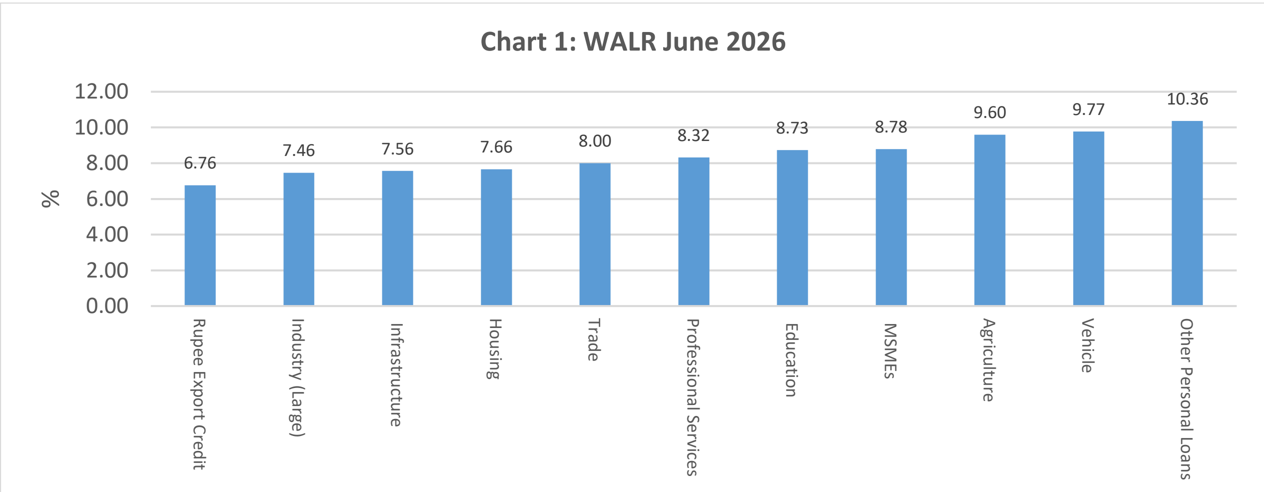
WALR across sectors

The weighted average lending rate on fresh loans is a good indicator of how interest rates are moving over time against the background of the reduction witnessed in the repo rate last year. Also significant is how this varies across various sectors as this rate is a function of both the MCLR portion of the portfolio as well as EBLR section.

The repo rate cuts started from February 2025 and has been lowered by 125 bps over time. It does look like that the repo rate of 5.25% is the bottom that has been reached and from hereon there would only be an increase, though the timing will be synchronized with the inflation trajectory. The WALR for banks has come down by 80 bps on a point to point basis i.e. January 2025 to June 2026 from 9.33% to 8.53%. This has come about with the median MCLR moving from 9% to 8.6% during this period. The Share of EBLR in total loan portfolio of banks has increased from 61.7% in March 2025 to 67.6% in March 2026.

The chart below gives the WALR on fresh loans across various lending categories. The coverage includes the major sectors and is not exhaustive. As can be seen the highest WALR, is on the 'other personal loans' category at 10.36% and is 360 bps higher than the rupee export credit bucket which has the lowest rate.

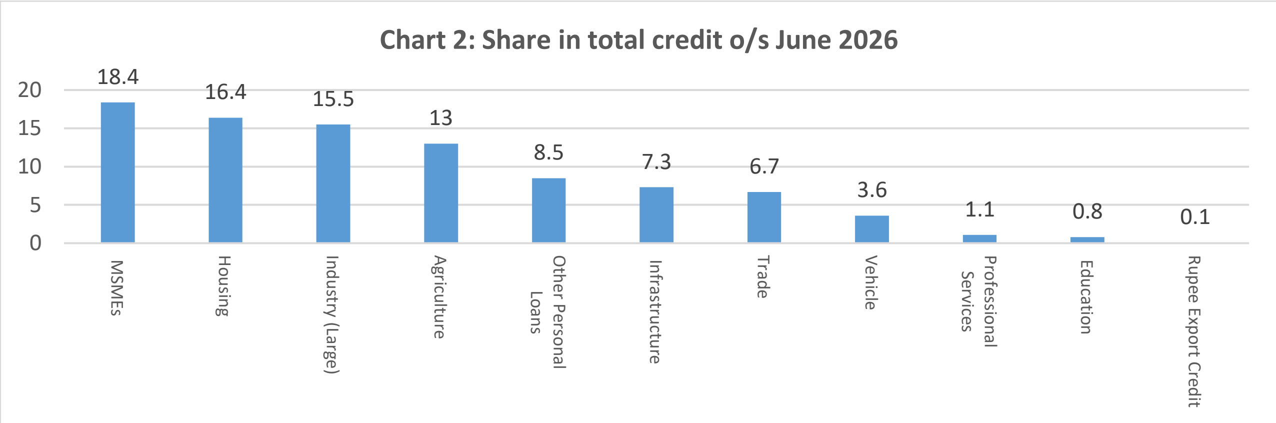


Source: RBI

Large industry has the second lowest rate of 7.46% which is interesting. Here the lending rate tends to get linked with the MCLR. Further, this sector also has access to the debt market when the rating is high and hence companies are able to negotiate better rates with banks. Infrastructure, which would tend to be a sub-set of large industry, has the next lowest rate of 7.56%. The highest yields for banks come from vehicle loans after the unsecured category. Agriculture is next with a WALR of 9.6%. Housing fetches lower rate of 7.66%. MSMEs and education loans carry a WALR of between 8.70-8.80%.

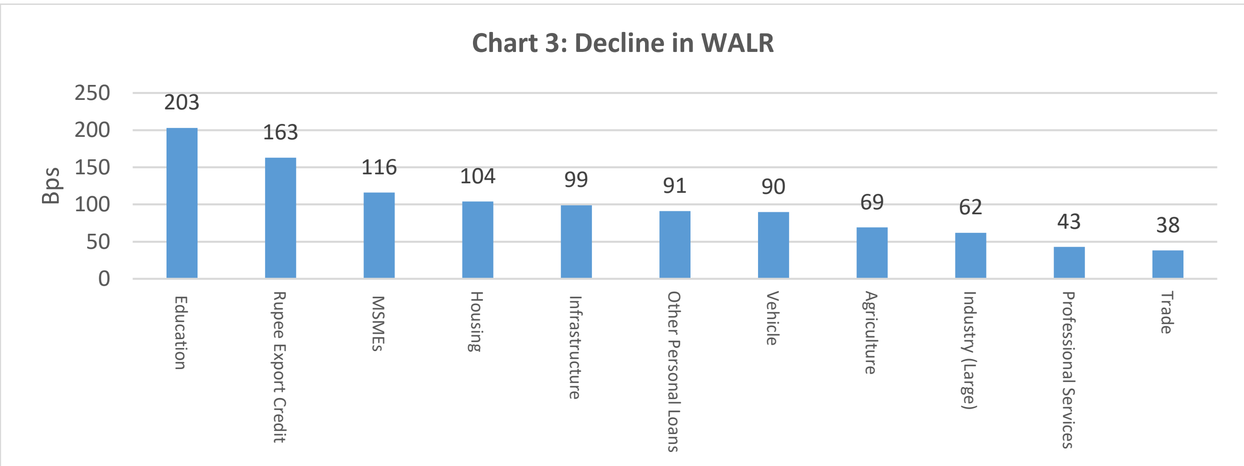
If this were to be juxtaposed with NPA ratios for the system which was at 1.8% as of March, the following picture emerges. Agriculture has the highest NPA ratio of 5.1%. Other personal loans has a low NPA ratio of 1% even though loans are unsecured. For housing it is 0.8% while it is higher for vehicles at 1.4% and education at 1.1%. For industry as a whole it was 1.6%.

Chart 2 provides information on the shares of these sector in overall outstanding credit. This will give an idea of how much of the portfolio is subject to the WALR covered in Chart 1. Infrastructure per se would largely be covered in the large industry category. Nearly 25% of the portfolio covering agriculture, vehicles and other personal loans give a return of above 9%. Housing and large industry with a combined share of around 32% give lower returns of less than 8%.



Source: RBI

Chart 3 below gives the degree of decline in WALR for various sectoral loans between January 2025 and June 2026. The largest decline was witnessed in case of education loans at 200 bps. The lowest was for trade at 38 bps. Besides education loans, rupee export credit was the only sector which witnessed a decline in WALR of a magnitude higher than the repo rate reduction. MSMEs and housing loans were down by more than 100 bps but less than 125 bps. In case of infrastructure, vehicles and unsecured personal loans the decline was of the order of 90-100 bps. Agriculture and large industry had seen lower declines of around 60-70 bps.



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