

India Peer-to-Peer Lending Market Assessment, By Lending Model [Direct, Marketplace], By Credit Type [Business Loan, Personal Loan, Others], By Credit Tenure [Short-term, Long-term], By Lender Type [Individual, Firm, HUF, Body of Individuals, Institutional Investors, Others], By Returns [Lumpsum, Monthly Returns], By End-user/Borrower Type [Natural Person, Business Entity, Others], By Region, Opportunities and Forecast, FY2017-FY2031F

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Report description:

India peer-to-peer lending market is projected to witness a CAGR of 14.8% during the forecast period FY2024-FY2031, growing from USD 2.45 billion in FY2023 to USD 7.39 billion in FY2031. Peer-to-peer lending is not a novel concept in India; however, with wide access to the internet and digitalization, market dynamics have changed, and over the past decade, peer-to-peer lending has turned into an innovative and convenient means of financing. One key feature and concept of peer-to-peer lending is eliminating a financial institution as an intermediary in the deal between a lender and a borrower. In the Indian market, peer-to-peer lending is becoming popular among Indian demographics due to the various benefits it offers like ease of access, flexibility, more control over the lending and constant returns on investment.

India peer-to-peer lending market is growing at an impressive growth rate owing to the growing Indian economy, urbanization, rising disposable income, rise in consumer spending and especially, digitalization. Indian financing industry has been drastically changing over the years, from filling out loan applications and waiting for loan approval for days to current scenarios when obtaining a consumer loan, be it personal or business, takes a few clicks and the loan money is immediately or at most deposited into the borrower's account within a day, consumer financing has experienced a tremendous transformation and peer-to-peer lending market stands at the forefront of the transition. The adoption of technology by consumers has helped the market to

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expand consistently by allowing the market players to reach out to their key stakeholders without making any physical presence. Regulatory and compliance requirements by the government have aided in building consumer trust in the P2P lending market. With all the factors coming together, the market is poised to grow and create opportunities for many existing players to grow and new ones to enter the market.

Adoption of Technology and Digital Transformation

India peer-to-peer lending market has grown significantly and seen a complete transformation in finance industry. The rapid digitalization of financial services in India stands out as a pivotal driver propelling the growth and evolution of P2P lending. Higher usage and sales of smartphones and internet availability across the country have helped create awareness of P2P lending through digital means to a wider audience. Borrowers and lenders can engage in lending and borrowing activities conveniently through online platforms, eliminating geographical constraints. Digital transformation is a boon for India peer-to-peer lending market as players have launched their websites and mobile applications to enable users to access lending and borrowing services from their smartphones, promoting financial inclusion and on-the-go transactions.

For instance, e-KYC is a major benefit to the market players because of the adoption of technology and digitalization. Through a computer or a mobile device, getting a KYC (know your customer) has never been easier and simpler for businesses and companies by saving time, money, and resources.

Lendbox, India's top peer-to-peer lending platform, disrupts the traditional lending market. Lendbox has made significant investments in developing a more personalized customer experience. Their emphasis on sales and technology has benefited the company's growth, as Lendbox has Assets Under Management (AUM) of over 2,600 crores as of January 2024.

Young Demographics and Rapid Urbanization

Indian economy is witnessing rapid urbanization with more and more villages turning into towns or cities, people are moving to cities in search of better living conditions and work opportunities. Indian population consists largely of young population with a median age below 30 years of age who are tech-savvy and more inclined toward digital financial solutions. Moreover, the financial literacy rate is higher in urban areas due to which urban people have the knowledge to avail and utilize the peer-to-peer finance platforms in a better way. These P2P lending platforms leverage demographic trend, offering user-friendly interfaces and mobile accessibility to cater to the preferences of younger generation. In younger demographic, peer-to-peer lending is considered an investment option to gain a regular income through higher interest rates on their saving. The large and youthful population of India is more inclined to borrow money for various needs, such as education, housing and personal expenses, and people leveraging P2P lending platforms to the fullest as they are quick and convenient. However, millennials are the largest stakeholders in India peer-to-peer lending market as borrowers.

In collaboration with Lend Box, an RBI-registered P2P licensed NBFC in India, in December 2022, EaseMyDeal introduced Profit++, a peer-to-peer lending product that promises to yield returns of flat 10% annually. By launching Profit++ as a New Online Product on their App, EaseMyDeal has made the investing process incredibly simple, transparent, and quick. Profit++ offers lenders with choice, flexibility, and convenience while investing.

Impact of COVID-19

The COVID-19 pandemic had a major impact on India peer-to-peer lending market, due to the significant impact on other finance markets and industries in India and all around the world. The COVID-19 pandemic brought various challenges and opportunities in the space of finance. The pandemic led to a significant economic contraction in India, resulting in job losses, reduced income, and financial uncertainty for many individuals for basic needs. In India, the COVID-19 pandemic assisted in the growth of peer-to-peer lending market as individuals and small businesses suffered a cash crunch and people required loans and finances during the tough time, this created an opportunity for many players in India peer-to-peer lending market to serve customers looking for short term borrowings. The pandemic created opportunities for players and created market awareness. Once Indian economy made its way toward revival, India peer-to-peer lending market showed impressive growth. The pandemic influenced consumer behavior heavily as more people started turning their savings into investments adopting peer-to-peer lending for their financing needs.

Technological Advancements in India Peer-to-Peer Lending

Like other markets and industries, where technology plays an important role in its operations and growth, India peer-to-peer lending market is not so far to adopt various technologies that aid in the market growth. Digitalization is one component that is continuously helping the market with adoption of advanced technologies like artificial intelligence (AI), machine learning, and

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blockchain. These technologies give an added advantage to P2P platforms over the other financial markets.

Blockchain, the underlying technology that powers cryptocurrencies such as Bitcoin, provides a decentralized and secure platform for conducting and documenting financial transactions. P2P lending services can use blockchain to increase transparency, decrease fraud, and improve the lending process.

AI-powered algorithms can analyze massive volumes of financial and non-financial data to evaluate a customer's creditworthiness properly and objectively. AI algorithms can evaluate an applicant's creditworthiness by analyzing their financial history, credit scores, income statements and social media activity. These algorithms use machine learning approaches to continuously learn and enhance their credit evaluation models based on data trends and past performance.

By adopting these technologies, P2P lending platforms can make a more automated process where a lender can find the right match with a borrower and the borrower can find the best lender as per their requirement.

Future Market Scenario

India peer-to-peer lending market is poised to grow at an impressive growth rate in the forecast period owing to growing market awareness and convenience provided by the market players.

-□The market is regulated by the Indian government due to consumer interest and is expected that the Indian government and the Central Bank (RBI) will bring more rules and guidelines in the future for the market.

-□In coming years, Generation Z will become an important customer for the market as an expansion to the consumer base of Millennials who currently make the largest customer segment of the India P2P lending market.

Key Players Landscape and Outlook

India peer-to-peer lending market is an evolving and dynamic market comprising diverse players including non-banking financial companies (NBFCs) and fintech startups offering consumer finance services in the realm of peer-to-peer lending. The outlook of is positive as the market is untapped with limited market players creating new opportunities in the market and innovations on their platforms and strategies. India peer-to-peer lending market is positive for years to come, owing to the growing urban population, increasing financial education, digitalization, young population, changing behavior towards borrowing and lastly economic growth. Technology will play an important role for the market players to gain a competitive edge and create a USP.

In May 2022, Fi Money, a neobank, expanded its offering by launching an investing platform to attract regular investors. The firm's savings arm shortly launched a peer-to-peer lending platform.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work

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