

The Personal Loan Story

January 2026

A Consumer Insights Report by Paisabazaar





From the CEO's Desk

Santosh Agarwal

CEO, Paisabazaar

India's lending ecosystem is at a defining inflection point. Over the past decade, access to formal credit has expanded rapidly — powered by digital public infrastructure, progressive regulatory measures, and growing collaboration between banks, NBFCs, and technology platforms.

Personal loan is the industry's most rapidly evolving and fastest growing product. For borrowers, personal loans remain one of the most nuanced financial decisions, where choices are shaped not just by eligibility and pricing, but by life events, aspirations, urgency, trust, and confidence.

At Paisabazaar, we believe that understanding these underlying motivations and triggers is critical to building a more inclusive, responsible, and resilient credit ecosystem. This research study is an outcome of the belief.

Based on in-depth conversations with personal loan borrowers from 23 cities and towns across India, the study explores why consumers turn to personal loans, the triggers that prompt borrowing, and the factors that influence how they evaluate and choose an offer. It goes beyond transactional data to examine consumer behaviour, decision-making journeys, and the emotional context in which borrowing takes place.

While speed and ease remain important for borrowers, the study also highlights a significant degree of impulse-driven borrowing and the continued inertia of offline-led processes, often accompanied by limited comparison and incomplete understanding. Several segments—particularly first-time and underserved borrowers—continue to face friction due to limited information, fragmented access, and uncertainty in navigating the lending process.

This report is not just a reflection of consumer behaviour; it is a call to the industry to remain deeply consumer-centric as it scales. Sustainable growth in lending will come from aligning innovation with trust, speed with responsibility, and access with accuracy.

We hope the insights in this study contribute meaningfully to industry dialogue and help all stakeholders build credit solutions that truly serve the evolving needs of India's borrowers.

Preface & Methodology

Objective

This research was designed to decode India's evolving credit mindset — to understand why people borrow, how they choose lenders, and what factors shape trust.

Methodology

Quantitative face to face interviews with a structured questionnaire (CAPI)

Sample

2,889
respondents
interviewed

Coverage

23 cities across
Tier 1, 2, and 3
segments

Profile

Salaried **(62%)**
Self-employed **(38%)**

Fieldwork Period

Q4 FY2025

*Base: 2886, occupation details were
not reported by three respondents*



Respondent Profile: 2,889

Tier wise coverage – Tier 1: Tier 2: Tier 3 = 1156: 1130: 603

799

Interviews

North Coverage

Delhi NCR, Sonipat, Panipat
Indore, Ujjain, Ludhiana,
Bhatinda, Jaipur, Udaipur
Lucknow, Mathura

606

Interviews

East Coverage

Guwahati, Nalbari, Patna,
Muzaffarpur, Bhubaneswar,
Puri, Kolkata, Asansol,
Durgapur

643

Interviews

West Coverage

Ahmedabad, Vadodara,
Anand, Mumbai, Thane, Pune
Nagpur, Ahmednagar

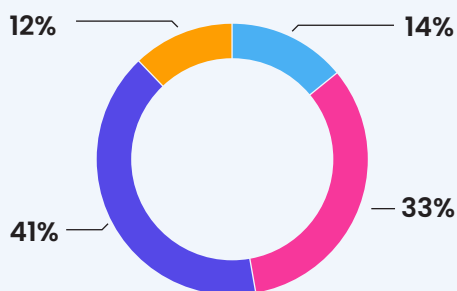
841

Interviews

South Coverage

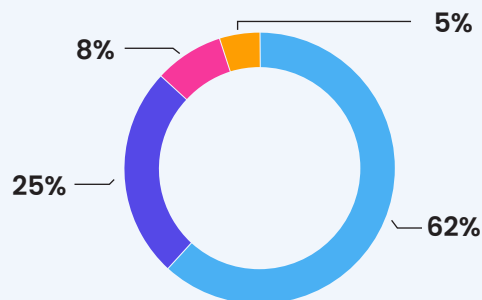
Vishakhapatnam, Guntur,
Bengaluru, Mysuru, Tumkur,
Cochin, Kottayam, Chennai,
Madurai, Vellore, Hyderabad,
Warangal, Karimnagar

AGE (in years)



Gen Z (22-29 yrs) Late Millennial (30-35 yrs) Early Millennial (36-45 yrs) Gen X (46-50 yrs)

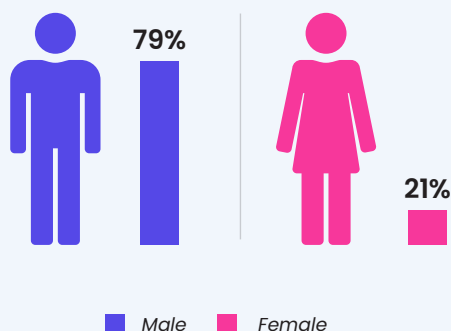
OCCUPATION*



Salaried (Pvt.) Business Salaried (Govt.) Self Employed

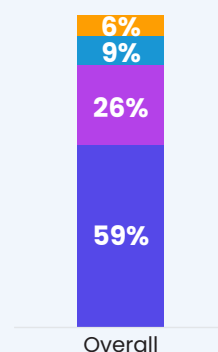
*Base: 2886, occupation details were not reported by three respondents

GENDER



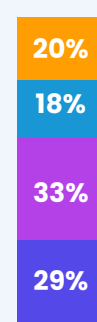
Male Female

ANNUAL PERSONAL INCOME



Overall

ANNUAL HOUSEHOLD INCOME



Overall

*Note: While Gen Z is typically defined as ages 14-29, the survey sample includes respondents aged 22 years and above. Similarly, Gen X respondents in the survey are covered up to age 50, instead of the standard upper limit of 61 years.

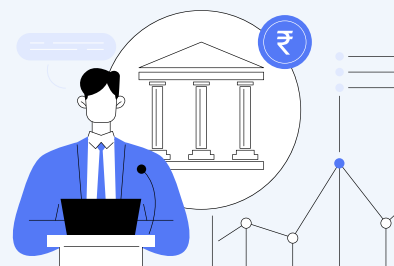
INR 3-5 L INR 5-7.5 L INR 7.5-10 L INR 10 L+

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01 Between Need and Aspiration: 48% Borrow for Essentials, 36% for Lifestyle Spends

India's relationship with credit is quietly but unmistakably evolving. Once viewed as a **last resort**, a cushion for emergencies or unavoidable expenses, personal loans have begun to evolve into something more aspirational.



For a notable share of borrowers **(36%)**, personal loans are a **conscious borrowing choice** rather than merely a response to need and supporting milestones.

However, necessity still remains the largest use case. **Nearly half of all respondents (48%) reported taking a personal loan to address essential or emergency needs**, led by household expenses **(11%)**, unexpected medical treatments **(11%)** and crucial home repairs **(11%)**.

Additionally, **around 16% respondents** indicated that they opted for personal loans to support business-related requirements.

Top Drivers of Personal Loan Usage

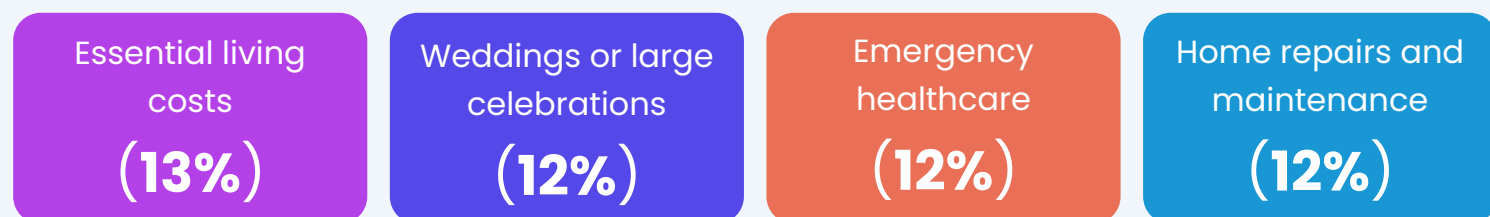
Key Purchase Trigger	All India
Base: 2,889	
Actual Need [Nett]	48%
Covering Essential Day-to-Day Expenses	11%
Emergency Healthcare / Medical Treatment	11%
Crucial Home Repairs	11%
Crucial Educational Expenses	5%
Repayment of Existing Loan	4%
Essential Office Expense	3%
Emergency Vehicle Repair	3%
Aspiration [Nett]	36%
Wedding or Large Celebratory Event	11%
Home Renovation	8%
Consumer Durable Purchase	5%
General Spending (Taking Advantage of Low-Interest Offers, etc.)	4%
Personal Hobbies / Skill Development	3%
Vehicle Upgrade	2%
Lifestyle And Wellness Activities	2%
Travel For Leisure / Vacation	1%
Business Investments [Nett]	16%

Base: All Respondents (2,889)

Q: What was the primary reason for taking out this personal loan?

a. Credit as a Stabiliser and Enabler

Credit, for many **salaried individuals**, has evolved from being a **fallback mechanism** to a routine tool helping them stay afloat amid rising costs and financial burdens. It plays a **dual role** – cushioning emergencies and supporting planned but high-value expenses without exhausting savings. The top reasons for availing a personal loan reflect **a blend of necessity and planned spending**:



This highlights the layered nature of borrowing among salaried individuals. Multiple triggers, including current financial obligations, inflation-driven pressures, future planning, etc. shape borrowing decisions. Personal loans form part of **a broader financial decision-making framework** rather than being viewed in isolation.

Borrowing Patterns Across Employment Types and Personal Income Groups

Key Purchase Trigger	All India	Salaried	Non-Salaried	3-5 L	5-7.5 L	7.5-10 L	10L +
	Base: 2,889*	2,029	857	1,699	737	266	187
Actual Need [Nett]	48%	52%	38%	49%	47%	39%	55%
Covering Essential Day-to-Day Expenses	11%	13%	7%	12%	9%	8%	18%
Emergency Healthcare / Medical Treatment	11%	12%	9%	10%	14%	8%	12%
Crucial Home Repairs	11%	12%	8%	12%	10%	8%	7%
Crucial Educational Expenses	5%	5%	4%	5%	5%	6%	3%
Repayment of Existing Loan	4%	4%	5%	4%	4%	4%	6%
Essential Office Expense	3%	3%	3%	3%	3%	3%	4%
Emergency Vehicle Repair	3%	3%	2%	3%	2%	2%	5%
Aspiration [Nett]	36%	39%	31%	36%	37%	40%	29%
Wedding or Large Celebratory Event	11%	12%	7%	10%	13%	15%	6%
Home Renovation	8%	9%	6%	8%	7%	10%	5%
Consumer Durable Purchase	5%	5%	5%	5%	5%	3%	6%
General Spending (Taking Advantage of Low-Interest Offers, etc.)	4%	4%	4%	5%	4%	3%	1%
Personal Hobbies / Skill Development	3%	3%	4%	3%	3%	3%	4%
Vehicle Upgrade	2%	3%	2%	2%	2%	4%	5%
Lifestyle And Wellness Activities	2%	2%	2%	2%	2%	2%	1%
Travel For Leisure / Vacation	1%	1%	1%	2%	1%	0%	1%
Business Investments [Nett]	16%	9%	31%	15%	15%	21%	16%

Base: All Respondents (2,889)

Significantly higher at 95% CI

Significantly lower at 95% CI

Q: What was the primary reason for taking out this personal loan?

Note: *Base for salaried and non-salaried individuals is 2,886 as occupation details were not reported by three respondents

While essentials continue to account for the bulk of borrowing among salaried individuals, aspiration-led usage is not insignificant. **Nearly 40%** of salaried borrowers report using personal loans for lifestyle or aspirational expenses, typically when larger outlays cannot be comfortably managed within monthly income or existing savings.

Among non-salaried individuals, borrowing is largely balanced across use cases, with actual needs taking the lead. **Roughly four in ten respondents (38%)** take personal loans to address immediate necessities, while a comparable share is directed toward **aspirations and business investments (31% each)**. Together, these patterns indicate that credit in this segment supports day-to-day stability alongside both lifestyle progression and income-linked goals.

When the lens shifts to income levels, a more concentrated pattern emerges. Borrowers earning between **₹7.5–10 lakh** annually stand out as the **most credit-active** for lifestyle aspirations, with 40% borrowing to fund goals such as home renovations, vehicle upgrades, or celebrations.

This pattern points to a distinct behavioral pivot within the middle-income bracket — a group financially comfortable enough to spend beyond essentials, yet not affluent enough to do so entirely from savings. For them, **credit acts as an enabler**, bridging the gap between affordability and aspiration.

The data suggests that credit usage peaks in the middle-income segment, where sufficient repayment capacity aligns with aspirational spending, making personal loans a means of access rather than over leverage.

b. How Geography Shapes Credit Decisions

Borrowing in Tier 3 isn't about convenience — **it's about coping**. Nearly **one-sixth of the respondents in Tier 3 (16%)** said that they used personal loans to cover essential living costs, more than double the share in **Tier 1 cities (7%)**.



Tier 3 borrowers are **2.4× more likely** to borrow for daily survival needs than Tier 1 borrowers.

The contrast highlights how financial pressure intensifies outside urban India, where incomes are less stable and savings cushions thinner. As a result, personal loan — amid **limited affordable credit access and fewer formal lending options** — becomes the default tool for survival rather than life-advancement.

Borrowing Patterns Across Regions and City Tiers

Key Purchase Trigger	All India	North	East	West	South	Tier 1	Tier 2	Tier 3
	Base: 2,889	799	606	643	841	1,156	1,130	603
Actual Need [Nett]	48%	44%	45%	51%	53%	46%	49%	50%
Covering Essential Day-to-Day Expenses	11%	12%	6%	9%	15%	7%	13%	16%
Emergency Healthcare / Medical Treatment	11%	10%	13%	13%	8%	14%	10%	8%
Crucial Home Repairs	11%	10%	12%	11%	11%	8%	13%	10%
Crucial Educational Expenses	5%	3%	5%	5%	6%	6%	4%	4%
Repayment of Existing Loan	4%	5%	3%	7%	4%	5%	4%	4%
Essential Office Expense	3%	2%	4%	4%	4%	3%	3%	4%
Emergency Vehicle Repair	3%	2%	2%	2%	5%	3%	2%	4%
Aspiration [Nett]	36%	41%	28%	37%	36%	39%	34%	35%
Wedding or Large Celebratory Event	11%	12%	8%	11%	11%	14%	10%	7%
Home Renovation	8%	6%	5%	10%	10%	7%	8%	8%
Consumer Durable Purchase	5%	5%	4%	5%	5%	5%	4%	7%
General Spending (Taking Advantage of Low-Interest Offers, etc.)	4%	9%	2%	2%	2%	3%	4%	6%
Personal Hobbies / Skill Development	3%	3%	4%	4%	3%	3%	4%	3%
Vehicle Upgrade	2%	2%	2%	2%	3%	3%	2%	2%
Lifestyle And Wellness Activities	2%	2%	2%	1%	2%	3%	1%	1%
Travel For Leisure / Vacation	1%	2%	1%	2%	0%	1%	1%	1%
Business Investments [Nett]	16%	15%	27%	12%	11%	15%	17%	15%

Base: All Respondents (2,889)

Significantly higher at 95% CI

Significantly lower at 95% CI

Q: What was the primary reason for taking out this personal loan?

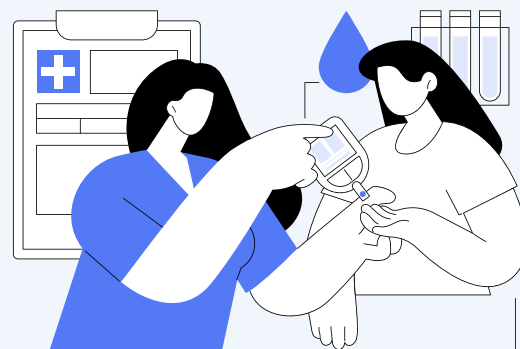
While tier-wise data shows that dependence on credit for essential living expenses intensifies sharply in smaller towns, the **regional distribution** of this need-led borrowing across India adds another layer of context. At a regional level, borrowing to meet essential living expenses is most pronounced in the **South (15%)**, indicating higher reliance on personal loans for day-to-day survival.

Taken together, the tier and regional views suggest that credit stress is shaped by both where borrowers live and the broader regional economic environment. Smaller towns amplify vulnerability, but regional cost structures, income patterns, and household expense profiles also play a decisive role. As a result, personal loans emerge as a **critical support mechanism** not only in Tier 3 India, but across specific regions where essential expenses place sustained pressure on household finances.

02 Healthcare Emergencies Bigger Trigger for Urban Borrowing: 14% in Tier 1 vs. 8% in Tier 3

Medical expenses remain **a key stress point** in India, driving personal loan borrowing for **11%** of borrowers overall and **14%** in Tier 1 cities, highlighting the lack of medical financial buffers.

The medical inflation rate of India is between **12–15%** per year and is **one of the highest in Asia**¹, creating a growing gap between cost and cover. In smaller cities, while treatment costs may be lower, constraints around healthcare facilities, insurance coverage, and household savings create a distinct set of vulnerabilities.



“

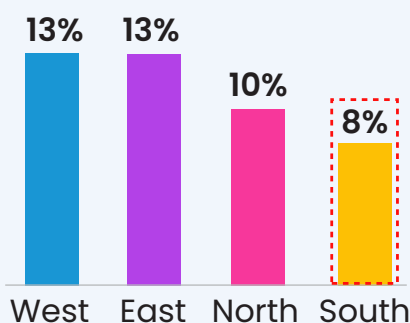
My father was suddenly admitted to the hospital, and the responsibility of arranging funds fell on me during a very difficult time for our family. A personal loan helped me manage the medical expenses on time and focus on his recovery.

— Male, 36, Ludhiana

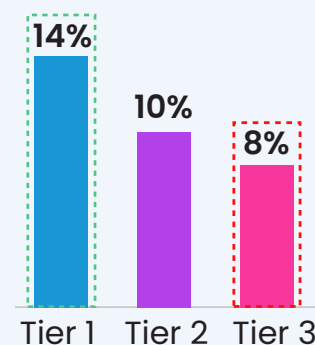
Personal Loan Borrowing for Medical Expenses

All India
11%

By Region



By Tier



Base: All Respondents (2,889)
North (799), East (606), West (643), South (841), Tier 1 (1,156), Tier 2 (1,130), Tier 3 (603)

Q: What was the primary reason for taking out this personal loan?

 Significantly higher at 95% CI

 Significantly lower at 95% CI

Insurance in India: An Elusive Reality



At the heart of the issue is insurance-coverage and payment risk. As per the Insurance Regulatory and Development Authority of India (IRDAI), nearly **573 million** people have health insurance coverage in India (as of 2023-2024), as against **288 million** (in 2014-2015), but despite this robust growth, penetration (as a percentage of population) in FY2024 stood at only approximately **40-42%.*²** The real concern lies in the large number of families without health insurance or sufficient coverage.

Meanwhile, the Ministry of Health & Family Welfare's latest National Health Accounts Estimates for India 2020-21 and 2021-22 show that although out-of-pocket expenditure (OOPE) has dropped, it still accounted for **39.4% of total health spending** as of 2021-22. In other words — nearly four out of ten rupees spent on healthcare came directly from the patient's pocket.³

The data paints a story of constrained options. **Limited health insurance penetration and rising medical costs** push Indian households toward short-term personal loans to solve the crisis at hand — an expedient solution with long-term financial implications.



Health insurance penetration (as a percentage of population) in India (FY2024): **40-42%*²**



4 out of every 10 rupees spent on healthcare came directly from patients' pockets in **FY 2021-22³**

“

We had health insurance, but the cover was too low. When the hospital bill came, we had to arrange the rest ourselves, so we took a personal loan.

— **Male, 38, Pune**

03

The Entrepreneurial Undercurrent: 1 in 3 Non-Salaried Borrow for Business Needs

Among the self-employed and business owners, borrowing leans decisively toward funding business requirements — **31%** said they took personal loans to **start or invest in their business**.

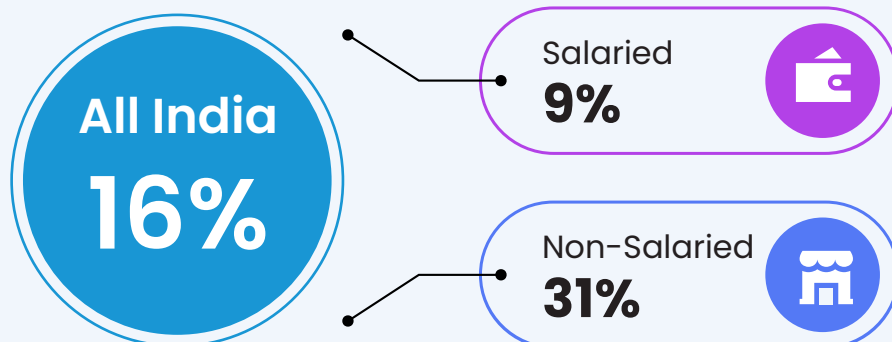
“

I wanted to set up my own clinic, and arranging the funds seemed daunting. Availing a personal loan helped me manage the initial expenses smoothly, allowing me to focus on building my practice without financial stress.

— Female, 27, Warangal

What's interesting is how this entrepreneurial impulse is no longer limited to business owners alone. Even among **salaried individuals**, **9%** reported borrowing to **fund a family business, side business or passion project**. It's a sign of India's evolving work culture — where **job security and entrepreneurial ambition increasingly coexist**.

Business
Investments
as Primary
Loan Purpose



Base: All respondents (2,886)
Salaried (2,029), Non-Salaried (857)

Q: What was the primary reason for taking this personal loan?

Note: Occupation details were not reported by three respondents

“

Insights from our conversations with consumers clearly suggest an increasing confidence to take credit for varied needs across segments, even as gaps in penetration and awareness exist. As consumer behaviour evolves continuously, the onus is on the ecosystem to ease access and build large-scale inclusion.

— Amit Garg, Business Head, Marketplace Personal Loans, Paisabazaar

04 When Celebration Calls, Credit Answers: 11% Borrow for Life's Big Moments

In India, credit mirrors life's priorities, extending **beyond necessity to include celebration**. What was once a purely financial fallback is now a tool to fund social milestones — and weddings sit right at the heart of this shift.

On an overall level, **11% of respondents** cited weddings or large celebratory events as the top aspirational reason for taking a personal loan. Among salaried individuals, this share rises to **12%**, nearly double that of business owners (**7%**). The inclination is strongest in **Tier 1 cities**, where **14%** of borrowers reported using loans for weddings — compared to **10% in Tier 2** and **7% in Tier 3** cities.

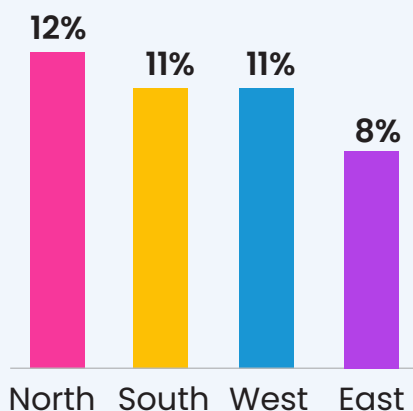


For Tier 1 borrowers, these trends reflect not just affordability, but **aspiration** — the desire to create moments that match their social and digital selves. Rising incomes, easier access to credit, and the “big fat Indian wedding” culture have together normalized borrowing for joy rather than just need.

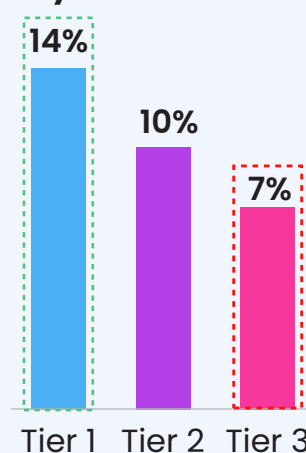
Personal Loan Borrowing to Fund Weddings or Other Events



By Region



By Tier



Base: All respondents (2,889)

North (799), East (606), West (643), South (841), Tier 1 (1,156), Tier 2 (1,130), Tier 3 (603)

Q: What was the primary reason for taking this personal loan?

Note: The 11% figure reflects national incidence. Regional and tier-wise percentages show comparative incidence within each segment and are not additive.

14% Significantly higher at 95% CI

7% Significantly lower at 95% CI

When Duty Calls, Credit Answers

While weddings dominate nationally, regional nuances persist. In Bihar, funerals were cited as **a significant reason for borrowing**. Culturally, funerals in Bihar involve extended rituals, large gatherings and community feasts, making them financially intensive. Consequently, people turn to credit to meet the immediate need, underscoring how **cultural traditions and social expectations shape financial decisions**.

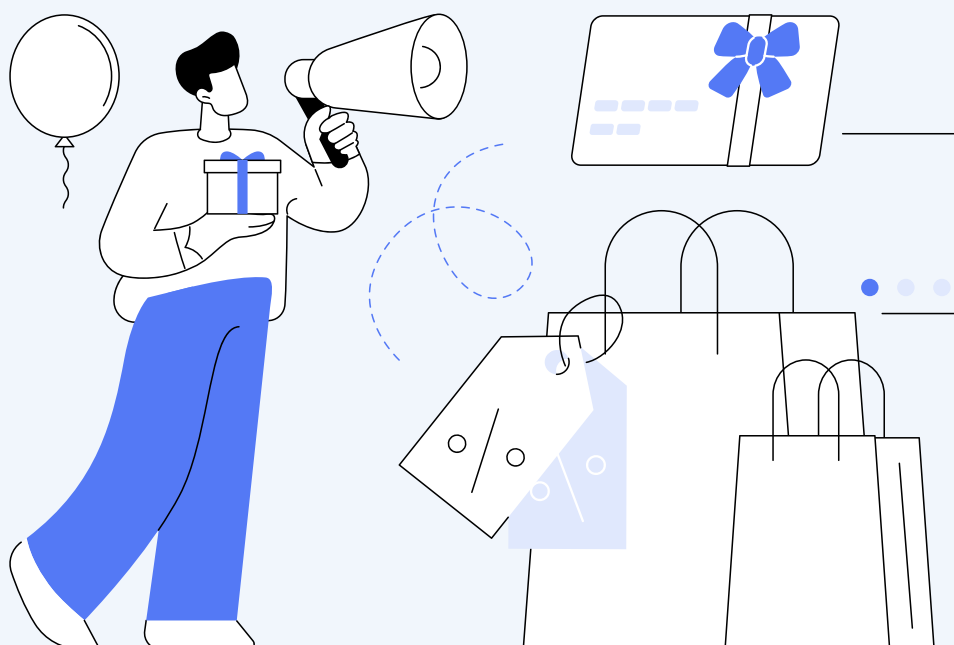
“

My father's funeral ceremony went on for 12 days and for 3 of those days we had to arrange for a feast for about 1,000-1,500 people. It was a big event with significant expenses, so I had to avail a personal loan.

— Male, 37, Patna

The contrasts reveal that **credit in India is deeply personal — influenced as much by culture and community as by income or access**. What unites them all, however, is a growing comfort with using personal loans to honor life's moments, whether of joy or duty.

In many ways, this pattern mirrors India's broader **consumption-led credit trend**. As per recent **RBI analyses, over half (55%) of household loans** today are used for **spending rather than asset creation** — reflecting a shift from ownership to experience, from necessity to expression.⁴



05 Borrowing on Impulse: 25% Skip Alternatives, Gen Z Leads the Charge for Instant Credit

About **1 in 4** respondents (**25%**) admitted to opting for a personal loan without considering alternative credit options — a behavior particularly pronounced among **Gen Z (31%)**, who prioritize speed, convenience, and instant access over evaluating the range of options available.

Evaluation of Alternatives Across Age Groups

Evaluation of Alternatives	All India	Gen Z	Late Millennials	Early Millennials	Gen X
	Base: 2,889	400	964	1,191	334
Did not consider alternatives	<div><div></div></div> 25%	<div><div></div></div> 31%	<div><div></div></div> 23%	<div><div></div></div> 24%	<div><div></div></div> 29%
Considered alternatives	<div><div></div></div> 75%	<div><div></div></div> 69%	<div><div></div></div> 77%	<div><div></div></div> 76%	<div><div></div></div> 71%

Base: All respondents (2,889)

31% Significantly higher at 95% CI 69% Significantly lower at 95% CI

Q: Did you explore any of the following alternatives before applying for a PL?

“

When I urgently needed money to pay for my higher education, I didn't really think about exploring other credit options. I just went with whatever felt quickest and easiest to get the money when I needed it.

— Male, 27, Bhatinda





Interestingly, speed was not the only reason why Gen Z borrowed. A **higher proportion of Gen Z (10%)** also reported taking a personal loan **simply to capitalize on a low-interest offer**, compared to **only 3% of Millennials**, reflecting a growing comfort with credit-led consumption.

Borrowing Patterns Across Age Groups

Key Purchase Trigger	All India	Gen Z	Late Millennials	Early Millennials	Gen X
	Base: 2,889	400	964	1,191	334
Actual Need [Nett]	48%	47%	49%	48%	47%
Covering Essential Day-to-Day Expenses	11%	14%	13%	9%	10%
Emergency Healthcare / Medical Treatment	11%	8%	11%	12%	10%
Crucial Home Repairs	11%	9%	10%	11%	11%
Crucial Educational Expenses	5%	4%	5%	5%	7%
Repayment of Existing Loan	4%	4%	4%	5%	5%
Essential Office Expense	3%	4%	4%	3%	2%
Emergency Vehicle Repair	3%	4%	2%	3%	2%
Aspiration [Nett]	36%	40%	38%	35%	33%
Wedding or Large Celebratory Event	11%	10%	12%	10%	10%
Home Renovation	8%	5%	9%	8%	7%
Consumer Durable Purchase	5%	6%	4%	5%	5%
General Spending (Taking Advantage of Low-Interest Offers, etc.)	4%	10%	5%	3%	2%
Personal Hobbies / Skill Development	3%	3%	3%	3%	3%
Vehicle Upgrade	2%	3%	2%	3%	3%
Lifestyle And Wellness Activities	2%	1%	2%	2%	2%
Travel For Leisure / Vacation	1%	2%	1%	1%	1%
Business Investments [Nett]	16%	13%	13%	17%	20%

Base: All respondents (2,889)

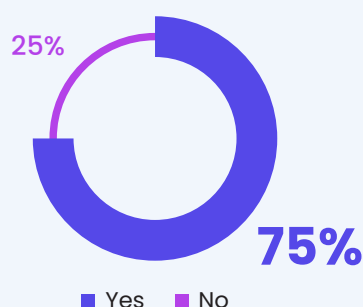
10% Significantly higher at 95% CI

5% Significantly lower at 95% CI

Q: What was the primary reason for taking this personal loan?

Among those who did consider alternatives, **friends and family (54%)**, **secured loans (42%)** and **moneylenders (29%)** were the top choices. This preference for **familiar and fast channels** shows how **emotional comfort and perceived convenience** outweigh rational financial evaluation.

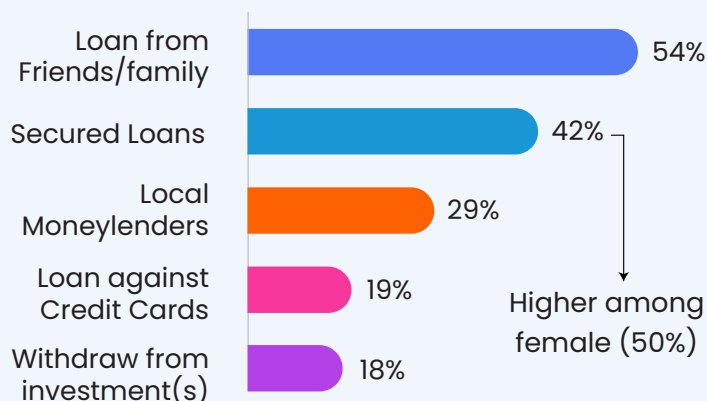
Evaluation of Alternatives



Base: All Respondents (2899)

Q. Did you explore any of the following alternatives before applying for a Personal Loan?

Alternatives Considered



Higher among female (50%)

Average no. of sources considered: 1.7

Regional Borrowing Triggers:

When asked about the reason for choosing personal loan, speed (**60%**) and availability (**56%**) ranked higher than interest rate.

Choice Driver for PL	All India	North	East	West	South	Tier 1	Tier 2	Tier 3
	Base: 2,889	799	606	643	841	1,156	1,130	603
Needed immediate funds	60%	71%	56%	54%	58%	56%	60%	71%
Easy availability of personal loans	56%	54%	66%	53%	52%	53%	59%	54%
Processing time of secured loans was too long	31%	31%	30%	38%	27%	34%	34%	20%
Pre-approved for a personal loan	30%	30%	29%	35%	25%	34%	30%	19%
Interest rate too high in informal channels	28%	29%	23%	33%	28%	34%	27%	18%
Did not wish to withdraw from investments	26%	23%	28%	31%	24%	29%	28%	16%
Did not have any collateral to offer	24%	25%	22%	25%	22%	30%	23%	14%
Could not avail a secured loan due to poor credit score	16%	17%	11%	21%	15%	20%	15%	8%

Base: All respondents (2,889)

Q. Why did you choose to go for a personal loan? [Multi Select]

Significantly higher at 95% CI

Significantly lower at 95% CI

Together, these insights paint a picture of a generation across India that expects **credit in tune with their digital pulse** — where **accessibility wins over assessment**.

06 Online Loans Are Growing, But Many Borrowers Still Buy Offline

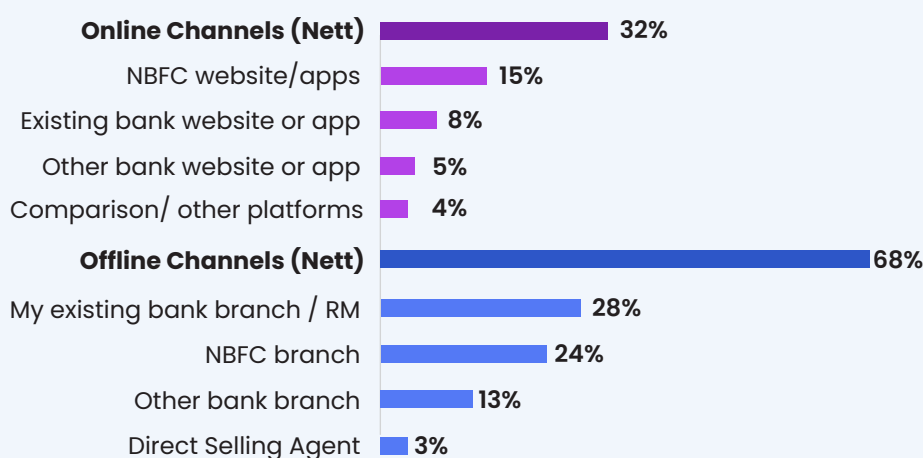
Digital lending is growing as the new frontline for lending — but offline still leads significantly.

Only **one in three borrowers (32%)** availed personal loans online, with NBFC and fintech websites/apps accounting for the largest share (15%), followed by existing banks' websites/apps (8%) and other banks' websites/apps (5%). **4% borrowers** used other platforms that include aggregator and comparison website/apps, payments apps and others to take a personal loan, among which **Paisabazaar (29%)** was the top platform.

A **significant 68%** still prefer visiting physical branches to avail credit, signalling inertia toward online channels among large pockets of the population.

Channel of Purchase

Detailed Breakup



Aggregated Channels

Channel	Purchase
Banks	54%
NBFC	39%
Platforms*	4%
Direct Selling Agent	3%
Private	75%
Public	25%

Base: All Respondents (2,889)

Q. Where did you finally avail the Personal Loan from?

Note: *Platforms include comparison (marketplace, aggregator) platforms, non-lender fintech websites, payment apps etc.

“

I can trust an online company only if someone can visit me and I can put a face to the name. That personal interaction reassures me that there are real people behind the service, not just a website or an app.

— Male, 31, Hyderabad

The top reasons for resistance toward online channels include fear of cybercrime or financial frauds (**79%**), problems in online processes (**57%**) and the inherent comfort with offline processes (**54%**).

Online Channel Barriers	All India	North	East	West	South	Tier 1	Tier 2	Tier 3
	Base: 299	52	36	68	143	186	77	36
Fear of cybercrime and financial fraud [Nett]	79%	81%	78%	79%	78%	82%	73%	72%
Not sure of online process being safe	37%	33%	42%	37%	38%	40%	33%	31%
Came across fake loan providers while browsing	31%	33%	28%	29%	33%	32%	34%	25%
Worried about cybercrime/theft	30%	44%	28%	22%	29%	34%	25%	22%
Platform asked documents via insecure channel	26%	23%	8%	28%	32%	30%	22%	17%
Platform asked many permissions	24%	21%	25%	24%	25%	30%	13%	19%
Problems in Online Application [Nett]	57%	73%	47%	59%	52%	57%	56%	56%
Faced technical issues applying online	28%	40%	17%	29%	27%	30%	26%	28%
Have to worry about documentation	24%	25%	25%	22%	25%	25%	29%	8%
Didn't receive response from online platforms	22%	27%	33%	24%	18%	19%	29%	28%
Comfort with Offline Process [Nett]	54%	56%	42%	47%	59%	54%	58%	39%
Not comfortable applying without physical interaction	33%	44%	28%	29%	33%	36%	36%	14%
I feel more comfortable applying offline	32%	27%	22%	25%	39%	33%	31%	28%
Have a relationship with offline bank / agent	35%	33%	44%	37%	33%	35%	40%	25%
Data Security Concern [Nett]	50%	54%	42%	41%	55%	53%	49%	36%
Unsure of personal / financial data usage	32%	33%	31%	22%	36%	32%	33%	28%
Loan offers from unknown sources post sharing details	27%	27%	19%	22%	32%	31%	23%	17%

Base: Respondents who searched online but availed offline (299)

Significantly higher at 95% CI

Significantly lower at 95% CI

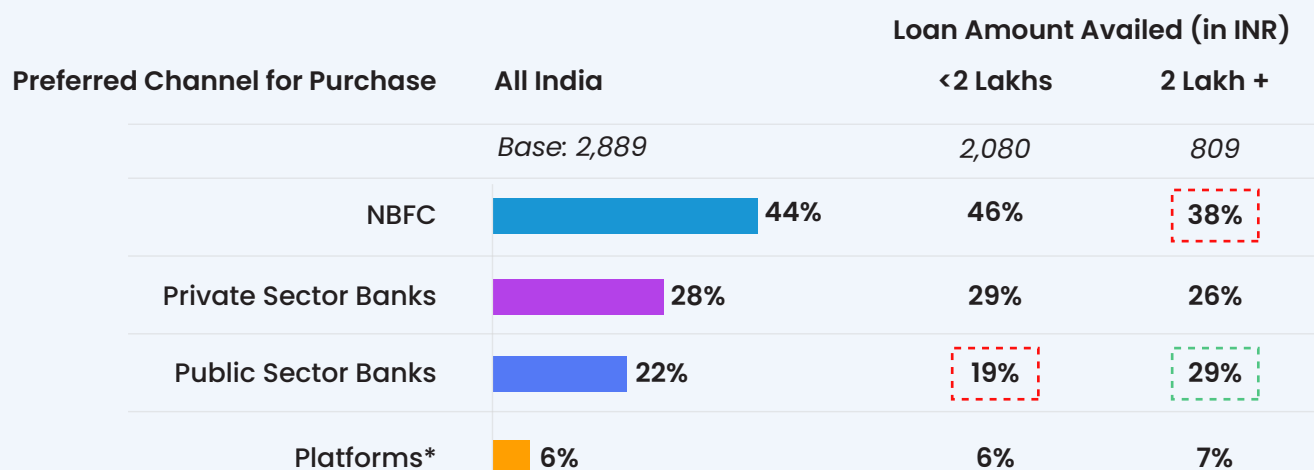
Q. Why did you not avail the Personal Loan online after comparing online?
[Multi Select]



To increase adoption of online lending channels, it is essential to **strengthen security measures** to alleviate concerns about cybercrime and financial fraud. Streamlining online processes, from application to disbursement, can reduce friction for users new to digital platforms. Furthermore, building borrower confidence **through awareness campaigns, transparent communication, and dependable customer support** can encourage a gradual shift from offline to online borrowing.

07 Private Lenders Lead India's Credit Map: NBFCs Take the Lead with 44% Respondents Preferring Them

India's borrowers show a clear preference for lenders that deliver speed, convenience, and a seamless digital experience. While many borrowers have availed themselves of personal loans through offline channels, a significant share is drawn to faster lending journeys, most commonly offered by NBFCs and private banks through their online processes.



Base: All respondents (2,889)

Q. Which of the following is your preferred source for availing a loan?

Significantly higher at 95% CI

Significantly lower at 95% CI

Note: *Platforms include comparison (marketplace, aggregator) platforms, non-lender fintech websites, payment apps etc.

Non-banking financial companies (NBFCs) have taken the lead, attracting **44% of borrowers**, particularly for small-ticket loans below ₹2 lakh. Their edge lies in instant approvals, lighter documentation, and mobile-first onboarding — all of which resonate with time-pressed consumers. Private banks follow at **28%**, while public-sector banks account for **22%** of personal loan borrowers.



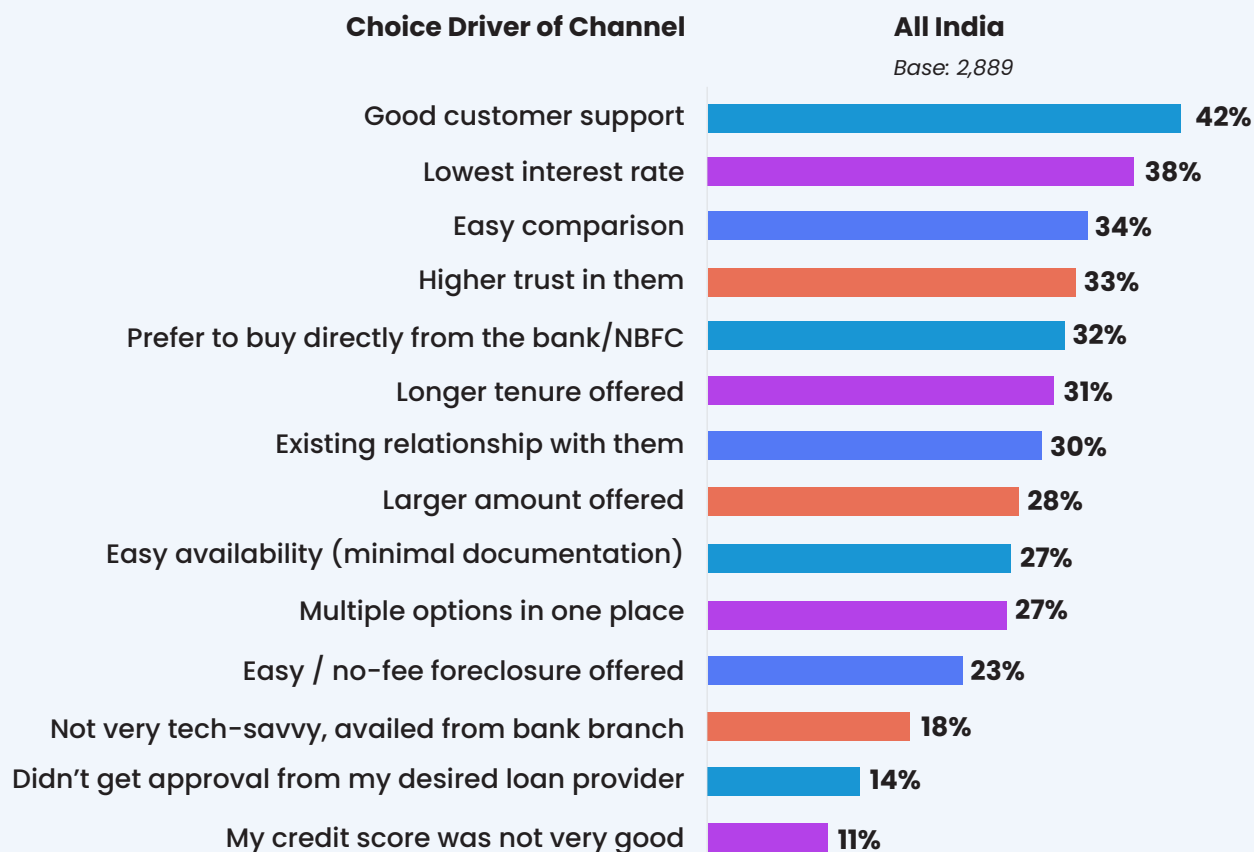
“

Banks have traditionally focused on borrowers with strong credit profiles, leaving a large segment underserved. NBFCs fill this gap by offering more flexible lending criteria, making credit accessible to individuals who may not meet strict bank eligibility norms.

– Akant Goyal, Business Head, PA Personal Loans, Paisabazaar

This preference shift is also visible in the numbers. According to the CRIF High Mark's **How India Lends FY2025**, NBFC's market share increased, with origination value rising from **32.2%** in FY24 to **36.4%** in FY25, and volume growing from **86.3%** to **91.2%**.⁶

When asked what influenced their lender choice, borrowers most often cited **customer service (42%)**, followed by **low interest rates (38%)** and **brand trust (33%)**. Together, these motivations paint a clear picture: **borrowers now value experience as much as economics.**



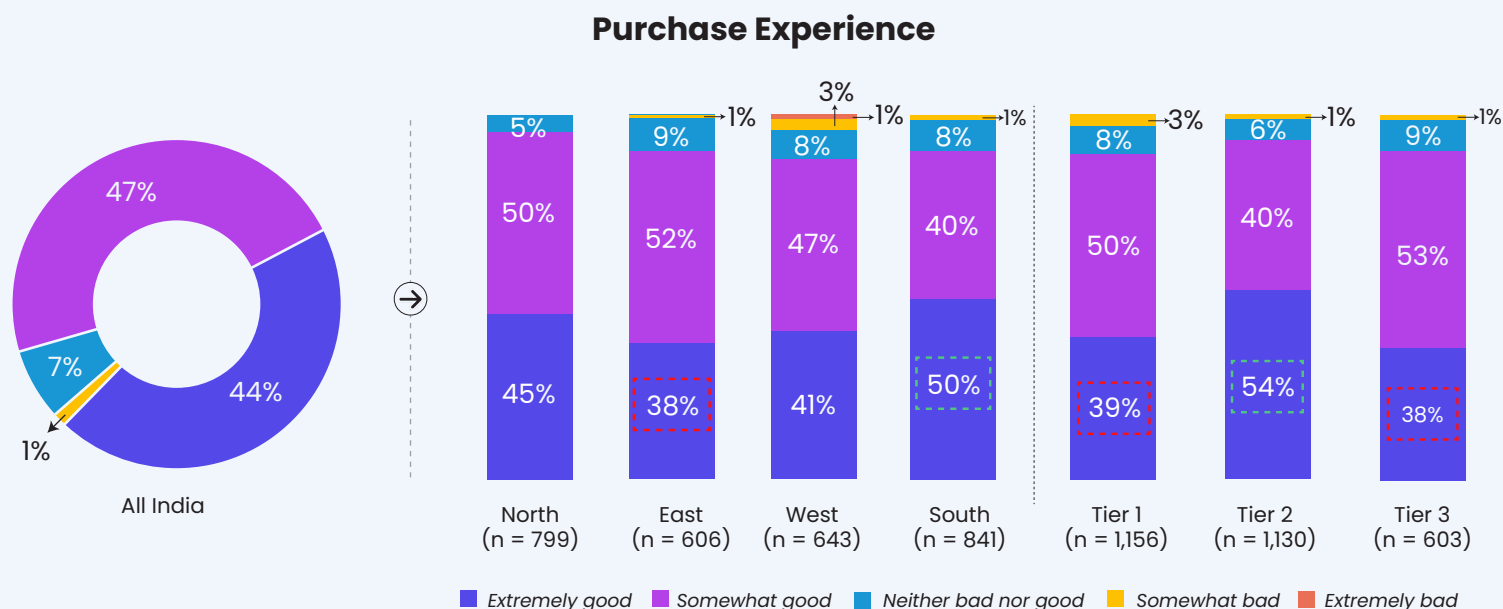
Base: All respondents (2,889)

Q. Why did you choose to avail a personal loan from a particular lender? [Multi Select]



08 Borrower Experience Snapshot: 57% Cited Fast Approval as the Top Driver of Satisfaction

A remarkable 91% of respondents rated their loan experience as “good” or “very good”.



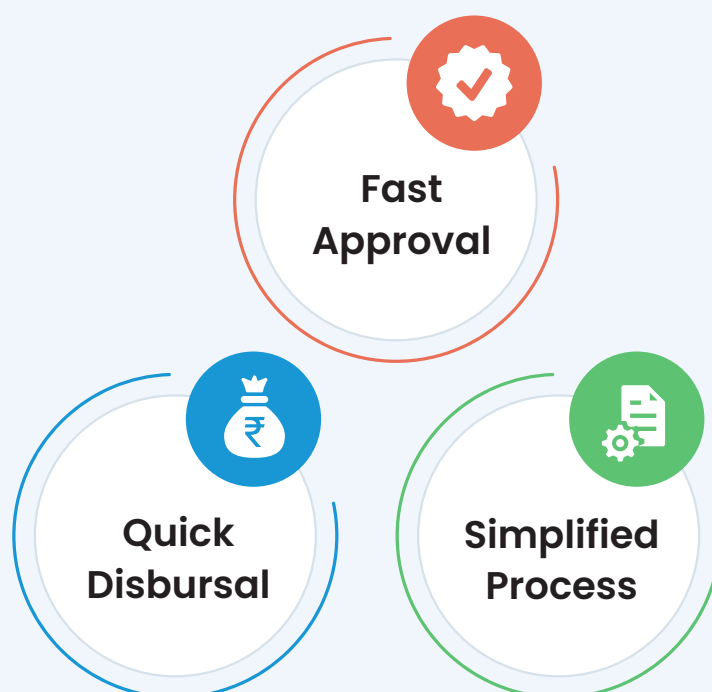
Base: All respondents (2,889)

 Significantly higher at 95% CI

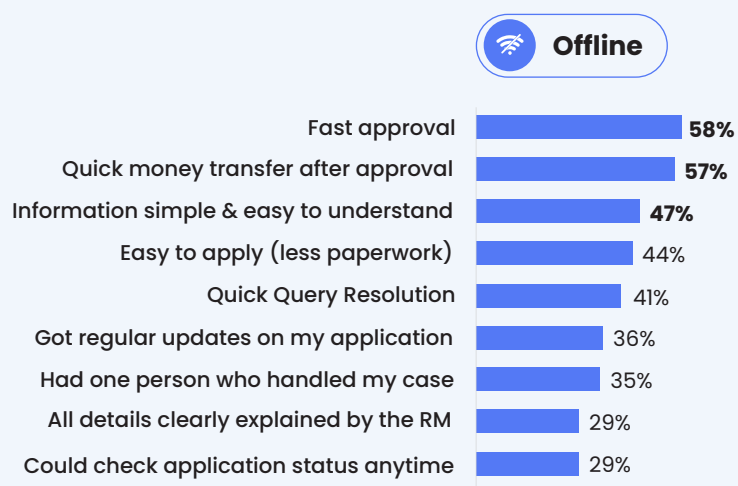
 Significantly lower at 95% CI

Q. How was your experience of availing the personal loan from a particular lender? [Multi Select]

Top Reasons for Satisfaction (Across Online and Offline)

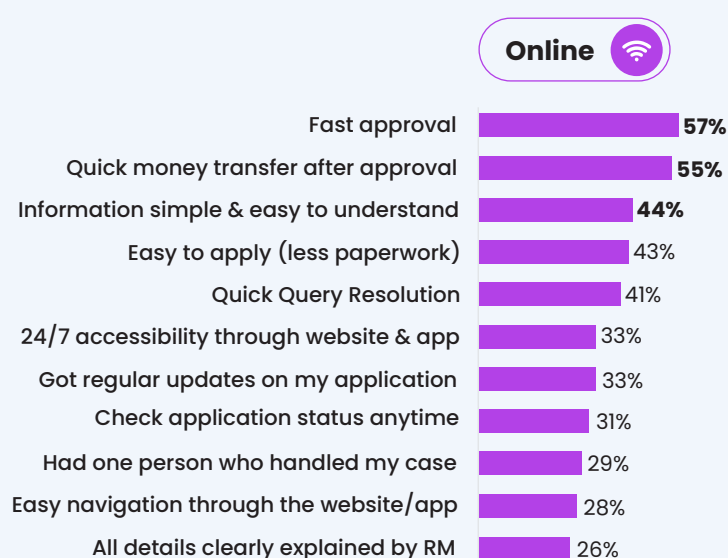


Reason for Good Purchase Experience



Base: All respondents with positive offline experience (1,858)

Q. What made your offline personal loan purchase experience with a [channel] good? [Multi-select]



Base: All respondents with positive online experience (775)

Q. What made your online personal loan purchase with a [channel] good? [Multi Select]

While only **30%** borrowed online, their satisfaction (**89%**) nearly matches offline (**92%**) — suggesting that **digital friction is declining** as experience design improves.



“

I needed funds on the same day so, I applied for a personal loan and disbursal took only 10 minutes. I was very satisfied with the quick money transfer process.

— Male, 26, Indore

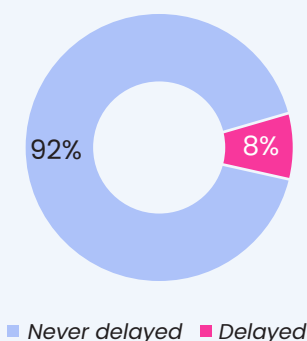
09 Repayment with Responsibility: 92% Never Missed an EMI

Indians demonstrate strong repayment discipline:

- **92%** never missed an EMI.
- Out of the **8%** who did, the reasons were largely situational rather than habitual – temporary fund shortages (**53%**) or auto-debit errors (**30%**).



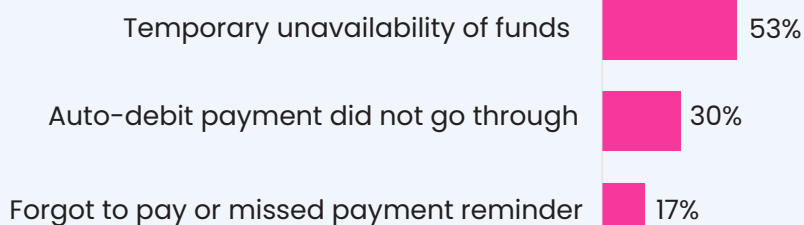
Ever Delayed or Missed an EMI Payment



Base: All respondents (2,889)

Q. Have you ever made a delayed EMI payment or missed an EMI payment for your last personal loan?

Reason for Delay in Payment



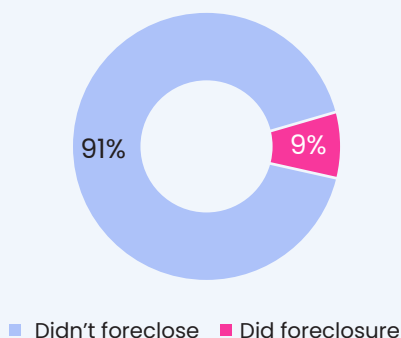
Base: All Respondents who delayed payments (218)

Q. Which of the following best describes the reason for missing or delayed payment of Personal Loan EMI?

As fintechs integrate autopay reminders and safeguards, lender processes are evolving in ways that could reduce repayment delays and default risks over the medium term.

Additionally, **9%** of borrowers foreclosed their personal loans early, and **85%** of these borrowers rated the process as smooth.

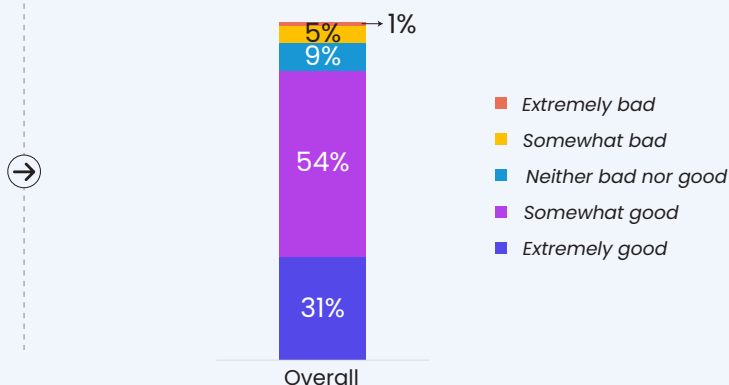
Loan Foreclosure Incidence



Base: All respondents (2,889)

Q. Have you ever made a prepayment or foreclosure of your last personal loan?

Foreclosure Experience



Base: All respondents who pre-paid loan capital (265)

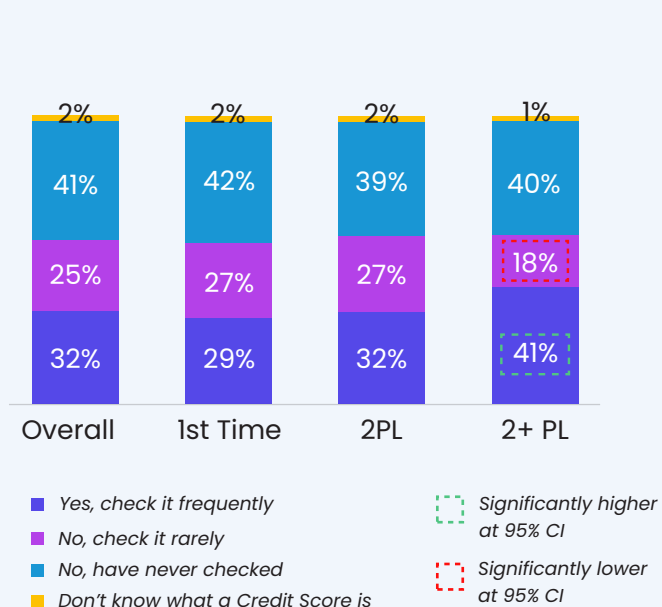
Q. How was your experience with prepayment or foreclosure of a personal loan?

10 Credit Aware, Not Credit Wise: Understanding is Yet to Catch Pace with Awareness

Indian borrowers today are more credit-aware than ever — but awareness hasn't necessarily translated into understanding. An **overwhelming 98%** of respondents said they know what a credit score is, yet **only 7%** have complete or partial understanding of how it affects loan approvals or interest rates.

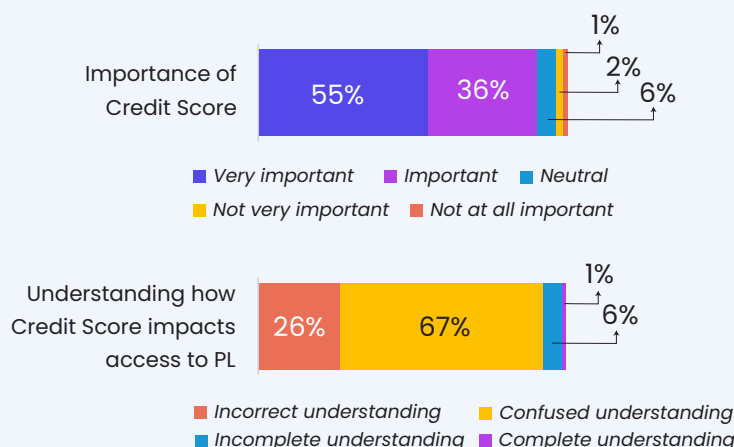
While **32%** of the respondents actively checked their credit scores, most remained unsure about what actually shapes them. This lack of understanding has led to uninformed borrowing patterns, with many borrowers applying for multiple loans, over-borrowing, or ignoring utilisation ratios — actions that end up harming the very credit score they seek to maintain.

Current Credit Score Awareness



Base: All respondents (2,889)

Q: Are you aware of your current credit score?



Base: All respondents (2,889)

Q: How important do you think your credit score is for loan disbursement? Q: How do you think credit score impacts your access to a personal loan?

Note: Complete Understanding: If all correct options chosen

Incomplete Understanding: If some correct options and no incorrect options

Confused Understanding: If some correct and some incorrect options chosen

Incorrect Understanding: If all incorrect options chosen

“

Credit awareness in India has risen meaningfully over the last decade, with consumers increasingly recognising the importance of responsible credit behaviour. However, the journey towards a truly credit-aware India is far from complete. At Paisabazaar, we have leveraged data and cutting-edge technology to encourage good credit behaviour, help consumers climb the credit ladder to build sustainable, long-term credit health.

– Mayank Agarwal, Head, Credit Score Platform, Paisabazaar

Key Takeaways

Discussions across the country clearly reveal the multi-faceted role of personal loans. From meeting essentials and emergencies to fueling the aspirations of many, personal loans have become the financial solution to life's many demands. The key takeaways from the report are listed below:



Beyond necessities and aspirations, credit also supports a wide spectrum of needs, including entrepreneurial endeavours, celebrations and important life events.



Borrowing remains stress-led for many, especially in healthcare, which has emerged as a major urban trigger, highlighting the lack of insurance cover and rising medical costs.



Financial pressure across regions triggers borrowing. Cost of living, income range, and even societal pressure drive borrowing decisions.



Speed has become the primary differentiator in borrowing, directly influencing customer satisfaction and conversion outcomes.



Borrower's understanding of credit remains a weak link, where a surface level awareness of credit translates to actions that may erode their long-term credit health.



Footnotes / References

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5.

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City and Tier-wise Distribution of Sample:

Tier 1	Distribution	Tier 2	Distribution	Tier 3	Distribution
Delhi NCR	250	Sonipat	60	Panipat	40
Kolkata	203	Indore	60	Ujjain	40
Mumbai, Thane	155	Ludhiana	60	Bhatinda	39
Pune	126	Jaipur	60	Udaipur	48
Ahmedabad	102	Lucknow	100	Mathura	42
Bengaluru	113	Guwahati	75	Nalbari	29
Chennai	100	Patna	76	Muzaffarpur	30
Hyderabad	107	Bhubaneswar	75	Puri	30
		Asansol	53	Durgapur	35
		Nagpur	99	Ahmednagar	71
		Baroda	59	Anand	31
		Visakhapatnam	86	Guntur	34
		Mysore	49	Tumkur	29
		Cochin	116	Kottayam	40
		Madurai	51	Vellore	35
		Warrangal	51	Karimnagar	30
Total	1,156	Total	1,130	Total	603

Detailed Methodology and Screening Criteria

Target Audience and Screening Criteria

Respondents met the following criteria:

- **Male | Female**
 - **Respondent Age:**
 - 22–50 for Salaried
 - 25–50 for Self Employed / Business Owners
 - **Currently Employed**
 - **Socio-economic Class:** NCCS AB
 - **Education:** Graduates and above
 - **Annual Personal and Household Income:** More than INR 3 Lakh
 - **Annual Business Turnover:** More than INR 25 Lakh for business owners
 - **Personal Loan Experience:** Recent purchasers of personal loans (defined as those purchased the product in 2023 and onwards)
 - **Role:** Key decision makers/ play significant role in choice of purchase of financial products for themselves
 - **Loan Amount:** More than INR 5,000 and less than INR 5,00,000
- There was no fixed quota in terms of loan amount or loan tenure

Data Collection

- Interviews were conducted using CAPI (Computer-Assisted Personal Interviewing)
- A structured questionnaire was administered
- The questionnaire was translated into regional languages to ensure respondent comprehension and consistency

Exclusion Criteria

Interviews were rejected if:

- Personal loan availed prior to 2023
- The respondent was not the key decision maker in choice of purchase of financial products for themselves
- Quality concerns were identified during validation

Sampling Approach

- The city was divided into 4/5 zones depending on the city size and equal number of starting points were selected in each of the zones.
- The sample size to be covered in the city was divided equally across all the starting points.
- Within a shortlisted area, the respondents were identified using a purposive approach. Respondent identification was done via street intercepts, referrals from those already interviewed, etc.

Quality Control

- As per the industry norms, 30% of interviews conducted by an interviewer were quality checked using different approaches such as physical accompaniments, physical back checks, telephonic back checks for factual information captured in the survey.
- Data consistency checks done for information captured in the survey at different points during the survey.
- Based on the QC checks done, ~160 interviews out of 3000+ interviews completed were rejected as they were not meeting the required quality standards.



HAR SAPNA HOGA SACH

Credits

Research: Divya Agarwal, Sahej Vashishth

Content: Sushmita Mishra, Sahej Vashishth

Design: Rana Harinder Singh, Upendra Prasad

Research Partner: White Canvases Consulting



For any queries, write to: Shamik Ghosh at shamik@paisabazaar.com