

## Private banking sector supported by loan demand and digital services.

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**In 2025, India's private banking sector continues to expand, drawing strength from robust loan demand, better asset quality, and a growing shift towards digital-first services.**



Despite global uncertainties, Indian private lenders have managed to grow steadily, supported by retail credit appetite and tech-focused offerings that are changing how customers interact with banks.

### **Retail loans remain a strong driver**

Loan demand from households and businesses has picked up pace over the past year. From homebuyers to entrepreneurs and salaried individuals, more people are turning to banks for accessible credit. This trend has been especially prominent in metros and tier-2 cities, where incomes are rising and property sales have improved.

Personal loans, car financing, and home loans have contributed significantly to private banks' books. Borrowers find the application and disbursement process faster than before, helped by app-based systems and digital KYC. These developments have allowed private lenders to grow their customer base without significantly increasing operational costs.

Axis Bank, for instance, has reported strong growth in its retail lending segment. The [Axis Bank share price](#) has seen movements in line with investor confidence in the bank's loan book growth and efficient operations. With more borrowers opting for secured products and higher ticket-size loans, lenders have better visibility on returns.

### **Market value reflects investor faith**

Looking at current market capitalisation data, Axis Bank tops the private banking list with over ₹3.10 lakh crore in market value. This is a reflection of steady financial performance and investor optimism. Other notable banks include AU Small Finance Bank (₹16,222 crore), Bandhan Bank (₹22,949 crore), and City Union Bank (₹12,348 crore). Even state-owned lenders like Canara Bank and Bank of Maharashtra are drawing attention as overall sentiment in banking stocks improves.

What's interesting is that even mid-sized private banks are being closely followed by investors. Their focus on niche segments such as MSMEs or rural lending, coupled with digitisation, is helping them attract both customers and shareholders.

### **Digital adoption reshapes banking**

The shift to digital services has played a major role in how private banks operate today. Whether it's onboarding new customers or offering instant personal loans, much of the process is now automated. Mobile apps now let users check balances, invest in mutual funds, apply for loans, or raise service requests in just a few taps.

Private banks are also using data analytics to understand customer preferences better. This allows them to offer targeted solutions—like pre-approved loans or investment plans—based on spending behaviour.

For instance, Axis Bank and a few others have integrated financial wellness features into their apps. Users get nudges to save, real-time credit score tracking, and custom product recommendations. These services are especially popular among younger customers.

### **MSMEs and business lending get attention**

Alongside retail credit, banks are also focusing on business loans—especially for micro and small enterprises. NBFCs may have led this space for a while, but private banks are catching up with simplified credit assessments and fast approvals.

By tying up with fintechs or launching their own online lending platforms, private lenders can disburse working capital loans and invoice financing with minimal paperwork. This is helping small businesses meet seasonal or operational funding needs without delays.

In regions with large industrial clusters, such services are proving to be a vital link between banks and local entrepreneurs. Flexible repayment terms and doorstep banking further strengthen this bond.

### **Asset quality shows signs of improvement**

One of the concerns during the pandemic period was the potential rise in bad loans. However, by FY25, most private banks have reported either stable or improved asset quality. The Gross Non-Performing Asset (GNPA) ratios have been brought under control, with fresh slippages reducing.

Lenders have also used this period to improve provisioning and credit risk models. The result is a more balanced portfolio, which gives banks room to grow their loan book without worrying about excessive write-offs.

### **More people investing in banking stocks**

With stock markets touching new highs in 2025, many retail investors are entering the equity space through [banking stocks](#). Banks are seen as relatively safe bets for long-term growth and consistent returns. The combination of predictable income (via dividends) and potential price appreciation makes them attractive for portfolio building.

People are increasingly opening **demat accounts online** through digital-first brokers and banking platforms. This has made equity investing accessible to a wider section of the population.

Banking newsletters, stock analysis apps, and influencer-led content are also helping demystify investment for first-time users. Popular names like Axis Bank, HDFC Bank, and ICICI Bank are often recommended in beginner portfolios.

### **Regulatory support helps formalisation**

The Reserve Bank of India (RBI) continues to support the banking sector with a stable monetary policy and an eye on long-term reforms. Banks have been encouraged to boost credit flow while maintaining adequate buffers.

Efforts like enhanced UPI integration, tighter lending norms for unsecured credit, and streamlined KYC regulations are all geared towards a more efficient and secure financial system. These measures benefit private banks that are quick to adapt and roll out compliant solutions.

### **Outlook remains positive for FY25**

As India's economy continues to grow, the demand for credit will likely remain strong. Rising urbanisation, real estate activity, and consumer spending trends point towards steady banking sector momentum.

Private banks are also preparing for the festive season demand, which historically leads to a spike in retail credit. From gold loans to car finance, banks expect to see increased traction in the coming quarters.

With better asset quality, strong digital infrastructure, and increasing financial awareness, the private banking sector is expected to maintain its current growth trajectory through FY25.