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Bank Credit Growth Slows in Early FY26, Deposit Growth Remains Steady

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In the initial months of the financial year 2025-26, India's banking sector is witnessing a slowdown in credit growth, while deposits continue to grow at a steady pace. According to the latest data released by the Reserve Bank of India (RBI), bank credit grew by only 1.4 percent so far in FY26, compared to a 2.3 percent increase during the same period last year.

In contrast, deposit growth has remained consistent. Banks have reported a 3.4 percent year-on-year rise in deposits, which is nearly at par with the 3.5 percent growth recorded in the same period last fiscal year.

This divergence suggests a cautious approach by banks toward lending, possibly due to a combination of slower credit demand, risk management measures, and the availability of alternative financing options for borrowers.

Industry experts point out that while consumer and retail loans continue to show resilience, corporate credit off-take remains subdued. Several companies are now opting for market-based instruments such as bonds and commercial papers, which offer more flexibility and competitive rates.

Despite the slowdown in credit, the steady inflow of deposits is helping banks maintain healthy liquidity positions. It also provides a buffer to manage interest rate spreads in a challenging macroeconomic environment.

Analysts believe that credit growth may pick up in the coming quarters, driven by improved business sentiment, easing inflationary pressures, and expected policy support. However, much will depend on the trajectory of economic recovery, global financial trends, and monsoon-related developments that impact rural demand.

The slower pace of credit expansion comes at a time when the government and financial institutions are emphasizing infrastructure development and private investment. With bank lending playing a key role in financing these projects, the current trend will be closely monitored in the coming months.