

NBFC growth may ease as gold loan boom untenable: ICRA

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THE OVERALL GROWTH in the non-banking financial companies (NBFC) sector may witness a moderation as gold loans, one of the key drivers, are unlikely to maintain the sharp rise of the past two years, rating agency ICRA has said.

The sharp surge in gold loan growth that powered non-bank lender balance sheets over the past two years is unlikely to continue at the same pace, which could moderate overall sector growth going ahead, according to ratings agency ICRA.

Gold loans expanded by 50-60% in recent years, but much of that increase was dri-

ven by rising prices, rather than any growth in underlying volume, said Karthik Srinivasan, senior vice president and group head – financial sector ratings at ICRA. “A large part of the increase in gold loan AUM has come from the value of gold rather than the tonnage growth. Unless gold prices rise sharply again, that pace of growth is not sustainable.”

As a result, while the outlook for NBFCs remains stable, the sector is expected to see a moderation in growth to around 16-17% in FY27. ICRA expects the overall outlook for both banks and NBFCs to remain broadly stable over the next fiscal, provided global uncertainties do not play spoilsport.

AT A GLANCE

Segmental growth trends and outlook for NBFCs

Category	FY25	FY26*	FY27*
Vehicle loans	16	13-15	14-16
Home loans	16	13-15	13-15
Loan against property	24	20-22	19-21
Gold loans	31	60-62	17-19
Wholesale and other loans	15	18-20	18-20
Microfinance	-11	0-2	15-17
Business loans	29	12-14	14-16
PL & consumption loans	21	18-20	17-19
Overall NBFC AUM growth	17	17-19	16-18

Source: ICRA; *projected

For the banking sector, the credit growth is expected to remain around 11.5% in FY27, broadly in line with underlying

trends. Credit growth in FY26 may appear slightly higher at 13-13.5%, Srinivasan said, largely because of a technical



change in the Reserve Bank of India's reporting methodology that influences the way of measuring the credit growth.

Despite geopolitical uncertainties and volatile global conditions, Indian banks and NBFCs remain resilient for now. “Banks and NBFCs are well capitalised, liquidity is adequate and asset quality remains under control. So, we do not expect any immediate shock to the banking system,” Srinivasan said.

ICRA expects the gross NPA for banks at around 2.2% and the net NPA ratio near 0.5%, while NBFCs could see GNPA levels stabilising at around 2.5%. Much of the stress in the past year came from unsecured retail lending and microfinance, but that cycle has largely played out, and new loan originations are encouraging.