

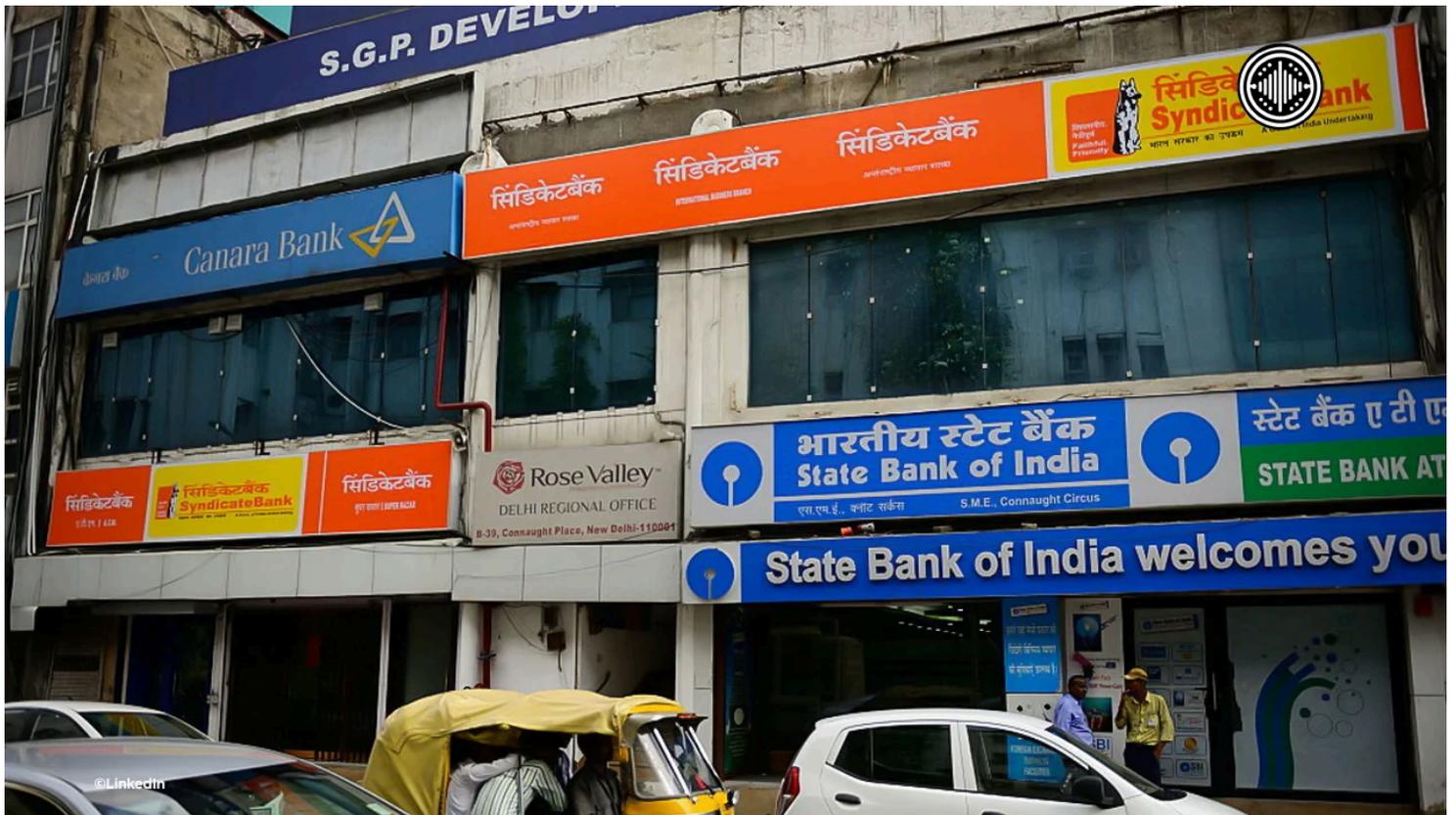
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Public Sector Banks Accelerate Retail Lending as Private Lenders Slow Down

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Public sector banks (PSBs) in India are witnessing a significant surge in retail lending, outpacing their private sector counterparts, which have recently tightened their credit disbursal amid concerns over rising defaults. This shift marks a notable reversal in the banking landscape, with PSBs making gains in areas such as housing loans, gold loans, and consumer finance.

According to data for the financial year 2025, PSBs recorded a robust 13.1% year-on-year growth in total loans, while private banks reported a slower growth rate of around 9%. Analysts suggest this is the first time in over a decade that PSBs have led private banks in loan book expansion.

One of the key drivers of this growth is the home loan segment. State Bank of India (SBI) reported a 15% increase in its housing loan portfolio in the first quarter of FY25, with total outstanding rising by ₹1.1 lakh crore to ₹8.5 lakh crore. Other PSBs have also posted strong numbers in retail credit. In contrast, private banks have become more cautious, especially in unsecured loan segments, in light of growing delinquencies.

Gold loans are another area where PSBs are gaining traction. SBI's personal gold loan portfolio rose by 53% to ₹50,011 crore, while Indian Bank reported an 81% increase, and Bank of Baroda registered a growth of over 55%.

While private sector banks are focusing more on corporate lending and improving asset quality, PSBs are leveraging their vast branch networks, improved capital buffers, and competitive interest rates to expand their retail portfolios. This has helped them tap into rising demand from middle-class borrowers, especially in semi-urban and rural areas.

The trend is expected to continue through FY26, with Fitch Ratings projecting PSBs to maintain 12-13% loan growth, outpacing private banks, which are expected to grow at 10%.