Icra raises bank credit growth forecast on GST-led demand rise

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With improved demand in retail and micro, small and medium enterprise (MSME) segments after goods and services tax (GST) rationalisation, rating agency Icra said banks in India are expected to lend an additional ₹50,000 crore, taking total credit expansion to ₹19.5-21 trillion in 2025-26 (FY26). The credit growth would be 10.7-11.5 per cent, against the previous estimate of 10.4-11.3 per cent in FY26.

Corporate demand is yet to see any meaningful revival. The episodic shift of credit demand from large, well-rated borrowers between capital markets and banks remains opportunistic, Icra noted. The sustainability of that shift remains to be seen, given the expectations of another rate cut by the Monetary Policy Committee, it added.

Referring to loan offtake, Sachin Sachdeva, vice president and sector head, ICRA, said, "The first half of FY26 has seen incremental credit offtake of ₹10.1 trillion, with sizeable expansion taking place in September. This has prompted us to revise upwards our full-year credit offtake projection."

The robust offtake in the first half was driven by partial upfronting of demand from the third quarter to the second quarter, given the early onset of the festive season supported by GST cuts. As a result, the incremental credit offtake in the second half (H2FY26), at ₹9.4-10.9 trillion, is expected to be flattish relative to the level in the first half (H1FY26), and about nine per cent higher than in H2FY25 (₹9.3 trillion), Icra said.

The outlook for banks remains stable, with no major capital requirements anticipated. Banks are well placed to absorb the impact of changes related to capital charge for credit risk and expected credit loss (ECL), supported by resilient capital buffers.