

Digital NBFCs' Personal Loan Book Set to Cross Rs 3.6 Lakh Cr by FY30

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Synopsis

- The personal loan portfolio of digital NBFCs is expected to exceed Rs 3.6 lakh crore by FY30, translating into a CAGR of 26%–28% during FY25–FY30. Growth prospects appear strong, underpinned by increasing digital penetration, expanding borrower segments.
- As per Fintech Association for Consumer Empowerment (FACE) data, as of Sep-25, the outstanding personal loan portfolio of digital NBFCs reached Rs. 1.3 lakh crore compared to Rs. 0.6 lakh crores as of Mar-23, reflecting a twofold over 2.5 years.
- Digital NBFCs witnessed a modest uptick in average ticket size from Rs. 12,967 in FY23 to Rs 15,177 in H1FY26.
- Asset Quality of digital NBFCs is improving, with GNPA's declining from 3.3% in FY23 to 2.1% in H1FY26, led by recoveries, write-offs and stringent underwriting of loans.
- Profitability of major digital NBFCs continues to remain range bound, with return on assets (ROA) ranging between 1%-4%, thereby highlighting the high-risk, high-yield nature of small-ticket, unsecured loan portfolios and efficient digital distribution models. Digital NBFCs have strong capital adequacy, backed by continued funding support from institutional and venture investors.

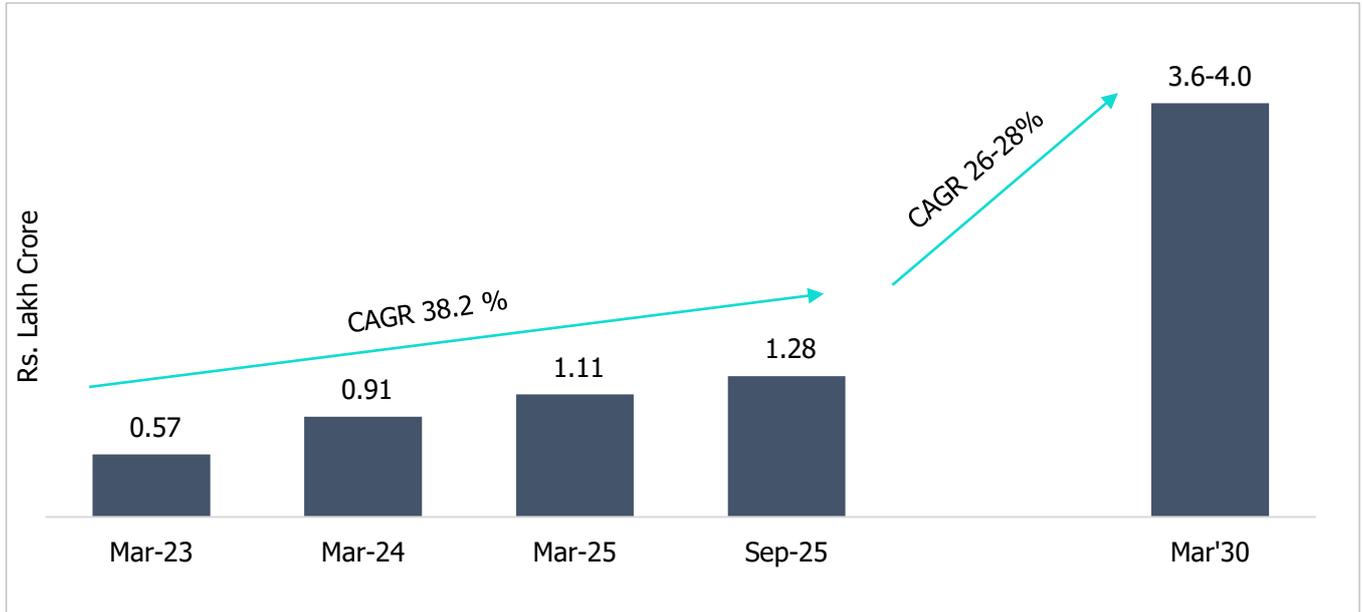
Digital Lending: Fastest-growing financial ecosystems globally

The rise of digital lenders has expanded access to credit, particularly for under-served segments such as MSMEs, non-salaried individuals including freelancers and new-to-credit customers. Digital lenders, leveraging the India stack comprising of smartphones, Aadhaar-enabled e-KYC, and UPI, are able to offer instant, paperless loans, overcoming traditional barriers to collateral and complex approvals.

Co-lending partnerships between banks and digital NBFCs have further strengthened credit reach and facilitated risk-sharing. Digital lending continues to offer clear advantages in accessibility, speed, customer convenience and driving financial inclusion. However, emerging risks warrant attention data privacy concerns under the Digital Personal Data Protection Act (2025), rising cyber threats and aggressive lending practices have prompted tighter regulatory oversight. RBI's Digital Lending Directions now mandate explicit consent, Key Fact Statements and prohibit automatic credit limit enhancements to safeguard borrowers. Additionally, while the asset quality has improved risks persist in high-growth unsecured portfolios with retail NPAs increasingly concentrated in personal loans. Balancing innovation with prudent risk management and compliance will be critical for digital NBFCs to sustain growth and credibility in India's financial ecosystem.

Personal loan outstanding of Digital NBFCs expected to cross Rs 3.6 lakh crore

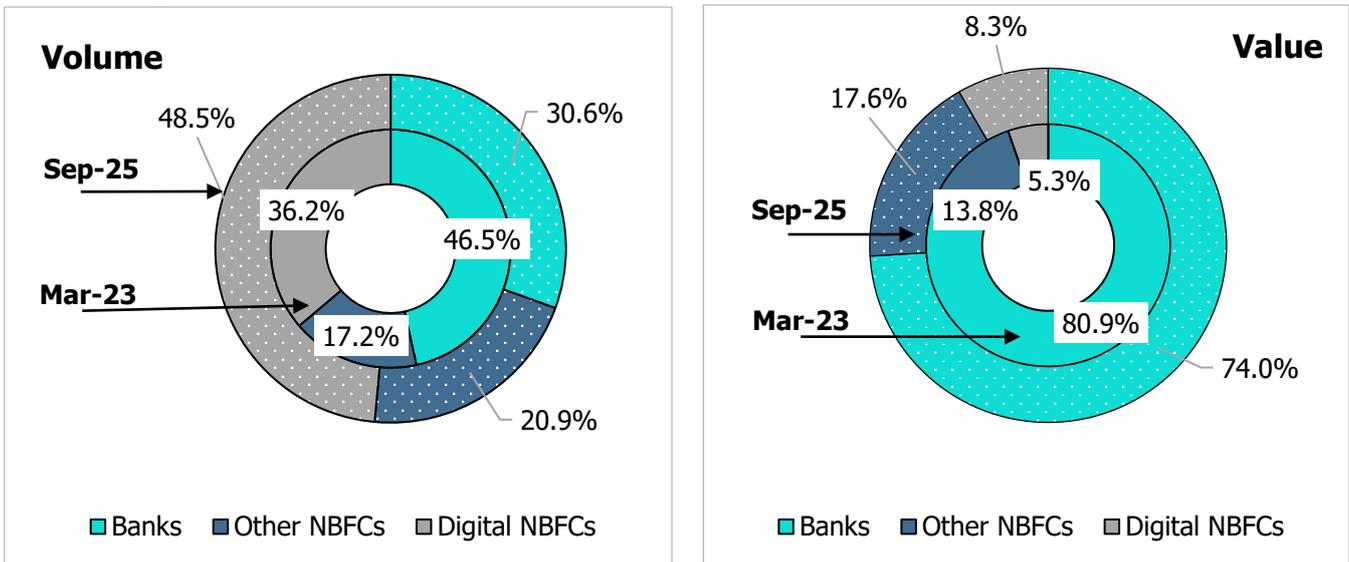
Chart 1: Personal loan outstanding of Digital NBFCs – Owned Book



Source: Fintech Association for Consumer Empowerment (FACE), CareEdge Research estimates

Digital NBFCs dominate in volume, while Banks dominate in the value of personal loans

Chart 2: Digital NBFCs witness increase in share in Personal Loan Outstanding Volume and Value



Source: Fintech Association for Consumer Empowerment (FACE), CareEdge Research

In volume terms, Digital NBFCs increased their share in the personal loan portfolio, indicating a strong growth momentum. Other NBFCs also witnessed a notable uptick in share of personal loan volumes, reflecting growing penetration of NBFCs in the personal loan space.

Digital NBFCs remain volume-heavy, serving riskier customer segments; however, they face higher credit costs and regulatory scrutiny, while traditional NBFCs maintain steadier growth through larger-ticket lending and diversified books. In value terms, banks continue to account for the highest share of the personal loan portfolio, supported by their focus on prime customers and higher ticket sizes. However, their share has been gradually declining, indicating increasing competitive intensity. Other NBFCs follow, with a stable to moderately rising share driven by expansion in mid-ticket segments and diversified lending strategies. Digital NBFCs, although still relatively smaller in value terms compared to banks and traditional NBFCs, have witnessed a steady increase in share, reflecting their growing ability to scale beyond small-ticket, high-volume lending and gradually move up the value chain.

Regulatory reforms supporting the growth of Digital NBFCs in 2020-2025

Co-Lending Framework (2020)

- The Co-Lending Framework (2020) allowed NBFCs to originate loans, while banks funded up to 80% combining digital lenders reach with institutional capital.

Account Aggregator (AA) system (2021)

- Account Aggregator (AA): Enabled secure, consent-based financial data sharing.
- Open Credit Enablement Network (OCEN): Created a common, low-cost digital platform for loan origination.
- This strengthened financial inclusion and data-driven lending models.

Digital Lending Guidelines by RBI (2022)

- The guidelines mandated direct fund flows between lenders and borrowers and required full Annual Percentage Rate (APR) disclosure ensuring transparency and curbing predatory practices.
- These initiatives/regulations are catalyst for growth of tech-driven credit expansion.

Risk Weight Guidelines (November 2023)

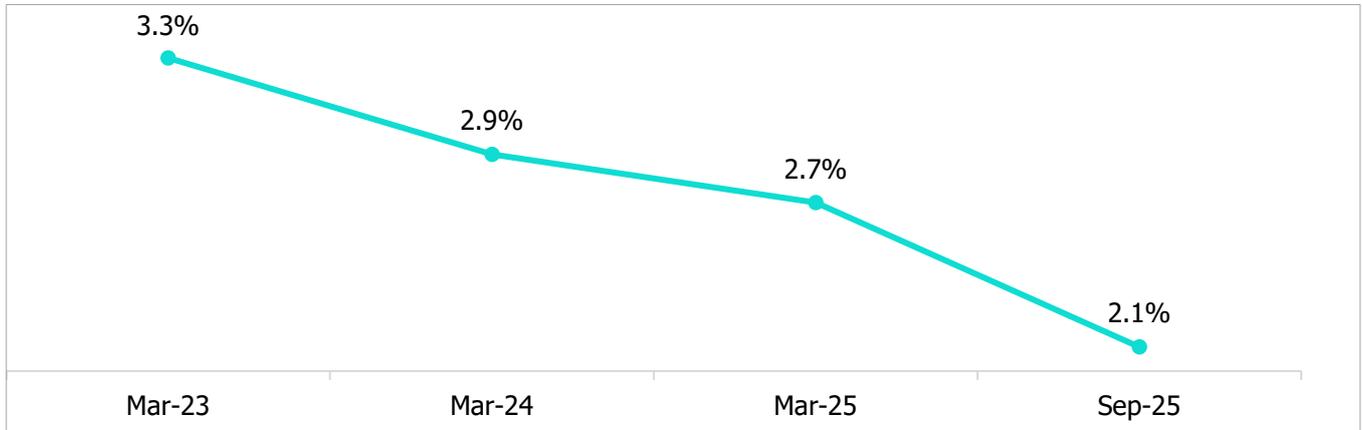
- RBI raised risk weights on banks' consumer credit and NBFC exposures, increasing capital costs and tightening liquidity for digital lenders.
- While it curbed aggressive lending and reinforced risk discipline, it also strained smaller fintechs reliant on bank funding and slowed unsecured retail credit growth.

Risk Weight Rollback (February 2025)

- RBI's rollback restored the additional risk weights, to pre-2023 levels, easing funding costs and reviving co-lending and digital credit growth, while maintaining focus on prudent underwriting.

Asset Quality

Chart 3: Gross Non-performing assets of Digital NBFCs

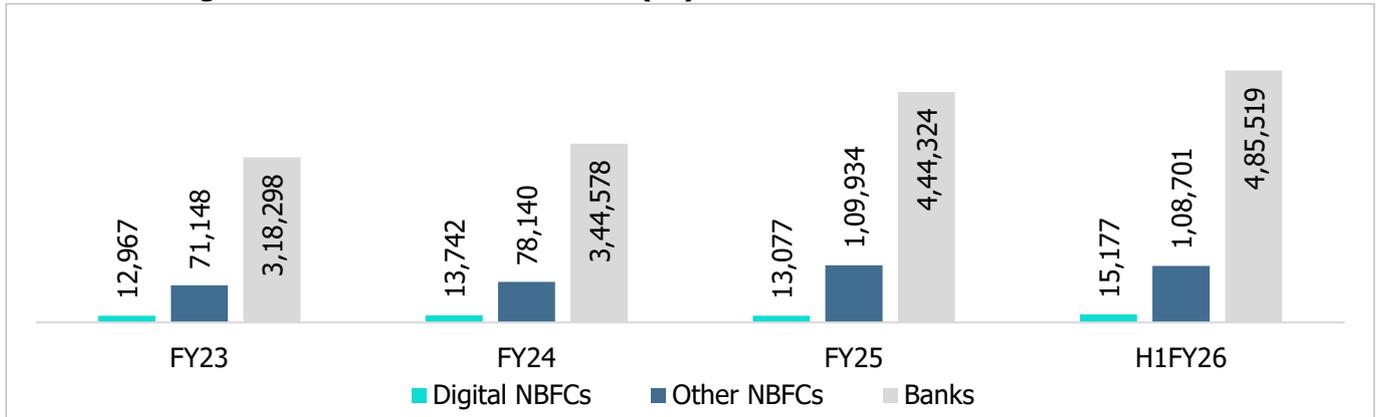


Source: Fintech Association for Consumer Empowerment (FACE), CareEdge Research

Asset quality of digital NBFCs has shown marked improvement post-pandemic, with GNPA declining from 3.3% in FY23 to 2.7% in FY25, and further to 2.1% by September 2025. This sequential improvement reflects a combination of factors: aggressive recoveries and technical write-offs of delinquent accounts, tighter underwriting standards and enhanced credit monitoring frameworks introduced under RBI’s scale-based regulations. Additionally, co-lending arrangements with banks have helped distribute risk and stabilize portfolio quality. While these measures have strengthened resilience, GNPA levels remain higher than those of banks underscoring the inherent vulnerability of small-ticket and unsecured lending to credit shocks.

Furthermore, in terms of profitability, based on an analysis of major digital NBFCs, net interest margin is 8%-12%, while ROA is 1%-4% and the balance is mostly credit cost. This highlights the high-risk, high-yield nature of their small-ticket, unsecured loan portfolios and efficient digital distribution models. Digital NBFCs write off their NPAs periodically, leading to high credit cost. However, digital NBFCs have strong capital adequacy, backed by patient capital from institutional investors.

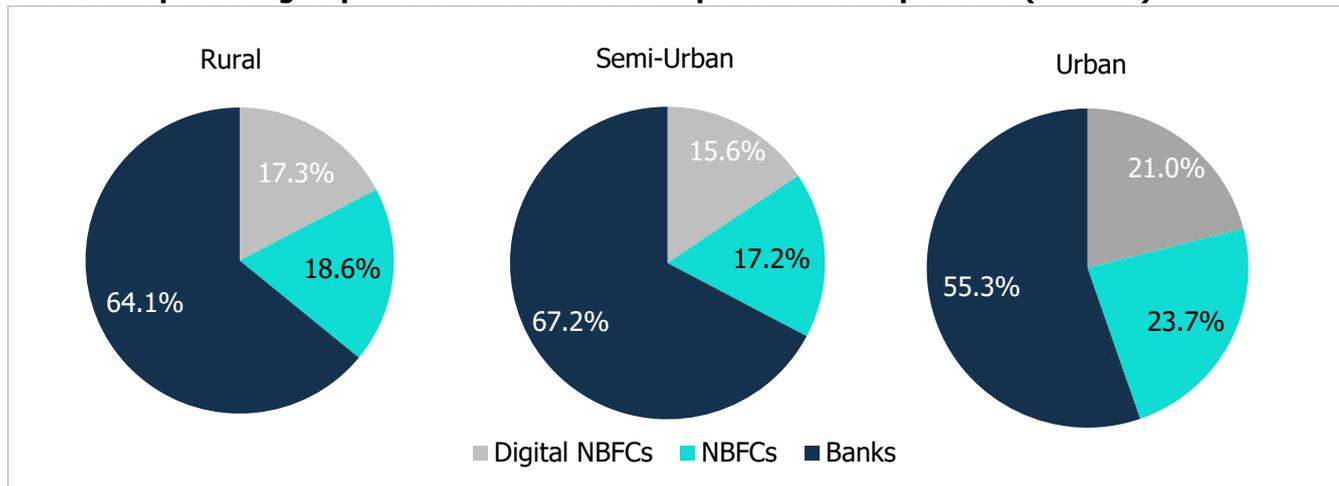
Chart 4: Average Ticket Size of Personal Loans (Rs)



Source: Fintech Association for Consumer Empowerment (FACE), CareEdge Research

Digital NBFCs' average ticket size reached Rs.15,177 in H1FY26, indicating ease of access to credit for tech-savvy youth, freelancing individuals, and new-to-credit borrowers. At the same time, the average ticket size of Banks and other NBFCs remained high, indicating a focus on high-value loans and moderate-to-low-risk borrowers.

Chart 5: Population group-wise share of lenders in personal loans portfolio (H1FY26)

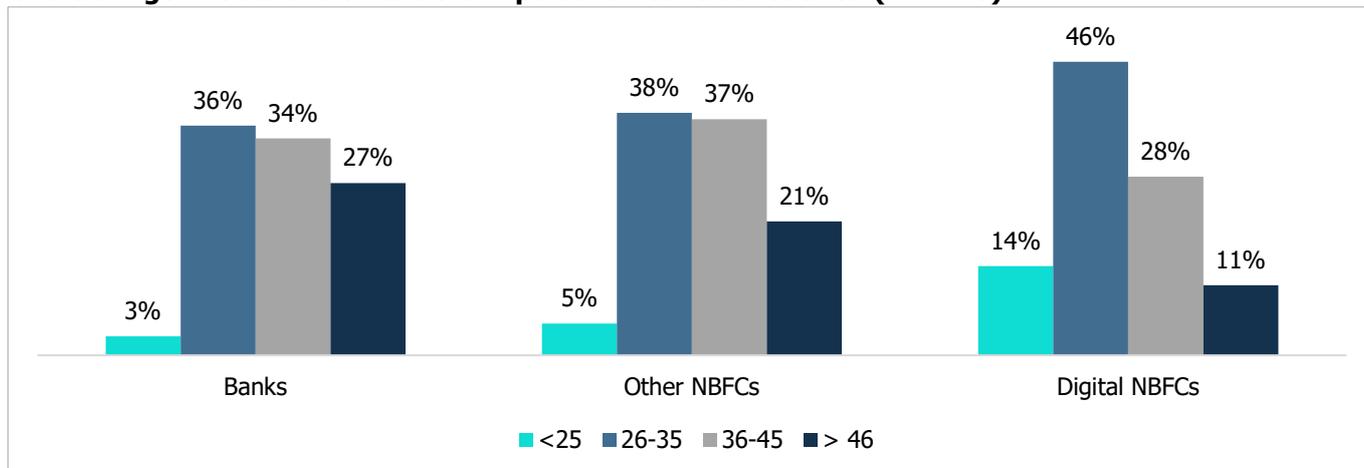


Source: Fintech Association for Consumer Empowerment (FACE), CareEdge Research

Urban markets remain the primary focus for digital and other NBFCs, accounting for a significant share of loan sanctions in H1FY26. This significant concentration of NBFCs reflects the higher demand from the tech-savvy, credit-aware population in urban centres, supported by higher income visibility, formal employment structures, and deeper penetration of digital infrastructure enabling seamless onboarding and faster credit disbursement.

From a financial literacy perspective, this trend also highlights the relatively higher awareness and acceptance of formal credit products among urban borrowers, particularly in understanding product features, repayment obligations, and digital interfaces. However, it underscores the need to further deepen financial literacy initiatives in semi-urban and rural markets to enable responsible credit adoption.

Chart 6: Age-wise share of lenders in personal loans sanctioned (H1FY26)



Source: Fintech Association for Consumer Empowerment (FACE), CareEdge Research

As indicated by the above chart, personal loans across all lenders are concentrated mainly among the 26-35 age group, suggesting that young individuals and new job entrants remain the primary target customers. In H1FY26, digital NBFCs sanctioned nearly half of their total sanctioned value to the tech-savvy 26-35 age group, reflecting their strong positioning in catering to digitally active, salaried borrowers with higher consumption-driven credit needs and faster adoption of app-based lending platforms. This trend also underscores the need for enhanced financial literacy among younger borrowers to promote responsible credit usage and repayment discipline.

The 36-45 age group holds the second-largest share at 28%, ahead of Other NBFCs and banks, suggesting continued credit demand from more established borrowers with relatively stable income profiles. While this age-wise skew supports growth visibility and cross-sell opportunities for lenders, it also necessitates prudent risk management given the higher sensitivity of younger borrowers to income volatility.

CareEdge Research's View

"CareEdge Research expects the personal loan portfolio of Digital NBFCs to cross Rs. 3.6 lakh crore by FY30, indicating a CAGR of 26%-28% between FY25-FY30. Digital NBFCs are well-positioned for this exponential growth over the medium term, driven by rising digital adoption, expanding customer segments, and a supportive regulatory framework," says Tanvi Shah, Senior Director – CareEdge Research.

Digital NBFCs' ability to offer tailored, data-driven credit solutions is likely to continue attracting underserved borrowers, while partnerships with traditional lenders can enhance scale and risk management. However, navigating data security, regulatory compliance, and asset quality risks would be crucial.

Digital NBFCs' asset quality has improved, reflected in declining GNPA levels, credit costs within the segment remain elevated, largely driven by the aggressive write-off policies followed by digital NBFCs. This indicates a continued focus on balance sheet hygiene despite underlying stress in certain borrower categories. However, it is important to note that credit costs have moderated and stabilised over the past two financial years compared to earlier periods, supported by improvements in underwriting frameworks, better risk segmentation, and enhanced data-led credit assessment models.

"Asset quality of Digital NBFCs is expected to remain range-bound supported by their growing focus on strengthening credit underwriting policies and write-offs of NPAs periodically. Further, aided by continued funding support from institutional and venture investors Digital NBFCs' capital adequacy is expected to remain strong," says Kalpesh Mantri, Assistant Director – CareEdge Research.

Furthermore, the expanding Trade Receivables Discounting System (TReDS) ecosystem offers a growth opportunity for digital NBFCs to deliver faster, technology-led receivable financing solutions. By embedding advanced tools such as AI-driven credit analytics and blockchain-based invoice verification, digital lenders can streamline access to working capital, reduce turnaround times, and increase transaction volume. With continued regulatory push and a significant financing gap in India's MSME sector, digital NBFCs are strategically positioned to scale operations and drive financial inclusion.

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