

India Personal Loan Market By Provider (Bank, Non-Banking Financial Company (NBFC)), By Tenure (Less than 12 Months, 12-36 Months, More Than 36 Months), By Interest Rate (10%-15%; 16%-20%; Above 20%), By Region, Competition, Forecast and Opportunities, 2029

Market Report (3 business days) | 2023-10-03 | 88 pages | TechSci Research

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Report description:

The India personal loan market is expected to grow during the forecast period due to the increasing popularity of Peer-to-Peer (P2P) lending, focus on customer experience, and shift towards digital platforms and online lending.

India Personal Loan Market Scope

The personal loan market in India refers to the financial landscape surrounding the borrowing and lending of personal loans. It is a vibrant and dynamic sector that plays a crucial role in fulfilling the financial needs of individuals across various segments of society. Personal loans are unsecured loans provided by banks, non-banking financial companies (NBFCs), and other lending institutions to meet the diverse personal expenses of individuals, such as medical emergencies, education expenses, home renovations, weddings, travel, debt consolidation, and more.

Personal loans offer flexibility in terms of usage. Borrowers can utilize the funds for various personal purposes, such as medical emergencies, education expenses, debt consolidation, home improvements, weddings, vacations, or any other legitimate need.

The lender generally does not impose restrictions on how the funds are utilized.

Banks and NBFCs are the primary players in the personal loan market, offering competitive interest rates and flexible repayment options to attract customers. With the advent of technology and digitization, online platforms, and mobile apps have emerged as convenient channels for loan applications, making the process quick and hassle-free. This digital transformation has significantly improved accessibility and convenience for borrowers, enabling them to compare loan offers, submit documents, and track their loan status from the comfort of their homes.

India Personal Loan Market Overview

The personal loan market in India has experienced significant growth and development over the years, making it one of the most

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dynamic and competitive financial sectors in the country. With a large population and a growing middle class, the demand for personal loans has surged, driven by various factors such as increasing aspirations and the need for immediate access to funds. Furthermore, the personal loan market in India has witnessed intense competition among banks and non-banking financial companies (NBFCs). This competition has led to innovative loan products, attractive interest rates, and flexible repayment options, offering borrowers a wide range of choices. Additionally, lenders have started customizing loan offers based on credit profiles, income levels, and specific needs of borrowers, further enhancing the accessibility and affordability of personal loans. The increasing demand for personal loans in India can be attributed to various factors such as rising medical expenses, education costs, travel aspirations, home renovations, and debt consolidation needs. Personal loans are also used for meeting wedding expenses, purchasing consumer durables, and funding small business ventures.

The personal loan market in India has witnessed a rapid digital transformation in recent years. Online platforms and mobile apps have emerged as convenient channels for loan applications, enabling borrowers to compare loan offers, submit documents, and track loan status easily. This digitization has made the loan application process quicker and more accessible to individuals across the country.

India Personal Loan Market Drivers

The personal loan market in India is driven by several factors that have contributed to its rapid growth and popularity. Growing awareness and financial inclusion among consumers is the major driver which drives the growth of India personal loan market. There has been an increased awareness about personal loans and their benefits among the Indian population. Financial institutions and lenders have also made efforts to promote financial literacy and expand their reach to underserved areas, contributing to greater financial inclusion and access to personal loans.

With the advent of technology, accessing personal loans in India has become more convenient and streamlined. Digital lending platforms and mobile apps have made the loan application process quick, easy, and hassle-free. These platforms also provide instant loan approvals and disbursements, making personal loans more accessible to a wider audience. Therefore, ease of accessibility further fuels the expansion of the India personal loan market.

Additionally, the consolidation of debts drives the India personal loan market during the forecast period. Personal loans have become popular among individuals looking to consolidate their existing debts, such as credit card debts or multiple loans. By consolidating debts into a single personal loan, borrowers can simplify their financial obligations and potentially reduce their overall interest burden.

Furthermore, the flexibility & customization of personal loans also drives the India personal loan market during the forecast period. Personal loans offer flexibility in terms of loan amount, repayment tenure, and interest rates. Borrowers can choose loan terms that best suit their financial capabilities and requirements. This customization has made personal loans an attractive option for individuals who need funds for various purposes.

India Personal Loan Market Trends

A major trend in the India personal loan market is digital transformation which is driving the industry's growth during the forecast period. The personal loan market has witnessed a significant shift towards digital platforms and online lending. Fintech companies and digital lenders have emerged, offering convenient and streamlined loan application processes, automated underwriting, and quick approvals. This has made it easier for individuals to access personal loans from the comfort of their homes, using smartphones or computers.

Additionally, the rising popularity of Peer-to-Peer (P2P) lending further fuels the growth of India's personal loan market during the forecast period. P2P lending platforms have gained traction in India, providing an alternative lending channel for personal loans. These platforms connect borrowers directly with individual lenders, eliminating the need for traditional financial institutions. P2P lending offers competitive interest rates, faster approval processes, and opportunities for investors to diversify their portfolios. Furthermore, the Indian government's initiatives, such as Digital India and financial inclusion programs, have played a crucial role in expanding the personal loan market. The Jan Dhan Yojana, Aadhaar-based e-KYC, and GST implementation have improved the accessibility of financial services and simplified loan application processes. Additionally, the introduction of the Goods and Services Tax (GST) has streamlined the loan approval process for businesses.

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India Personal Loan Market Challenges

India's personal loan market faces several challenges that hinder its growth and efficiency. A major challenge in the India personal loan market is the high risk associated with unsecured lending. Personal loans are typically unsecured, meaning they do not require collateral. This makes lenders more cautious and results in higher interest rates for borrowers. The risk of default is a significant concern, especially among individuals with lower credit scores or unstable income sources.

The long documentation process also hinders the growth of the India personal loan market. Traditional banks and financial institutions often require extensive paperwork, including income proofs, bank statements, and identity documents. This process can be time-consuming and inconvenient for borrowers, discouraging them from seeking personal loans. Additionally, the reliance on physical documentation limits the scope for digital lending and hampers the adoption of innovative technologies.

India Personal Loan Market Opportunities

The India personal loan market presents significant opportunities for growth and innovation. India's middle-class population is expanding, driven by rising incomes, urbanization, and increasing aspirations. This segment represents a significant opportunity for lenders to tap into a growing market of individuals seeking personal loans for various purposes. Lenders can tailor their loan offerings to cater to the specific needs and preferences of this target group.

Additionally, India has witnessed a rapid increase in digital penetration, especially with the widespread adoption of smartphones and the availability of affordable internet services. This digital transformation provides an opportunity for lenders to leverage technology and reach a wider customer base through online platforms, mobile apps, and digital marketing strategies. Simplified application processes, quick approvals, and seamless documentation submission can attract tech-savvy borrowers.

Furthermore, while personal loans have gained popularity in metro cities, there is a significant opportunity to expand into tier 2 and tier 3 cities. These cities are witnessing economic growth and an increasing demand for credit. Lenders can establish a presence in these cities by setting up branches, leveraging local partnerships, and offering personalized loan solutions to tap into this untapped market.

Market Segmentation

The India personal loan market is segmented into provider, tenure, interest rate, and region. Based on the provider, the India personal loan market is segmented into the bank, and non-banking financial company (NBFC). Based on tenure, the India personal loan market is segmented into less than 12 months, 12-36 months, and more than 36 months. Based on the interest rate, the India personal loan market is segmented into 10%-15%; 16%-20%; above 20%. The market analysis also studies regional segmentation to devise regional market segmentation.

Market Players

IDFC FIRST Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Axis Bank Limited, Kotak Mahindra Bank Limited, Navi Technologies Limited, Lendingkart Finance Limited, Whizdm Innovations Private Limited (Moneyview), One97 Communications Limited (Paytm), and Bajaj Finserv Ltd are the major market players in the India personal loan market.

Report Scope:

In this report, the India personal loan market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

□ India Personal Loan Market, By Provider:

o Bank

o Non-Banking Financial Company (NBFC)

□ India Personal Loan Market, By Tenure:

o Less than 12 Months

o 12-36 Months

o More Than 36 Months

□ India Personal Loan Market, By Interest Rate:

o 10%-15%

o 16%-20%

o Above 20%

□ India Personal Loan Market, By Region:

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- o North
- o West
- o South
- o East

Competitive Landscape

Company Profiles: Detailed analysis of the major companies present in the India personal loan market.

Available Customizations:

With the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

- Detailed analysis and profiling of additional market players (up to five).

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