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Sectoral deployment of credit: Banks versus NBFCS

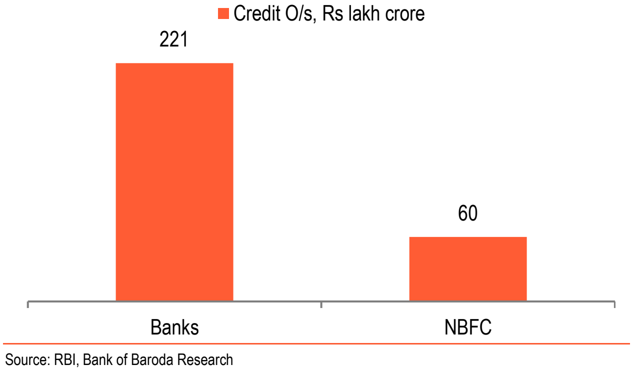
NBFC and Bank's overall credit picture shows that outstanding Bank credit as of Jul'26 is 3.7 times that of NBFC credit. The growth rate of Bank credit is also happening at a much steeper pace compared to NBFC credit offtake. However, sectoral picture gives some interesting insights. In terms of share, Banks are maintaining a well-diversified portfolio with share of retail loans, services and industry capturing the space. For NBFCs, the share is skewed towards retail loans especially vehicle loan space and infrastructure space. It is to be mentioned that Banks are also regaining their momentum in the infrastructure segment as can be seen from their rising share in incremental credit in the current fiscal.

For some sectors such as commercial real estate and loan against gold jewellery, credit accretion in the current fiscal is happening at a faster pace for Banks.

Banks are exhibiting faster credit growth than NBFCs:

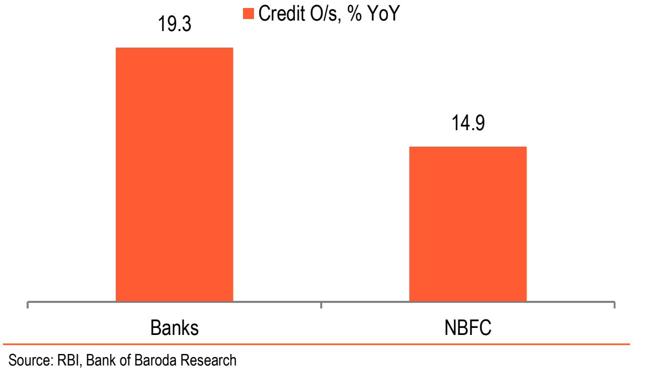
Figures 1& 2 below give the outstanding credit of banks and NBFCs as of Jul'26. Bank credit was around 3.7 times that of NBFCs. The share of NBFCs accounting for overall credit offtake (Banks + NBFCs) stood at 21.3%, a tad higher compared to 21.2% seen in the previous month. However, the growth rate of Banks is much sharper in Jul'26, speaking of persistent reliance on bank borrowing as a major source of financing.

Figure 1: Credit offtake of Banks and NBFCs in Jul'26



Source: RBI, Bank of Baroda Research

Figure 2: Banks are growing at a faster pace than NBCFCs



Source: RBI, Bank of Baroda Research

How have the share and growth rate of credit between Banks and NBFCs evolved?

To get a sense of how credit has grown as of Jul'26, **Table 1** gives the growth rates for various sectors and its corresponding share. There is a miscellaneous category for NBFCs which are loans that are outside of the classification of (1-4). This cannot be exactly interpreted for banks as there is no one-to-one correspondence in classification.

Some observations

1. **In terms of shares**, Banks have a well-diversified portfolio with share of retail loans at 32.5%, followed by services at 28.1% and industry at 21.7%. It is to be mentioned that retail loans for Banks and personal loans are used interchangeably in the classification of sectoral deployment of credit data. For NBFCs, there is relatively higher concentration in retail loans whose share

in overall NBFC credit is 43.5%, within which housing loans have a higher share at 14.3% in NBFC credit. The share of vehicle loans is also higher in overall credit portfolio of NBFC at 10.5%. On the other hand, the share of vehicle loans in overall Bank credit is lower at 3.5%. The share of industry in NBFC credit is also higher at 36.9%, with infrastructure dominating the space at around 33.7%. Here also share of infrastructure is much higher compared to the share of infrastructure in Bank's credit. Thus, NBFCs are one of the major financiers in terms of infrastructure financing. The share of power sector is also higher in NBFC credit at 24%. Loans against gold jewellery also have a higher share in the portfolio of NBFCs at 5.9%. It's share is rising in Bank's portfolio as well.

2. The share of services in NBFC credit is smaller, Banks are faring much better on this front. For Banks the credit to services sector excluding NBFCs is also significantly higher in outstanding terms at Rs 40.7 lakh crore as of Jul'26, whereas for NBFCs the amount outstanding to services sector is much lower at Rs 7.7 lakh crore.
3. **In terms of growth**, for majority of the sectors, Bank credit has grown at a buoyant double-digit pace. For NBFCs, apart from industry, other sectors are registering comparatively better growth. The major divergence in growth rate between Banks and NBFC is seen in case of industry where Banks are regaining their momentum. For both infrastructure and power, Bank credit is growing at a faster pace of 10.2% and 21.6%, respectively, compared to NBFCs growth rate of 6.2% and 6.9%. For services as well, the growth rate in Bank credit is higher at 22.9% compared to NBFC credit of 15.2%. For NBFCs credit to trade is showing some loss of momentum amidst the current disruption in geopolitical environment.
4. For retail loans, the growth rate in NBFC credit is much sharper compared to Banks at 21.4%. For Banks, albeit having a lower share of vehicle loans in overall Bank credit, their growth rate is picking pace. NBFCs have a larger exposure and higher growth when it comes to consumer durable loans due to wider access and greater market penetration. For housing credit, there is buoyancy for both Banks and NBFCs.
5. Growth in gold loans has been very high for both banks and NBFCs. Banks have been aggressive here as can be seen by growth of 88.1% in Jul'26 compared to NBFC growth rate of 68.5%. In absolute terms, loans against gold jewellery is at Rs 5.5 lakh crore for Banks whereas for NBFCS it is at Rs 3.5 lakh crore. Thie buildup of credit portfolio requires monitoring.
6. Even for commercial real estate (which is higher on the risk categorisation), there has been strong growth in credit both for Banks and NBFCs. For Banks, the outstanding credit to this sector is at Rs 6.7 lakh crore whereas for NBFCs it is at Rs 1 lakh crore.

Table 1: Growth and shares of NBFC vs Bank credit sector-wise

Sectors	Banks	NBFCs	Banks	NBFCs
	Shares		YoY	
1. Agriculture etc	**12.3**	**1.3**	**17.0**	**18.0**
2. Industry	**21.7**	**36.9**	20.0	**7.4**
Infrastructure	6.9	33.7	10.2	6.2
Power	3.9	24.0	21.6	6.9
3. Services	**28.1**	**12.8**	**22.9**	**15.2**
Transport Operators	1.3	3.0	8.0	10.7
Trade	6.4	1.9	19.8	14.7
Commercial Real Estate	3.0	1.7	21.5	22.3
4. Retail Loans	**32.5**	**43.5**	**16.2**	**21.4**

Sectors	Banks	NBFCs	Banks	NBFCs
	Shares		YoY	
Housing Loans	15.5	14.3	11.3	11.9
Vehicle Loans	3.5	10.5	18.8	15.1
Loans against gold jewellery	2.5	5.9	88.1	68.5
Consumer Durables	0.1	1.2	0.4	51.5
5. Other Loans	**-**	**5.4**	**-**	**19.7**

Source: RBI, Bank of Baroda Research

How is the incremental credit picture faring?

Table 2 gives the share of banks in incremental aggregate credit across sectors for the current period of Mar to Jul 2026. This would reflect how credit build-up has happened in the current period. Banks are dominant in almost all sectors with the exception being consumer durables where the ratio is the lowest at 6.3%. For vehicle loans and transport operators as well, the share is tad above 50%.

The sector where Bank lending has been the most aggressive is Commercial Real Estate where Bank's share in incremental credit has been above 100%. This is despite RBI raising risk weights on commercial real estate loans to regulate credit flow. This speaks of growing construction activity in the economy. The Q1 GVA construction data has also been robust at 7.7% (constant terms) in Q1FY27 compared to 5.2%, in Q1FY26. In the eight-core data as well, cement production in the Apr-Jul'26 period is growing at a faster pace of 9.9% compared to 8.2% in the same period of previous year. However, some monitoring is required on lending to commercial real estate considering the risk categorisation.

Apart from commercial real estate, Banks share in incremental credit is also higher for industry especially for infrastructure. The ratio is 99.6% for infrastructure. For agriculture and trade as well, the share is above 90%. RBI's trade relief measures for certain sectors (especially targeted at trade financing) might have supported their credit flow. For housing loans, the share of Banks in incremental credit is at 68.6%. For loans against gold jewellery as well, the share is considerably higher at 67.5%.

Table 2: Incremental credit between Banks and NBFCs

Sectors	Banks	NBFCs	Share of banks
	Incremental credit over Mar'26 till Jul'26		
1. Agriculture etc	62,402	2,712	95.8
2. Industry	2,16,472	6,087	97.3
Infrastructure	22,682	102	99.6
Power	26,678	15,093	63.9
3. Services	1,35,521	19,572	87.4
Transport Operators	3,616	3,528	50.6
Trade	32,317	1,846	94.6
Commercial Real Estate	42,142	-4,284	111.3
4. Retail Loans	2,43,585	1,67,585	59.2
Housing Loans	72,490	33,159	68.6
Vehicle Loans	25,877	25,488	50.4

Loans against gold jewellery	90,888	43,851	67.5
Consumer Durables	1,065	15,821	6.3
5. Other Loans		17,103	0.0
Overall Credit	716660	2,13,060	77.1

Source: RBI, Bank of Baroda Research, Note: Share of Banks is calculated as incremental credit to Bank/(Incremental Credit to Bank+NBFC)

To conclude:

1. Credit offtake to Banks is happening at an escalated pace compared to NBFCS.
2. Bank credit is around 3.7 times NBFC credit.
3. Sector-wise Banks have a more balanced portfolio with well distributed share of retail, services and industry credit.
4. For NBFCs, the concentration is towards retail loans, especially vehicle loans and infrastructure space.
5. In terms of sectoral credit growth rate, both NBFCs and Banks are faring well, except for industry credit in case of NBFCs.
6. Incremental credit this fiscal shows that Banks are maintaining a dominant share for majority of the sectors. The regaining of share in infrastructure space is interesting for Banks in which NBFCs had a higher share, earlier.
7. However, for some sectors such as commercial real estate and loans against gold jewellery, rising incremental share of banks requires monitoring.

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