

Micro Lending Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2023-2028

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Abstracts

Market Overview:

The global micro lending market size reached US\$ 189.2 Billion in 2022. Looking forward, IMARC Group expects the market to reach US\$ 353.9 Billion by 2028, exhibiting a growth rate (CAGR) of 10.75% during 2023-2028. The implementation of supportive government policies, rapid technological advancements, widespread prevalence of income inequality, and increasing utilization of micro lending in the agriculture industry are some of the major factors propelling the market.

Micro lending refers to the provision of small loans to underserved communities or individuals. It is dispensed by microfinance institutions (MFIs), traditional banks, online platforms, and peer-to-peer lenders. Micro-lending is widely used in retail business, agriculture, tech startups, handicrafts, livestock rearing, food services, tailoring, transportation, recycling, education, and health services. It promotes financial inclusion, reduces poverty, encourages entrepreneurship, fosters gender empowerment, and stimulates local economies. Micro lending also aids in disaster recovery, supports sustainable development, enhances financial literacy, fuels job creation, and boosts innovation.

The widespread utilization of micro lending in the agriculture industry for seeds, fertilizers, and other agricultural inputs is propelling the market growth. Additionally, the increasing service demand owing to the growing number of natural disasters and unforeseen circumstances is acting as another growth-inducing factor. Furthermore, the rising trend of women empowerment is facilitating the demand for micro-loans as they are instrumental in helping women start their own businesses and achieve financial independence. Apart from this, the emerging trends of social impact investment, where

investors aim for social good alongside monetary returns, is supporting the market growth. Besides this, the increasing entrepreneurship culture due to the lack of adequate job opportunities in many regions is driving the demand for micro-loans to start or scale businesses. Other factors, including rapid urbanization, the rapid proliferation of smartphones, and increasing emphasis on financial literacy, are anticipated to drive the market growth.

Micro Lending Market Trends/Drivers:

The implementation of supportive government initiatives

Government initiatives and regulatory reforms aimed at increasing financial inclusion are significant drivers in the micro-lending market. In emerging economies, a substantial portion of the population remains unbanked due to the inability of traditional banks to extend their services in remote areas or to individuals with low-income levels. As a result, governments play a significant role in incentivizing micro-lending practices through legislation and also launching their own initiatives, such as state-backed microfinance institutions (MFIs). These initiatives provide both direct and indirect employment, stimulate local economies, and promote socio-economic development. Furthermore, financial inclusion policies are typically intertwined with broader goals, such as poverty reduction, economic equality, and social stability, all of which provide a fertile ground for micro-lending growth.

The rapid technological advancements

The integration of technology into the micro-lending process is revolutionizing the industry. Fintech companies and digital platforms are leveraging technologies such as big data, machine learning (ML), blockchain, and artificial intelligence to assess borrower creditworthiness, streamline loan disbursement processes, and reduce the cost of servicing loans. Furthermore, the increasing penetration of mobile technology and internet connectivity is allowing individuals to access micro-lending services, especially in remote regions. Apart from this, these technologies aid in the creation of a robust credit scoring system, enabling efficient risk management. Moreover, technology aids in automating the underwriting and disbursement processes, which increases the speed and convenience for borrowers and significantly reduces the operational cost for lenders, thus making it economically viable to issue smaller loans.

The widespread prevalence of income inequality

Rising income inequality worldwide is a significant driver of the micro-lending market. Low-income earners and small business owners have limited access to traditional credit channels due to the perceived high risk associated with this demographic and the high cost of servicing small loans. Micro-lending fills this gap by providing affordable financial services that meet the requirements of these individuals and businesses. Moreover, micro-loans come with lower interest rates than traditional loans and have more flexible repayment schedules, which makes them an attractive option for those without collateral or credit history. Besides this, the demand for affordable financial services is also reinforced by the financial challenges associated with urbanization and the increasing demand for capital among small businesses and entrepreneurs, which micro-lending can aptly cater to.

Micro Lending Industry Segmentation:

IMARC Group provides an analysis of the key trends in each segment of the global micro lending market report, along with forecasts at the global, regional and country levels from 2023-2028. Our report has categorized the market based on provider and end user.

Breakup by Provider:

Banks

Micro Finance Institute (MFI)

NBFC (Non-Banking Financial Institutions)

Others

Banks dominate the market

The report has provided a detailed breakup and analysis of the market based on the provider. This includes banks, micro finance institute (MFI), NBFC (Non-banking financial institutions), and others. According to the report, banks represented the largest market segment.

Banks are dominating the market due to their established presence, financial robustness, and comprehensive regulatory framework. They are trusted financial institutions that have extensive outreach, including physical branches and well-

established digital networks, enabling them to cater to a broad customer base across urban and rural areas. Furthermore, their sizable capital reserves allow them to absorb potential credit losses associated with micro-lending, a feature particularly crucial given the riskier nature of this sector. Additionally, banks have access to vast amounts of customer data, which they can utilize to design suitable credit products and conduct rigorous risk assessments. Apart from this, they are incorporating digital technologies to streamline the micro-lending process and make it more efficient and customer friendly. Moreover, several governments incentivize or mandate banks to extend their services to underserved communities, thus contributing to their growing involvement in the micro-lending market.

Breakup by End User:

Small Enterprises

Micro Enterprises

Solo Entrepreneurs and Self-Employed

Small enterprises dominate the market

The report has provided a detailed breakup and analysis of the market based on the end user. This includes small enterprises, micro enterprises, and solo entrepreneurs and self-employed. According to the report, small enterprises represented the largest market segment.

Small enterprises are dominating the market due to their inherent need for affordable and accessible financing. These businesses often face challenges in securing funds from traditional banking systems due to their limited credit history, lack of collateral, and smaller financing needs that are considered unprofitable. In line with this, micro-lending provides the necessary capital, offers flexible repayment options, and allows small enterprises to expand their operations. Furthermore, the simplified application processes and quick disbursements of micro lending services, facilitated by technological advancements, are acting as another growth-inducing factor. Additionally, micro-lending institutions provide non-financial support to small enterprises, such as training, networking opportunities, and business advice, which further enhances their ability to successfully manage their businesses and increase profitability.

Breakup by Region:

North America

United States

Canada

Asia-Pacific

China

Japan

India

South Korea

Australia

Indonesia

Others

Europe

Germany

France

United Kingdom

Italy

Spain

Russia

Others

Latin America

Brazil

Mexico

Others

Middle East and Africa

Asia Pacific exhibits a clear dominance in the market, accounting for the largest micro lending market share

The report has also provided a comprehensive analysis of all the major regional markets, which includes North America (the United States and Canada); Asia Pacific (China, Japan, India, South Korea, Australia, Indonesia, and others); Europe (Germany, France, the United Kingdom, Italy, Spain, Russia, and others); Latin America (Brazil, Mexico, and others); and the Middle East and Africa. According to the report, Asia Pacific represented the largest market segment.

Asia Pacific is dominating the micro-lending market due to its considerable percentage of unbanked or underbanked individuals, which presents a vast potential customer base for micro-lending. Furthermore, individuals in the region are engaged in self-employment or small-scale enterprises that have limited access to traditional banking services, thus making micro-lending a viable solution for their financial needs.

Additionally, the implementation of supportive policies by regional governments to encourage financial inclusion and reduce poverty is driving the market growth. Apart from this, the rapid proliferation of smartphones, coupled with the increasing internet connectivity in the Asia Pacific region, has allowed companies to offer micro-lending services through digital platforms, thus enabling quick and efficient loan processing and disbursement even in remote areas. Moreover, the presence of a robust entrepreneurship culture in the region is fueling the demand for micro-loans.

Competitive Landscape:

The key market players in the micro lending market are leveraging technology to streamline their operations and enhance the customer experience. In line with this, they are developing mobile apps and web platforms for easy loan applications, management, and repayment. Furthermore, leading firms are collaborating with banks, fintech

companies, and non-governmental organizations to broaden their reach, access new customer bases, and leverage technological advancements made by their partners. Apart from this, several key players are offering flexible repayment options, competitive interest rates, and personalized loan products to cater to their customer's unique needs and gain an advantage over competitors. Moreover, leading micro-lenders are investing in financial education and capacity-building programs to empower their customers and ensure better loan usage and repayment.

The report has provided a comprehensive analysis of the competitive landscape in the global micro lending market. Detailed profiles of all major companies have also been provided. Some of the key players in the market include:

American Express Company

BlueVine Inc.

Funding Circle

Lendio Inc.

Lendr

Manappuram Finance Limited

NerdWallet

On Deck Capital (Enova International)

StreetShares Inc. (MeridianLink)

Recent Developments:

In January 2023, American Express Company launched a suite of financial service products for small businesses.

In October 2022, Funding Circle expanded its access to capital for Nevada small business owners following authorization from the state.

In June 2023, Lendio Inc. launched a new mobile application to empower small

businesses with access, data, and insight into their cash flow and capital.

Key Questions Answered in This Report

1. What was the size of the global micro lending market in 2022?
2. What is the expected growth rate of the global micro lending market during 2023-2028?
3. What are the key factors driving the global micro lending market?
4. What has been the impact of COVID-19 on the global micro lending market?
5. What is the breakup of the global micro lending market based on the provider?
6. What is the breakup of the global micro lending market based on the end user?
7. What are the key regions in the global micro lending market?
8. Who are the key players/companies in the global micro lending market?

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