

14.5% ACCELERATION Outstanding bank credit crossed ₹200 lakh crore for the first time on December 31, 2025

Credit Demand Zooms as Policy Eases

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Mumbai: Credit demand in India is getting a boost from the reduction in the goods and services tax (GST) and a more accommodating monetary policy, which have helped spur investment activity, data from the Centre for Monitoring Indian Economy (CMIE) shows.

As of the end of December, credit demand saw a year-on-year growth of 14.5%, according to CMIE data.

Investment proposals in the first nine months of the financial year increased to ₹26.62 lakh crore, up from ₹23.62 lakh crore a year ago, data showed, supporting the pickup in credit growth. Outstanding bank credit at the end of December stood at ₹203.2 lakh crore, crossing the ₹200-lakh crore mark for the first time. Year-to-date (YTD) credit expanded by ₹20.78 lakh crore, compared with an increase of ₹13.18 lakh crore in the same period a year ago.

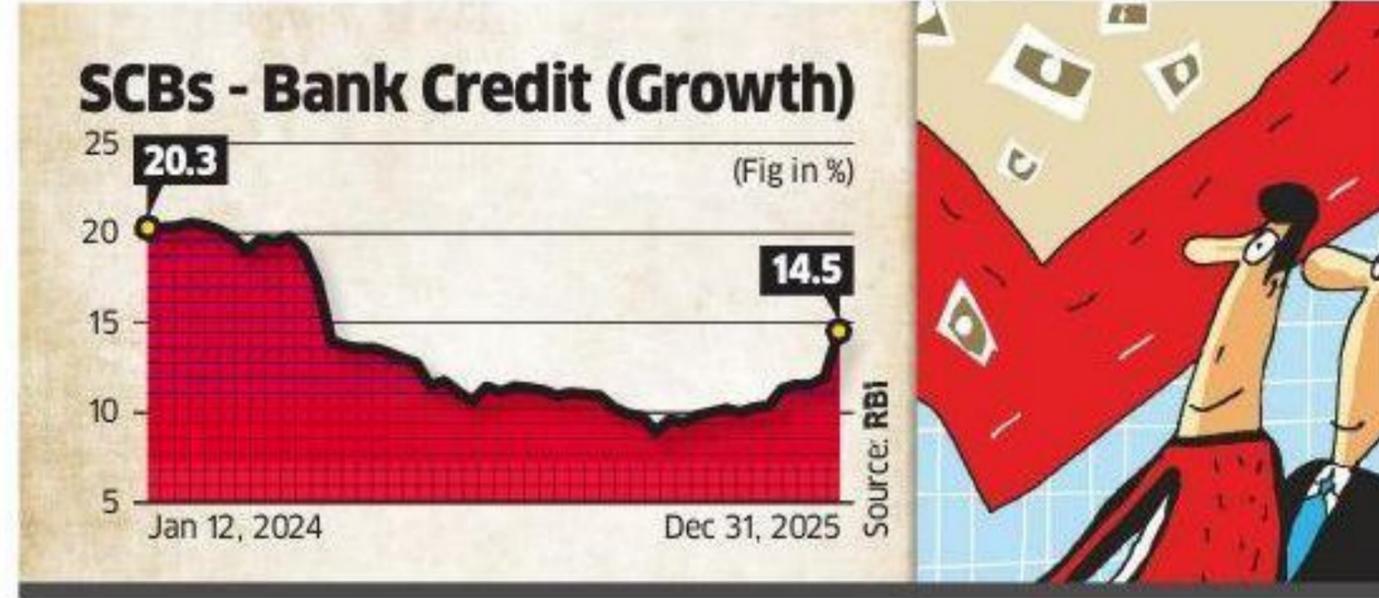
At 11.4%, the YTD credit growth surpassed the previous year's 8%,

despite lingering uncertainty over trade deals, pointing to a rebound driven by rate cuts. The pace of credit expansion has already exceeded the 11% growth projected for FY26 by the Reserve Bank of India and professional forecasters in the Monetary Policy Report released in October.

This month's credit and deposit data was released after recent amendments to the Banking Regulations Act, 1949, that allow the RBI to publish credit and deposit numbers on the 15th and the last day of the month, instead of alternate Fridays—a move aimed at reducing interpretational ambiguity.

Outstanding aggregate deposits stood at ₹248.5 lakh crore, up 12.7% on a year-on-year (y-o-y) basis and 10.1% on a YTD basis. In the corresponding period a year ago, deposits rose by 9.8% y-o-y and 7.8% on a YTD basis.

“Credit growth is being driven largely by auto loans, which typically pick up at the end of the calendar year, along with demand from small and mid-sized companies, finance companies and the home loan seg-



ment,” said Saurabh Bhalerao, associate director and head of BFSI research at Care Ratings. “That said, a base effect has also come into play. Last year’s data was for December 27, 2024, the final reporting Friday of the month, which makes the 14.5% growth appear particularly strong,” he said.

A bank analyst said, “In any case, the growth looks high partly because these are month-end numbers, and one should factor in an element of window dressing that happens at the end of every quarter. Also, due to this

base effect, the 14.5% credit growth may not be sustainable.”

A credit growth of 14.5% was last reported on July 12, 2024, RBI data showed.

That said, demand could remain resilient if higher investment intentions translate into actual spending.

“There has been a tendency for interest rates to also come down, which is expected to spur investment activity,” said Bank of Baroda in its report Investment Climate in 9 Months—FY26. “Hence, the investment environment does ap-

pear to be positive in the present financial year.”

The top five sectors accounting for around 80% of total proposed investments include electricity, chemicals, metals, IT and transportation.

Bank credit growth had fallen to a three-year low of 8.9% on a y-o-y in May last year, after which the RBI announced a 50 basis point cut in the repo rate, against market expectations of a 25 basis point reduction, and surprised markets with a staggered 100 basis point cut in the cash reserve ratio. The weak credit demand during that quarter may have prompted RBI governor Sanjay Malhotra to urge lenders last August to revive “animal spirits” and push credit growth.

At a FICCI IBA conference, the governor told bankers and corporate heads to “champion the entrepreneurial spirit” and urged lenders to push the “frontiers of growth and seize the opportunities”.

If credit growth is sustained at the current levels, it could surpass the 11.5–12.5% forecast by Care Ratings and the 10.7–11.5% projected by Ica.