

India’s NBFC Growth Story: Retail Credit Takes the Lead, But Sustainable Growth Will Be the Real Test



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NBFC credit grew 15.8% in the year to August 2026, with retail loans, led by gold and consumer durable finance, doing most of the work. The harder question is whether governance is keeping pace.

Key takeaways

- a) Outstanding NBFC credit, including HFCs, reached about ₹60.64 lakh crore in August 2026, growing 15.8% year-on-year against 10.0% a year earlier.
- b) Retail loans grew 22.0% and now make up nearly 44% of NBFC credit. They accounted for almost 58% of the year’s increase in credit.
- c) Loans against gold jewellery grew 69.1% and consumer durable loans 56.4%, the two fastest-growing segments in the data.
- d) Housing loans recovered to 12.1% growth from 3.8%, while vehicle loans held steady at 15.4%.
- e) Industry (8.4%) and infrastructure (7.2%) were stable, and services moderated to 16.2% from 24.0%.
- f) At these growth rates, the quality of underwriting, collateral control, partner oversight and customer protection matters as much as the size of the loan book.

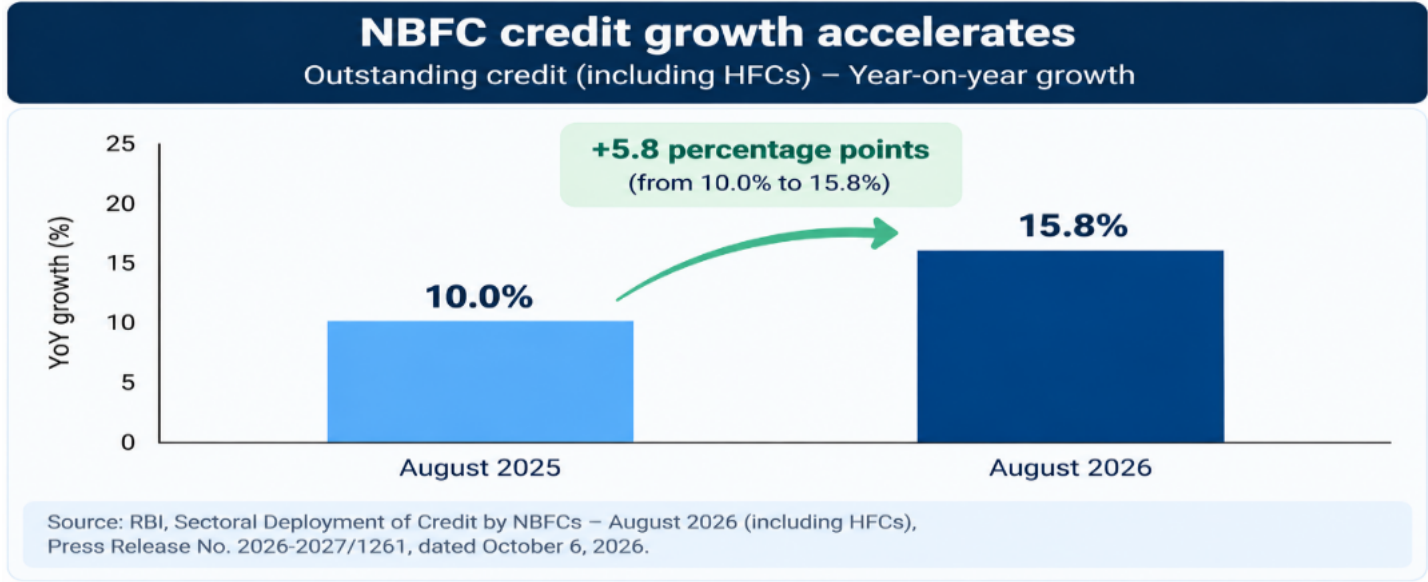
Introduction

India’s Non-Banking Financial Company (“NBFC”) sector is entering another important phase of credit expansion.

According to the Reserve Bank of India’s (“RBI”) provisional data on the **Sectoral Deployment of Outstanding Credit by NBFCs (including HFCs)**, outstanding credit reported by the covered institutions reached approximately ₹60.64 lakh crore in August 2026, recording year-on-year growth of 15.8%

This represents a significant acceleration from the **10.0% growth recorded in August 2025**.

The headline number is impressive. However, the more important story lies beneath it: **the composition of NBFC growth is changing, with retail lending emerging as the principal growth engine, led by exceptionally**



strong growth in gold and consumer durable loans.

The numbers tell a clear story

Segment	Outstanding credit, Aug 2026	YoY growth, Aug 2025	YoY growth, Aug 2026
Total NBFC credit	₹60.64 lakh crore	10.0%	15.8%
Retail loans	₹26.48 lakh crore	13.6%	22.0%
Agriculture and allied activities	₹0.80 lakh crore	5.1%	17.4%
Industry	₹22.29 lakh crore	8.3%	8.4%
Services	₹7.79 lakh crore	24.0%	16.2%
Other loans	₹3.28 lakh crore	-21.3%	20.3%

These figures represent changes in outstanding credit rather than fresh loan disbursements. Accordingly, the growth rates reflect changes in the size of the outstanding portfolio and should not be interpreted as the volume of new loans sanctioned or disbursed during the period.

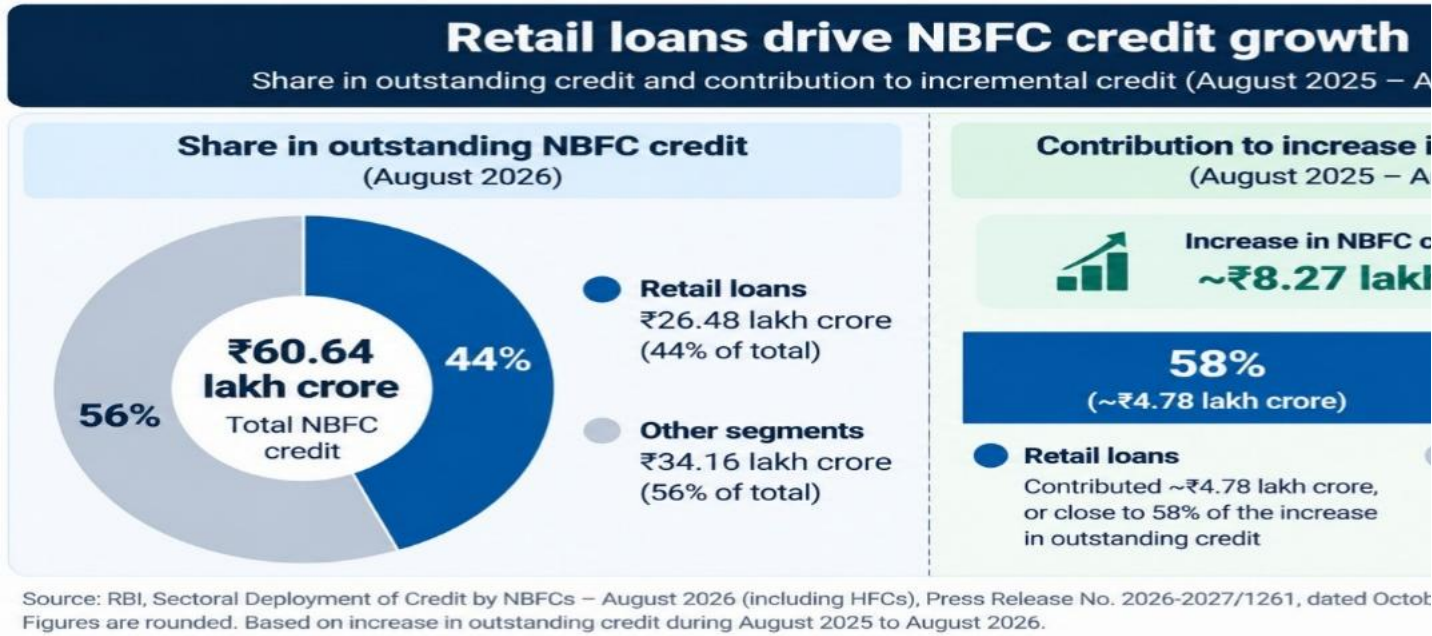
Source: RBI, Sectoral Deployment of Outstanding Credit by NBFCs (including HFCs), August 2026.

The divergence is noteworthy.

While total NBFC credit grew at **15.8%**, retail loans expanded at **22.0%**. Retail credit of approximately ₹26.48 lakh crore now constitutes nearly **44% of the outstanding credit captured in the RBI dataset**, up from about 41% a year earlier.

The incremental numbers make the point even more clearly. Of the roughly **₹8.27 lakh crore** added to NBFC credit over the year, retail loans contributed about **₹4.78 lakh crore**, or close to **58%**.

This indicates that the NBFC growth story is increasingly becoming a **retail credit story**



Within retail, the RBI data break out four segments:

Retail segment	Aug 2025	Aug 2026	YoY growth, Aug 2025	YoY growth, Aug 2026
Housing loans	₹7.69 lakh crore	₹8.62 lakh crore	3.8%	12.1%
Vehicle loans	₹5.52 lakh crore	₹6.37 lakh crore	15.0%	15.4%
Loans against gold jewellery	₹2.16 lakh crore	₹3.65 lakh crore	46.8%	69.1%
Consumer durables	₹49,730 crore	₹77,784 crore	19.6%	56.4%

Source: RBI, Sectoral Deployment of Outstanding Credit by NBFCs (including HFCs), August 2026. Housing loans include housing loans from HFCs.

Gold loans: the standout growth segment

Perhaps the most striking number in the RBI data is the expansion in loans against gold jewellery.

Outstanding gold loans increased from approximately **₹2.16 lakh crore in August 2025 to ₹3.65 lakh crore in August 2026**, representing extraordinary year-on-year growth of **69.1%**.

This follows an already-high growth rate of **46.8% in the previous year**.

Gold-backed lending has several characteristics that make it attractive to NBFCs: relatively quick underwriting, tangible collateral, shorter turnaround time and strong demand from households and small businesses seeking immediate liquidity.

Its rapid expansion, however, also means that **valuation practices, loan-to-value discipline, custody controls, auction processes and customer protection** assume even greater importance.

The RBI has already strengthened and harmonised the regulatory architecture for lending against gold and silver collateral. As this portfolio becomes larger, operational discipline around collateral may become as important as credit underwriting itself.

While this growth demonstrates the increasing significance of gold-backed lending, the expansion in outstanding credit should also be assessed in the context of gold prices, collateral valuations, borrower demand and portfolio-level exposure. Rapid portfolio growth does not, by itself, establish a corresponding improvement in underlying credit quality.

Consumer durable finance: small base, exceptional growth

Another remarkable development is consumer durable lending.

Outstanding consumer durable loans increased from approximately **₹49,730 crore in August 2025 to ₹77,784 crore in August 2026**, translating into growth of **56.4%**, nearly three times the 19.6% recorded a year earlier.

The segment remains relatively small compared with housing or vehicle finance, but its growth illustrates the changing nature of consumer finance in India.

The expansion is consistent with the increasing adoption of technology-enabled underwriting, point-of-sale financing, embedded credit and lender–fintech–merchant partnerships. However, the sectoral credit data do not separately quantify the contribution of these distribution channels to overall growth.

For NBFCs, this creates considerable opportunity. It also requires stronger controls around **customer suitability, disclosures, consent architecture, digital lending partners, data usage and recovery practices**.

Housing finance regains momentum

Housing loans, the largest retail segment in the RBI dataset, also show a meaningful recovery.

Outstanding housing loans increased to approximately **₹8.62 lakh crore in August 2026**, recording growth of **12.1%**, compared with only **3.8% a year earlier**.

The acceleration is significant because of the sheer size of the portfolio.

Housing credit provides NBFCs and HFCs with a comparatively long-duration asset class and continues to play an important role in expanding formal credit access, particularly for borrowers and geographies that may not always fit traditional banking models.

The data also reinforce the continuing importance of HFCs within India’s broader non-bank credit ecosystem.

Vehicle finance remains resilient

Vehicle loans stood at approximately **₹6.37 lakh crore** in August 2026 and grew **15.4% year-on-year**, marginally higher than the 15.0% growth recorded a year earlier.

Unlike the exceptional acceleration seen in gold and consumer durable loans, vehicle finance demonstrates something equally valuable: **consistency**.

Vehicle financing has historically been an important NBFC franchise, where specialised lenders have developed expertise in dealer networks, borrower assessment, used vehicles, commercial vehicles and collections.

Its continued double-digit growth suggests that traditional NBFC strengths remain relevant even as newer digital lending models emerge.

Growth is not uniform across the economy

The RBI data also reveal an important point: NBFC growth is not broad-based across every segment.

Industry credit increased by only **8.4%**, broadly unchanged from 8.3% a year earlier. Infrastructure credit grew approximately **7.2%**, also remaining largely stable.

Services credit, although still growing strongly at **16.2%**, moderated considerably from **24.0%** a year earlier, as growth in trade and transport operators slowed.

Within services, however, commercial real estate stood out, with credit expanding by approximately **21.8%**.

This creates a distinctly differentiated picture:

Retail is accelerating. Agriculture is accelerating. Commercial real estate remains strong. Industry and infrastructure are relatively stable. Services remain healthy but have moderated.

Understanding this composition is more useful than looking at the overall 15.8% growth number alone.

Why NBFCs continue to matter to India’s credit architecture

The continuing expansion of NBFC credit reflects their structural role in India’s financial system.

NBFCs often operate where traditional banking and specialised credit requirements intersect. Their strengths typically include faster product innovation, specialised underwriting, deeper presence in particular customer segments, flexible distribution architecture and the ability to serve borrowers requiring more customised credit assessment.

Their role is increasingly visible across housing, vehicles, gold-backed finance, MSMEs, consumer credit and specialised business lending.

But the next stage of the NBFC growth story cannot be evaluated only by the size of the loan book.

It will increasingly be evaluated by the **quality of that growth**.

From credit growth to responsible credit growth

India has already experienced periods where rapid expansion in particular lending segments required regulatory intervention.

The RBI’s regulatory approach towards consumer credit provides an important example. In November 2023, the RBI increased risk weights on certain consumer credit exposures amid concerns regarding rapid growth and potential build-up of risk. The regulatory framework has subsequently continued to evolve.

The message for NBFC boards and management is therefore clear:

Growth cannot run ahead of governance.

As loan books expand, institutions need to ensure that their risk-management architecture expands with them.

That requires particular attention to:

- board-approved product and sector exposure limits;
- borrower-level credit assessment and suitability;
- portfolio concentration and early-warning indicators;
- asset-liability management and funding diversification;
- pricing and risk-adjusted returns;
- digital lending and Lending Service Provider oversight;

- customer disclosures and grievance redressal;
- fraud monitoring and data governance;
- collateral valuation and custody controls; and
- stress testing and collection practices.

The strongest NBFCs of the next decade may therefore not necessarily be those that grow the fastest. They are more likely to be those that can combine **scale, technology, capital discipline, governance and customer protection**.

What should NBFC boards be asking?

The latest numbers make certain questions particularly relevant for boards and senior management:

- Is growth concentrated disproportionately in one product or borrower segment?
- Are underwriting standards keeping pace with business targets?
- Is pricing adequately capturing credit and operating risk?
- Are digital and outsourced channels being monitored with the same rigour as internal channels?
- Are early-warning indicators showing deterioration before it appears in headline NPA numbers?
- Does the institution have sufficient capital, liquidity, technology and compliance infrastructure to support its intended growth trajectory?

These questions become increasingly important when a portfolio is growing at 20%, 40% or even 60% annually.

Closing note

The August 2026 numbers reinforce the strength of India's NBFC ecosystem.

Outstanding credit of more than **₹60 lakh crore**, retail credit growing at **22%**, and significant expansion across gold, consumer durable, housing and vehicle finance demonstrate the sector's increasing role in financing Indian households and businesses.

But there is another message embedded in these numbers.

The next chapter of India's NBFC story will not simply be about credit expansion. It will be about sustainable credit expansion.

The competitive advantage of an NBFC will increasingly depend not merely on how quickly it can originate a loan, but on how effectively it can assess the borrower, price the risk, manage its funding, supervise its partners, protect the customer and maintain regulatory discipline throughout the credit lifecycle.

India's NBFC sector clearly has significant room to grow.

The institutions that convert that opportunity into durable value will be those that recognise a simple principle:

Growth creates opportunity. Governance makes that growth sustainable.

Data note

Primary Data Source: RBIs, Sectoral Deployment of Outstanding Credit by NBFCs (including HFCs) – August 2026, Press Release No. 2026-2027/1261, dated October 6, 2026.

Data Coverage: The figures are provisional and relate to the sample of NBFCs and HFCs specified in RBI's release. Market shares, incremental credit contributions and related analytical observations are derived calculations based on the reported figures.

Note: Sectoral growth figures should not be construed as representing fresh disbursements or the performance of every NBFC in India.

Sources: Reserve Bank of India; National Housing Bank.

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