

AMID NBFCs TAKING OVER THE MARKET...

Bank Loans Trip as Buyers Prefer to Swipe it to Purchase Durables

Such unsecured loans fall 5% in FY26; banks see their low-ticket sizes as weighing on investments

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Mumbai: Unsecured loans from banks to customers purchasing consumer durables like washing machines, televisions and air conditioners continue to fall. Latest central bank data showed such loans fell 5% in FY26, when banking sector advances expanded 16%.

Analysts and bankers said banks have ceded this segment to non-banking finance companies (NBFCs) because of the small ticket size. Also, banks are mostly lending to this segment of small-ticket loans through credit cards as it is easier for lenders to offer zero EMI loans via credit cards rather than make an agreement with vendors for exclusive loan deals on these products.

"It is too low a ticket size for banks to invest in the network and people on ground and NBFCs have taken the market. Most of these loans happen through credit card

A Matter of Choice



1% Fall in
consumer
durable loans by
banks in FY25



₹21,962 cr

Loans to consumer
durables in FY26



₹212 L cr

Non-food credit book
of banks in FY26



₹2.94 L cr

Credit card
outstanding in FY26



₹4.60 L cr

Loans against gold in
FY26 from ₹2.06 L cr
a year earlier

swipes. This is reflected in the fall in consumer durable loans, which will continue to be weak," said Sumit Phakka, deputy managing director, IDBI Bank.

Sectoral data published by the

Reserve Bank of India (RBI) showed loans by banks to buy consumer durables fell 5% year on year in FY26, compared with a 1% fall recorded a year earlier.

To be sure, loans to consumer durables at ₹21,962 crore are just a minuscule 0.10% of the ₹212 lakh crore non-food credit book of banks.

Anil Gupta, co-head, financial sector ratings, ICRA said consumer durable loans for the banks have shrunk because of zero-cost EMIs that many credit cards offer on such purchases.

"It is only a few NBFCs that still do that business because they cater to a section of people who may not have credit cards. For banks it is better that this business shifts to cards because it does not require physical presence at dealers and a fresh credit assessment of customers as such loans are part of approved credit card limit for the customer," Gupta said.

Credit card outstanding at ₹2.94 lakh crore is still much greater than consumer durable loans. Phakka from IDBI Bank said banks prefer auto and personal loans because of their ticket size and yields, respectively. "Gold loans have picked up because they are linked to agriculture and have a priority sector tag," Phakka said.