

Credit growth sees slight uptick

SUBRATA PANDA

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The pace of bank credit growth grew to 9.8 per cent year-on-year (Y-o-Y) in the fortnight ended July 11, while deposit growth remained steady at 10.1 per cent. It continued to outpace credit growth, although the gap narrowed to 300 basis points, according to the latest data from Reserve Bank of India (RBI). In the fortnight ended June 27, the credit growth stood at 9.46 per cent.

During the same period last year, banking system credit grew 14 per cent while deposit grew 11.3 per cent.

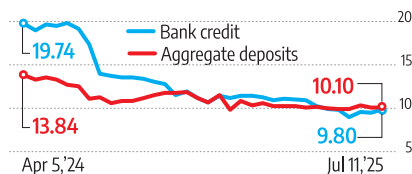
In absolute terms, outstanding credit in the banking system stood at ₹184.63 trillion, while outstanding deposits were ₹233.25 trillion, as per the latest data. During the fortnight, credit declined by ₹23,036 crore, and deposits fell by ₹99,909 crore. In the previous fortnight, outstanding credit and deposits stood at ₹184.83 trillion and ₹234.25 trillion, respectively. Credit growth has fallen sharply from the high of around 20 per cent in May 2024. In FY25, the credit growth was 11 per cent, while deposits grew 10.26 per cent.

In Q1FY26, most large private sector banks reported tepid loan growth.

HDFC Bank's — India's largest private sector lender — overall advances grew at 6.7 per cent Y-o-Y, while ICICI Bank's overall loan book grew 11.5 per cent during this time.

Narrowing gap

Growth rate Y-o-Y (%)



Source: RBI/Bloomberg

Compiled by BS Research Bureau

Axis Bank's advances grew 8 per cent Y-o-Y in the quarter.

The deceleration in credit growth has been sharp in the past one year, as lenders are prioritising asset quality amid higher delinquencies in unsecured retail, microfinance business while continuously tightening the underwriting standards, experts said.

Banks are betting on the upcoming festival season to revive credit demand, supported by the RBI's rate cut and the boost in consumption expected from the tax sops announced in the Union Budget earlier this year.

Rating agencies estimate credit growth this year (FY26) to be around 11.5 per cent – 12.5 per cent, but there could be some revision to the projections, as credit demand is expected to pick up in the second half of FY26.