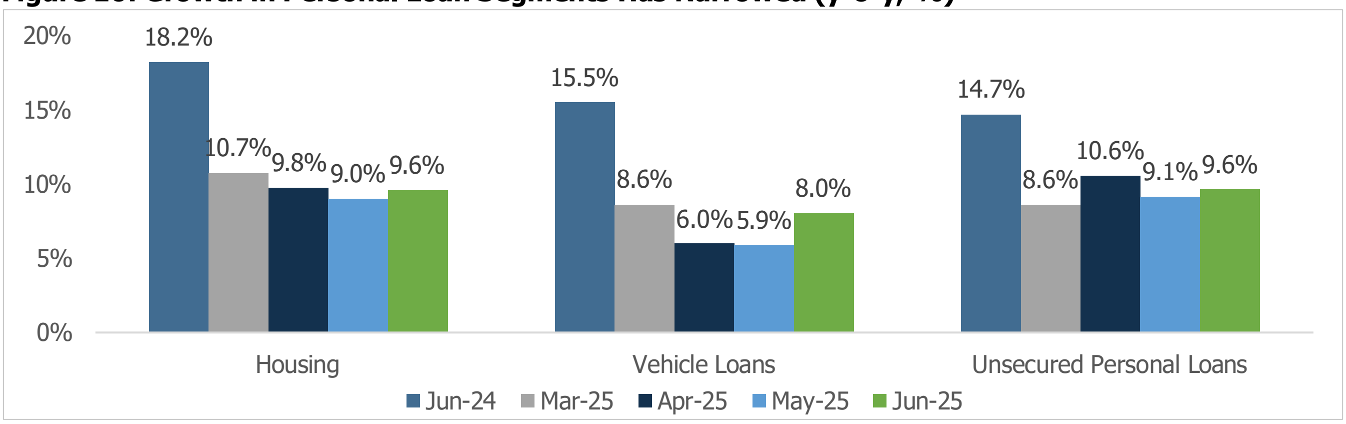
Figure 9: Housing Share Shrank Slightly m-o-m in June 25



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

The personal loans segment, which accounts for nearly a third of the gross bank credit, recorded a slower y-o-y growth of 12.1% in June 2025, down from 25.6% (16.6% excluding the merger) during the same period last year. This growth was influenced by a significant rise in loans against gold jewellery, which grew by 123.8% y-o-y in June 2025, compared to 30.5% a year ago. Excluding this gold loans, the overall personal loan growth would have moderated to 9.5%. The overall deceleration was driven by weaker growth across key categories such as consumer durables, education loans, vehicle loans, other personal loans, and credit card outstanding dues. The slowdown reflects the impact of regulatory tightening by the RBI and some stress in the unsecured lending space. A pickup in gold loan growth provided only limited support, partially offsetting the broader decline.

Figure 10: Growth in Personal Loan Segments Has Narrowed (y-o-y, %)

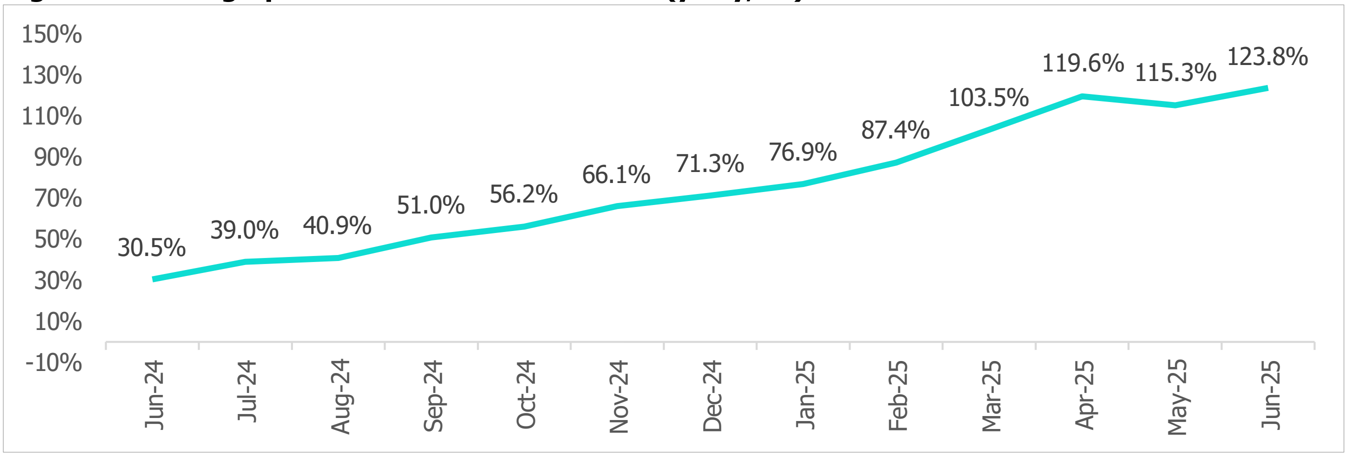


Source: RBI, CareEdge; Note: For June 24, Housing and unsecured personal loans do not include the merger impact; Unsecured personal loans include consumer durables, credit card o/s and other personal loans

In June 2025, growth in mortgages, vehicle loans, credit cards and other personal loans has also continued to slow. The slowdown was further accentuated by rising risk aversion toward these segments and a marginal uptick in delinquencies in unsecured loans and credit cards, which has contributed to the slowdown.

- Mortgage growth slowed to 9.6% in June 2025, down from 18.2% (excluding merger) in the same period last year. The deceleration reflects cautious lending by banks amid softening demand and increased selectivity toward self-employed and high-risk borrowers. Additionally, a shift toward affordable housing with smaller ticket sizes and slower disbursements has contributed to the muted overall growth.
- Vehicle loan growth slowed to 8.0% y-o-y in June 2025, down from 15.5% in the same period last year, nearly half the previous growth rate. The slower growth can be attributed to muted PV sales.
- The other personal loans segment reached Rs 15.4 lakh crore, resulting in a y-o-y growth of 9.8%. This growth rate is lower than the 15.2% recorded in the same period last year. This decline can be attributed to the RBI's increasing risk levels on consumer loans, as well as some stress in their loan portfolios.

Figure 11: Strong Uptick Continues in Gold Loans (y-o-y, %)



Source: RBI, CareEdge

Advances to individuals against gold increased significantly by 123.8% in June 2025, up from 30.5% the previous year. This surge was primarily driven by the reclassification of agri-gold loans to retail loans, owing to higher eligible limits under retail lending. Additionally, a 36% rise in gold prices further boosted loan values during the period.

Agricultural Loan Growth Holds Steady, With a Slight m-o-m Dip

Credit to agriculture and allied activities grew by an estimated 8.2% year-on-year in June 2025, moderating from 20.0% in the same period last year. This slowdown partly reflects the impact of reclassifying agri-gold loans under personal loans. Approximately 40% of these reclassified loans are still agriculture-related. When adjusted for this, the actual growth in agriculture credit would be around 1.4 percentage points higher than the reported 6.8% in June 2025.

Conclusion

According to Sanjay Agarwal, Senior Director at CareEdge Ratings, "India's bank credit-to-GDP ratio remains relatively low, underscoring significant long-term potential for credit expansion. However, as of June 2025, overall credit growth has moderated, reflecting a combination of sector-specific challenges and overall subdued business growth. Industrial credit demand remains muted, constrained by weak private sector capital expenditure along with cheaper sources of alternative funding. In the personal loans segment, the dependence on housing, which has slowed noticeably has impacted overall demand. Credit to commercial real estate and NBFCs has also decelerated, impacted by regulatory tightening, high base effects, and a growing reliance on capital markets and foreign funding sources. Despite adequate system liquidity, subdued corporate demand, along with banks' cautious stance to preserve margins, has contributed to the overall moderation in credit expansion."

Appendix: Deployment of Gross Bank Credit by Major Sectors

Sector	Rs lakh crore			(Y-o-Y) (%)	
	Jun 23	Jun 24	Jun 25	Jun 24 vs Jun 23	Jun 25 vs Jun 24
Gross Bank Credit	**143.9**	**168.8**	**184.8**	**17.3**	**9.5**
Food Credit	**0.3**	**0.3**	**0.6**	**21.5**	**89.9**
Non-food Credit	**143.6**	**168.5**	**184.2**	**17.3**	**9.3**
Agri and Allied Activities	**18.4**	**21.6**	**23.1**	**17.4**	**6.8**
Industry	34.5	37.3	39.3	**8.1**	**5.5**
Micro and Small	6.6	7.3	8.7	11.0	19.3
Medium	2.8	3.2	3.6	12.6	13.1
Large	25.1	26.8	27.0	6.9	0.8
Services	**40.1**	**47.1**	**51.3**	**17.4**	**9.0**
Transport Operators	2.0	2.4	2.6	18.7	6.0
Computer Software	0.2	0.3	0.4	13.1	35.8
Tourism, Hotels and Rest	0.7	0.8	0.8	11.2	8.2
Shipping	0.1	0.1	0.1	-3.7	14.6
Aviation	0.4	0.5	0.5	9.1	11.9
Professional Services	1.5	1.7	2.0	14.7	14.1
Trade	9.2	10.6	11.7	14.8	10.8
Commercial Real Estate	3.4	4.8	5.6	40.7	14.9
NBFCs	14.3	15.6	16.0	8.5	2.6
Other Services	8.1	10.4	11.7	27.6	13.0
Personal Loans	**43.7**	**54.9**	**61.5**	**25.6**	**12.1**
Consumer Durables	0.2	0.2	0.2	7.6	-3.1
Housing	20.5	28.0	30.7	36.3	9.6
Advances against FDs	1.2	1.3	1.5	4.0	15.0
Advances to Ind against share	0.1	0.1	0.1	19.3	5.7
Credit Card	2.2	2.7	2.9	23.3	7.2
Education	1.0	1.2	1.4	20.0	14.4
Vehicle Loans	5.1	5.9	6.5	15.5	10.8
Loans against Gold Jewellery	0.9	1.2	2.8	30.5	123.8
Other Personal Loans	12.4	14.2	15.4	15.0	8.6

Source: RBI

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