RESEARCH ARTICLE

DIGITAL LENDING IN INDIA: GROWTH PATTERNS AND BORROWER PROFILES IN THE PERSONAL FINANCE LANDSCAPE

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ARTICLE INFO	ABSTRACT

Purpose: This study examines the evolution of digital lending in India's personal loan segment from FY 2018-19 to FY 2024-25 (till December 2024). It focuses on assessing market growth, shifts in borrower profiles, demographic and geographic outreach, and emerging credit patterns. The objective is to understand how digital lending platforms have improved access to credit, particularly in underserved areas, and to evaluate the inclusivity of these changes in terms of age, gender, and credit vintage. **Methodology:** The research is entirely based on secondary data collected from financial reports, industry databases, and insights published by the Fintech Association for Consumer Empowerment.The analysis covers key metrics such as sanctioned loan volumes, average ticket sizes, demographic segmentation (age, gender), bureau vintage, and regional distribution. Tools like trend analysis, percentage share comparisons, and growth indicators are employed to evaluate the expansion and demographic penetration of digital personal loans. **Findings:** The study reveals steady growth in digital personal loan volumes and values, reflecting increased borrower trust. There is a clear shift towards Tier II/III cities and rural areas, along with greater participation by youth, women, and new-to-credit borrowers. While progress is evident, challenges related to gender parity and regional equity persist. **Originality:** This paper offers a focused, longitudinal, and data-driven analysis of digital personal loans, setting it apart from fragmented or short-duration studies. By integrating demographic, geographic, and behavioural factors, it addresses a critical research gap. The study's exclusive focus on personal loans enhances its depth, offering actionable insights for policymakers, fintech innovators, and financial inclusion advocates.

INTRODUCTION

The Indian financial landscape has witnessed a dramatic shift with the emergence of digital personal loans. These loans, facilitated by digital platforms and innovative credit scoring methodologies, are rapidly expanding access to credit, particularly within underserved segments of the population. This expansion is significantly impacting financial inclusion, defined as the equitable access to and use of formal financial services by all members of society. The proliferation of digital lending is characterized by its ability to reach populations who have previously been marginalized by traditional financial institutions, often due to credit requirements and lack of a formal credit history (Fintech Association for Consumer Empowerment, 2024). Digital lending has the power to completely transform India's financial services and financial inclusion environment. By lowering costs and enhancing access to financial services for the underprivileged, low-income individuals, rural residents, and other underserved sectors of the Indian economy, digital lending companies can contribute to greater competition, accelerate financial inclusion, and accelerate digital India through their innovations, new business models, and applications. Digital lending businesses have disrupted the traditional lending market by utilizing cutting-edge technology like artificial intelligence and data analytics to provide customers with quick, easy, and more individualized credit solutions (Jagtiani and John, 2018). The worldwide and Indian digital lending industries have been significantly impacted by the COVID-19 outbreak. The need for containment measures and social distancing has accelerated the adoption of digital financial services, creating new opportunities for digital lending firms to enhance financial inclusion.Digital lending firms have stepped in to address customer demands by providing easy and convenient access to personal loans, since the epidemic has raised demand for contactless and remote financial services (Mittal and Gupta, 2023).Numerous factors influence the digital personal loan industry dynamics in India. Digital lending companies have been forced to differentiate their offers by concentrating on risk management, underwriting, and client experience because of increased competition from

traditional banks and non-banking financial organizations. A larger audience can now access digital lending services, especially in underserved and rural areas, all credit goes to the increasing use of smartphones and the accessibility of reasonably priced data (Shukla *et al.*, 2018). Increased investment, technological developments, and government programs encouraging digital financial inclusion-like the Jan Dhan Yojana and the Unified Payments Interface-have all contributed to the digital lending sector's explosive rise in India. One of the major developments in the digital personal loan market is the emergence of digital-first lending platforms, which provide fast and effective loan approvals to consumers looking for immediate access to credit. Furthermore, digital lending companies use artificial intelligence and sophisticated data analytics to create risk-based, customized lending products that fit each borrower's unique financial situation, increasing the credit industry's efficiency and accessibility.

However, this rapid growth brings forth a set of challenges. Key concerns include potential over-indebtedness, as borrowers might take on multiple smaller loans without fully understanding the implications, and data privacy issues, where sensitive borrower information could be inadequately protected. Furthermore, the need for robust regulatory oversight becomes crucial to ensure that lending practices remain ethical and responsible. This paper delves into the evolving landscape of digital personal loans in India, examining the key trends, market dynamics, and future outlook that are shaping this dynamic sector. This paper also investigates the fundamental characteristics and trends present in the Indian digital lending personal loan market, focusing on how these loans reshape access to credit and influence financial inclusion. The central research question guiding this analysis is: "How has the share and growth of digital lending in personal loans evolved across borrower demographics and geographies in India from FY 2018-19 to FY 2024-25?"This question is examined through a detailed analysis of available data, with a focus on market share, borrower demographics, risk profiles, geographical distribution, and the effectiveness of regulatory frameworks. The study will also highlight potential areas for further research to address knowledge gaps and enhance understanding of this evolving sector.

REVIEW OF LITERATURE

With the incorporation of financial technology into the banking and financial services sector, Digital loans in India have had a revolutionary journey. Digital payments, mobile banking apps, and creative solutions like the widespread use of mobile wallets like Paytm and PhonePe, as well as the government's push for a paperless economy through the Unified Payments Interface (UPI), have all increased in the digital lending sector in India. Peer-to-peer lending platforms, robo-advisors, and Insurtech startups have all grown in popularity in India's digital lending sector, encouraging cooperation between digital lending companies and traditional banks. Cryptocurrency and blockchain technologies have also attracted attention, and sandboxes and other regulatory initiatives have attempted to strike a balance between innovation and consumer protection (Javkheda, Shrungarkar and Kulkarni, 2024). Digital disbursal of personal loans in India have bright future potential because the industry is anticipated to keep expanding in the near future (Sharma *et al.*, 2022). Through creative approaches and procedures, the

digital lending sector could help India's financial institutions and tackle the nation's main financial inclusion issues. But the COVID-19 pandemic has also had a big impact on India's digital lending industry, so it's important to evaluate and comprehend the potential and problems that have arisen during this period (Subramanian, 2022). The digital lending ecosystem in India is growing daily and is anticipated to become the primary lending source. These are some of the major developments in the digital loan market in India. In September 2022, the Reserve Bank of India (RBI) released comprehensive recommendations to guarantee a low-cost, transparent, and equitable lending system. Although there are still numerous obstacles to be addressed, digital lending is opening up new avenues for investors and borrowers at faster speeds, lower costs, and increased accessibility (Chahal and Chahal, 2023).Particularly in urban India, digital money lending applications are partially replacing unofficial financial services like money lenders (Algesan, 2023).With the adoption of developing digital banking trends and the entry of more lending companies into the market, financial inclusion in India is expanding (Bhasin and Gulati, 2021).

With a population of about 1.3 billion people and a high proportion of unbanked and underbanked people, India is a market that digital lending companies are seeing tremendous growth. Digital lending is seen as a disruptive and game-changing invention that has the potential to revolutionize established financial systems. Over the past five years, digital lending has expanded quickly in India and is predicted to do so in the near future (Krishna, 2019). With an acceptance rate of 52%, Up to 1,994 digital lending businesses are active in India, generating a large number of jobs, investment opportunities, and commercial prospects for both domestic and foreign corporations. To encourage the expansion of the digital lending industry in India, the Reserve Bank of India (RBI) has unveiled a framework for a regulatory sandbox (Shukla and Dubey, 2022). Digital lending companies in India have a bright future ahead of them as the industry is predicted to keep expanding and upending established financial services. The country's Digital lending industry is expanding due to a number of factors, including a sizable unbanked and underbanked population, widespread adoption of technology, and pro-business government initiatives like Digital India, Startup India, and Made in India (Kukreja, Bahl and Gupta, 2020; Jain and Dhaliwal, 2022). The Indian financial market presents digital lending companies with a number of opportunities as well as difficulties such as improved financial services accessibility and financial inclusion, particularly for India's underbanked and unbanked populations; increased effectiveness and financial savings by utilizing technologies such as blockchain, AI, and machine learning (Gupta et al., 2021; Kukreja et al., 2020). India, the world's second-largest digital lending hub after the United States, has witnessed rapid expansion in its digital lending sector in recent years (Bhasin & Gulati, 2021; Shivannavar, 2022). Digital lending firms must address concerns related to data privacy and cybersecurity, as they handle highly sensitive financial information (Kotha, 2022). In addition, navigating a complex and evolving regulatory environment while ensuring compliance with financial regulations remains a significant hurdle (Agarwal, 2018; Kotha, 2022). Building trust among consumers and traditional financial institutions, as well as overcoming resistance to technological change, further complicates the sector's development (Kotha, 2022; Subramanian, 2022).

Despite these challenges, the digital lending ecosystem in India presents substantial opportunities. The country's demographic dividend, coupled with widespread smartphone adoption and access to low-cost digital technologies, enables lenders to expand financial inclusion and serve previously underserved populations (Chopra et al., 2013; Kukreja et al., 2020). Moreover, the integration of advanced technologies such as blockchain, artificial intelligence, machine learning, and data analytics is transforming financial services by improving processes related to transactions, deposits, credit assessment, underwriting, and insurance (Kukreja et al., 2020; Gupta et al., 2021). Government initiatives—including Digital India, Startup India, and Make in India—also play a pivotal role in fostering innovation and facilitating the growth of the digital lending industry (Chopra et al., 2013; Kukreja et al., 2020). Furthermore, innovative digital lending solutions have the potential to bridge gaps in financial service delivery and contribute to the achievement of the Sustainable Development Goals (Venkatachalam, 2020).

The majority of the literature currently available on digital lending in India provides high-level studies, frequently lacking of specific insights into behavioural, demographic, and geographic aspects. The majority of studies do not thoroughly examine advances in credit quality, the emergence of new-to-credit individuals, or changing patterns in borrower profiles. Furthermore, tier-wise credit penetration over time, gender participation, and geographical changes are not given enough attention. In order to fill these gaps, the current research offers a thorough, data-driven analysis of the personal loan market's digital lending ecosystem, paying particular attention to patterns across age, gender, area, and bureau vintage. Thus, by offering a more complex and divided view of the digital credit ecosystem in India, it addresses a significant research gap.

OBJECTIVES OF THE STUDY

- To analyse the trends in share, growth, and ticket size of digital lending in the personal loan market over the period FY 2018-19 to FY 2024-25 (till Dec 24).
- To examine the distribution and evolution of digital personal loan sanctions across different borrower demographics and geographical segments.

RESEARCH METHODOLOGY

This study employs a Descriptive research design aimed at analysing the evolution, patterns, and demographic shifts within India's digital personal loan market. The analysis is based exclusively on secondary data drawn from a range of credible and authoritative sources. Leading among these is the Fintech Association for Consumer Empowerment, an industry-led organisation committed to promoting responsible digital lending and financial inclusion (Fintech Association for Consumer Empowerment), 2022). FACE regularly publishes comprehensive datasets and analytical reports, which form the backbone of this research. Additional sources include publications from the Reserve Bank of India (RBI), financial institutions, digital lending platforms, and government documents that provide insights into national credit trends and fintech adoption. The study period spans from FY 2018–19 to FY 2024–25 (data available till December 2024), enabling a robust longitudinal assessment of digital lending activity over time. The dataset encompasses key quantitative metrics such as sanctioned loan value and volume, loan outstanding amounts, lender market share, and average ticket sizes. Additionally, the report breaks down the data according to borrower age, gender, credit bureau vintage, and risk categories enabling in-depth examination of the credit behaviour and borrower demographics. Geographical segmentation is another key component of the methodology, covering metro, urban, rural, Tier II, and Tier III cities, along with a state-wise breakdown. This enables an assessment of regional credit access disparities and emerging markets in India's digital lending ecosystem. The data is analysed using comparative trend evaluation, growth rate estimation, and percentage share analysis, with visual aids such as tables and figures used to highlight the trends over the years. In addition to quantitative trend analysis, the study also interprets behavioural indicators, such as the growing participation of new-to-credit borrowers and the changing gender composition of borrowers, to draw insights about inclusion, access, and digital lending outreach. The methodology ensures specificity and depth of inquiry by concentrating only on personal loans and excludes other digital credit forms such as microloans or BNPL. This allows for a better understanding of trends within this high-demand credit segment. Thus, this research methodology facilitates a targeted, data-driven investigation of the ways in which digital lending is changing the personal credit environment in India.

The analysis in this study is organized in accordance with the clearly defined research objectives, providing a structured framework to understand the evolution of digital lending in India's personal loan segment. The first objective focuses on analysing the trends in share, growth, and average ticket size of digital lending from FY 2018-19 to FY 2024-25 (till December 2024). This is achieved through year-wise comparisons of sanction values, volumes, and market dynamics, helping to identify patterns of expansion and shifts in borrower behaviour. The second objective examines the distribution and evolution of digital personal loan sanctions across borrower demographics and geographical segments. This includes in-depth analysis based on age groups, gender participation, credit bureau vintage, and geographical classifications such as metro, urban, rural, and Tier II/III locations. The study provides a comprehensive and segmented perspective of India's digital lending trajectory within the personal loan market by addressing each objective with relevant data and trend indicators.

Data Analysis and Findings

For data analysis, the study uses trend analysis, percentage change evaluations, and segment-wise comparisons to interpret growth, distribution, and shifts over the years, Graphs, tables, and charts are employed to visually represent the findings and highlight key insights. While the study provides a quantitative overview of digital lending, it is limited by the availability and accuracy of secondary data. Additionally, since the data for FY 2024-25 extends only up to December 2024, the full-year picture may not be reflected. The absence of qualitative inputs, such as borrower motivations or institutional lending strategies, is another limitation. Nonetheless, the methodology enables a clear and data-driven understanding of the evolving digital lending landscape in India.

Table I: Digital Loan's share in personal loan market by sanction value and volume

Financial Year	SHARE BY SANCTION VALUE			SHARE BY SANCTION VOLUME		
	Digital lending NBFCs	Other NBFCs	BANKS	Digital lending NBFCs	Other NBFCs	BANKS
FY18-19	4.00%	16.00%	80.00%	29.00%	27.00%	45.00%
FY 19-20	7.00%	15.00%	78.00%	54.00%	24.00%	22.00%
FY 20-21	3.00%	12.00%	84.00%	39.00%	29.00%	32.00%
FY 21-22	8.00%	15.00%	78.00%	58.00%	20.00%	22.00%
FY 22-23	9.00%	19.00%	71.00%	63.00%	21.00%	16.00%
FY 23-24	11.00%	23.00%	66.00%	66.00%	21.00%	13.00%
FY 24-25 (till Dec 24)	13.00%	26.00%	61.00%	76.00%	16.00%	8.00%

Table II. Digital lending growth in sanction value and volume across peer groups

Financial Year	Digital lending NBFCs	Other NBFCs	BANKS	Digital lending NBFCs	Other NBFCs	BANKS
FY19-20	127.00%	34.00%	30.00%	514.00%	135.00%	30.00%
FY 20-21	-58.00%	-30.00%	-4.00%	-41.00%	-12.00%	-1.00%
FY 21-22	239.00%	82.00%	44.00%	197.00%	63.00%	66.00%
FY 22-23	101.00%	92.00%	35.00%	103.00%	57.00%	24.00%
FY 23-24	33.00%	48.00%	10.00%	31.00%	53.00%	3.00%
FY 24-25 (till Dec 24)	16.00%	7.00%	-12.00%	28.00%	-22.00%	-33.00%

Table III. Average ticket size = sanction value for FY 23-24 and FY 24-25 (till Dec 24)

Avg. Ticket size	Digital lending NBFCs	Other NBFCs	BANKS	Digital lending NBFCs	Other NBFCs	BANKS
<25K	34.00%	7.00%	1.00%	39.00%	4.00%	1.00%
25K-50K	15.00%	7.00%	1.00%	16.00%	7.00%	2.00%
50K-1L	13.00%	13.00%	3.00%	13.00%	14.00%	6.00%
1L-2L%	14.00%	17.00%	8.00%	12.00%	18.00%	21.00%
2L-5L%	19.00%	27.00%	22.00%	16.00%	27.00%	
5L+	5.00%	28.00%	65.00%	4.00%	30.00%	70.00%

**Table IV. Composition of Digital Loans spread across different Ticket Sizes**

Year	<25k	25k-50k	50k-1L	1L-2L	2L-5L	>5L
FY 18-19	19.00%	17.00%	18.00%	30.00%	13.00%	3.00%
FY 19-20	48.00%	12.00%	12.00%	17.00%	9.00%	1.00%
FY 20-21	49.00%	12.00%	16.00%	12.00%	8.00%	2.00%
FY 21-22	46.00%	11.00%	13.00%	15.00%	13.00%	3.00%
FY 22-23	37.00%	13.00%	13.00%	14.00%	21.00%	4.00%
FY 23-24	34.00%	15.00%	13.00%	14.00%	20.00%	5.00%
FY 24-25 (till Dec 24)	39.00%	16.00%	13.00%	12.00%	16.00%	4.00%

Objective 1: To analyse the trends in share, growth, and ticket size of digital lending in the personal loan market over the period FY 2018-19 to FY 2024-25(till Dec 24).

Market Overview and Growth Trajectory: Table 1, shows a clear and consistent rise in the share of digital lending in the personal loan market over the years, both in terms of sanction value and sanction volume. From FY 2018-19 to FY 2024-25 (till Dec 2024), the share of sanctioned value by digital lenders grew from 4% to 13%, while their sanction volume share rose sharply from 29% to 76%, reflecting the rapid adoption of digital lending in the personal loan market. This significant shift indicates that digital lenders are playing an increasingly important role in the credit ecosystem, particularly in high-volume, small-ticket lending.

The volume growth suggests their widespread reach among underserved and first-time borrowers, while the gradual rise in value share indicates their growing acceptance for slightly larger ticket sizes over time. In contrast, banks' share has steadily declined-from 80% to 61% in value and 45% to just 8% in volume-reflecting a structural shift in borrower preferences toward faster, tech-enabled credit offerings. Other NBFCs have also seen moderate gains in value share but a drop in volume, suggesting a focus on medium-sized, traditional lending.

Overall, this trend highlights the accelerating adoption of digital lending platforms and a restructuring of the personal loan landscape in India.Table 2, shows a clear slowdown in the growth of personal loan sanctions. Digital lending NBFCs, while still growing, saw their sanction value growth drop to 16%, half of the 33% recorded in FY 23-24.
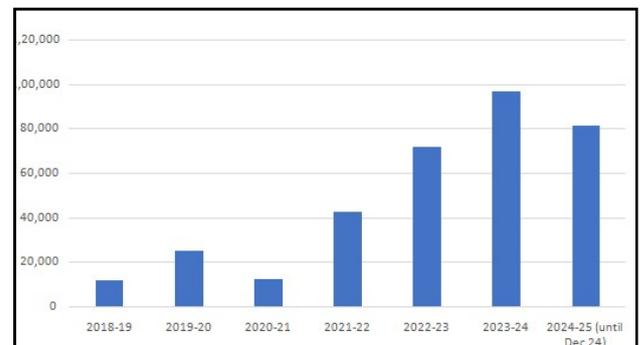
Figure 1. Sanctions in Digital Loans Value (₹ Cr.)

Other NBFCs grew by only 7%, and banks saw a -12% decline, suggesting a contraction in lending activity. In terms of sanction volume, Digital lending NBFCs maintained positive momentum with 28% growth, while other NBFCs and banks experienced sharp declines of -22% and -33%, respectively.
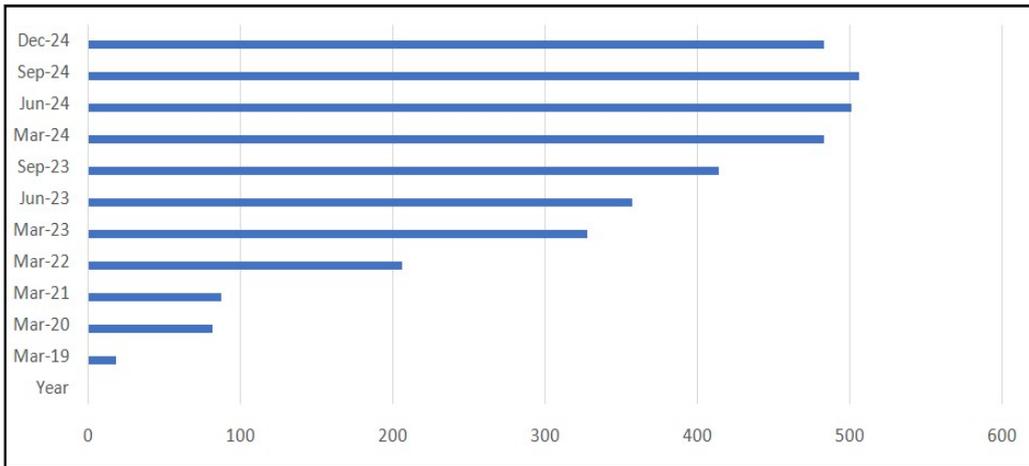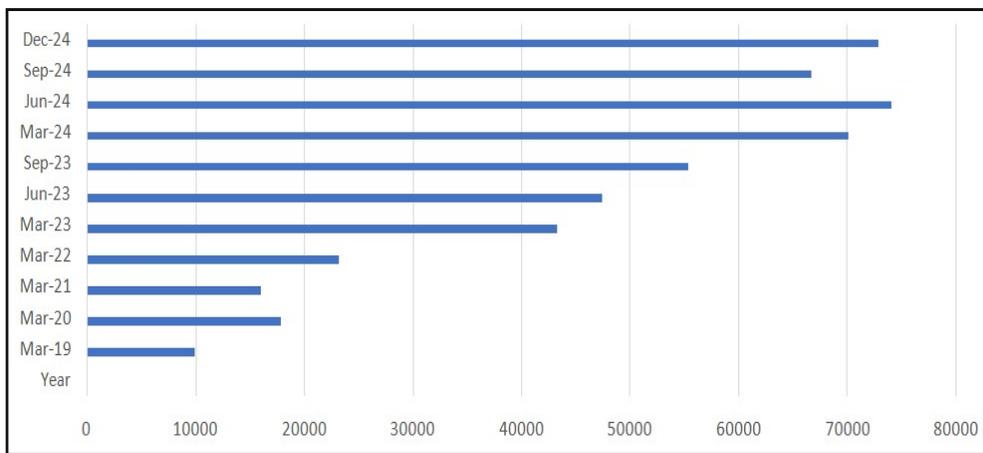
Figure 2. Personal Loans Outstanding, ₹ Lakhs

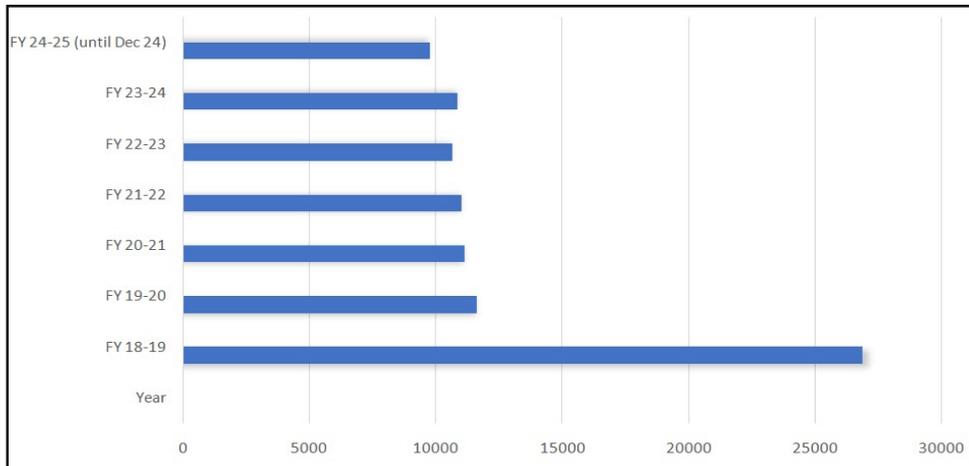**Figure 1. Personal loan amount Outstanding, Crores**

Figure 2. Average Ticket Size, ₹

This reflects that Digital lending continues to dominate in small-ticket, high-frequency lending, while others are becoming more conservative. The broader trend since FY 19-20 shows Digital lending NBFCs as consistent leaders in growth, especially post-COVID. However, the recent slowdown suggests the market may be stabilizing, with a shift in focus toward quality, sustainability, and regulatory compliance.In FY 23-24, digital lending NBFCs focused mainly on small-ticket loans, especially <25K (34%), while banks dominated high-value sanctions, particularly in the 5L+ segment (65%). In FY 24-25 (till Dec), this trend continues-

Other NBFCs held steady across mid-ticket sizes, particularly 2L–5L. The value of loan sanctions as shown in Figure 1, shows a strong upward trajectory over the yearfrom ₹11,892 crore in FY 2018-19, it rose steadily—crossing ₹25,000 crore in FY 2019-20 and then, after a slight dip during FY 2020-21 (₹12,344 crore), surged significantly. FY 2021-22 marked a rebound with ₹42,715 crore, followed by a sharp rise in FY 2022-23 (₹71,466 crore) and peaking in FY 2023-24 at ₹96,524 crore. Even in FY 2024-25 (till Dec), sanctions have already reached ₹81,365 crore, indicating sustained growth
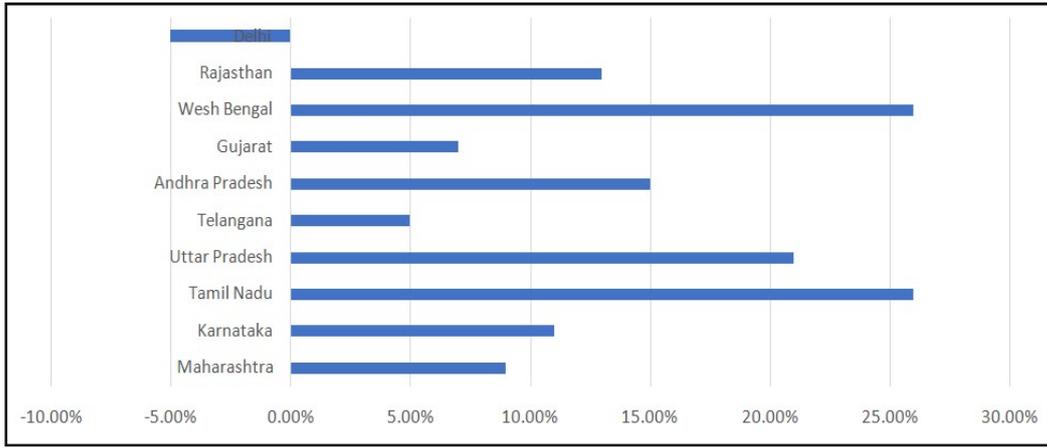
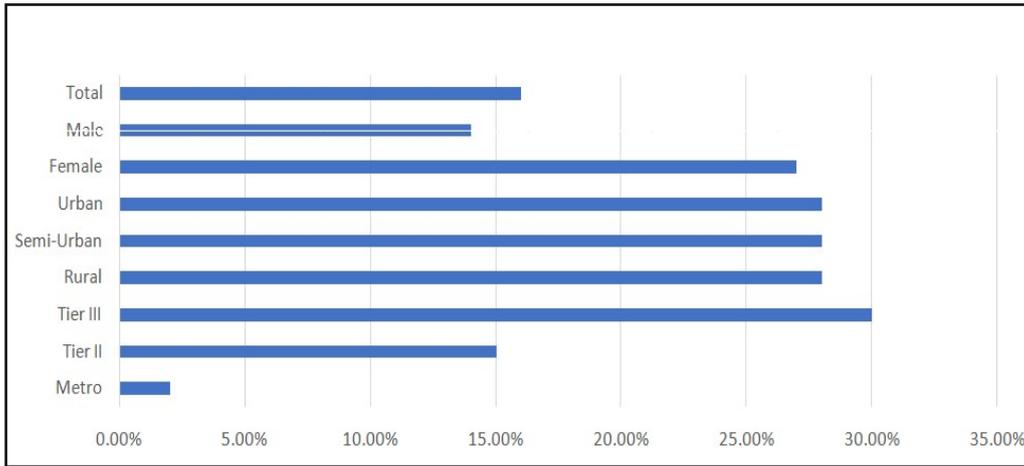**Figure 5. Growth Across the Top 10 States FY 24-25 over FY 23-24**

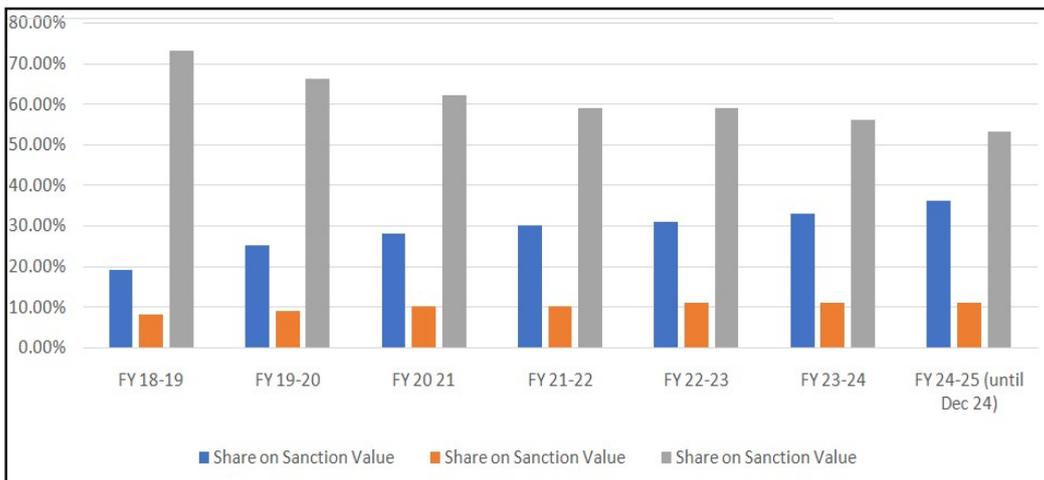**Figure 3. Growth by Geography/Gender FY 24-25 over FY 23-24.**

Figure 4. Share on sanction value based on Rural//Semi-Urban/Urban.

and the potential to surpass the previous fiscal's record by
As shown in Figure 2, the number of Personal loans outstanding has shown a sharp and consistent rise from March 2019 to December 2024. Starting at just 19 lakhs in March 2019, the figures jumped to 82 lakhs in March 2020 and gradually increased to 328 lakhs by March 2023. The growth continued throughout FY 2023-24, reaching 483 lakhs in March 2024. In FY 2024-25 (till December), the number peaked at 506 lakhs in September 2024 before slightly declining to 483 lakhs by December 2024, indicating a

possible stabilization or seasonal dip after sustained growth. The outstanding loan amount has witnessed significant growth Increased from ₹9,913 crore in March 2019 to ₹72,775 crore by December 2024, as seen in Figure 3,while the growth was gradual until March 2022, a sharp rise is evident from March 2023 onwards. The amount increased consistently through FY 2023-24, peaking at ₹74,057 crore in June 2024. Although there was a dip to ₹66,683 crore in September 2024, it recovered to ₹72,775 crore in December 2024, reflecting overall upward momentum with minor quarterly fluctuations.
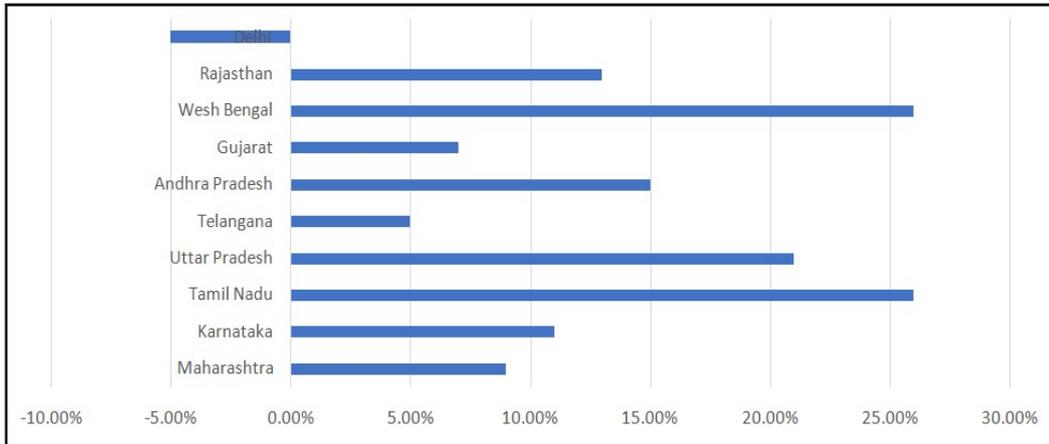
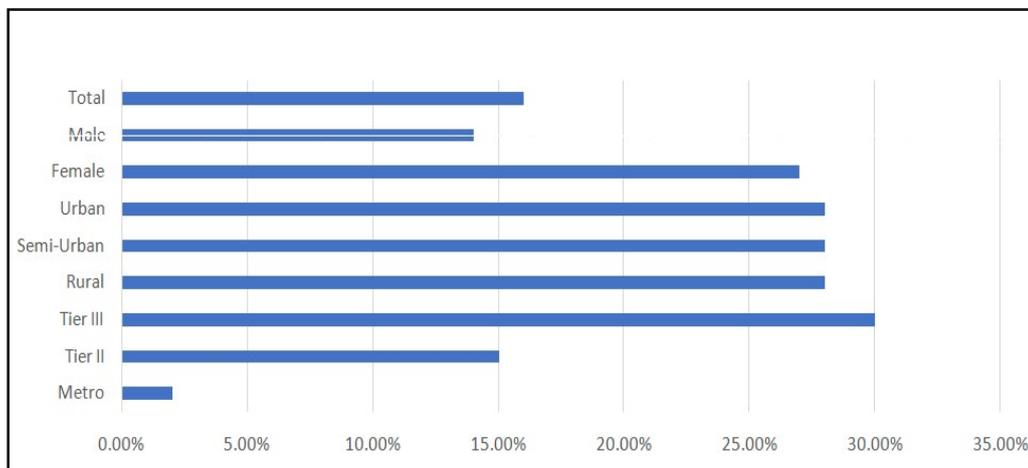**Figure 5. Growth Across the Top 10 States FY 24-25 over FY 23-24**

Figure 5. Growth by Geography/Gender FY 24-25 over FY 23-24.
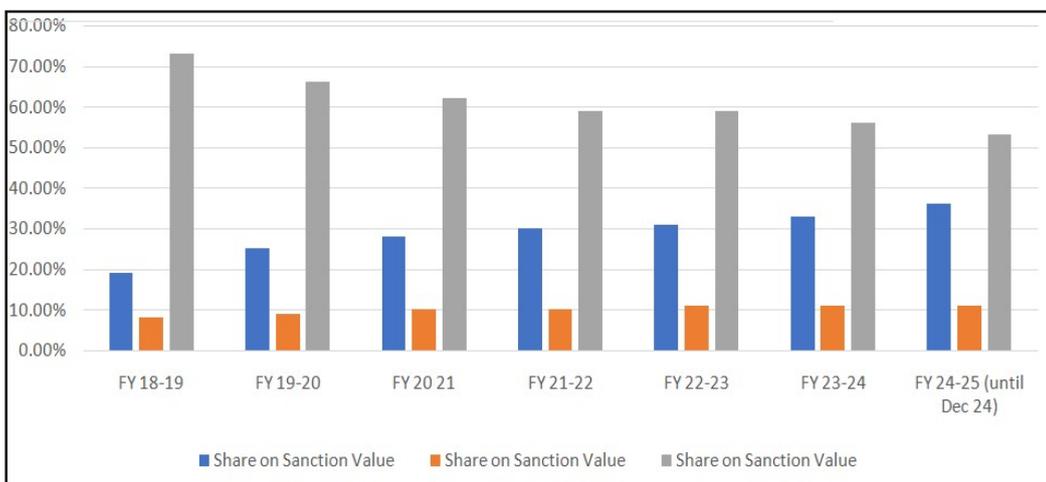

Figure 6. Share on sanction value based on Rural//Semi-Urban/Urban.

The average ticket size of loans as shown in Figure 4, has steadily declined from ₹26,870 in FY 2018-19 to ₹9,758 in FY 24-25. 2024-25 (till December 2024). After a sharp drop in FY 2019-20, the decrease continued at a gradual pace over the subsequent year. This trend indicates a move towards smaller loan sizes, reflecting the growing prominence of low-value, high-volume lending, particularly in the digital lending and microcredit space. From FY 2018-19 to FY 2024-25 (till December), there has been a significant increase in the share

of loans with ticket sizes below ₹25,000. While only 19% of loans were in this category in FY 2018-19, the share surged to nearly half in FY 2019-20 (48%) and FY 2020-21 (49%).
Though it slightly dipped in the following years, loans under ₹25,000 remained dominant, constituting 39% of total loans in FY 2024-25 (till Dec). Conversely, loans in higher ticket brackets such as ₹1-2 lakh and ₹2-5 lakh have seen a relative decline. For instance, the share of ₹1-2 lakh loans dropped from 30% in FY 2018-19 to just 12% in FY 2024-25. The ₹2-5
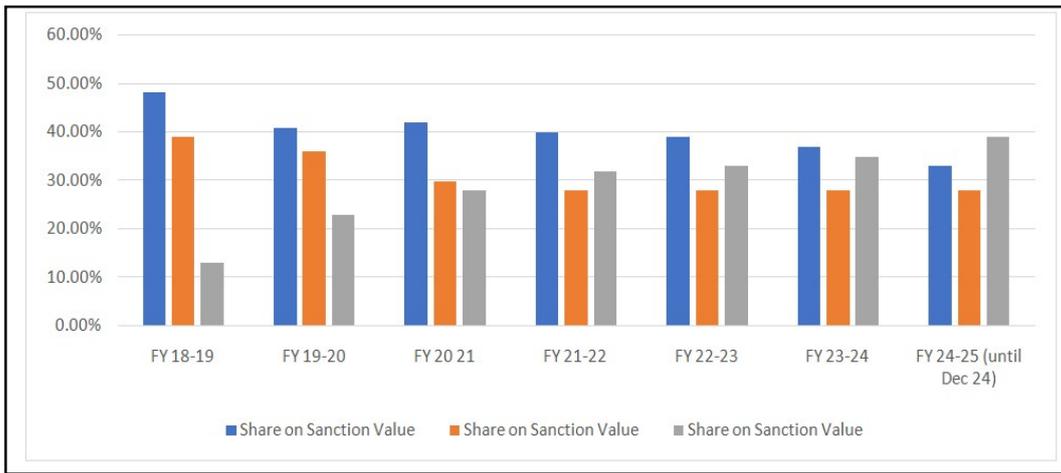
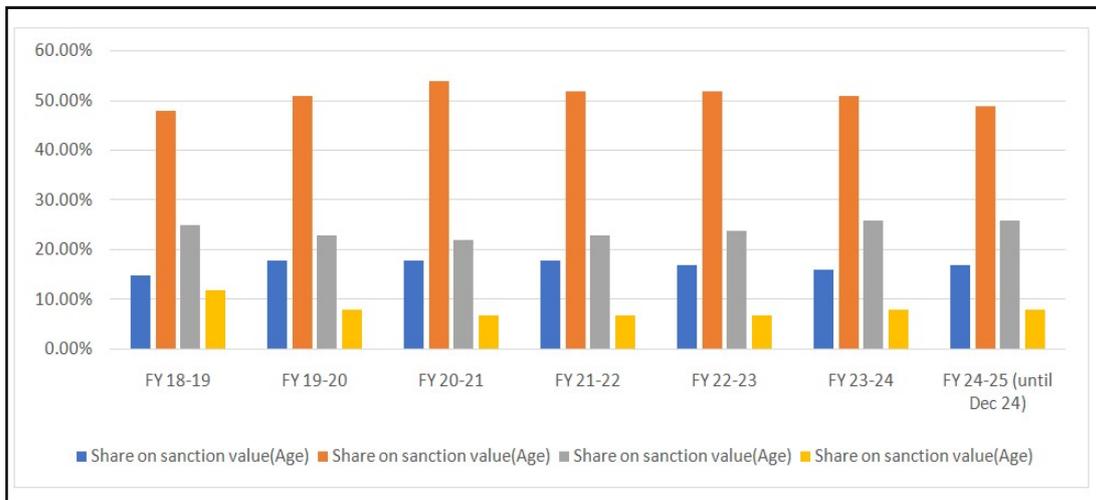**Figure 7. Share on sanction value based on Metro/Tier II /Tier III & beyond**

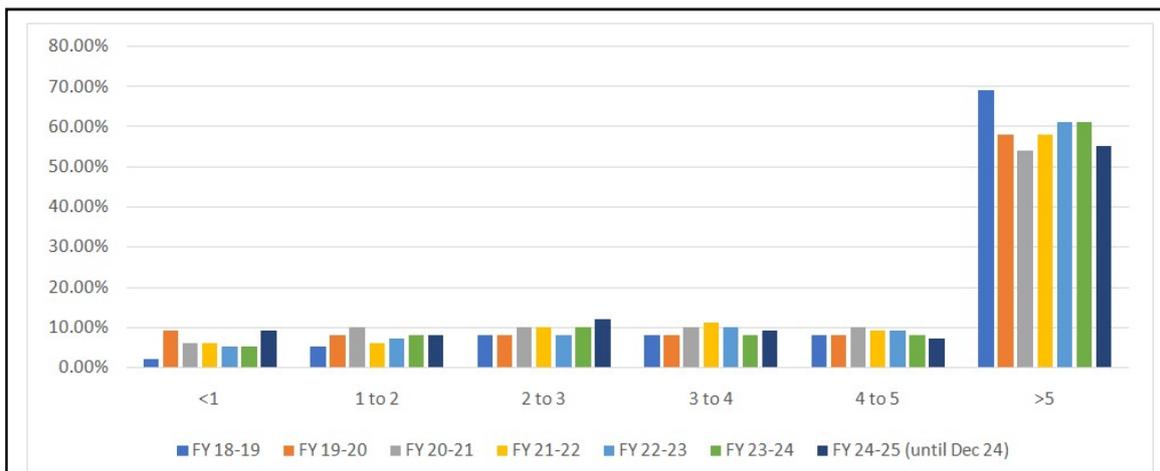

Figure 8: Share on sanction value based on Age

Figure 9: Share on sanction value based on Bureau Vintage

lakh category followed a similar trend, peaking at 21% in FY 2022-23 but falling to 16% by FY 2024-25. The proportion of loans above ₹5 lakh has remained marginal, fluctuating between 1% and 5%, indicating that high-value loans constitute a very small segment of overall disbursements. Overall, Table 4, underscores a clear trend towards mass adoption of low-ticket-size loans, consistent with the rise in digital lending and financial inclusion efforts.

Objective 2: To examine the distribution and evolution of digital personal loan sanctions across different borrower demographics and geographical segments., Figure 5, shows that during FY 2024-25 compared to the same period in FY 2023-24, overall loan sanction growth in India stood at 16%. Notably, Tamil Nadu and West Bengal recorded the highest growth at 26% each, followed by Uttar Pradesh at 21%.
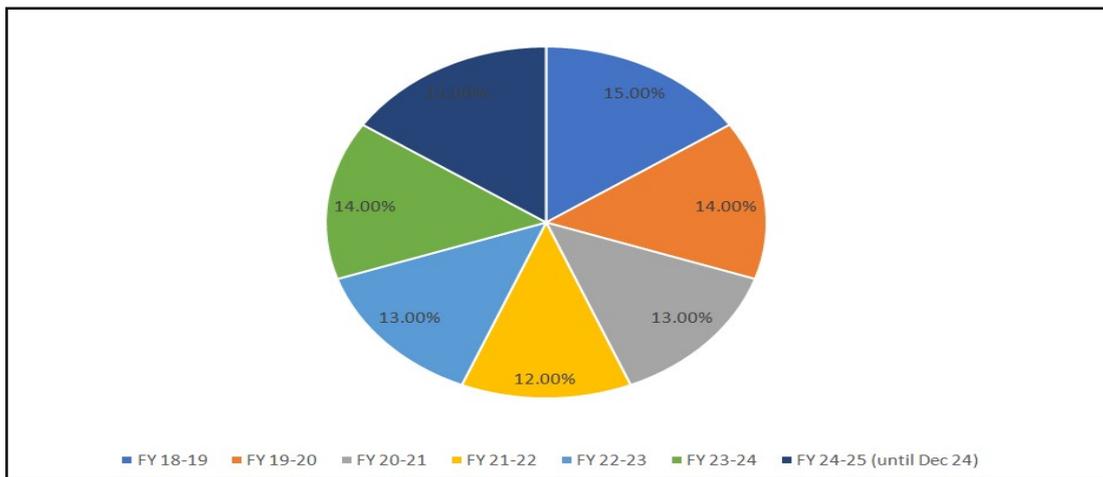
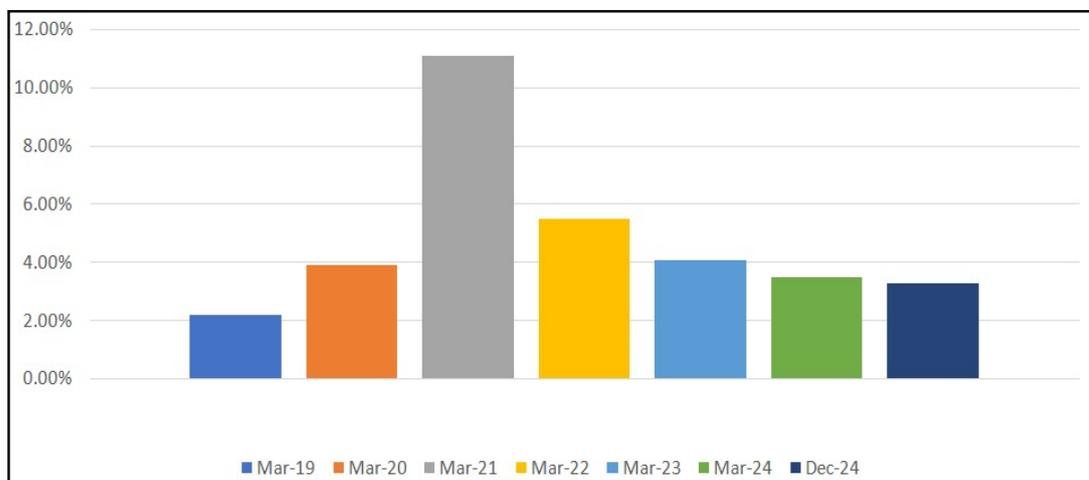**Figure 10: Share on sanction value based on Female Participation**

Figure 11. Overall portfolio Quality

Andhra Pradesh and Rajasthan also saw double-digit growth at 15% and 13%, respectively. In contrast, Delhi experienced a decline of 5%, while Telangana and Gujarat registered modest increases of 5% and 7%, respectively. High growth in states like Tamil Nadu, West Bengal, and UP is driven by digital lending adoption and MSME expansion. Delhi's decline may stem from market saturation or cautious lending. Slower growth in Telangana and Gujarat could reflect lower demand or risk-averse strategies. Figure 6, shows that from FY 24-25 and the same period in FY 23-24, digital lending in India witnessed a 16% overall growth, driven largely by strong performance in rural and lower-tier geographies. Tier III Locations led with a 30% increase, followed closely by rural, semi-urban, and urban areas at 28% each, indicating a significant expansion beyond metros. Tier II cities also grew by 15%, whereas metro regions showed marginal growth of just 2%, showing possible market saturation. On the gender front, loans to female borrowers surged by 27%, nearly double the 14% growth among male borrower. This trend reflects increasing financial inclusion, particularly among women and populations in underserved regions. It is evident from Figure7, that over the years, the share of sanction value in rural and semi-urban areas have steadily increased, reflecting a growing penetration of credit in underserved regions. From FY 18-19 to FY 24-25 (up to Dec 24), rural areas saw their share rise from 19% to 36%, while semi-urban areas moved from 8% to 11%. Conversely, urban areas, though still dominant,

witnessed a consistent decline from 73% to 53%. This trend highlights a clear shift in focus toward financial inclusion and expanding digital lending access beyond traditional urban markets. It is seen in Figure 8, that over time, the share of sanction value has gradually shifted from metro cities toward Tier III and beyond. While metros dominated with 48% in FY 18-19, their share dropped to 33% by FY 24-25 (until Dec 24). In contrast, Tier III and beyond rose significantly from 13% to 39%, showing deepening credit access in less urbanized regions. Tier II cities maintained a relatively stable share around 28–39%. This trend reflects the increasing outreach of digital lending and financial services into smaller towns and rural markets. It is seen in Figure 9, **Error! Reference source not found.**that over the years, individuals aged 26–35 have consistently held the highest share in sanction value, peaking at 54% in FY 20-21 and slightly tapering to 49% by FY 24-25 (until Dec 24). The 36–45 age group has seen a gradual rise from 22% in FY 20-21 to 26% recently. The under-25 segment has remained relatively stable around 16–18%, while the above-45 group consistently holds the lowest share, hovering around 7–8%. This reflects the dominant role of younger and mid-aged borrowers in digital lending trends. It is seen in Figure 10, that over time, borrowers with more than five years of credit history (>5 years vintage) have consistently held the largest share in sanction value, though it declined from 69% in FY 18-19 to 55% in FY 24-25 (till Dec 24), indicating

those with a bureau vintage of .... progress is the improvement in portfolio quality, as reflected
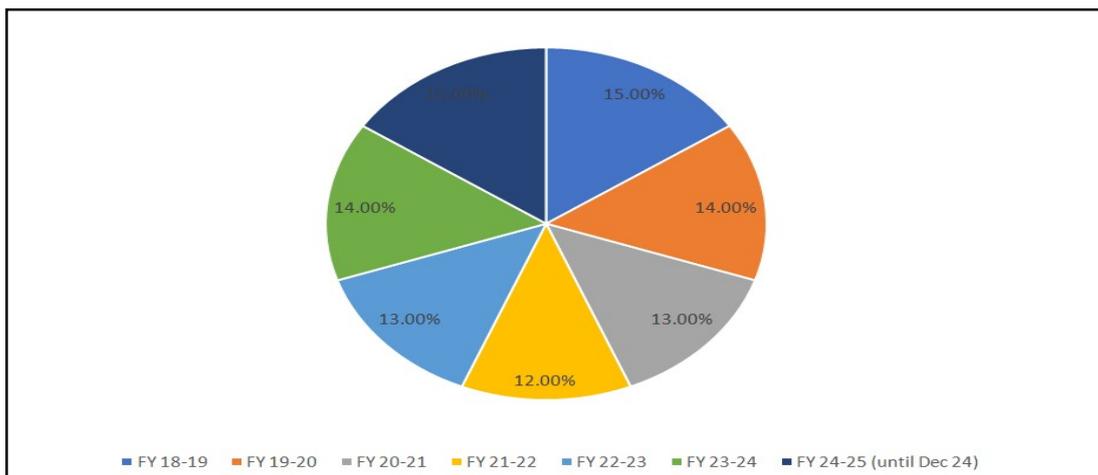

Figure 12: Share on sanction value based on Female Participation
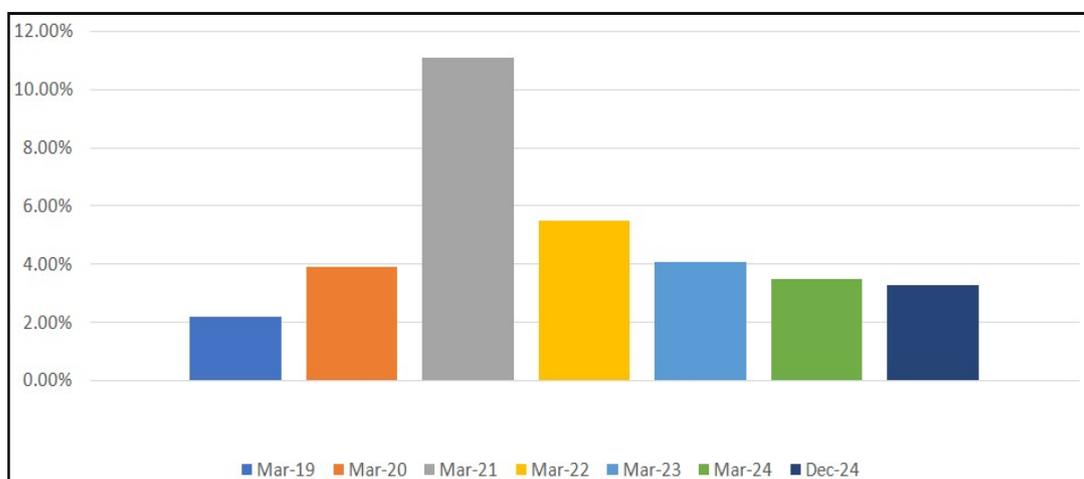

Figure 13. Overall portfolio Quality

less than 3 years has steadily increased-from 15% in FY 18-19 to 29% in FY 24-25-showing rising participation from first-time or relatively new borrowers in the credit ecosystem. This shift highlights growing financial inclusion and penetration of digital lending. In Figure 11, female participation in sanction value has remained relatively steady over the years, ranging between 12% and 15%. It saw a slight dip during FY 20-21 and FY 21-22, possibly due to pandemic-related disruptions but gradually recovered to 15% by FY 24-25 (till Dec 24), indicating slow yet consistent progress in women's access to credit. Due to pandemic-related interruptions, loans that are past due by more than 90 days-rose substantially to 11.1% in March 2021. But since then, the quality of the portfolio has steadily improved, and by December 2024, the percentage had steadily decreased to 3.3%, as depicted in Figure 12, indicating improved borrower awareness, improved underwriting, and improved credit discipline.

DISCUSSION

The digital lending landscape in India, particularly within the personal loan segment, has undergone a significant transformation over the past few years This study, based on comprehensive secondary data analysis, reveals several key trends that underscore the sector's rapid evolution and peak of 11.1% in FY 20-21 to 3.3% by December 2024. This decline points to strengthened underwriting standards, enhanced recovery mechanisms, and increasing digital literacy and credit awareness among borrowers. Geographically, there is a marked shift in credit penetration from metro cities to semi-urban, rural, and Tier III regions. By FY 24-25 (till December), the majority share of sanction values had moved to these underpenetrated areas, highlighting the sector's contribution to financial inclusion. However, the quarter-on-quarter degrowth observed in FY25 across several geographies could indicate temporary market saturation, seasonal trends, or macroeconomic challenges that warrant closer examination. Demographically, the digital lending space continues to be dominated by younger borrowers, especially those in the 26–35 age group, confirming the trend of digitally native millennials driving adoption. Simultaneously, the growing share of borrowers with lower credit bureau vintage indicates that digital lenders, particularly digital lending NBFCs, are increasingly catering to new-to-credit (NTC) customers. While this expansion fosters inclusivity, it also emphasizes the need for robust risk management frameworks to support financially inexperienced borrowers. Gender participation in digital lending has remained relatively stagnant, with women accounting for only 14–15% of sanctioned loan values over

the years. This reflects a persistent gender gap in access to credit and underscores the need for more targeted financial inclusion initiatives. Furthermore, while the current analysis focuses on sanction values, it does not account for disbursals, repayment patterns, or borrower experience—factors that are critical to fully understanding the sector's impact. Looking ahead, the future of digital lending in India is poised to be shaped by emerging technologies such as AI/ML-driven credit assessment models, real-time KYC mechanisms, and innovations in risk monitoring and fraud prevention. Greater penetration into Tier II and III markets, along with increasing engagement from youth and women, presents both opportunities and challenges. To build a resilient and inclusive ecosystem, there is a pressing need for continued research into the fairness and effectiveness of alternative credit scoring models, borrower outcomes, and the influence of evolving regulatory frameworks. By integrating quantitative metrics with qualitative insights into borrower and lender behaviours, future studies can offer a more nuanced understanding of digital lending's trajectory. Cross-country comparisons, longitudinal studies, and analyses of emerging digital credit products like BNPL and micro loans can further enrich the discourse. Ultimately, sustained innovation, responsible lending practices, and inclusive policy measures will be essential in ensuring that the digital lending revolution contributes meaningfully to India's broader financial inclusion and economic development goals.

CONCLUSION

This study provides a comprehensive overview of the evolution of digital lending in India's personal loan segment from FY 2018–19 to FY 2024–25 (till December 2024), drawing on extensive secondary data. The findings highlight the sector's explosive growth, changing borrower profiles, and deepening financial inclusion. Digital lending has transformed the traditional credit landscape by making financial services more accessible, particularly for underserved populations across diverse demographics and geographies. The rise in digital personal loans—marked by increasing sanction volumes, average ticket sizes, and expanding outreach—underscores the sector's capacity to drive inclusive economic participation. However, this rapid expansion also presents significant challenges, including risks related to data privacy, over-leveraging, and consumer protection. These concerns underscore the need for strong regulatory frameworks and ethical lending standards to ensure long-term financial stability. To sustain growth while protecting borrower welfare, a balanced and collaborative approach is essential. Coordination among regulators, digital lenders, policymakers, and researchers can foster a transparent and responsible digital lending ecosystem. Integrating technological innovation with sound regulatory oversight will be key to navigating emerging risks and opportunities. Moreover, the study emphasizes the importance of inclusive financial policies, transparent credit evaluation models, and continued research into borrower behaviour, alternative scoring mechanisms, and long-term financial outcomes. Future investigations guided by a clear research agenda can fill knowledge gaps, inform evidence-based policymaking, and shape the sector's trajectory toward sustainable development. Ultimately, digital lending holds transformative potential to expand financial access, empower individuals, and contribute to a more equitable and resilient financial system. Achieving this vision will require a concerted effort to align innovation with integrity, growth with governance, and access with accountability.

Limitations and Scope for Future Research: While this study provides valuable insights into the evolving landscape of digital lending in India's personal loan segment, it is not without its limitations. The analysis is entirely based on secondary data, which may be subject to inconsistencies, gaps in reporting, and a lack of real-time updates. It focuses primarily on sanction values and does not account for actual disbursals, repayment patterns, usage behaviour, or post-disbursal financial outcomes. Furthermore, the dataset only extends up to December 2024, leaving out any recent developments, regulatory changes, or economic fluctuations that may have occurred since then. There is also limited segmentation by loan product type, thereby excluding emerging categories like Buy Now Pay Later (BNPL), microloans, and SME lending. Importantly, qualitative factors such as borrower experience, lender strategies, policy effectiveness, and the behavioural dimensions of credit usage are not explored, which restricts a comprehensive understanding of the ecosystem.

Future research should aim to bridge these gaps through the inclusion of primary data collected via borrower and lender surveys, interviews, and focus group discussions. This would offer deeper insights into motivations, challenges, satisfaction levels, and risk perceptions associated with digital lending. Longitudinal studies could track borrower outcomes over time to assess the long-term impact of digital loans on credit behaviour and financial well-being. Comparative research between traditional and digital lending channels, or among various digital credit products, could provide broader market perspectives. There is also a critical need to evaluate the fairness and efficacy of alternative credit scoring models, especially in enabling equitable access for new-to-credit populations without introducing algorithmic bias. As the regulatory landscape continues to evolve, impact assessments of policy interventions on borrower protection, lender behaviour, and financial inclusion will be vital. In addition, global comparative studies and exploration of emerging technologies—such as AI/ML in credit underwriting, blockchain for loan transparency, and digital identity systems—can uncover innovative practices and offer scalable solutions for a more inclusive and sustainable digital lending ecosystem.

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