

Digital lenders revive growth in FY26 with unsecured loans

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Digital lending firms regained some momentum in FY26, as unsecured lending picked up and growth stabilized after a regulatory-led slowdown the previous year, industry executives and analysts told *Mint*.

The rebound follows a muted FY25, when tighter regulations, rising costs and weakening credit quality sharply slowed expansion. Loan growth, for non-banking finance companies (NBFCs) with assets under management (AUM) below ₹15,000 crore, fell to about 13% in FY25 from around 36% a year earlier, according to a November 2025 report by Icra Ltd, as unsecured lending and micro-finance segments contracted. Growth is expected to have recovered to 16–18% in FY26.

The recovery was led by unsecured personal loans, which formed the bulk of portfolios in FY26. KreditBee grew its assets under management to ₹10,200 crore in FY25 and is expected to reach ₹14,700 crore in FY26, implying 45% year-on-year growth. Kissht, which reported an 18% decline in FY25 net profit to ₹160.6 crore, posted ₹122 crore profit in the first half of FY26. Moneyview, meanwhile, reported ₹2,373 crore in revenue in the first nine months of FY26, already surpassing its FY25 revenue.

Between 2022 and 2025, the Reserve Bank of India (RBI) rolled out a series of measures to tighten oversight of digital lending, as rising delinquencies exposed risks in fintech-led unsecured credit. These included digital lending guidelines, caps on default loss guarantees, and stricter norms on loan recognition, culminating in a consolidated frame-



The rebound follows a muted FY25, when tighter regulations, rising costs and weakening credit quality slowed expansion. ISTOCKPHOTO

work in May 2025.

Industry-level data also points to a pickup in activity. Digital NBFCs accounted for 19% of sanction value and 80% of sanction volume in the first half of FY26, according to the Fintech Association for Consumer Empowerment (Face).

“The unsecured segment has started to pick up again and it is good for the sector,” said Mohit Agarwal, executive director at Unaprime Investment Advisors.

Digital personal lending firms typically operate in the small-to-medium-ticket segment, ranging from ₹5,000 to ₹10 lakh, offering loans at interest rates above 12%, and in some cases 28% or higher.

The renewed growth follows a period of stress in unsecured portfolios, particularly after disruptions in the micro-finance (MFI) segment, which had spillover effects on broader unsecured lending. “Post-MFI, there was a liquidity crisis, unsecured books saw losses across NBFCs and banks,” said Madhusudan Ekambaram, co-founder and chief executive of KreditBee.

The MFI disruption, which peaked in late FY25, was driven by over-indebtedness of borrowers, aggressive lending practices, and weakened

group accountability. Unsecured retail lending remains under watch despite improving asset quality trends, RBI said in its December 2025 Financial Stability Report.

Unsecured loans, which are not backed by collateral, are generally riskier than mortgage or vehicle loans. Rapid growth in such lending prompted the Reserve Bank of India to raise risk weights on consumer credit and bank loans to NBFCs in 2023, and tighten regulations for peer-to-peer platforms over 2023 and 2024. These measures curtailed funding flows to the sector and pushed lenders to shift towards secured loans to protect profitability and sustain growth.

Lenders have since focused on repairing asset quality. For instance, KreditBee’s gross and net non-performing assets (NPAs) improved from 2.8% and 0.7% as of 31 March 2025 to 1.8% and 0.4%, respectively, as of 31 December 2025.

The recovery coincided with a pickup in fund-raising, even as the Reserve Bank of India tightened credit flows to such firms from larger lenders in March 2025 amid concerns around borrower stress.

“Traditional NBFCs have cut down on unsecured exposure, so fintech lenders have to support growth through their own balance sheet,” he added.

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Unsecured personal loans drove the recovery, with sector growth estimated at 16-18% in FY26