



# Data Taste Revealed

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## Economic Research Vertical: Canara Bank: Head Office

### Discussion

### How Microloans by Fintechs Are Eating Banks' Share?

### Data Source

TransUnion CIBIL, MFIN, and fintech reports.

### Reflections

- ✓ Microloans—typically small-ticket, short-term credits under ₹50,000—are supercharging purchases among millennials and Gen Z, who make up over 40% of new-to-credit borrowers.
- ✓ Fintechs like Snap mint, Kiwi, and Fibe reported 40-50% year-on-year growth in loan volumes, with average ticket sizes around ₹15,000. Credit-on-UPI transactions jumped nearly 50% during festivals compared to 2024.
- ✓ NBFC-MFIs now hold 39% of the ₹4 lakh crore microfinance portfolio (up from 35% in FY23), while banks' share has dipped to 34% (from 37%).
- ✓ Fintechs like PayU's LazyPay are embedding credit into daily apps, capturing 66% growth in consumer durable originations.
- ✓ Fintechs offer faster access (under 5 minutes) to unbanked/underbanked users via UPI, without collateral.

### Growth in Fintech- led- Microloans

Metric	2024 Festive Season	2025 Festive Season (Est.)	Growth (%)
Microloan Disbursals	₹77,877 crore	₹1,00,000+ crore	+28%
Credit-on-UPI Usage	Baseline	+50% YoY	+50%
BNPL Transactions	20% of e-comm sales	30% of e-comm sales	+50%
New-to-Credit Borrowers (Post-1995)	35%	41%	+17%

### Microloan Comparison: Fintechs/NBFCs vs. Traditional Banks (Festive Season 2025)

Aspect	Fintechs/NBFCs	Traditional Banks
Market Share	39% of ₹4 lakh crore microfinance portfolio (up from 35% in FY23)	34% of microfinance portfolio (down from 37% in FY23)
Loan Volume Growth	40-50% YoY (e.g., Snapmint, Kiwi, Fibe); ₹1,00,000+ crore disbursed in 2025	10-15% YoY; limited focus on microloans, total ~₹1.36 lakh crore
Average Ticket Size	purchases like smartphones, apparel)	₹20,000-₹50,000 (higher due to focus on secured loans)
Interest Rates	0-15% APR (often "no-cost" EMI or low-cost BNPL)	10-20% APR (higher due to stricter risk assessment)
Processing Time	<5 minutes (AI-driven approvals, app-based)	1-7 days (requires documentation, branch visits)
Accessibility	High: Targets unbanked/underbanked; available	Moderate: Requires bank account, credit history; limited rural reach
Key Platforms	LazyPay, ZestMoney); tied to Amazon, Flipkart, Zomato	Bank-specific apps, branch loans; tied to retailers like Croma

### Key Takeaway:

*Traditional banks, once dominant in retail lending, are losing ground to agile fintechs and NBFCs in the micro-credit space. Banks' focus on high-value loans (e.g., home/auto) has left the small-ticket segment underserved, allowing non-banks to innovate with AI-driven approvals and app-based disbursals.*

*It is for time to answer whether microloans are the unsung heroes or villains of India's 2025 festive frenzy, democratizing credit but definitely challenging banks to adapt the change and pace of ignored Tech driven lending.*

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