Personal Loans in India: 5-Year Trend & Outlook

A structural read on India's largest retail credit segment

Background

Over the past five years, India’s banking sector has witnessed a strong revival in credit growth, supported by improving asset quality, healthy capital and liquidity buffers, robust profitability, and a sustained recovery in economic activity. As banks strengthened their balance sheets and risk appetite, credit growth accelerated significantly from 5.4% in FY2021 to 14.5% in FY2026, with broad-based expansion across retail, services, and industry segments.

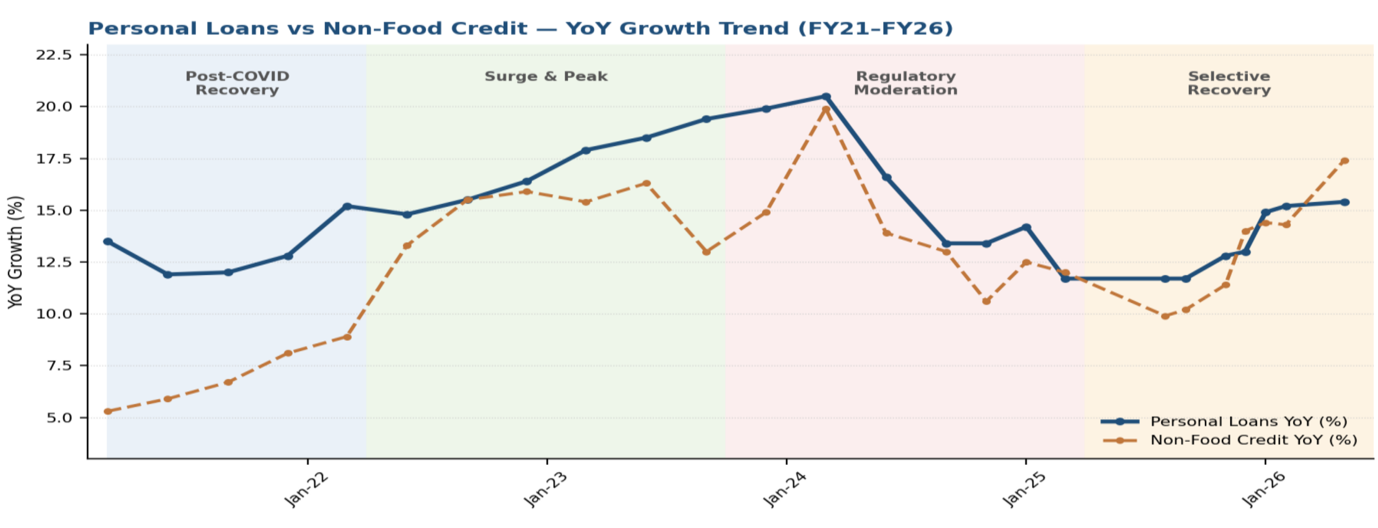
Among these, personal loans have emerged as one of the key drivers of bank credit growth, reflecting evolving consumer financing needs, rising digital adoption, and supportive macroeconomic conditions. The personal loan portfolio of Scheduled Commercial Banks has more than doubled from around ₹30 Lakh Crore in FY2021 to over ₹70 Lakh Crore by May 2026, making it the largest segment of bank credit.

While the overall growth trajectory has remained strong, the underlying drivers have evolved over time. The segment initially witnessed a housing-led recovery following the pandemic, followed by a rapid expansion in unsecured retail lending and credit cards during FY23–FY24, before moderating in response to regulatory measures aimed at strengthening prudential oversight.

More recently, growth has been supported by robust demand for housing and gold loans amid easing monetary conditions. Against this backdrop, the present report analyses the trends, composition, and growth dynamics of personal loans in India using data from the Reserve Bank of India’s Sector-wise and Industry-wise Bank Credit (SIBC) returns.

OUTSTANDING (MAY 2026)	CAGR, FY21–FY26	LATEST YoY GROWTH	SHARE IN NON-FOOD CREDIT
₹70.2 L Cr	**~15.0%**	**15.4%**	**32.8%**
vs ₹30.09 Lakh Cr in FY21	annualized, 6 years	May 2026 (RBI SIBC)	down from 33.4% a year ago

Growth Trajectory: Four Phases in last five years



Over the last five years, personal loan growth has undergone a distinct cycle of recovery, rapid expansion, moderation and gradual revival, shaped by evolving economic conditions and regulatory measures. In the immediate post-pandemic period (FY’21–FY’22), personal loan growth recovered steadily, supported by pent-up demand for housing, an accommodative interest rate environment with the repo rate at 4%, and increased use of gold loans by households to meet liquidity needs.

The growth momentum strengthened considerably during FY’24 with personal loans emerging as the fastest-growing segment of bank credit. Growth was driven by strong demand for unsecured retail credit, increasing adoption of digital lending channels, expansion of co-lending arrangements between banks and NBFCs, and sustained growth in housing loans. The merger of HDFC Ltd. with HDFC Bank in July 2023 further boosted reported housing loan balances, contributing to the sharp rise in personal loan growth. During this period, personal loan growth consistently outpaced overall non-food credit growth.

However, the pace of expansion moderated during FY’25 following the Reserve Bank of India’s decision in November 2023 to increase risk weights on unsecured consumer credit exposures from 100% to 125%. The higher capital requirements prompted lenders to adopt a more cautious approach towards unsecured lending, leading to a slowdown in personal loans and credit card growth.

Since the second half of FY’25, personal loan growth has gradually recovered, supported by strong growth in gold loans amid elevated gold prices, resilient housing demand and a more accommodative monetary policy environment, with cumulative policy rate cuts of 125 basis points bringing the repo rate to 5.25%.

Nevertheless, unlike the retail-led credit cycle witnessed during FY’24, the recent recovery has been more broad-based, with overall non-food credit growth exceeding personal loan growth. As of May 2026, non-food credit growth stood at 17.4%, compared with 15.4% growth in personal loans, indicating a shift towards a more balanced pattern of credit expansion across sectors.

Table 1: Annual Trend and Latest Snapshot

Financial Year	Outstanding (₹ Lakh Cr)	Absolute Increment (₹ Lakh Cr)	YoY Growth (%)	Share in Non-Food Credit (%)
FY2020-21 (Mar-21)	30.09	—	10.7%	27.6%
FY2021-22 (Mar-22)	34.56	4.47	14.9%	29.2%
FY2022-23 (Mar-23)	41.83	7.27	21.0%	30.6%
FY2023-24 (Mar-24)	53.47	11.64	27.8%	32.3%
FY2024-25 (Mar-25)	59.72	6.25	11.7%	32.5%
FY2025-26 (Mar-26)	69.41	9.69	16.2%	32.6%

Segment-wise Trends within Personal Loans

Table 2: Segment wise Amount Outstanding (₹ Lakh Cr)

Sub-Segment	FY21	FY25	FY26	6-Yr CAGR (FY21–26)
Housing Loans (incl. PS)	14.92	30.1	33.56	14.47%
Other Personal Loans	7.63	15.35	17.34	14.66%
Vehicle Loans	3.68	6.23	7.39	12.32%
Credit Card Outstanding	1.32	2.84	2.94	14.28%
Gold Loans	0.75	2.06	4.6	35.30%
Education Loans	0.78	1.37	1.56	12.25%
Consumer Durables	0.17	0.23	0.22	4.39%

- ✓ The composition of the personal loan portfolio has undergone notable changes over the last five years, reflecting shifts in borrower preferences, regulatory measures, and macroeconomic conditions. Housing loans continue to be the largest component, accounting for nearly half of the personal loan book. Outstanding housing loans increased from ₹14.92 Lakh Crore in FY'21 to ₹33.56 Lakh Crore in FY'26, registering a CAGR of about 15%. Although housing remains the primary driver of retail credit, growth has moderated in recent periods as the impact of HDFC Ltd. and HDFC Bank merger normalized and borrowing costs stabilized.
- ✓ Gold loans have emerged as the fastest-growing segment, expanding from ₹0.75 Lakh Crore in FY'21 to ₹4.6 lakh crore in FY26, reflecting a CAGR of over 35%. The sharp acceleration in FY'26 was supported by elevated gold prices, favorable loan-to-value conditions, and the reclassification of certain agricultural gold loans into the retail category. As a result, gold loans have significantly increased their share in the overall personal loan portfolio.
- ✓ Other personal loans, which include unsecured consumer lending, more than doubled from ₹7.63 Lakh Crore in FY'21 to ₹17.34 Lakh Crore in FY'26. However, growth has moderated following the RBI's increase in risk weights on unsecured consumer credit, leading lenders to adopt a more cautious approach.
- ✓ Among other segments, vehicle loans and education loans have exhibited steady growth, supported by rising consumption and educational financing needs. In contrast, credit card outstanding, despite recording strong growth over the medium term, has witnessed a sharp slowdown in recent years due to regulatory tightening and rising asset quality concerns. Consumer durable loans remain the smallest segment and have shown limited growth, reflecting relatively subdued discretionary spending demand.

Way Forward

Personal loans have remained one of the strongest drivers of bank credit growth in India over the past five years, with outstanding credit more than doubling during the period. Structural factors such as rising disposable incomes, rapid urbanization, favorable demographics and increasing formalization of credit are expected to sustain retail credit demand over the medium term.

Housing loans are likely to remain the principal driver of portfolio growth, supported by lower borrowing costs as External Benchmark Lending Rate (EBLR)-linked loans reprice downward following the RBI's rate-easing cycle, continued policy support through PMAY-Urban 2.0, ongoing urban infrastructure development and recent income tax reforms that are expected to enhance disposable incomes and consumer spending. The RBI's Financial Stability Report (June 2026) also points to an evolving housing loan portfolio, with a gradual shift towards higher-ticket housing loans while maintaining strong asset quality, reflecting the resilience and maturity of banks' housing finance portfolios.

Vehicle loans are expected to benefit from rising incomes, improving consumer confidence, and increasing adoption of electric vehicles. Gold loans are also likely to maintain healthy growth, albeit at a more moderate pace as the impact of recent regulatory reclassifications stabilizes and growth increasingly reflects underlying demand rather than valuation effects.

At the same time, growth in unsecured personal loans and credit cards is expected to remain measured as lenders adapt to tighter regulatory requirements and place greater emphasis on portfolio quality. The implementation of the Expected Credit Loss (ECL) framework and evolving supervisory expectations on responsible lending are likely to strengthen credit underwriting standards, improve risk management practices, and encourage a more balanced composition of retail credit.

Overall, the personal loan segment is poised to remain a key engine of India's credit cycle and an important contributor to economic growth. Going forward, personal loan growth is expected to remain robust at around 15–17% in FY2027, supported by an easing interest rate environment, resilient domestic demand, and continued expansion in retail credit penetration. A robust and well-diversified personal loan portfolio will not only strengthen the banking sector but also play a pivotal role in financing consumption, asset creation and economic development, thereby supporting India's long-term aspiration of becoming a **Viksit Bharat@2047**.

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