

India Personal Loan Market: Current Analysis and Forecast (2025-2033)

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Abstracts

A personal loan is a monetary product accessible from banks, NBFCs, and FinTech loan specialist organizations that permit people to acquire a fixed amount of cash without requiring collateral. These loan applications are sanctioned quickly, though this time, it is digital, and the borrower pays the loan with interest over a period. These are used by both salaried and self-employed people as a regular source of income and a reasonable credit history to meet their short-term financial needs, emergencies, and discretionary expenditure.

The India Personal Loan market is set to show a growth rate of about 18.70% during the forecast period (2025-2033F). A rapidly rising middle class and growing consumer spending in India are driving the demand for personal loans, as more people are turning to quick and flexible financing solutions. With lending going digital and a paperless loan process taken up, credit has become easier and faster to access for tech-savvy users. Moreover, with higher levels of financial inclusion and deeper mobile penetration in Tier II and Tier III cities, the lenders can cater to markets which otherwise were not served before. These factors, complemented by low interest rates and an improving credit infrastructure, are collectively steering steady and widespread growth in the Indian personal loan market.

According to RBI data, the personal loans to total credit stood at 32.6% in February 2024 from 30.6% in 2023, for eg. Further, in 2023, home loans accounted for about 47.2% of total retail loans in India.

Based on the type, the market is segmented into secured loans, unsecured loans. Among these, the unsecured loans category dominates the Personal Loan market in 2024. The growth can be attributed to the rising demand for

unsecured loans, due to minimum documentation, the short processing time, and no collateral requirements. With the provision of small-ticket, instant-type loans, this segment attracts first-time borrowers, the gig workforce, and the younger demographics. The ease of access and digitally friendly nature of fintechs and NBFCs have seen their expansion strategies spread into Tier 2 and Tier 3 cities.

Based on the type of lender, the market is segmented into public sector banks, private banks, non-banking financial companies (NBFCs), and others. Among these, the private banks are expected to grow with a significant CAGR during the forecast period (2025-2033). The strong digital infrastructure, pre-approved offerings, and competitive interest rates offer an excellent opportunity for private banks to grow the personal loan market. Their tech-driven underwriting and API integrations make loan disbursement painless, especially for their salaried urban borrowers. The efficiency of this makes private banks central enablers of scale in retail lending. For example, on July 7, 2023, Flipkart entered into a strategic partnership with Axis Bank, which is one of the largest private sector banks, to facilitate personal loans for its valued customers, adding additional convenience and enhanced benefits to its 450 million customers.

Based on the purpose of the loan, the market is segmented into debt consolidation, home renovation, education, medical expenses, and others. Among these, the debt consolidation category is expected to grow with a significant CAGR during the forecast period (2025-2033). With the urban borrowers looking to consolidate multiple credit obligations into a single EMI, leaving the work to consolidate in the hands of an NBFC, debt consolidation is turning out to be a key growth lever. As a result of this trend, lenders use this opportunity to provide customers with tailored products that help decrease financial stress and ensure customer retention. These purpose-driven loans also drive repeat loan behavior as well as drive financial wellness offerings.

Based on the end-use, the market is segmented into salaried individuals, self-employed professionals, small business owners, and others. Among these, the salaried individual's category is expected to grow with a significant CAGR during the forecast period (2025-2033). The salaried individuals remain the most dominant borrower class with predictable incomes, good credit history, and employer-linked eligibility. This segment is the low-risk segment favored by lenders for low-risk funding and expedited approvals (even with salary account tie-ups). It enables the bank and NBFCs to have stable loan origination and

relatively maintain the portfolio quality.

For a better understanding of the market adoption of the India Personal Loan market, it is analyzed based on its state-wise presence in India, such as North India, East India, West India, and South India. North India is expected to grow with a significant CAGR during the forecast period (2025-2033). With more people becoming computer literate and fintech stepping in, personal loans are spreading quickly among people in both Delhi-NCR and many Tier 2 cities like Jaipur and Lucknow. Ever since more people are employed and running their businesses, are leading to an increase in originations with NBFCs and private banks. The increased growth in this region comes from special lending, more branches, and more awareness of credit.

Some major players running in the market include HDFC Bank Ltd., State Bank of India, ICICI Bank, Axis Bank, Bajaj Finance Limited, Tata Capital Limited, Aditya Birla Capital Limited, MUTHOOT FINANCE LTD., Lendingkart Technologies Private Limited, Finnovation Tech Solutions Pvt. Ltd. (KreditBee).

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