

Digital Lending - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The Digital Lending Market size is estimated at USD 453.32 billion in 2024, and is expected to reach USD 795.34 billion by 2029, growing at a CAGR of 11.90% during the forecast period (2024-2029).

Key Highlights

- Due to the Covid-19 pandemic, SMEs across the globe faced challenges in raising funds during the crisis to keep their businesses operating.
- Digital Lending is expected to find several opportunities for growth and adoption during the pandemic, especially among SMEs. According to EY Global Banking Outlook this year, 63% of SMEs still prefer traditional banks for their financial needs, whereas 56% use a banking and payments FinTech service due to increasing FinTech lenders.
- The lending landscape has changed drastically over the years due to the rapid adoption of digitization in the BFSI industry. The traditional form of lending still prevails in many parts of the world. However, the benefits provided by digital solution providers are increasingly paving the way for adopting digital lending solutions and services across enterprises.
- Another major factor driving the market's growth is the changing consumer expectations and behavior due to the several benefits of digitizing banking and financial services. The customers may range from diversified backgrounds and may require the loan for various purposes ranging from personal loans to SME finance and home loans, amongst many others. According to a survey by IDC commissioned by Razorpay, each SME spends 816 hours and Rs 32 lakh on banking on an average per year.
- Further, the adoption of several technological advancements, such as the proliferation of smartphones, has led to an increase in the adoption of digital banking across several end-user verticals. Also, technologies like Artificial Intelligence, Machine Learning, and Cloud Computing benefit banks and fintech as they can process vast amounts of customer information. This data and information are then compared to obtain results about timely services/solutions that customers want, which has aided in developing customer relations.

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-Aire, Kabbage, and Kasisto are some of the most prominent financial sector startups that have fully invested in AI. For instance, Kabbage uses AI algorithms that assess all risks of lending money to a particular customer, allowing managers of the company to give loans in minimal time. The demand for personalization of their needs among consumers in the fintech and banking companies has further strengthened the demand for AI.

Digital Lending Market Trends

Consumer segment is expected to grow at a higher pace

- The latest Expectations & Experiences consumer trends survey from Fiserv, Inc., a leading global provider of financial services technology solutions, states that almost two-thirds of people who have applied for loans in the past two years now do so either partially or fully online, representing a significant increase from last year. A central portion of this growth is due to the increasing usage of smartphones and tablets.
- Also, Digital lending startups have started giving out loans for education and professional courses, expanding from mainly focusing on personal loans and consumer lending space. For instance, Bengaluru-based Zest Money is betting big on lending for professional education purposes. It has already partnered with players like Upgrade, NMIMS, Great Learning, Acadgild, and Edureka, among others, to provide funds to entry-level- or mid-level executives wanting to acquire new skill sets.
- Millennials with a few years of work experience and no credit history (or the new-to-credit segment) find their loans either unapproved or come at high interest rates. Moreover, in traditional banks, the time to decide for small businesses and corporate lending averages between three and five weeks; the average time to cash is nearly three months. Such challenges are driving customers' digital behavior to mobile devices to access digital lending applications.
- Government regulations also augment the increase in digital behavior. For instance, in January 2023, the Reserve Bank of India announced a working group (WG) on digital lending through online platforms and mobile apps. The committee will be responsible for suggesting specific regulatory measures. The move is the latest in the central bank's attempt to tackle fly-by-night lending apps offering various digital loans to underserved customers. Of late, these platforms have been coming under the regulator's glare for adopting coercive means of loan recovery.

Asia-Pacific is Expected to Exhibit a Significant Growth Rate

- Digital lending has been available to credit unions for quite some time, but with new emerging technologies and the fast-paced nature of consumer lending, it is more important than ever that digital lending offers members more than a paperless process. For instance, In August 2022, RBI Notifies Digital Lending Guidelines to banks and non-banking finance companies (NBFCs) that disbursement loans through digital lending platforms primarily relate to the unbridled engagement of third parties, misselling, breach of data privacy, unfair business conduct, charging of exorbitant interest rates, and unethical recovery practices.
- China's online lending sector has seen rapid growth in the past decade owing to a lack of effective regulations, increasing the number of players in the market studied. However, According to data from the People's Bank of China, outstanding consumer loans at the nation's licensed financial institutions stood at 9 trillion yuan as of May, making up less than 5 percent of the country's total outstanding loans of 200 trillion yuan.
- The rapid adoption of smartphones, internet access, and a shift toward consumerism in India helped fuel the growth of digital lending enterprises. There are currently 338 online lending start-ups in India trying to reduce the gap between lenders and creditors through a seamless process.
- Moreover, the government of Japan is launching programs to inculcate cashless behaviors in citizens. The government launched an initiative to increase cashless payments to 40% by 2025. With the consumption tax increase from 8% to 10% on October 1,

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2019, several discount schemes were implemented, which subsidized the installation of cashless payment terminals for merchants and provided 2% or 5% discounts for consumers when purchasing from registered SMEs or franchise stores.

Digital Lending Industry Overview

The competitive landscape of the Digital Lending Market is fragmented owing to the presence of several solution providers, with none of them holding a majority share in the market. The market players, such as Funding Circle Limited, On Deck Capital Inc., Prosper Marketplace, Inc., LendInvest Limited, and Bizfi LLCare, are making several innovations to improve their offerings and gain maximum market traction. The emerging players in the market are strategically raising funds to provide innovative and technologically integrated solutions. The market players also view strategic collaborations as a lucrative path toward growth.

- In September 2023, cryptocurrency exchange company Coinbase Global announced its plan to launch a platform for digital asset lending, especially aimed at huge institutional stockholders. The company has reportedly raised around USD 57 million for its new-fangled crypto-lending platform.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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