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BORROWS

— 2025 —

**From Dreams to Reality:
How India is Funding its
Aspirations Through
Smart Credit**

Home Credit India brings to you the 7th Edition of the How India Borrows Study

Preface

Home Credit India, a subsidiary of **TVS Holdings Ltd.**, stands as a pioneering force in the consumer finance sector. As a leading **Non-Banking Financial Company (NBFC)**, we have been steadfastly committed to driving **credit penetration** and fostering **financial inclusion** across India since 2012. Our foundational mission is to provide simple, trustworthy, and transparent financial solutions that are powered by technology and accessible to all, continuously innovating to meet the evolving needs of our vast consumer base.



Our commitment is validated by our expansive operational footprint: Home Credit India operates across **625+ cities**, supported by a robust network of over **53,000 strategically positioned partner points-of-sale**. Having successfully served over **1.9 Crore customers**, our diverse range of innovative products are continually refined, supported by a dynamic, scalable technology platform and driven by **proprietary, data-led insights** to deliver a seamless experience.



It is from this deep operational expertise and wealth of proprietary data that the '**How India Borrows Study**' was conceived. Now entering its **7th landmark edition**, this annual research initiative is more than just a survey; it is our **signature pulse check** on the nation's evolving relationship with credit. In a market as dynamic and nuanced as India's, understanding the behavioral shifts, the emerging needs, and the underlying aspirations that motivate consumers to borrow is paramount.

The findings presented in this 7th edition provide essential clarity on the borrowing ecosystem, offering crucial insights for policymakers, financial institutions, and the retail sector. We strive to be the financial partner that empowers the aspirations of millions of Indians, utilizing this research as a vital tool to facilitate responsible credit access and ensure that our every effort is geared towards helping our customers realise their financial goals now, as encapsulated in our brand thought of making every **#ZindagiHit**.

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Message From CMO



Dear Reader,

When we set out to conduct this study, we weren't just charting loan uptake; we were seeking to understand the **emotional economy** of India's ambitious class.

We wanted to know: What are the near-term goals that drive them to borrow? What fears cause them to hesitate? And how do they truly feel about credit's role in their journey?

What we discovered is a borrower defined by **strategic prudence and unwavering conviction**.

This report reveals that the lower middle class is not borrowing for survival or impulse, but making a **calculated, confident bet on their future**. They embody a powerful duality: they are meticulous and cautious—highly aware of the risk of the debt trap—yet they are fundamentally driven by the belief that credit is the essential **Accelerator of Destiny**.

They are utilizing financing as a **bridge** to the critical goals of **entrepreneurship, homeownership, and their children's education**. They view credit not as a burden, but as the only tool that can secure their legacy and provide the **Autonomy Dividend**—that crucial feeling of independence and control over their financial lives.

As you navigate these findings, I invite you to see our customers as they truly are: **Prudent Planners** and **Confident Builders**. Our mandate is clear: to move beyond transactional relationships and become true partners that address their **Caution Threshold** with transparency and trust. By clearing the path for their ambition, we don't just enable individual progress, we help unleash a powerful, strategic tide of national growth.

Happy reading and thank you for joining us in understanding the **Aspirational Map of India**.

ASHISH TIWARI

Chief Marketing Officer

Home Credit India



Understanding The Borrowing Journey of India's Aspirational Lower Middle Class

In India's vibrant economic tapestry, the lower middle class stands as a **dynamic engine of aspiration and financial mobility**. Far from a homogenous group, they represent a vast segment that is rapidly gaining economic agency, driving profound shifts in both consumption and the demand for capital. Often balancing traditional values with modern goals, these households are at the forefront of adopting **smart credit solutions** and new financial instruments, recognizing that responsible borrowing is the vital mechanism for translating their **dreams into reality** across the nation's urban and semi-urban economies.

This report focuses specifically on India's lower middle class, a group representing **two-thirds of the country's population** and often considered the silent drivers of India's economic growth. For this segment, credit is the essential mechanism for transitioning **"From Dreams to Reality."** They demonstrate remarkable resilience and aspiration, navigating the dual challenges of limited resources and rising living costs by seeking out **'Smart Credit'** solutions. We explore their unique borrowing behaviors, characterized by careful risk assessment, digital adaptation, and determination to access capital responsibly.

Specifically, this 7th Edition of the **How India Borrows (HIB) Study**, examines the fundamental link between **aspiration and financing**, analyzing the shift in how credit is accessed, the impact of digital platforms on informed decision-making, and the crucial role of trust and transparency in the evolving lending ecosystem.

With this research, we aim to provide essential clarity on the lending landscape, mapping the intricate journey of how India is funding its aspirations through the strategic and responsible use of credit.

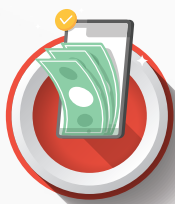
HIB 7.0: A Framework for Funding Aspirations

For keeping the report actionable and providing strategic clarity for the financial ecosystem, the study is divided into four major thematic areas that align with the concept of smart credit as an enabler:



The Credit-Aspiration Nexus: Motivation & Mobility

Examining how credit serves as the essential launchpad for fulfilling life goals and achieving financial autonomy.



The Digital Loan Landscape: Channels & Literacy

Tracking the rise of digital proficiency and the critical consumer shift towards mobile-first loan access and application.



Decoding Borrower Decisions: Criteria & Trade-offs

Isolating the key parameters—from interest rates to transparency—that define 'Smart Credit' in the eyes of the consumer.



Trust, Transparency, and Emerging Finance

Analyzing concerns over data privacy, and the growing market adoption of innovative lending solutions like Embedded Finance and EMI Cards.

About

The How India Borrows Study

Following our deep dive into consumer aspirations in the 3rd edition of our The Great Indian Wallet Study, the 7th edition of the 'How India Borrows Study' undertakes a comprehensive exploration of the crucial next step: **how India is funding its aspirations through Smart Credit**. This research pivots to illustrate how the country's aspirational segments are strategically leveraging credit as the dynamic tool that empowers them to move 'from Dreams to Reality'. We aim to illuminate the transformative journey of financial behavior, where the adoption of **smart credit** solutions is actively converting personal and professional goals into tangible achievements, thereby strengthening the narrative of financial inclusion and economic mobility.

The study is meticulously designed to deliver an in-depth understanding of how **smart credit** is defined and utilized in the real world. The core objective is to **deeply analyze the pivotal role of purposeful borrowing, digital access, and financial literacy** in accelerating this transition from dreams to reality. Specifically, the research endeavors to uncover key dynamics, including: **Borrowing Behavior**—identifying the exact life goals and shifts in loan channel preferences; **Loan Decision Drivers**—evaluating the factors (like transparency and flexible repayment) that characterize a **Smart Credit** offering; and exploring **Aspirations & Attitudes** to capture how responsible credit usage directly fuels lifestyle upgrades and future goal fulfillment.

Furthermore, this research bridges existing knowledge gaps by meticulously evaluating the contemporary complexities of the digital lending ecosystem required for **Smart Credit** access. Our key focus is to **gauge the critical role of trust and transparency** in empowering borrowers. This includes assessing **Digital Financial Adoption** (the literacy and readiness needed for responsible use) and critically examining **Data Privacy Awareness**—gauging consumer knowledge, concerns, and expectations around personal data protection in loan services to ensure borrowing remains secure and ethical.

To ensure the findings are robust and actionable, the study employed rigorous methodological approaches. **Computer Aided Telephonic Structured Interviews (CATI)** were conducted in the age group of 18-55 years. This extensive study provides a comprehensive view of the borrowing ecosystem, spanning **17 major cities** and covering varied income groups and professions to ensure the resulting insights meaningfully contribute to policy formulation around enabling **Smart Credit** for national growth.

Whose Voices Shape This Study

The insights detailed in the 7th Edition of How India Borrows (HIB) Study, are validated by the voices of real borrowers, providing a robust and comprehensive view of the credit landscape across India. **Consumers surveyed were primarily males in the average age bracket of 33 years and an average monthly household income of ₹34,000**, confirming the report's focus on the crucial lower middle-class segment.

The Geographic and Demographic Footprint

The study encompasses a broad segment of India's aspiring population, ensuring the findings accurately reflect the diverse reality of those leveraging credit to achieve their goals.



Age Group: 18 to 55 years

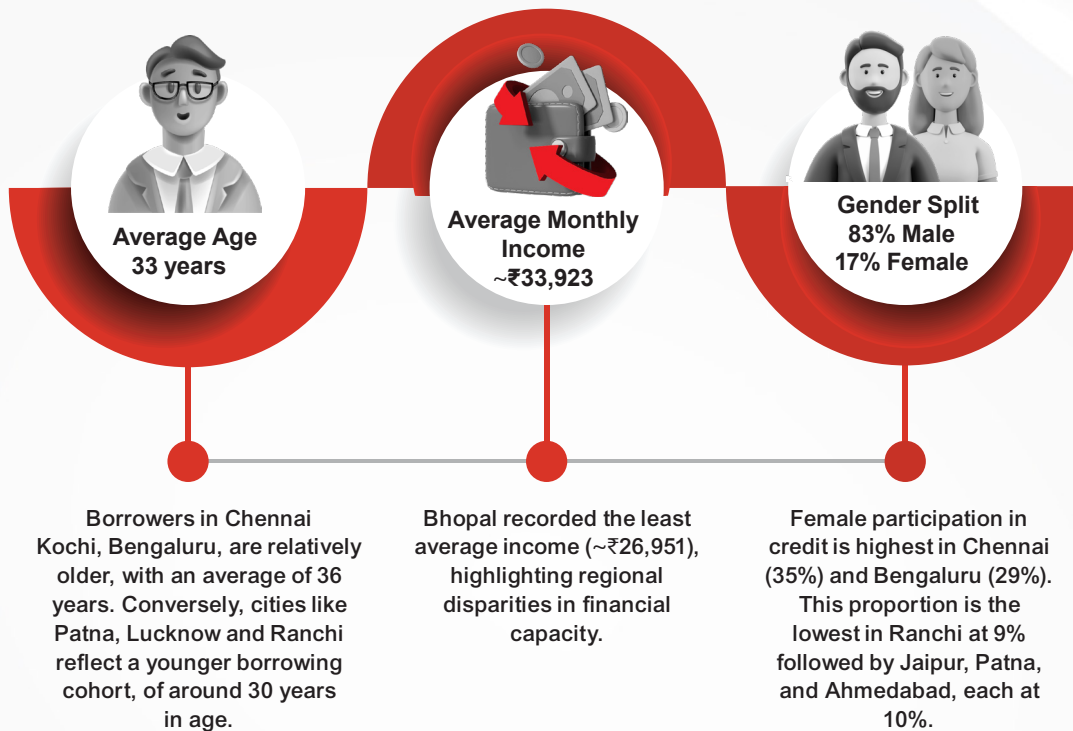


Geographic Reach: 17 major cities, spanning Metros, Tier 1, and Tier 2 centers.



The Financial and Social Profile of the Borrower

The findings are largely driven by young, digitally engaged consumers, but reveal significant regional variations in financial access and stability, particularly in the borrower's age and income capacity.



This rich demographic tapestry ensures that the How India Borrows Study provides actionable insights into the variations in borrowing behavior driven by regional culture, local economic dynamics, and age-specific goals.

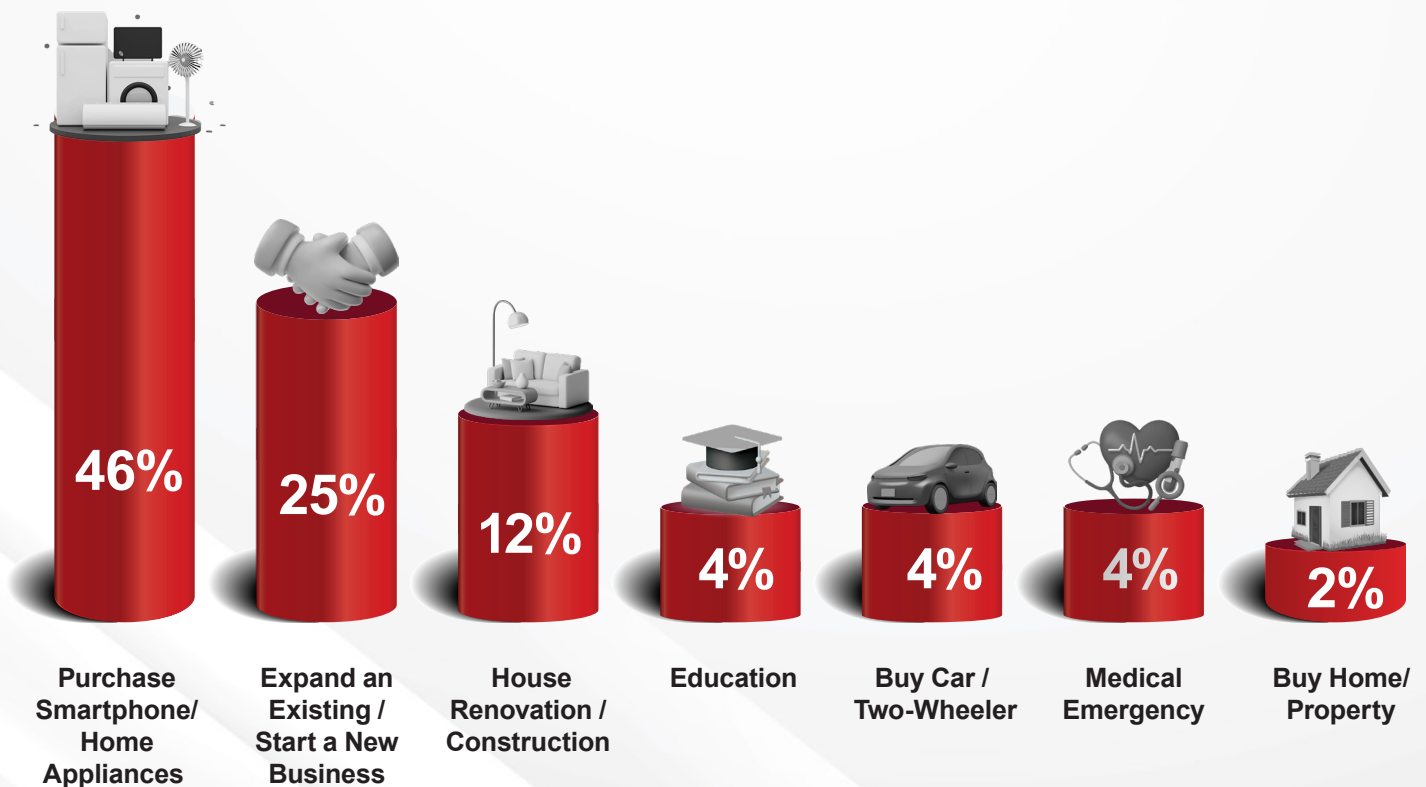
The Credit Catalyst: **Why India Borrows**

For the aspirational Indian lower middle class, credit is no longer viewed through the old lens of necessity or distress; it is the **active catalyst** that transforms ambition into achievement, serving as the essential tool for moving "**From Dreams to Reality.**" Our data from the study reveals a profound duality in borrowing: credit is used both to democratize access to modern living standards and, critically, to fuel the entrepreneurial engine of the nation.

The Dual Engine: Utility and Enterprise

The credit wallet is split between immediate utility and strategic economic growth. While the largest single reason for borrowing in 2025 remains the purchase of **Smartphones and Home Appliances (46%)**, underscoring the vital need for connectivity and comfort, the second-largest reason signals a confident shift towards self-reliance: **25% of loans are specifically sought for expanding an existing business or starting a new one.**

Why India borrowed in 2025



This 25% dedicated to business loans is a landmark finding. It confirms that for many, borrowing is less about consumption and more about **capital formation**. Think of a small tailor in Pune who needs a ₹25,000 loan to buy a high-speed sewing machine, or a vendor in Lucknow who needs working capital to stock up for the festive season. For them, a loan is not debt; it is a direct investment that yields higher returns, representing the purest form of using credit to fund a sustainable dream.

The growth in this category is significant, rising consistently from a low of 14% in 2022 to 25% in 2025, demonstrating a sustained and deliberate commitment to **entrepreneurial growth** within this segment.

Purpose of Borrowing 2025

Smartphones/Home Appliances (HA) 46%

Trend Implication: Stable, high demand for digitisation and modernization of life.

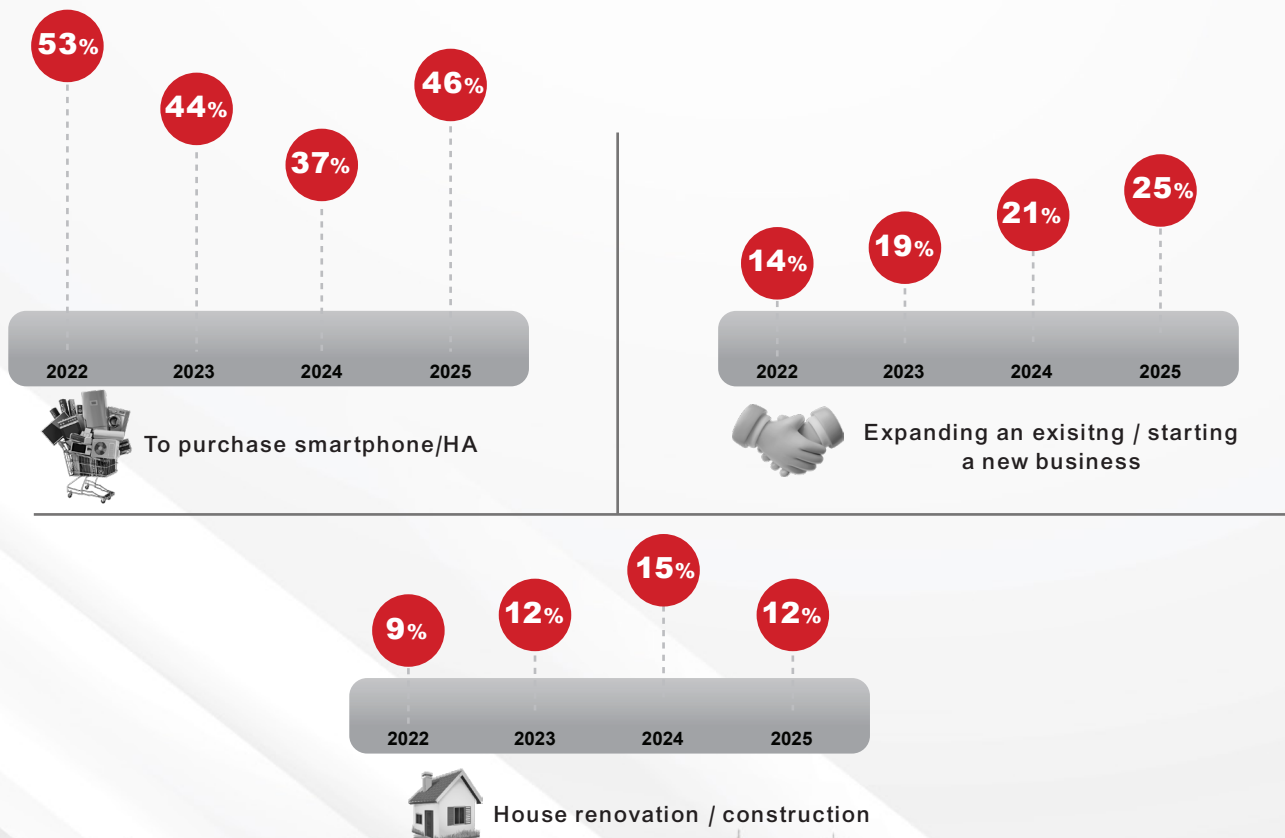
Business Expansion/Start-up 25%

Trend Implication: A clear, sustained surge in entrepreneurial confidence and capital needs.

House Renovation/Construction 12%

Trend Implication: Growing investment in foundational asset security and family comfort.

Yearly trend : Major reasons why India borrows



Investing in Security and Long-Term Stability

Beyond the top three drivers, borrowing is strategically directed towards creating a stable and secure foundation for the future.

- 🕒 **Intergenerational Mobility: Education Loans, steady at 4%**, represent the deepest long-term aspiration. For a parent, this is the most calculated use of **Smart Credit** - a strategic investment in their child's future that promises to break the cycle of limited opportunity.
- 🕒 **Resilience: The proportion of loans taken for Medical Emergency has risen to 4%** (from 2% in 2022), signaling that credit acts as a critical safety net when household savings are insufficient to cover unexpected crises.

The Rise of Purposeful Borrowing

The overall study underscores a shift towards **prudent and purposeful borrowing**. Categories associated with distress or poor financial management remain minimal:

- 🕒 Taking credit to fulfill household needs accounts for a mere 1%.
- 🕒 Taking credit to return a previously taken loan is also only at 1%.

This low dependence on credit for consumption smoothing or perpetual refinancing suggests that the modern borrower is using **Smart Credit** primarily for high-value, high-impact goals—either for **asset creation (business, home)** or **essential utility and future investment (smartphones, education)**. The financial decisions made by this demographic are not characterized by recklessness, but by a strategic, deliberate effort to finance their move from dreams to reality.



Conclusion: The Purposeful Credit Choice

As we close the chapter on the motivations behind borrowing, a powerful narrative emerges: the lower middle class is not borrowing out of desperation, but out of **determination**. The significant surge in loans dedicated to **business expansion and startups (25%)**, coupled with stable investment in **foundational security (home and education)**, confirms that credit is viewed as a strategic financial tool—the hammer and anvil for forging a better tomorrow.

The low reliance on credit for consumption smoothing or perpetual debt demonstrates that this segment is actively engaging in **Smart Credit** behavior, choosing to fund tangible assets and growth opportunities rather than covering daily shortfalls.

Ultimately, the study paints a clear picture: the aspiring Indian is leveraging the credit ecosystem to move **From Dreams to Reality**. It is a quiet testament to their resilience and financial ingenuity, proving that their calculated borrowing today is the engine driving India's economic progress tomorrow. This shift demands that financial institutions continue to provide transparent, purposeful credit products that match the soaring ambitions of the nation's borrowers.



The Digital Literacy Quotient: **The New Currency of Trust and Access**

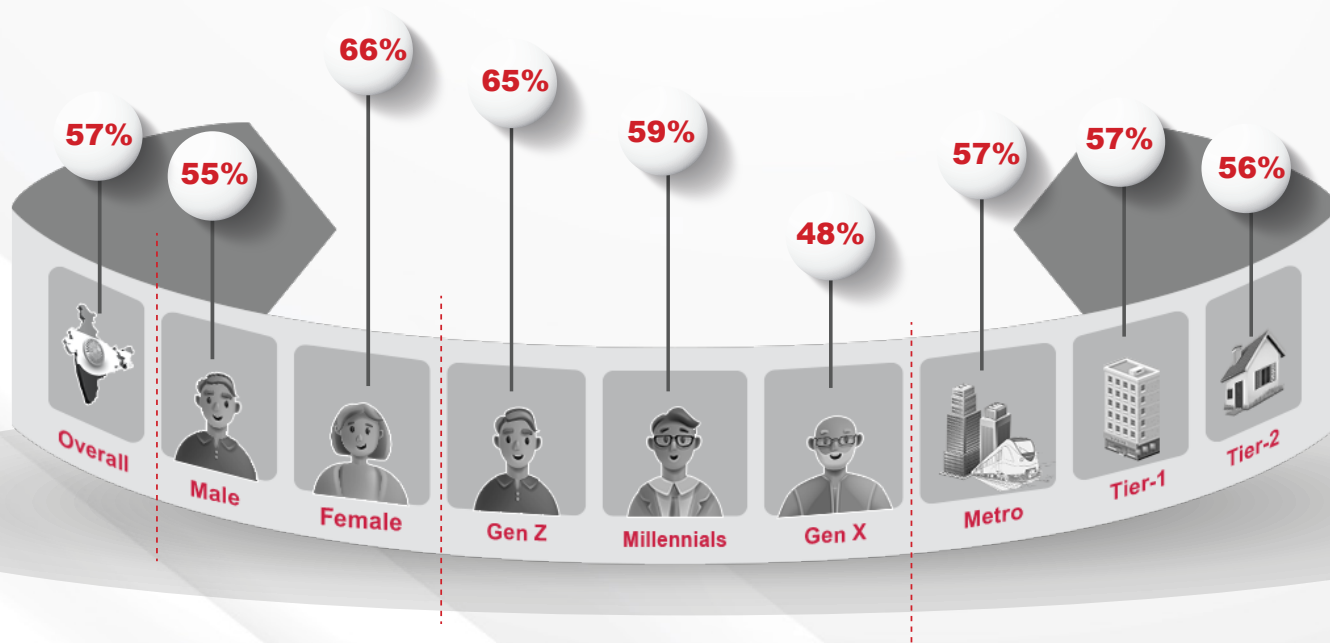
The journey "**From Dreams to Reality**" requires more than just ambition; it needs a master key. In modern India, that key is **digital literacy**. For the lower middle class, mastering the smartphone screen is not just about staying connected—it is **about gaining true financial independence** and bypassing the old, slow obstacles of physical bureaucracy. The confidence to shop online, bank digitally, and apply for a loan from their own mobile is their superpower. The **Digital Literacy Quotient** measures this new confidence, acting as the critical barometer for how prepared they are to access the most transparent and affordable options. Simply put, their digital fluency is their ticket to **Smart Credit**, allowing them to seize opportunities—like expanding a business or enrolling a child in school—the moment the dream takes hold.

1. Online Shopping: The Digital Gateway to Credit

The act of shopping online is far more than a transaction—it is the foundational experience that builds **digital trust and confidence**. For the lower middle class, ordering goods on a mobile app is the training ground for applying for a loan on the same device. It signals that they are comfortable with the interface, the concept of digital payments, and the idea of remote, paperless engagement.

Our study reveals that the digital shopping habit is now firmly rooted, with **57% of borrowers engaging in online shopping**. This high penetration confirms that this segment is already living a digitally enabled life, making them prime candidates for the seamless world of **smart credit**.

Online shopping penetration by demographics

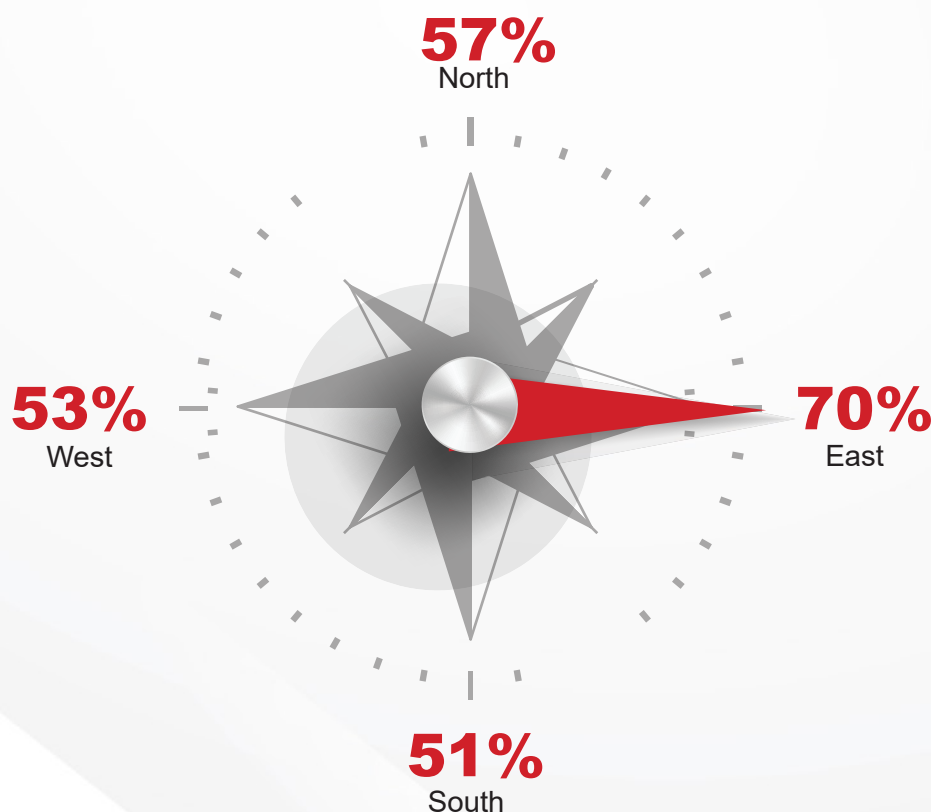


The Quiet Digital Leaders: Women and the East

The data dismantles conventional stereotypes about digital adoption, pointing to surprising leaders in digital commerce:

- Gender Flip:** Women are the quiet digital leaders, with **66% shopping online** compared to 55% of men. This significant 11-point gap suggests that the convenience of digital shopping is empowering women to manage household purchases efficiently, bypassing limitations on mobility and time, and fostering the independence required for future financial decisions.
- Generational Shift:** The youth are driving the trend, with **Gen Z leading at 65%** penetration. However, the adoption curve remains high for Millennials (59%), while Gen X—the generational anchor of the household—lags behind at 48%. This differential highlights a clear generational transition in digital confidence.
- The Eastern Surge:** Regionally, the **East leads dramatically at 70% adoption**, outpacing all other zones. Cities like **Kolkata (74%)** and **Patna (68%)** show exceptional penetration. This surge in smaller and developing urban centers proves that digital commerce is effectively breaking down regional barriers, making location a non-issue when it comes to financial access and aspiration.

Online shopping penetration by region



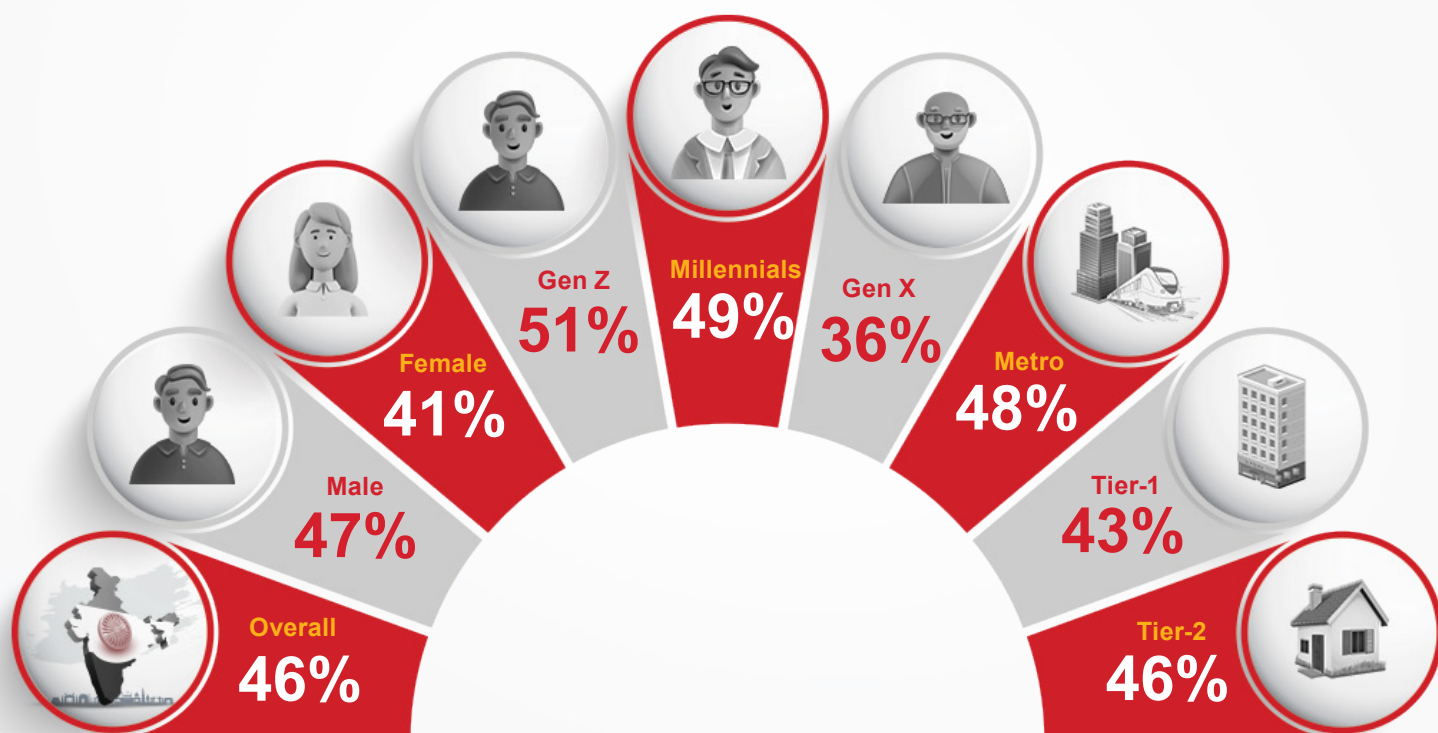
This massive embrace of online shopping is the first step in the journey to **Smart Credit**. It proves that the lower middle class is ready for digital interactions, understands the convenience of remote services, and, crucially, is prepared to trust a screen with their aspirations.

2. Internet Banking: Beyond Transactions

If online shopping is the training ground for digital confidence, **Internet Banking** is the next critical leap—it represents a willingness to entrust one's core savings and transactions to the digital sphere. This is where the emotional trust in the traditional bank branch begins to transition into a rational trust in secure digital architecture. This trust is non-negotiable for accessing **smart credit**, as seamless digital loan processing relies entirely on the borrower's ability to interact online.

Internet banking saw a slight uptick last year, with **46% of borrowers utilizing this channel**. This adoption signals a growing segment that values the **autonomy and control** that comes with managing their finances 24/7.

Internet Banking Penetration



The Generational Gap in Financial Control

The study clearly illustrates a generational confidence curve in managing core finances:

- Youth Take the Lead: Gen Z leads the adoption at 51%**, followed closely by **Millennials (49%)**. This demonstrates that the younger generation is not tethered to physical bank visits; they are the most prepared to manage their money and, critically, apply for digital loans with confidence.
- The Lagging Cohort:** The older, stability-focused **Gen X trails significantly at 36%**. This gap highlights a continued reliance on traditional methods, which can often be slower and more cumbersome, posing a potential barrier to quickly accessing **Smart Credit** when an entrepreneurial opportunity arises.

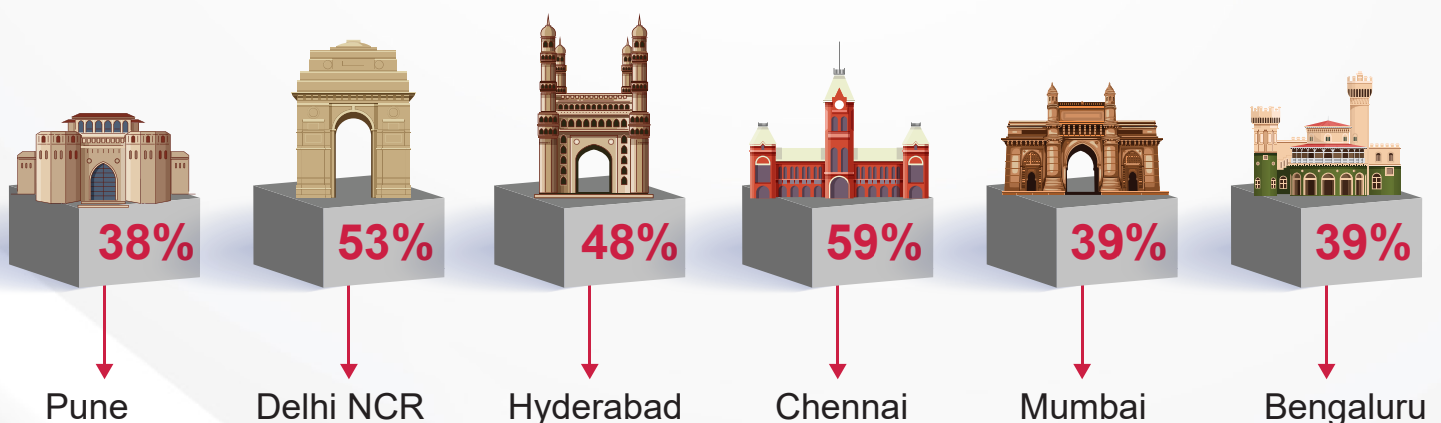
Regional Pockets of Digital Adoption

While the overall adoption is moderate, key regional insights emerge:

Leading the Charge: Cities like **Chennai (59%)** and **Delhi NCR (53%)** lead the nation in Internet Banking usage. This high rate suggests a populace already comfortable with robust digital financial interaction, making them highly responsive to new digital lending products.

The Metro Paradox: Interestingly, some major financial hubs show lower uptake, with **Mumbai and Bengaluru, both registering only 39% penetration**. This surprising dichotomy indicates that digital convenience is not just about size; it's about the deep-seated habits that influence consumer behavior.

Internet Banking Penetration



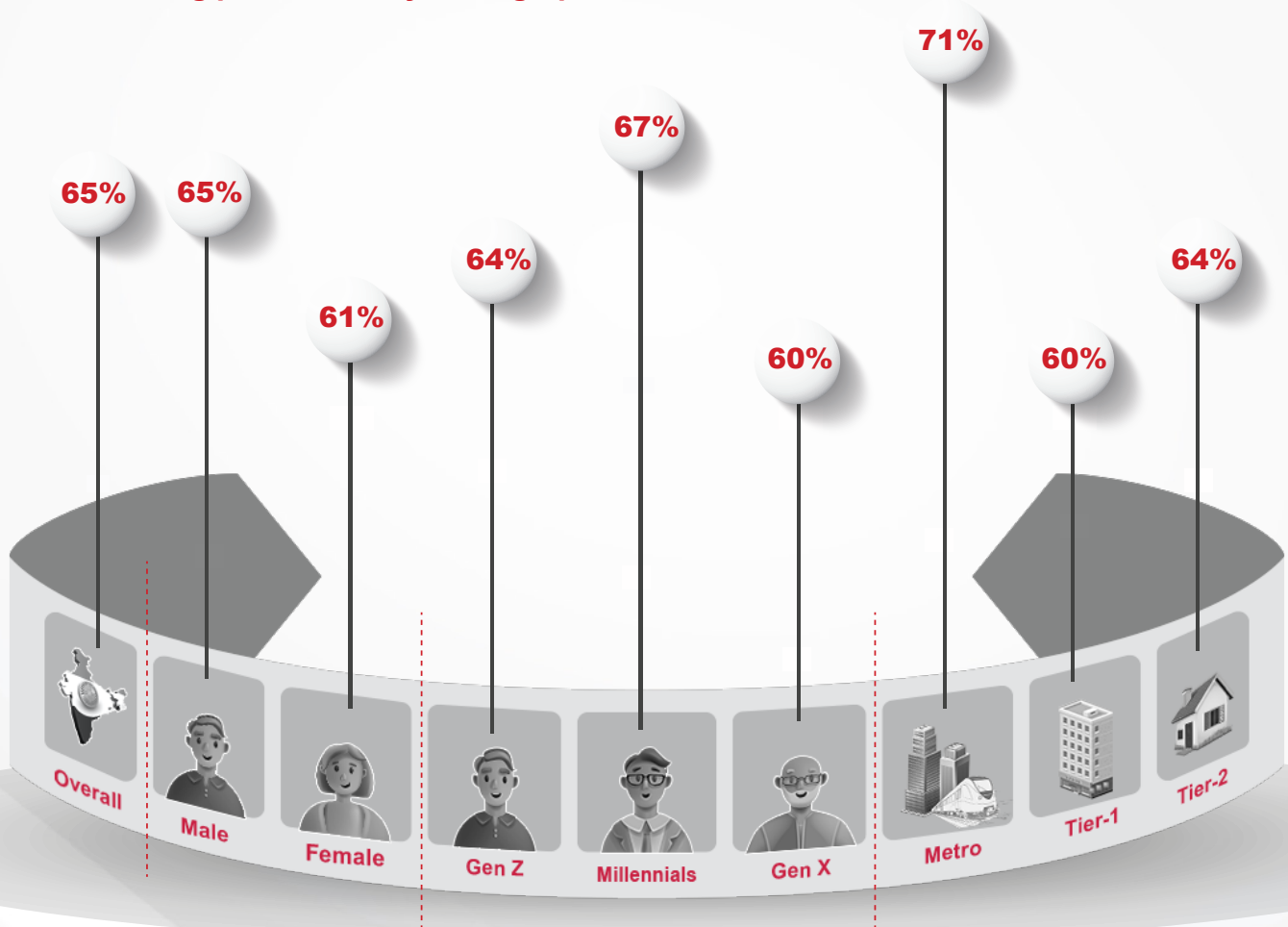
The increasing comfort with Internet Banking proves that nearly half of India's borrowers are ready to shed the time-consuming process of physical finance. Their willingness to handle sensitive data online is the very foundation upon which the future of transparent, paperless, and instantaneous Smart Credit will be built.

3. Mobile Banking: Finance in Your Palm

If internet banking represented a step towards digital trust, **Mobile Banking** is the final frontier: **finance in the palm of one's hand**. This is the ultimate expression of financial freedom for the lower middle class, granting them instantaneous control over their money regardless of time or location. For the pursuit of **Smart Credit**, mobile access is non-negotiable, as it facilitates immediate loan applications, transparent tracking of repayments, and rapid access to financial services the moment an opportunity arises.

The data reveals a dramatic leap in this crucial indicator: **65% of borrowers now utilize mobile banking**, the highest adoption rate across all digital behaviors measured. This demonstrates that two out of three borrowers are operating at peak digital readiness.

Mobile banking penetration by demographics

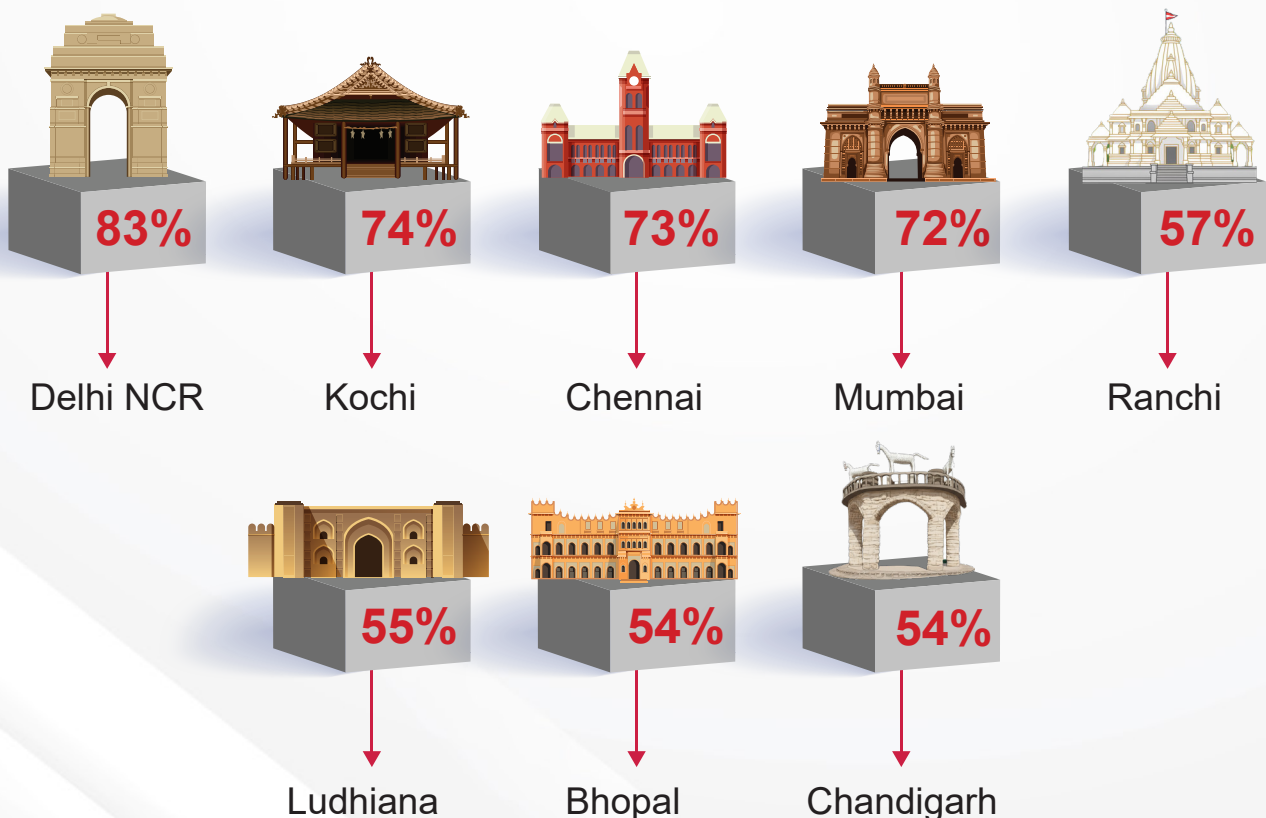


The Millennial Command and Metro Dominance

Mobile banking adoption patterns underscore the centrality of convenience and speed in funding aspirations:

- The Power of Millennials:** Millennials lead adoption at **67%**, confirming their status as the generation most comfortable leveraging mobile technology for complex financial tasks. While Gen Z (64%) is close behind, **Gen X trails significantly at 60%**, indicating that mobile app usage remains the biggest hurdle for the older, stability-seeking cohort.
- Metro Accelerators:** Adoption is highest in **Metros at 71%**, a clear reflection of the dense digital infrastructure and the fast-paced life where mobile convenience is a necessity. This is emphatically demonstrated by city leaders like **Delhi NCR (83%)**, **Kochi (74%)**, and **Chennai (73%)**, where mobile banking is now the established norm.
- The Lagging Pockets:** Conversely, cities with developing digital ecosystems, such as **Bhopal and Chandigarh, lag significantly at 54%** penetration. This digital disparity is a vital signal for where intervention—through literacy and infrastructure—is most needed to unlock the full potential of **Smart Credit**.

Mobile Banking Penetration

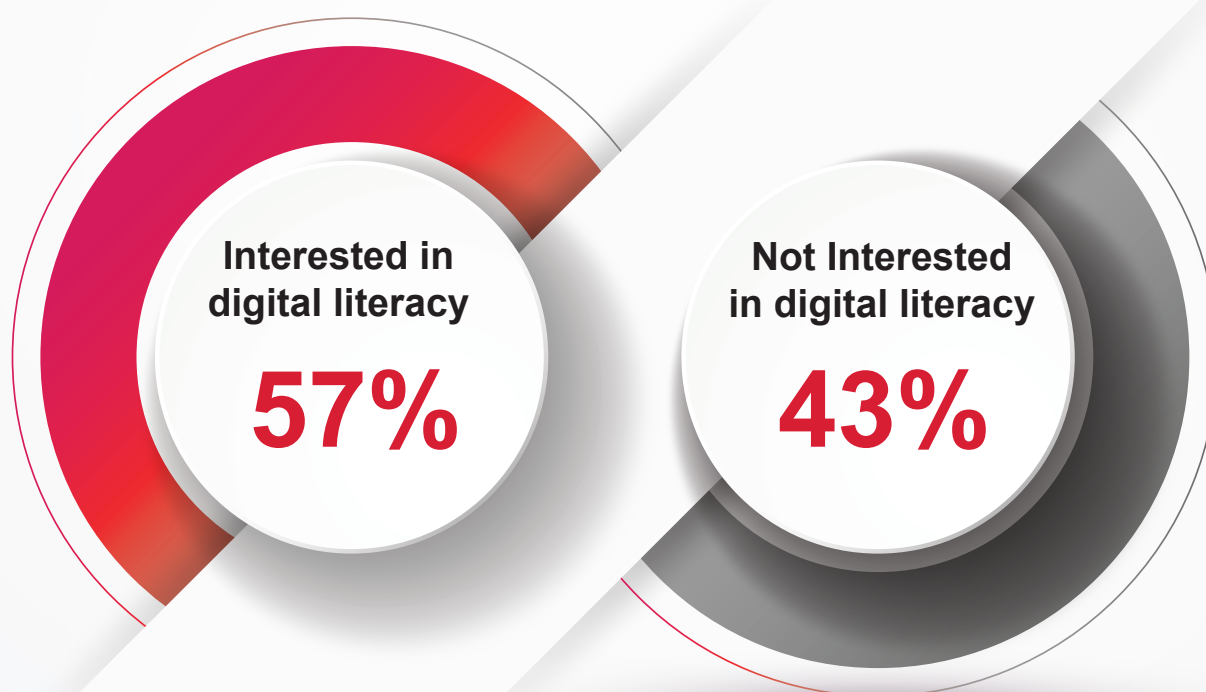


The pervasive use of mobile banking signifies that India's aspirational borrowers are not only comfortable with digital transactions but are actively demanding ubiquitous access to financial tools.

4. Appetite for Knowledge: Interest in Digital Literacy Support

The most inspiring data point in the Digital Literacy Quotient is the powerful demand for knowledge itself. The lower middle class understands that digital access is a gateway, but **digital knowledge is the essential guardrail**. They are not content to simply use apps; they want to master them, recognizing that true financial independence requires literacy and vigilance.

Our study shows that a resounding **57% of borrowers explicitly welcome education on internet-related financial tasks from a reputed organization**. This isn't just passive interest; it's an active, aspirational quest for empowerment. For a segment that has overcome the hurdles of digital adoption, this desire for formal learning signals a sophisticated awareness that the best path to achieving goals is through Smart Credit used safely.



The Proactive Seekers of Smart Credit

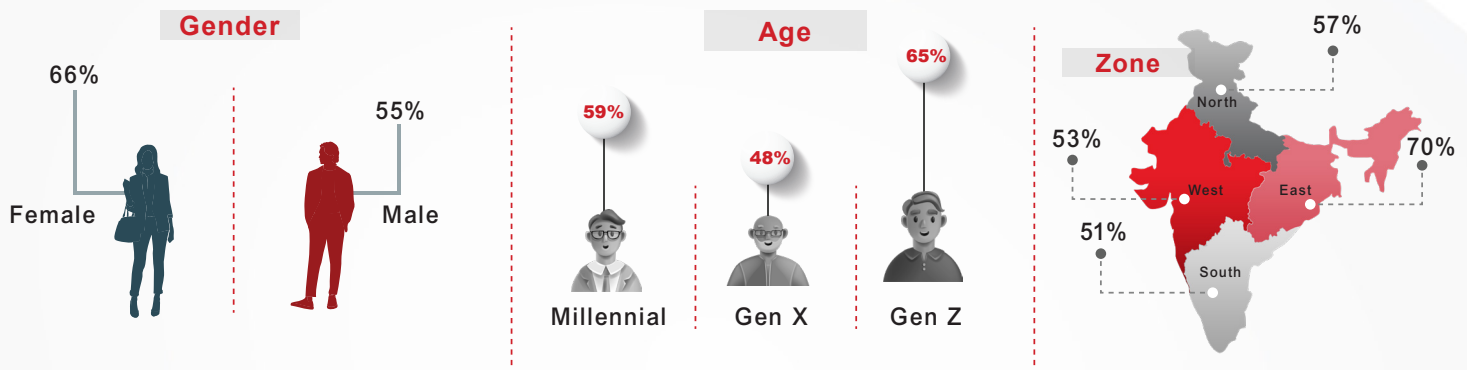
The interest in financial education is highest among the segments already demonstrating the greatest digital ambition:

-  **The Aspirational Leaders: Women (66%) and Gen Z (65%) lead the push for education.** This significant finding underscores that those who stand to gain the most from financial independence—women seeking greater household control and youth entering the economy—are the most proactive in ensuring they use **Smart Credit** effectively. The higher desire to learn amongst women, in particular, is a testament to their recognition that knowledge is power in managing and growing family finances.

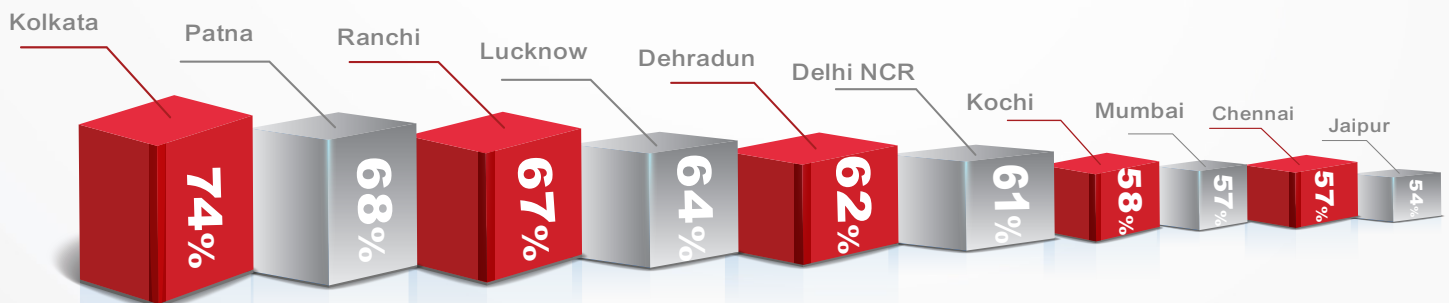
The Regional Hunger: The desire for education is highest in the **East (70%)**, mirroring the high digital engagement seen in cities like **Kolkata (74%)** and **Patna (68%)**. This proves that where digital adoption is high, the understanding of risk and the thirst for security measures are equally intense.

This robust demand for financial guidance is a clear mandate for financial institutions. It shows that providing **Smart Credit** must be paired with **Smart Education**—a commitment to helping borrowers navigate the complexities of online lending safely and confidently, securing their journey **From Dreams to Reality**.

Share of Borrowers Interested in Digital Literacy



Top 10 cities by borrowers' interest in digital literacy



Conclusion: A Foundation for Financial Freedom

The Digital Literacy Quotient is a powerful indicator that India's lower middle class is fully poised to embrace the future of finance. They have moved beyond cash reliance to adopting online commerce (57%) and mobile banking (65%), demonstrating remarkable adaptability and confidence. The willingness to engage with digital platforms is the fertile ground upon which **Smart Credit** thrives.

However, this is also a story of potential and responsibility. The high interest in digital education (57%) is a clear sign that while consumers are keen to leverage digital tools to fund their aspirations, they look to trusted organizations to equip them with the resilience needed to avoid pitfalls. The high adoption among youth and women is a powerful engine for change, but the lagging segments—particularly Gen X in certain city pockets—require targeted support.

Ultimately, this study proves that access to credit is no longer the primary hurdle; it is the access to confidence and knowledge.

By meeting this demand for education, financial institutions can truly empower these aspirational borrowers, ensuring they use credit responsibly and successfully, realizing their ambitions one smart decision at a time.



Decoding the Borrowing Mindset: The Drivers of Choice

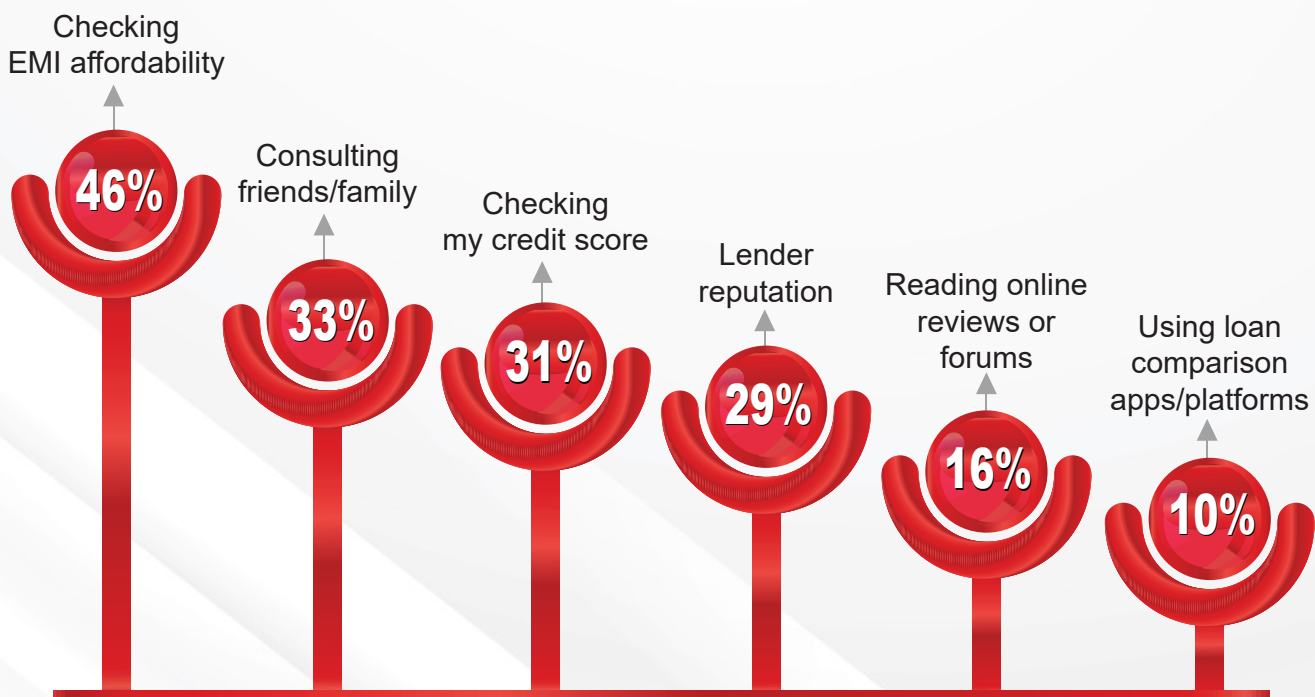
The decision to take a loan is the moment an aspiration becomes a financial commitment. For the lower middle class, this is not a casual transaction; it is a **calculated leap of faith**—a highly scrutinized moment where the borrower transforms into a household Chief Financial Officer (CFO). They approach the lending market with a clear mission: to find **Smart Credit** that minimizes risk while maximizing the opportunity to achieve their goals.

Our analysis of borrowing drivers moves beyond simple product features to explore the core emotional and rational trade-offs consumers make. We find that borrowers are laser-focused on three elements: **transparency**, which guarantees there are no hidden burdens; **trust**, which assures them they are partnering with a reliable lender; and **flexibility**, which allows the loan to adapt to the thin margins of their daily budget. This section demystifies how these trade-offs are managed and how the modern borrower confidently selects the ideal financial instrument to fund their future.

Anchors of Assurance: Trust and Financial Health

The process of selecting a loan is a sophisticated exercise in risk management, where the borrower meticulously charts a course between ambition and their existing financial reality. The decision is anchored by financial discipline, communal wisdom, and digital literacy.

Key Factors Influencing Borrower Decisions



Affordability First: The primary driver is **Checking EMI affordability (46%)**. This is the ultimate expression of **Smart Credit**, prioritized to ensure the debt taken to fund a dream doesn't jeopardize the family's stability. This discipline is most visible in regions with tight margins, such as the **East and Tier-1 cities (54%)**, where budgets are thin but aspirations are high. Conversely, in the hyper-competitive market of **Bengaluru**, **only 7% cite affordability**, suggesting an overriding focus on opportunity over constraint.

Financial Literacy as an Asset: **Checking the credit score (31%)** signals a borrower who knows their financial health is a tool for better access. This financial wisdom is led by the younger **Gen Z (37%)** and urban borrowers. **Bengaluru (70%)** and **Chennai (60%)** show exceptional proficiency, establishing their citizens as proactive, sophisticated planners.

The Human Veto – Trust: The strong reliance on **consulting friends and family (33%)** highlights that while transactions are digital, the decision is deeply personal. This reliance is significantly higher among **females (46% vs. 30% for males)**, proving that **emotional validation** from one's trusted network remains a vital prerequisite. The preference for human validation outweighs detached methods, with only **16% reading online reviews** and a mere **10% using comparison apps**.

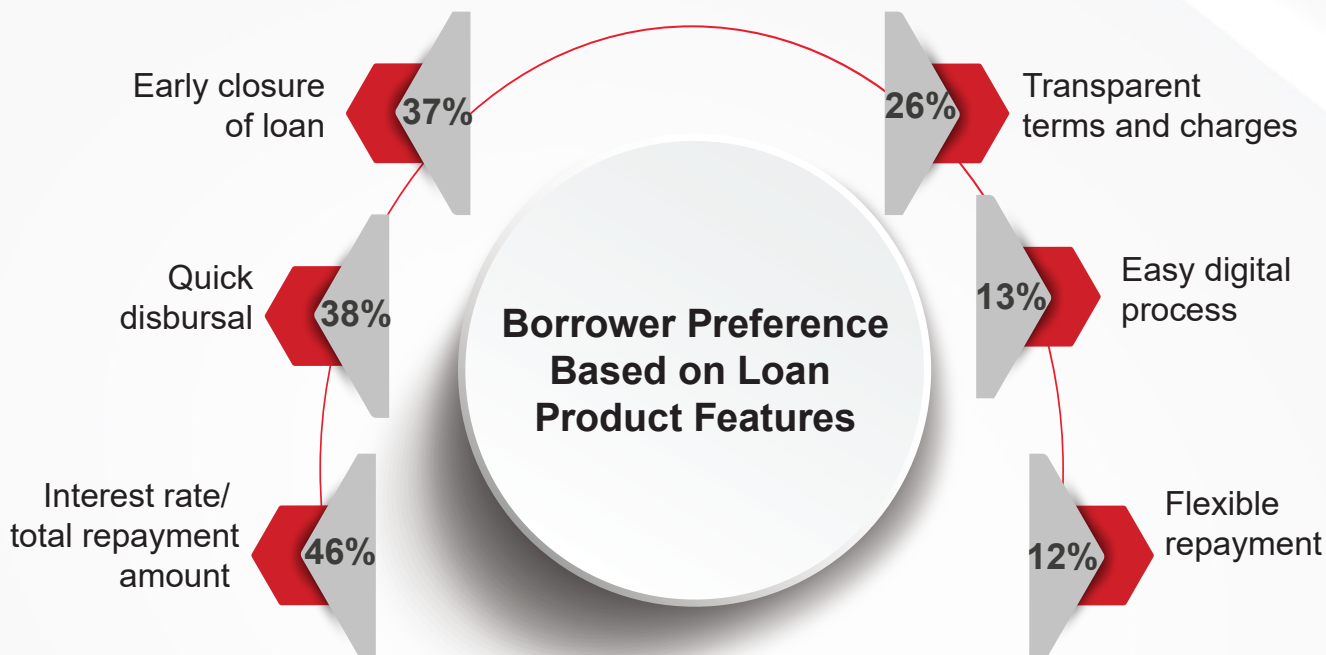
Key Factors Influencing Borrower Decisions

	Checking EMI affordability	Consulting friends/family	Checking my credit score
 Male	46%	30%	31%
 Female	45%	46%	34%
 Gen Z	43%	34%	37%
 Millennial	47%	33%	32%
 Gen X	46%	31%	27%
 Metro	36%	41%	41%
 Tier-1	54%	29%	26%
 Tier-1	46%	24%	21%

Engineering the Perfect Loan: Cost, Speed and Control

Once the commitment to borrow is made, the borrower demands products that afford them maximum control and efficiency. The chosen parameters reflect a sophisticated understanding of financial engineering: **maximizing Speed, minimizing Cost, and ensuring Control.**

Borrower Preference Based on Loan Product Features



Interest rate/total repayment amount (46%)

Cost Control: This remains the top priority. Chennai (77%) and Bengaluru (83%) lead, showing that in the heart of innovation, borrowers aggressively manage the cost of their ambition.

Quick disbursal (38%)

Speed to Opportunity: The demand for immediate funding is strongest in the fast-paced South (55%) and Metros (48%), with Bengaluru peaking at 86%. Speed is viewed as essential for seizing time-sensitive goals, whether entrepreneurial or personal.

Early closure of loan (37%)

Control and Freedom: The high value placed here reflects the ambition to minimize total cost and exit debt quickly. This focus on the "exit strategy" is highly preferred by Gen Z and Millennials (38%) they want control over their debt duration, not just their installments.

Transparent terms and charges (26%)

Demand for Clarity: An increasing expectation for transparency, highest in the South/Metros (34%). low interest in Tier-2 cities signals a potential area for market exploitation that demands regulatory and educational intervention.

Easy digital process (13%)

Simplicity Over Novelty: While digital adoption is high, ease of process is not a primary concern compared to cost/speed. This suggests borrowers are generally comfortable with existing digital channels; they are now focused on the financial outcomes of the loan, not the interface itself.

Flexible repayment (12%)

Confidence in Income: The low priority given to flexible repayment options confirms the borrower's confidence in their stable income and ability to meet fixed EMI schedules. They are prioritizing a shorter loan duration (via early closure) over the security of variable payments.

3. The Smart Borrower's Creed: A Vow of Prudence

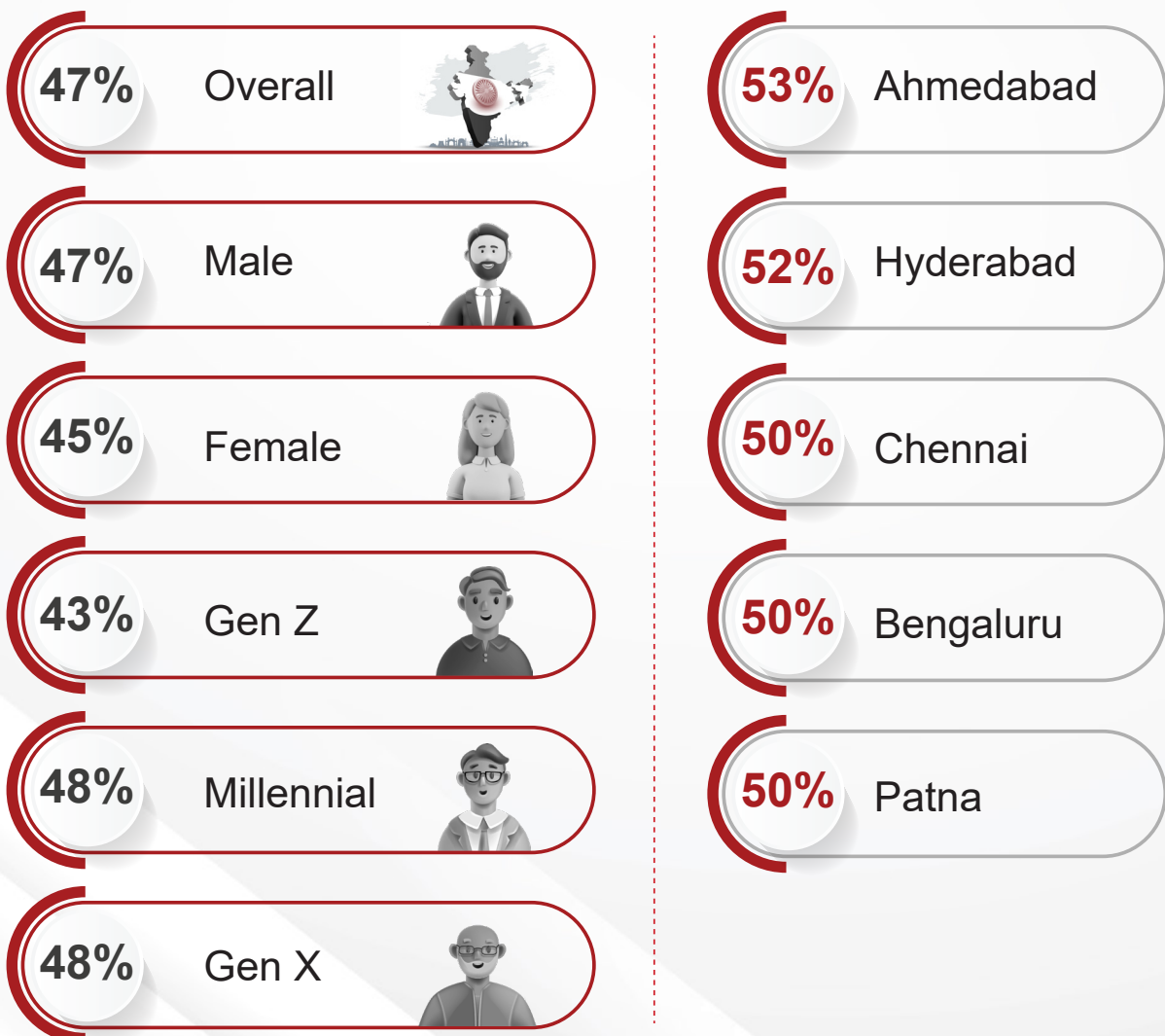
The final layer of the decision-making process is the borrower's intrinsic attitude toward credit. These four statements reveal the deep-seated values that underpin the **Smart Credit** mindset, validating the caution and strategic intent of this aspiring segment.

Statement 1: "I compare different loan companies when taking a loan to ensure that decision taken is in my best interest".

 **47% of respondents agree.**

 **The Proactive Planner:** Nearly half of all borrowers act as proactive, informed consumers. This strategic comparison is consistent across **Millennials and Gen X (48%)** and is highest in **Hyderabad (52%) and Ahmedabad (53%)**, confirming that for this segment, the best decision is an educated decision.

Borrower Tendency to Compare Loan Companies Before Taking a Loan



Statement 2: “I prefer taking a loan from an online lending company that offers a fast and stress-free application process”.

 **49% of respondents agree.**

 **The Demand for Digital Dignity:** The desire for a "stress-free" process is a demand for respect for their time and effort. This preference is highest among the young and urban, particularly in **Delhi NCR (54%) and Bengaluru (54%)**. They want instant access to funding their ambition without bureaucratic delays.

Borrower Preference for Digital Lending Platforms

49% Overall



49% Male



45% Female



48% Gen Z



50% Millennial



47% Gen X



54% Delhi NCR

54% Bengaluru

52% Chennai

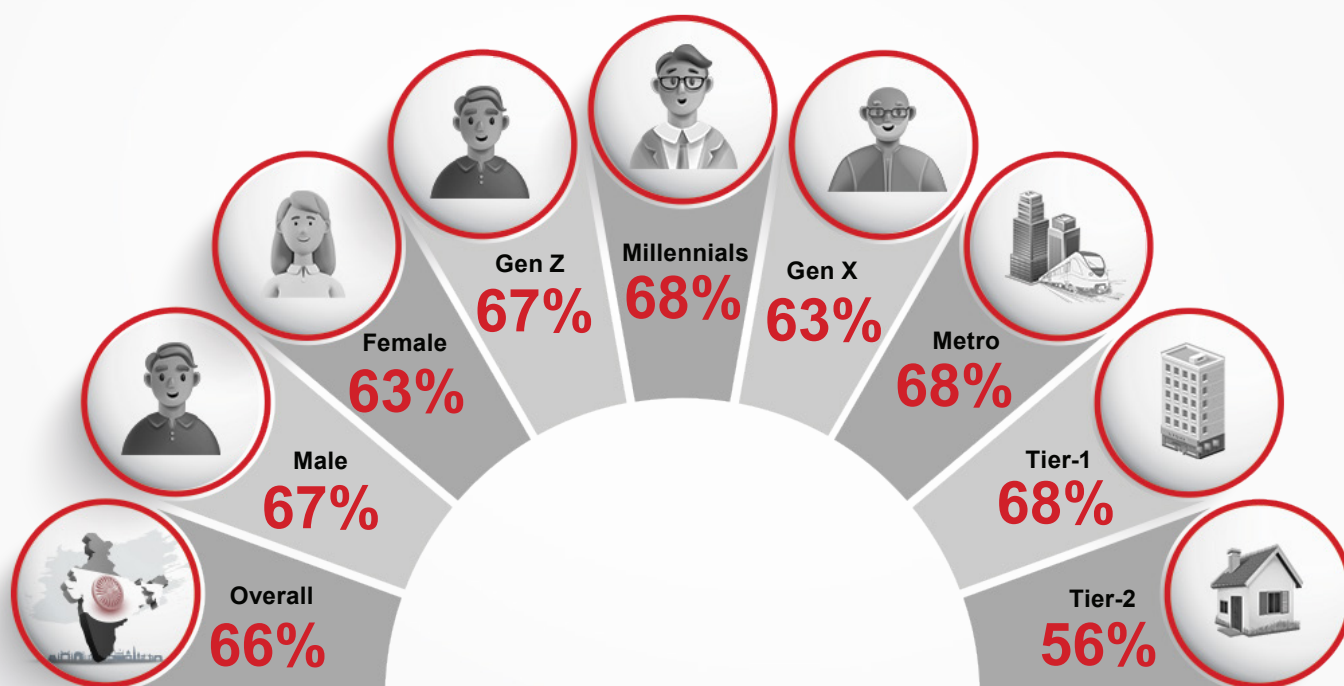
51% Lucknow

50% Mumbai

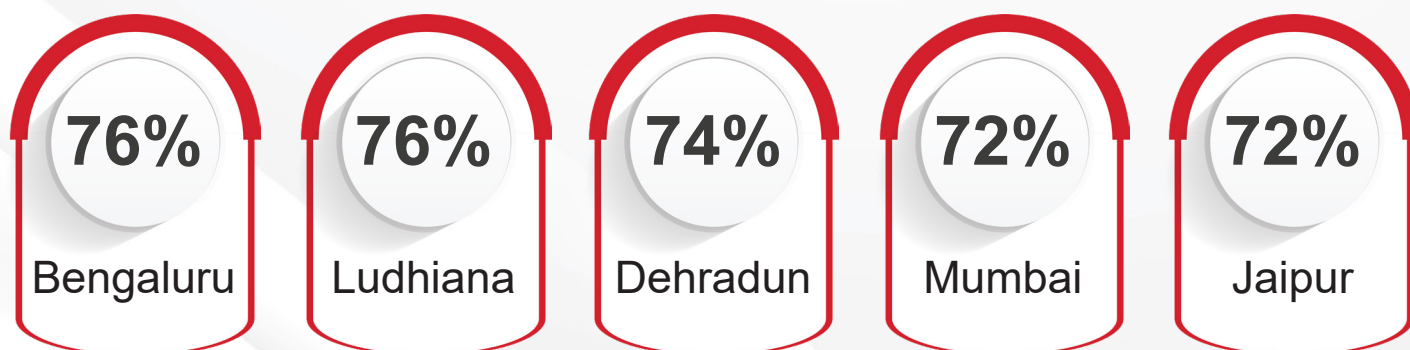
Statement 3: “The trustworthiness of the loan company matters more to me when taking a loan, even if the EMI amount is slightly higher”.

- 🔄 **Two-thirds (66%) of all respondents agree.**
- 🔄 **Trust Trumps Price: The Emotional Premium.** This is the most crucial attitudinal finding. A substantial majority is willing to pay a premium for **peace of mind**, proving that **Trust is the most valuable currency in lending**. This powerful sentiment is consistent across **Gen Z (67%)** and **Millennials (68%)**, demonstrating that stability and reliability—especially in Metros and Tier-1 cities—outweigh a marginal cost saving.

Borrower Preference for Lender Trustworthiness by Demographics



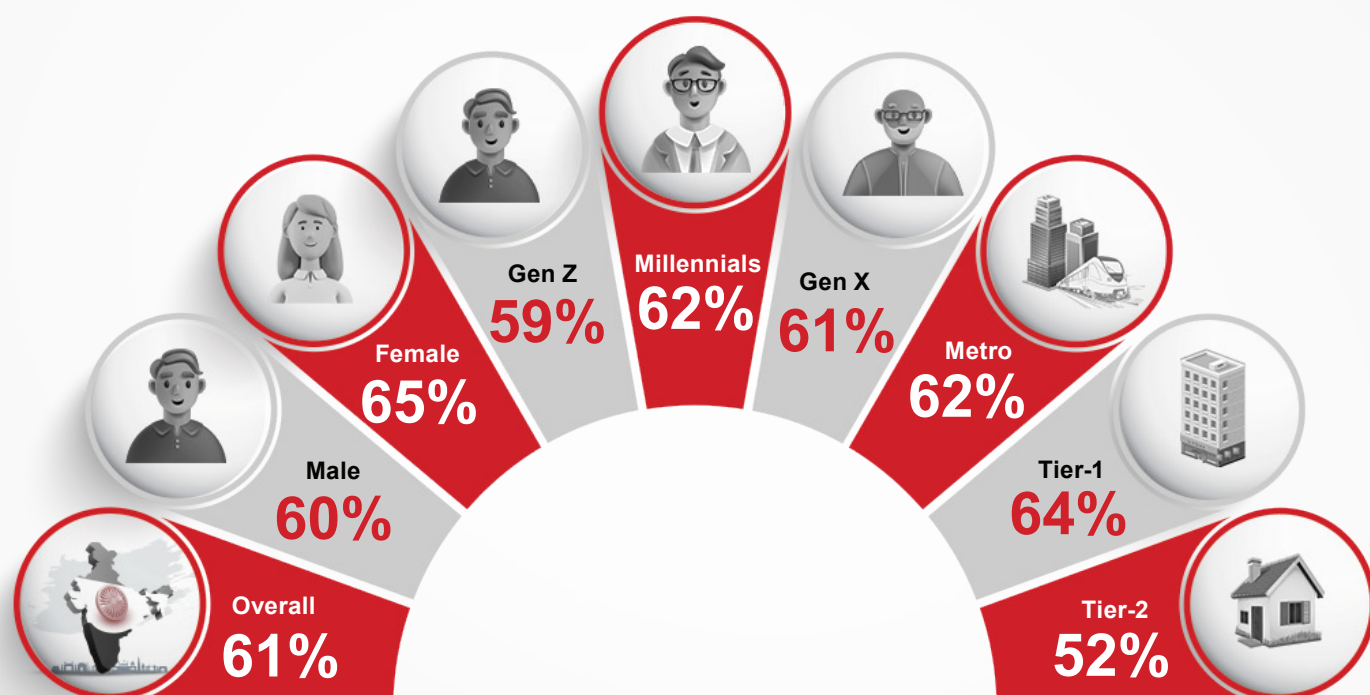
Borrower Preference for Lender Trustworthiness by Top 5 Cities



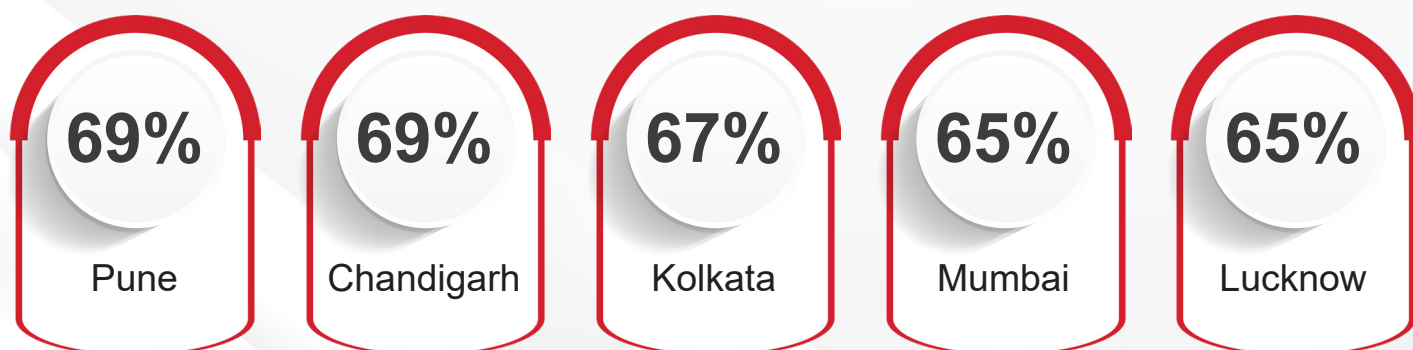
Statement 4: “I only borrow when it is absolutely necessary”.

- 61% of respondents agree.
- Disciplined Borrowing: A Badge of Caution.** The majority of the segment views credit as a serious tool for high-impact goals, not a convenience for impulse. This reflects the deep caution and risk aversion identified earlier. This prudence is highest in cities like **Pune (69%)** and **Chandigarh (69%)**, but shows a significant lapse in **Kochi (31%)**, signaling pockets where caution may be lower.

Borrower Tendency Toward Cautious Borrowing by Demographics



Borrower Tendency Toward Cautious Borrowing by Top 5 Cities



Conclusion: The Pillars of Trust and Strategy

The **DECISION DRIVERS** section reveals that the modern borrower operates with a strategic sophistication previously underestimated. They are not merely seeking the cheapest loan; they are seeking the **Smart Credit** solution that offers the best blend of **affordability, speed, and, above all, trust**.

Borrower's Behavior by Segment

The study allows us to precisely categorize the borrowing temperament across demographics:

- 🕒 **By Gender: Women are the Prudent Veto.** They are more likely to consult their friends/family (46%) and exhibit higher caution, only borrowing when absolutely necessary (65%), prioritizing emotional validation and security.
- 🕒 **By Generation: Gen Z is the Agility Generation.** They prioritize financial freedom by strongly favoring **Early Loan Closure (38%)** and demonstrating high financial literacy through **Credit Score Checks (37%)**. **Millennials** are the **Cost Controllers**, prioritizing **Interest Rates (48%)** and **comparing options (48%)** more than any other generation.
- 🕒 **By City:** South Indian metros like Bengaluru and Chennai emerge as the Financial Vanguard, aggressively prioritizing Cost Control (interest rates, 77%-83%) and Speed to Opportunity (quick disbursal, 86% in Bengaluru). This focus on optimization is matched by a strong demand for financial sophistication (e.g., high credit score awareness in Hyderabad, 70%). Conversely, cities like Kochi, Dehradun, and Patna consistently show a lower preference across most loan parameters, suggesting that for borrowers in these markets, the act of accessing credit itself and basic affordability remain the primary hurdles, whereas metropolitan areas focus on optimization and control.

The clear message for financial institutions is that the path to funding their ambitions must be paved with **transparency and reliability**. The fundamental truth is that the aspirational Indian borrower is willing to invest in their future, but they demand a reliable, respectful partner. By prioritizing trust, lenders can become true partners in the borrower's journey **From Dreams to Reality**.



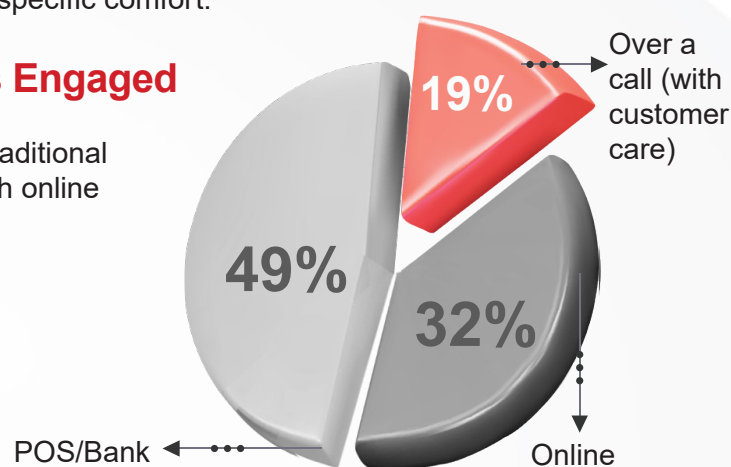
The Speed of Trust:

India's Embrace of Digital Lending

The journey from aspiration to realization is now measured by the speed of the loan application. This section tracks the lower middle class's rapid migration from traditional bank visits to digital interfaces, proving that the borrower's demand for Agility is reshaping the lending landscape. The data confirms that convenience, speed, and a stress-free process are the new currency, yet a powerful reliance on traditional channels persists, driven by factors of trust and gender-specific comfort.

1. Channel Adoption: Where Borrowers Engaged

The last loan taken reveals a market in transition, with traditional channels still forming the backbone of borrowing but with online media establishing a powerful, irreversible foothold.

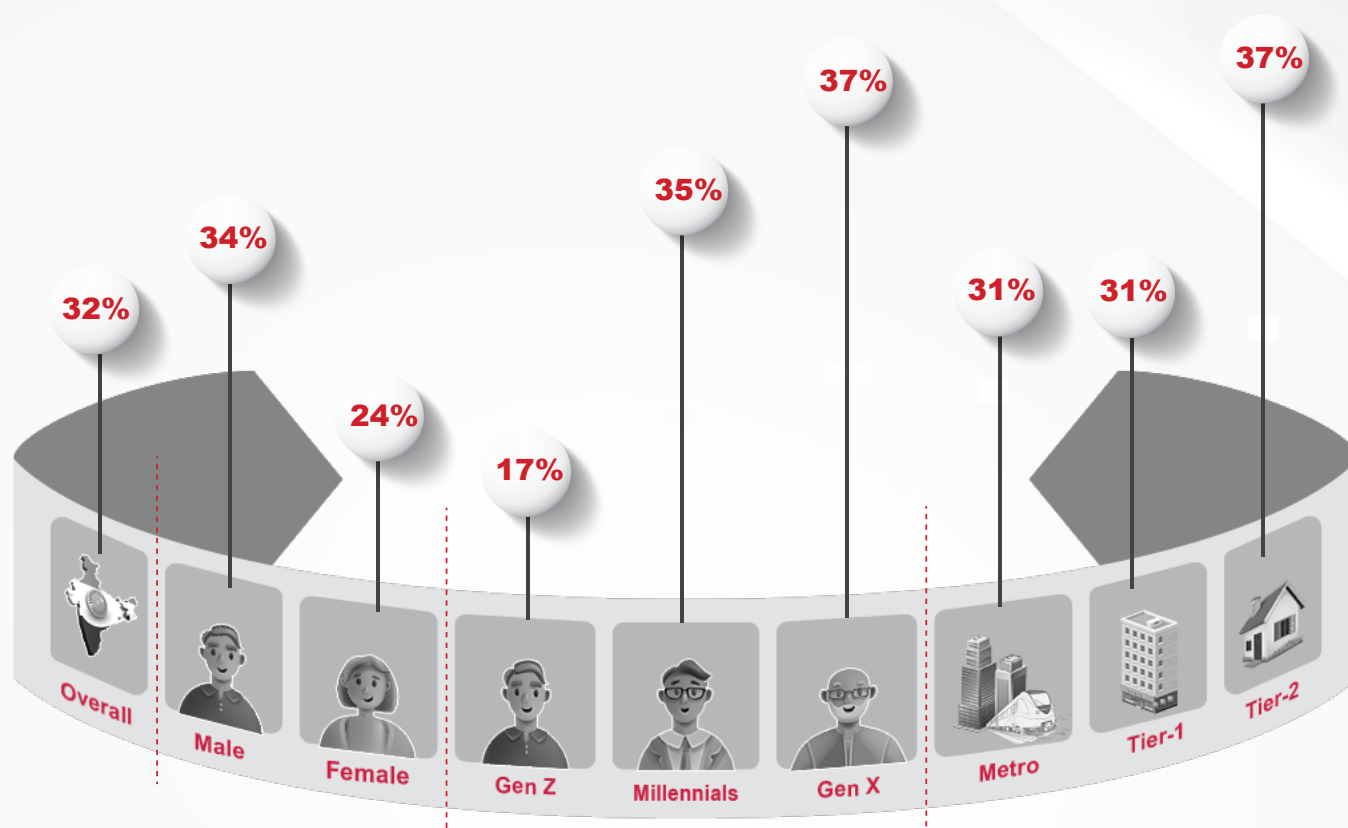


Digital's Decisive Footprint

Nearly one-third of borrowers (**32%**) utilized an **online medium** for their last loan application. This is a significant breakthrough for digital lending, as these services overcome the physical barrier.

- Gender and Generation Gap:** The digital medium is overwhelmingly preferred by **males (34% vs. 24% for females)** and **Millennials (35%)**, who are accustomed to digital-first services.
- The Tier-2 Surge:** In a sign of deepening digital penetration, **Tier-2 cities (37%)** lead all city categories in online usage, proving that the digital leap is happening faster in emerging markets than in some mature metros.
- City Champions:** Key innovation hubs are driving this shift: **Bengaluru, Ahmedabad, and Chandigarh all report 41% online usage**, which is significantly above the national average.

Borrowers who chose the digital channel for taking a loan

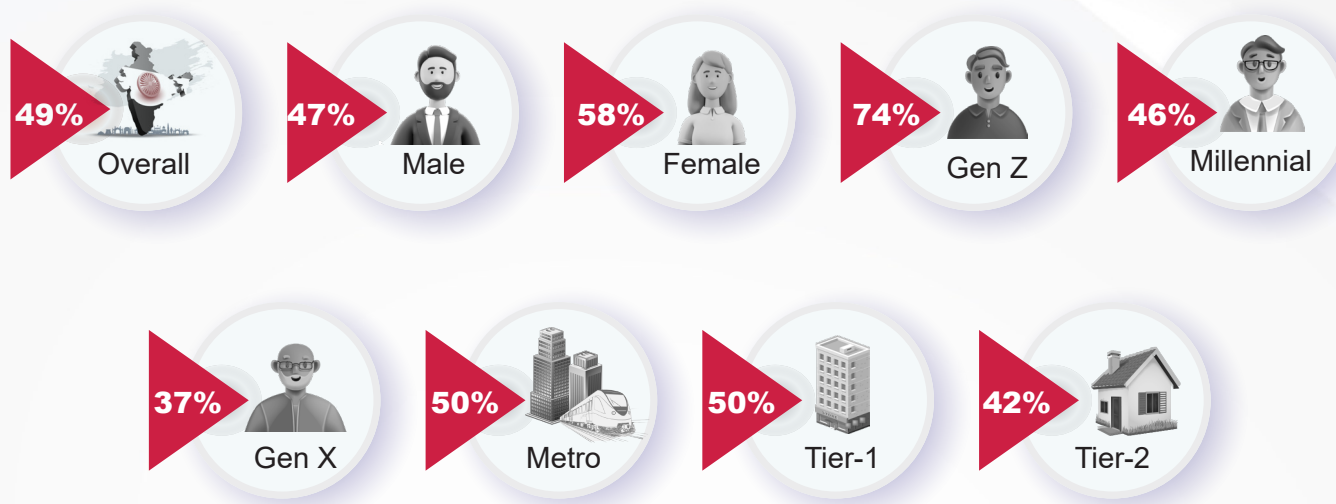


The Enduring Power of Tradition

Despite the digital surge, the **POS/Bank channel (49%)** remains the dominant method to avail credit. This reliance on the physical branch or point-of-sale financing underscores the persistent need for institutional trust and a face-to-face component in high-value financial decisions.

- The Young Traditionalist:** The most notable finding is the behavior of Gen Z, who show the highest dependence on POS/Bank channels (74%) for their previous loan. This suggests that while Gen Z is digitally literate, their initial financial experiences often rely on the perceived safety and structure of traditional, regulated institutions.
- The Telephonic Dip:** The "Over a call" method (19%) is gradually receding, indicating a shift away from impersonal, potentially intrusive tele-sales models toward self-service digital convenience or high-trust physical interaction.

Borrowers who chose the physical channel for taking a loan



2. Channel Preference: Where Borrowers Plan to Go

The look forward is starkly different from the rearview mirror. The lower middle class is expressing a definitive preference for the convenience of digital lending, signaling a rapid acceleration in channel migration.

Digital Becomes the Majority

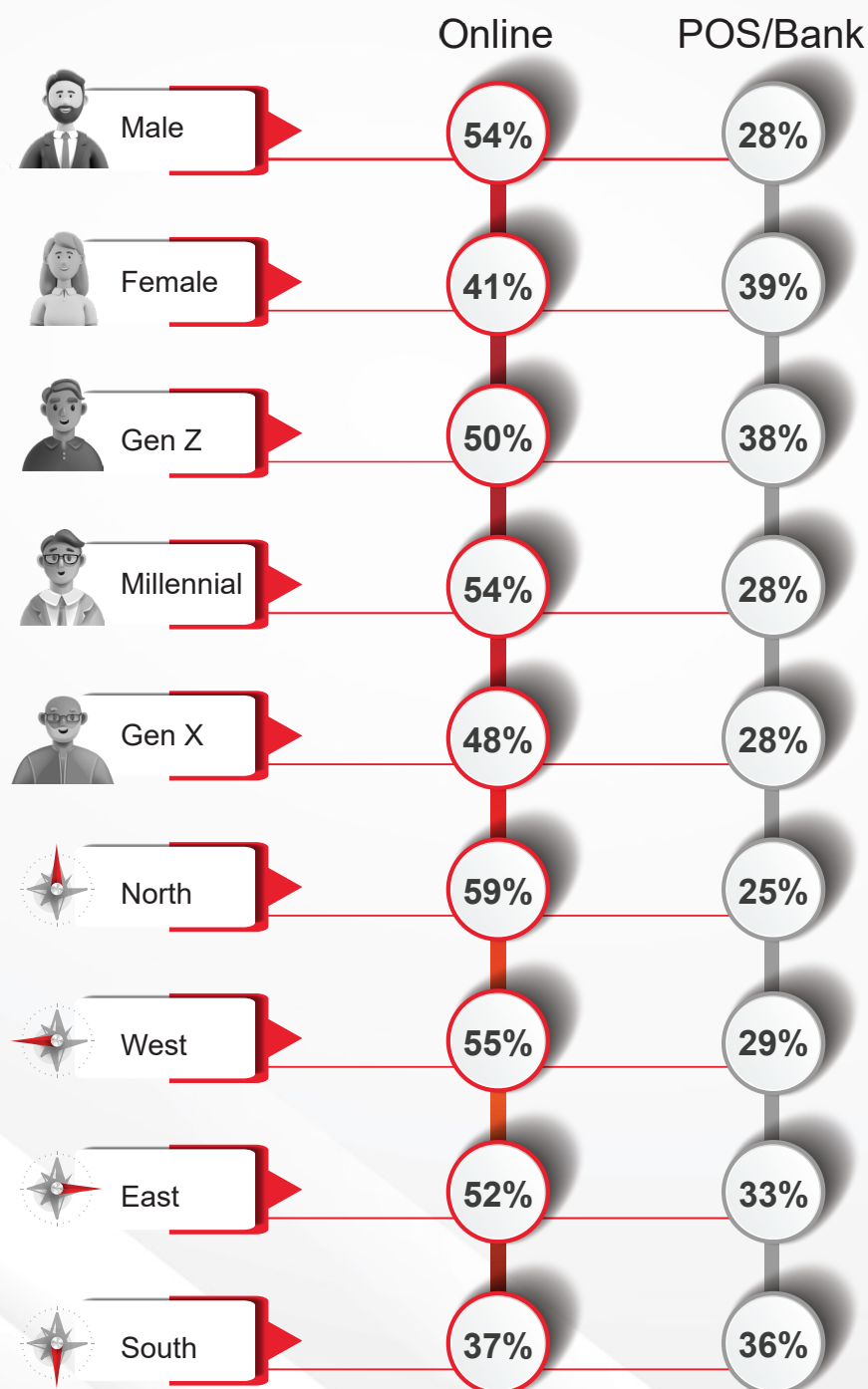
The preference for **Online channels jumps from 32% (past use) to 51% (future preference)**. For the first time, digital is the preferred majority channel, cementing the view that frictionless financing is the key to scaling the **Smart Credit** market.

Previous Loan Channel	Loan Channel	Preferred Loan Channel
19%	Over a call (with customer care)	19%
32%	Online	51%
49%	POS/Bank	30%

The Digital Drivers: The preference for online channels is highest among **males (54%)**, **Millennials (54%)**, and those in the **North (59%)**. This is a clear mandate for digital acceleration, with cities like Pune and Ludhiana (64% each) expressing the strongest desire for online services.

The Trust Anchor: POS/Bank visits decline to 30% as a preference, but this channel remains critical for a specific segment: **women (39%)**. This is 9 percentage points higher than the overall average, highlighting that for females, the physical branch often represents a higher degree of trust and perceived safety.

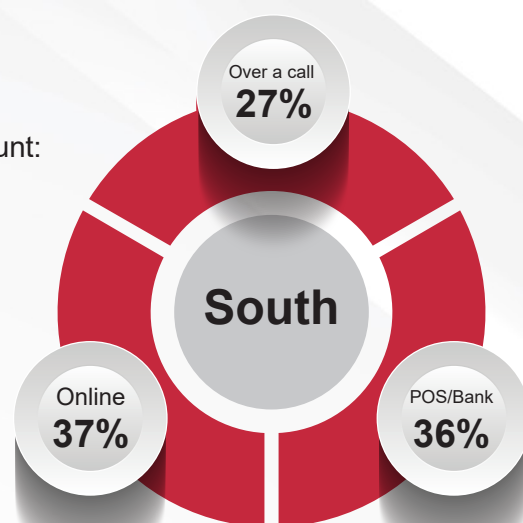
Preference for loan channel by demographics



The South's Unique Trust Model

While the national trend is digital, the **South** demonstrates a unique preference model, reinforcing the finding that human trust is paramount:

- 🔊 The region shows the **lowest preference for Online (37%)**.
- 🔊 It simultaneously shows the **highest preference for the "Over a call" channel (27%)**, demonstrating a desire for **human interaction** over pure automation. This preference for a voice on the other end, common in the South, suggests that a hybrid model—Digital with a Human Touch—is the ideal formula for this sophisticated market.



Conclusion: The Bridge Between Trust and Technology

The channel data provides a definitive vision of the lending future: it is **digital, fast, and driven by Millennial demand**. The market is experiencing a **mass migration to online channels**, with preference soaring from a third to half of all borrowers.

- 🔊 **Digital's Imminent Triumph:** The future of lending is online (51% preference), a trend driven by the youth and urban centers seeking frictionless finance. This momentum is particularly strong in the emerging Tier-2 cities (56% preference), proving the digital future is not exclusive to metros.
- 🔊 **The Trust Imperative:** Despite the digital shift, Trust remains the gatekeeper. The enduring high preference for POS/Bank channels among women (39%) and the high reliance on Gen Z's initial use of traditional channels (74%) proves that the journey to digital adoption must be built on the same institutional security offered by a physical presence.
- 🔊 **The Hybrid Future:** The Southern market, with its lowest online preference (37%) and highest call preference (27%), provides the ultimate blueprint for innovation: success will belong to those who can deliver digital speed and convenience alongside human assurance. The next wave of growth requires FinTechs and traditional players alike to build a Hybrid Channel that honors both the need for speed and the need for a trusted voice.

The channel shift is an acceleration toward convenience, but it is fundamentally guided by trust. The imperative for the lending ecosystem is to build the 'Digital-Human Bridge'—a hybrid model that delivers digital speed without sacrificing human assurance. This balance is the true key to unlocking the full potential of online adoption and serving the aspirational needs of every borrower, regardless of their preferred channel.

Future Finance: **Emerging Lending Services and Embedded Solutions**

The evolution of **Smart Credit** culminates in the seamless integration of lending at the point of need. **Embedded Finance** represents the ultimate expression of frictionless access, allowing the borrower to fund a desire precisely when it arises. This section reveals the high demand for integrated credit and uncovers the core psychological drivers: **Speed and Convenience** trump traditional factors like cost and institutional trust when credit is offered at the checkout.

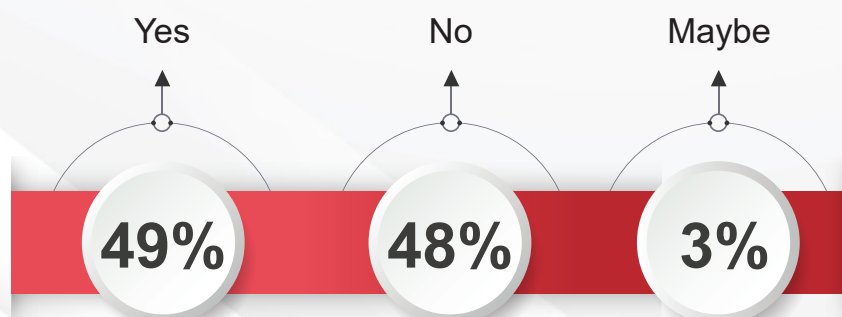
The E-commerce Bridge: Interest in Integrated Credit

Confidence in embedded finance has grown, with nearly half of all borrowers expressing strong interest. The data confirms that this integration model is being championed by the young, the digitally native, and the aspirational urban consumer.

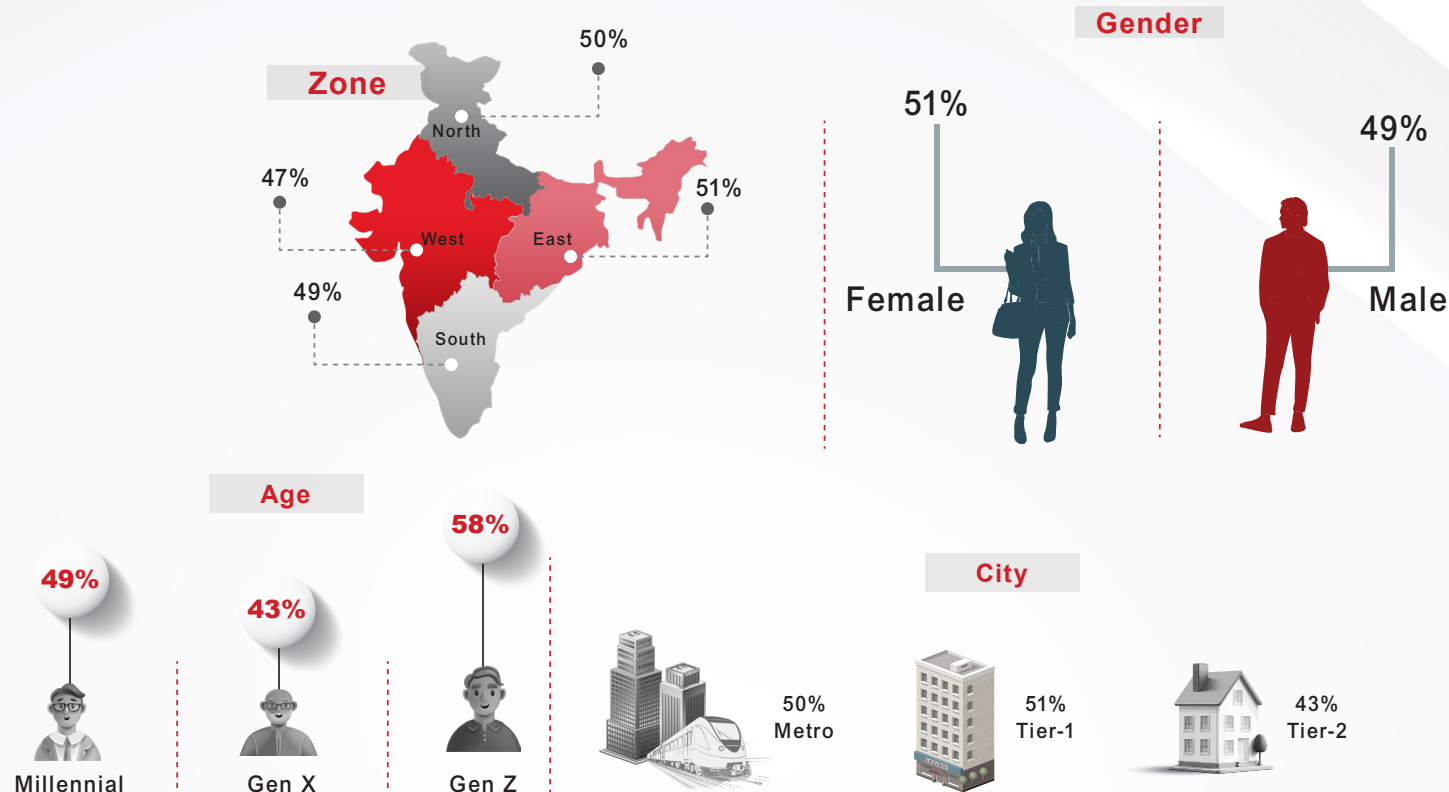
A significant **49% of respondents** expressed interest in utilizing embedded finance solutions, validating the industry's shift toward integration.

- Gen Z Leadership:** The appetite for integrated credit is decisively led by **Gen Z (58%)**, who see credit as a feature integrated within their digital lifestyle, not an isolated transaction. This is significantly higher than **Millennials (49%)** and especially **Gen X (43%)**, proving the generational speed of adoption.
- The Female Inclination:** **Females (51%)** show a higher inclination towards embedded finance than males (49%), confirming their embrace of solutions that offer speed and convenience to streamline their purchase journeys.
- Widespread Urban Acceptance:** Interest is robust across all city categories: **Metro (50%)**, **Tier-1 (51%)**, and **Tier-2 (43%)**. City leaders like **Chennai (55%)** and **Chandigarh (55%)**, alongside Tier-1 cities like **Lucknow and Ranchi (53% each)**, confirm that the appeal of integrated credit is widespread and accelerating beyond the core metros.

Interest in Embedded Finance



Borrower Preference for Embedded Finance



2. The Impulse Factor: Why Embedded Finance Works

When credit is offered at the moment of purchase, the borrower's decision-making hierarchy fundamentally shifts. The drivers behind embedded finance adoption are less about cost and traditional trust, and overwhelmingly about immediate flow and convenience.

Speed and Seamlessness Over Trust and Cost

The primary drivers of adoption focus on streamlining the user journey, confirming that the value of time supersedes the value of money in this context:

- 🔄 **Applying loan becomes a faster process (42%):** Speed is the undisputed primary value proposition.
- 🔄 **Making purchases on e-commerce becomes an easier process (30%):** The goal is reducing purchase friction and making the transaction seamless.

This mindset is a powerful contrast to the DECISION DRIVERS section. In embedded finance, lesser file charges and costs (15%) and trust in the e-commerce platform (10%) are minimal drivers. This confirms that for point-of-sale credit, the borrower accepts the platform's trust and prioritizes the immediate functional benefit of speed and ease.

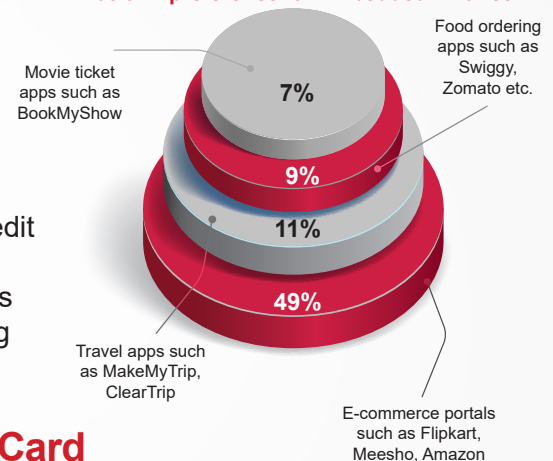


The E-commerce Ecosystem Mandate

Borrowers are not looking for credit everywhere; they are focused on integrating it where it matters most: large-ticket purchase platforms.

- 🔴 **E-commerce portals (49%):** This category, encompassing Amazon, Flipkart, etc., commands the vast majority of interest, providing a clear mandate for where lending services should be placed.
- 🔴 **Negligible Interest in Other Apps:** Interest in integrating credit into low-ticket, high-frequency categories like **Travel (11%)**, **Food ordering (9%)**, and **Movie tickets (7%)** is minimal. This confirms that embedded credit is seen primarily as a financing tool for aspirational, durable goods, not daily consumption.

Platform preference for Embedded Finance



3. The Most Trusted Tool: Dominance of the EMI Card

When borrowing for purchases, the preferred source for credit is not a traditional bank or a generic app, but a specialized product that combines institutional trust with the convenience of repayment structure.

- 🔴 **EMI Cards Rule: EMI cards from established companies (65%)** are the undisputed most preferred medium for obtaining loans. This overwhelming preference signals that the combination of brand recognition and the structured EMI repayment model is highly valued by the lower middle class.
- 🔴 **The Digital Lag: Credit cards (25%)** are the second choice. The most revealing contrast, however, is the negligible preference for **Digital lending apps (3%)** and **Other loan companies (1%)**. This underscores a significant market maturity: borrowers strongly prefer branded, structured credit instruments over new, pure-digital lending platforms for their purchase financing needs.

Preferred Sources for Borrowing Credit

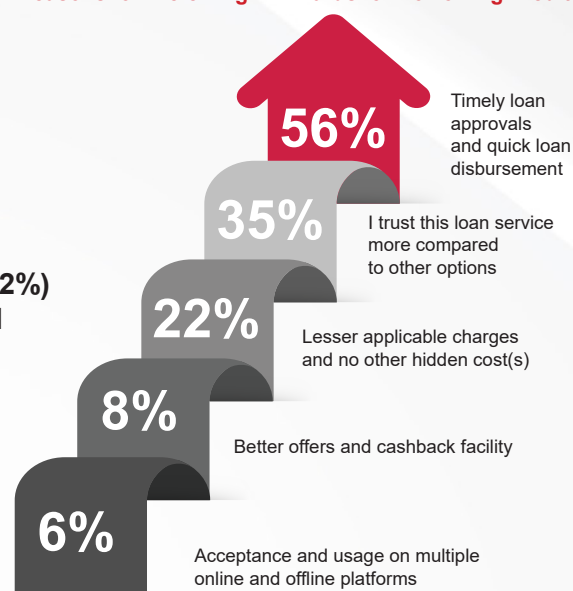


4. The EMI Value Proposition: Speed, Trust, and Cost

The popularity of EMI cards is not accidental; it is driven by a powerful value proposition that directly addresses the core demands of the Smart Credit borrower.

Reasons for Preferring EMI Cards for Borrowing Credit

- Speed and Trust as Primary Value:** The top two reasons for preferring EMI cards perfectly align with the core themes of this report: **timely approvals and quick disbursement (56%)** and **Trustworthiness (35%)**. For the borrower, the speed of access and the reliability of the provider are non-negotiable.
- Cost is Secondary:** While **lesser applicable charges (22%)** is noted, its secondary ranking confirms that the functional benefits (Speed) and emotional reassurance (Trust) are more critical in the final decision than minor cost savings. This reinforces the finding that the lower middle class will pay a premium for a secure, fast, and reliable transaction.



Conclusion: The Final Mile of Frictionless Credit

The emergence of these services defines the future of consumption-linked credit. The borrower is actively seeking to remove friction from the journey from desire to ownership.

- The Trust-Speed Fusion:** The overwhelming dominance of **EMI cards (65%)** is the clearest sign that the most successful **Embedded Finance** products are those that fuse **brand trust** with **digital speed** (56% choose EMI cards for quick disbursement).
- The Gen Z Impulse:** The highest interest in integrated credit comes from **Gen Z (58%)**, who are defining the future by prioritizing immediate ease (**faster process 42%**) over traditional cost concerns.
- A Clear Channel Mandate:** The market demands that credit integration occur on major **E-commerce portals (49%)**, and that the product be delivered via a **branded, structured format (EMI Card)**, rejecting generic digital lending apps. The next wave of success lies in providing **instant, trusted, and structured credit** at the final point of purchase.

The path to scaling credit access is no longer about just competing on price, but on seamlessly building trust and speed into the consumer's journey. The institutions that can master this fusion—delivering the instantaneous fulfillment of embedded finance with the security and structure of a trusted brand—will be the ones to truly convert the aspirations of the lower middle class into economic reality.

Digital Trust and Vulnerability: **Data Privacy While Borrowing Credit**

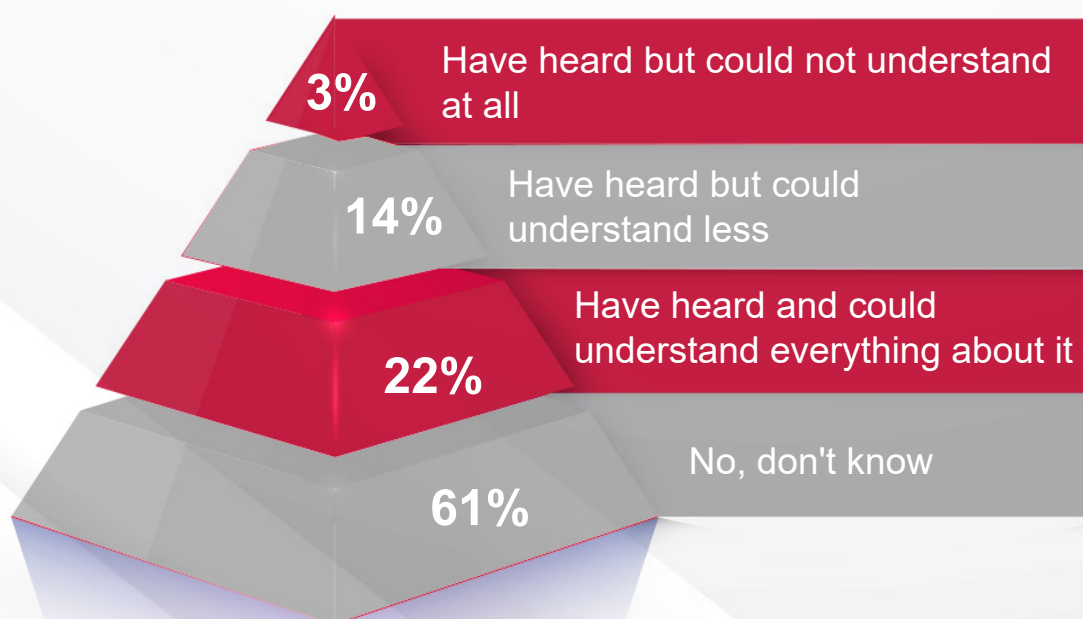
The rapid digital shift, while promoting **Smart Credit** access, has introduced a critical vulnerability: **data privacy**. This section analyzes the borrower's awareness and concern regarding their personal data, revealing a significant gap between the digital agility of the consumer and their understanding of the rules protecting them. Low awareness of guidelines, coupled with high reliance on the basic concept of "consent," heightens the lower middle class's exposure to security risks.

1. Awareness of Data Privacy Guidelines

The foundation of trust in digital lending is fragile, hampered by low borrower comprehension of the rules designed to protect their data.

- 🔊 **The Literacy Gap:** An alarming **61% of borrowers** have **no awareness** ("No, don't know") of data privacy guidelines implemented by lending companies. Compounding this, a total of **78%** (61%+14%+3%) have **limited or no understanding** of the rules, despite having used digital services.
- 🔊 **The Informed Minority:** Only **23% of borrowers** claim to **fully comprehend** the data privacy rules, suggesting that the vast majority of the lower middle class is operating in a digital environment where the terms of engagement are opaque. This low awareness significantly heightens their exposure to security and misuse risks.

Awareness of Data Privacy Guidelines

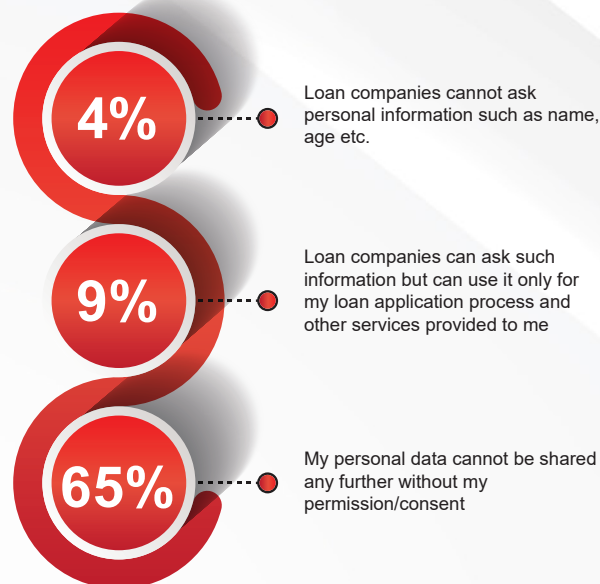


2. Understanding of Data Protection Rules

While overall awareness of formal guidelines is low, the borrower's fundamental, human-centric understanding of data protection is simple and centered on **consent**.

- 🔔 **The Consent Imperative:** The core belief is that their **personal data cannot be shared any further without my permission/consent** (65% of responses). This strongly reinforces the emotional anchor of "trust" found throughout the report—borrowers expect their personal information to be guarded by a clear, explicit agreement.
- 🔔 **The Partial Comprehension:** Overall, **78% of borrowers have only a partial understanding**, with many believing the rules are simple consent agreements (65%) or that the information should be used only for the loan process (9%). This demonstrates a clear need for simpler, consent-focused communication to meet the borrower's basic expectation of privacy.

Understanding of Data Protection Rules

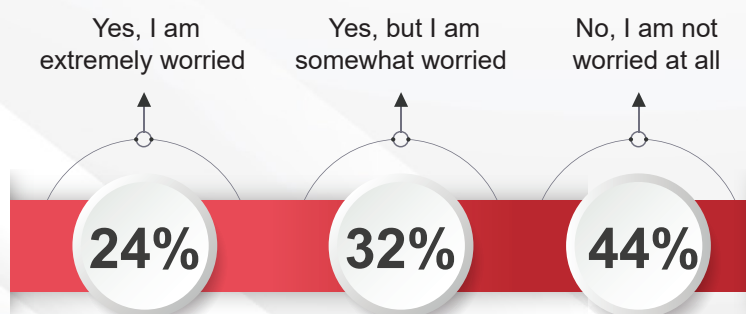


3. Concerns About Personal Data Collection and Usage by Lending Apps

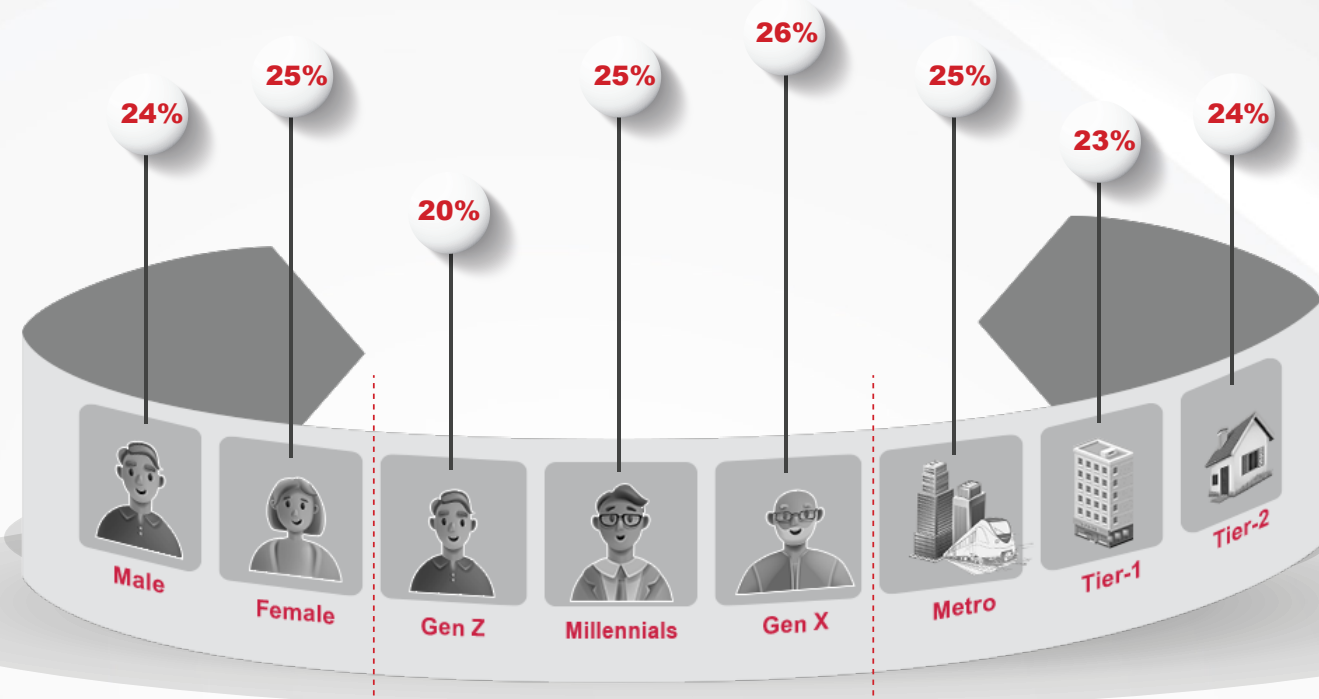
Despite low formal awareness, a majority of digital borrowers express clear anxiety over how their personal information is being handled by lending apps.

- 🔔 **The Anxious Majority:** A significant majority—**56% are concerned** over the collection and use of their personal data) This suggests that the **frictionless access** promised by digital lending is undercut by **frictional worry** about data misuse.
- 🔔 **Regional Contrast in Worry:** Concern is highest in major economic hubs, with **Delhi/NCR and Mumbai both reporting the highest levels of extreme worry (28%)**. Conversely, borrowers in **Ranchi (17%)** appear the most **complacent**, highlighting a potential risk area.
- 🔔 **Worry is Universal:** Concern over data usage is consistent across **gender and city tiers**, showing that **data anxiety is universal**.

Concerns About Personal Data Collection and Usage by Lending Apps



High Borrower Concern Over Personal Data Collection and Usage by Lending Apps



Above National Average



Below National Average



4. Perception of Excessive Personal Data Collection by Loan Apps

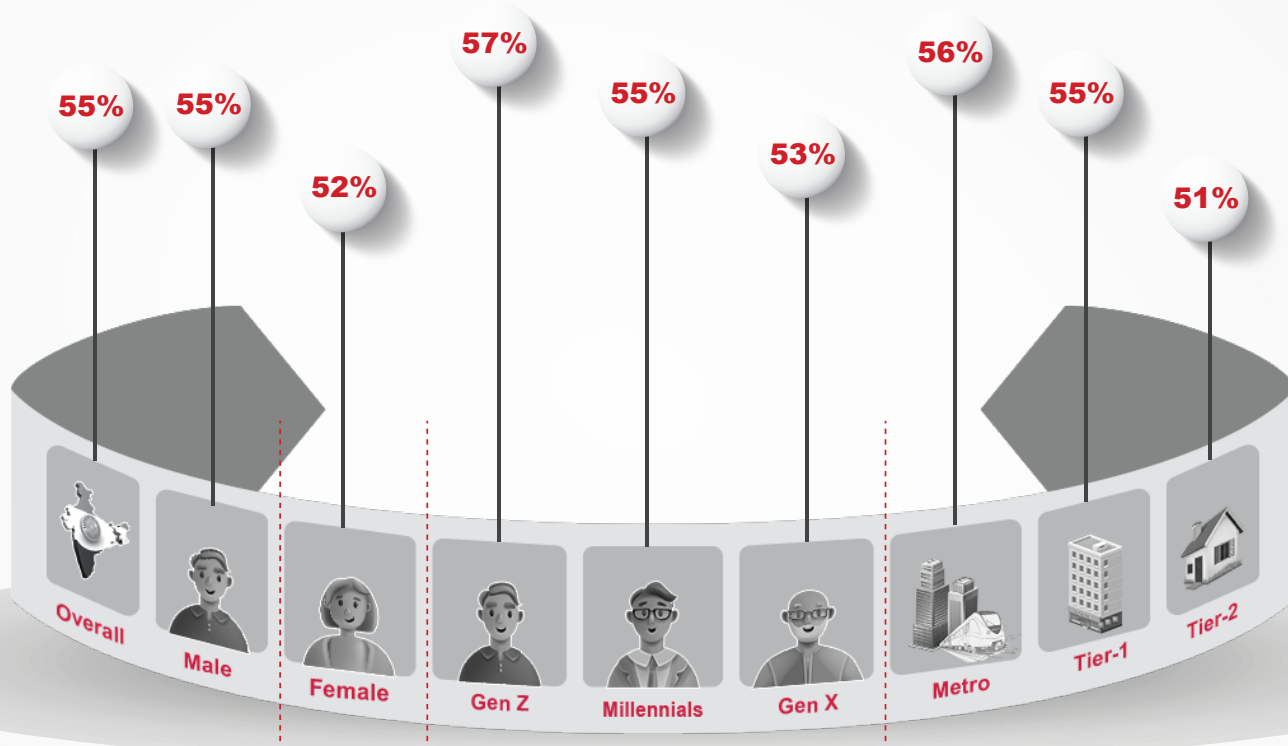
Statement: “I believe loan apps collect more personal data than what is actually required for the application process”.

The low trust regarding data usage is crystallized by a widespread belief that digital lenders are engaging in data overreach.

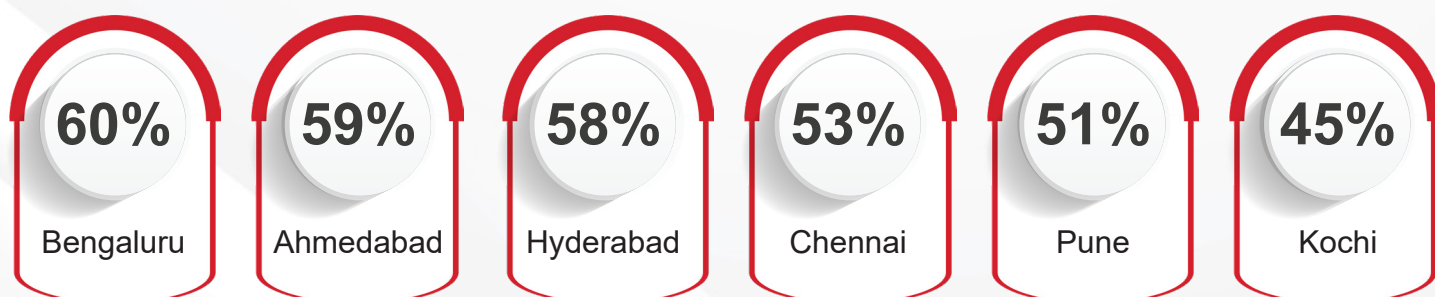
- The Majority Scepticism:** More than half of all credit borrowers (55%) agree with this statement, indicating a pervasive feeling of distrust and suspicion regarding the true intent behind data harvesting.

- 🔗 **Gen Z and Metro Vigilance:** Gen Z (57%) and borrowers in Metros (56%) show the highest agreement, suggesting that digital natives and those in high-transaction environments are the most sensitive to data privacy issues.
- 🔗 **The Hubs of Concern:** Bengaluru (60%) and Ahmedabad (59%) express the most significant concern about excessive data collection, far exceeding the average. In contrast, Kochi (45%) shows the lowest concern, mirroring its lower anxiety levels observed in previous sections.

Borrowers' Perception of Excessive Personal Data Collection by Loan Apps



Borrowers' Perception of Excessive Personal Data Collection by Loan Apps



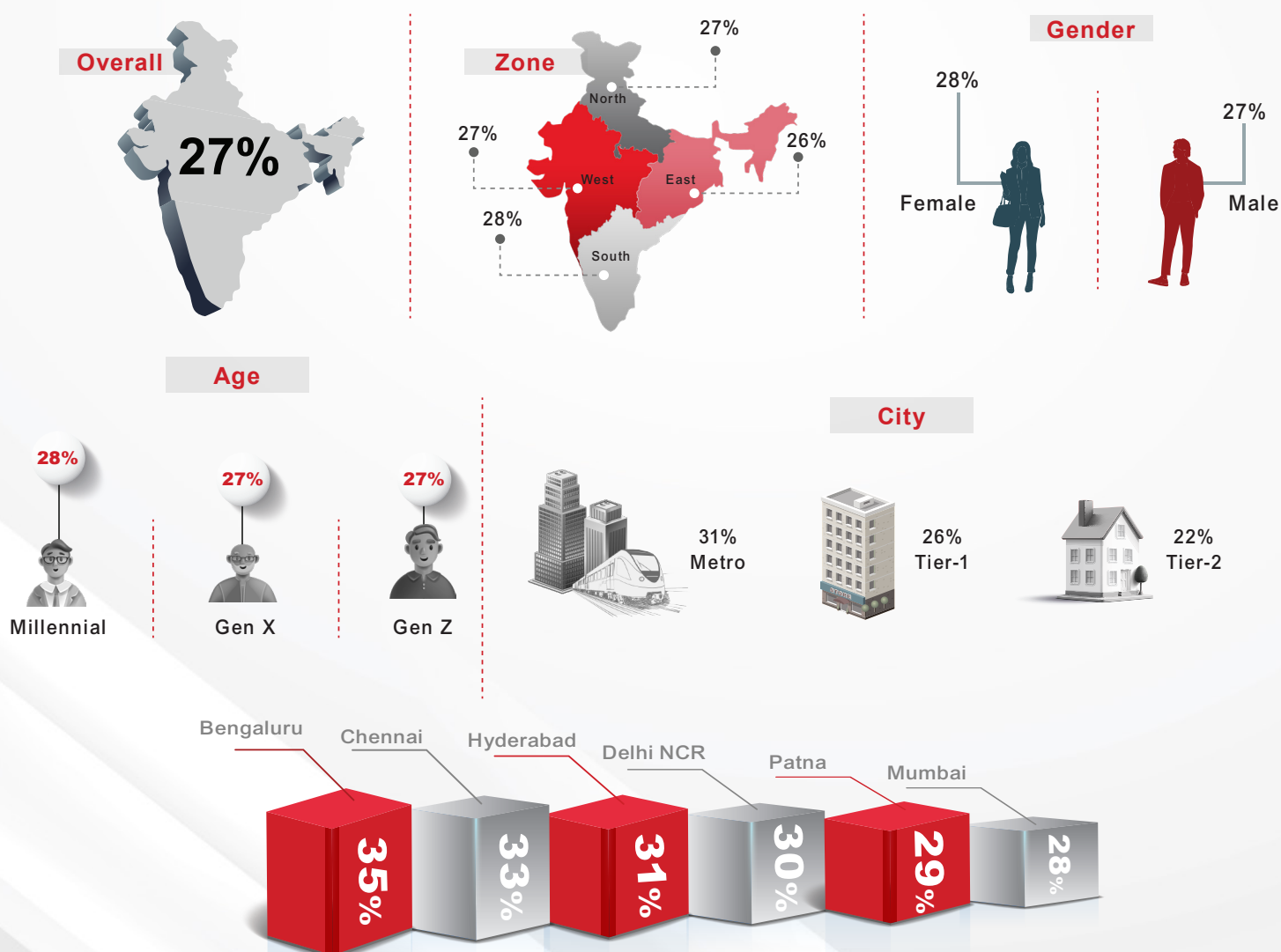
5. Understanding of How Loan Companies Use Personal Data

Statement: “I understand how my personal data is used by the loan companies”.

The belief that data is being over-collected is matched by a significant lack of clarity on how that data is actually processed and deployed.

- 🔴 **The Knowledge Deficit:** Only **27% of borrowers** claim to understand how their personal data is used by loan companies. This **three-quarters deficit** highlights a massive information gap that fuels the borrower's general anxiety and distrust.
- 🔴 **The Metro/Tier Divide:** Metropolitan cities exhibit the highest, though still low, awareness, with **Metro cities averaging 31%** and **Tier-2 cities only 22%**. This indicates that digital literacy regarding data transparency is concentrated in urban hubs.

Borrowers' Understanding of Personal Data Usage by Loan Companies by Demographics & Cities



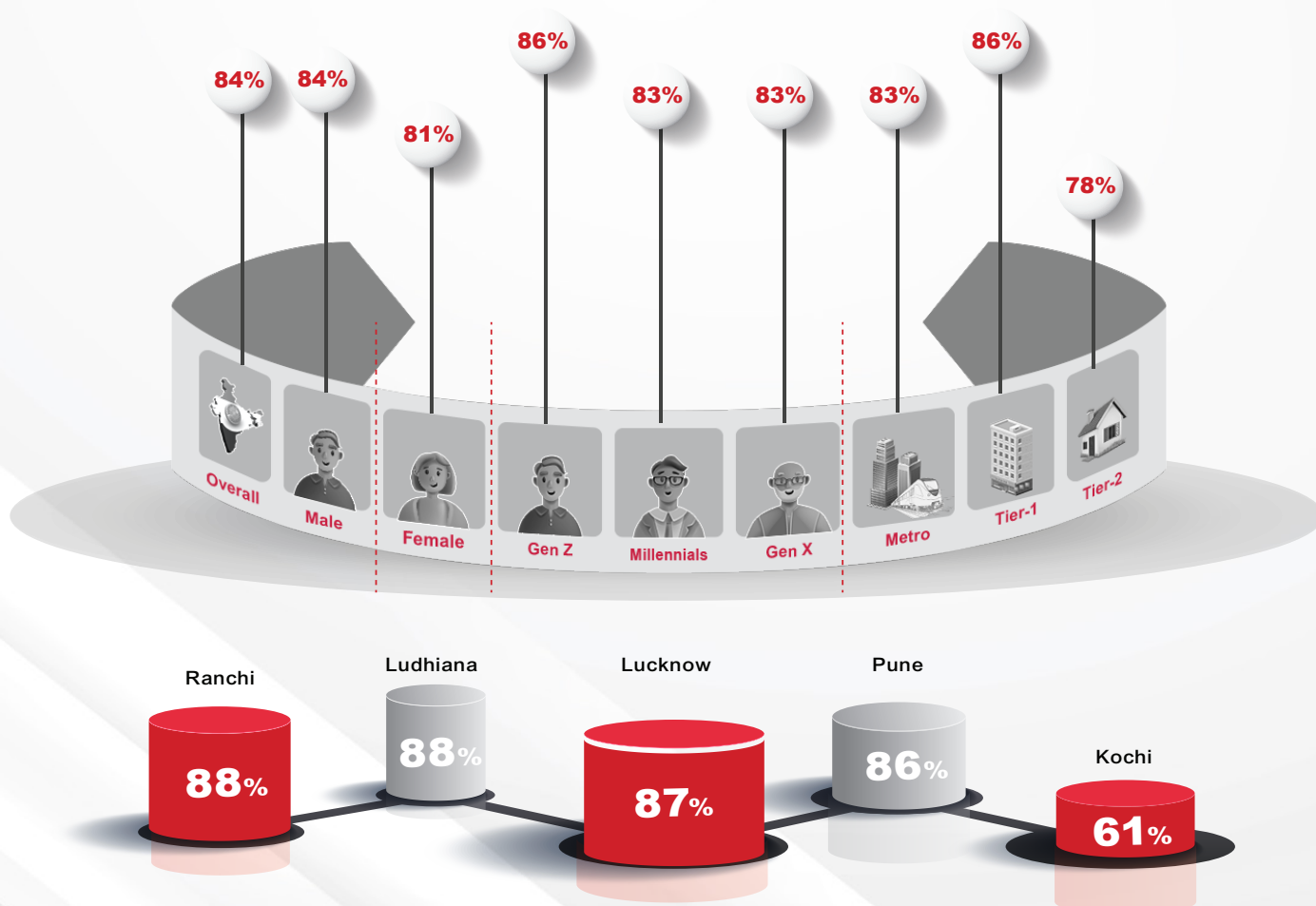
6. Expectation of Transparency from Loan Companies Regarding Personal Data Usage

Statement: “I believe that loan apps/companies should inform their customers on how personal data is being used by them”.

Despite low awareness, the expectation for transparency is almost universal, signaling a clear mandate for the industry to communicate better.

- 🔄 **The Universal Mandate:** An overwhelming **84% of all borrowers** believe companies should be transparent about their data usage. This is a non-negotiable demand for respect and clarity.
- 🔄 **Non-Negotiable Trust:** This demand for transparency is consistently high across all demographics, including **Gen Z (86%)** and **Tier-1 cities (86%)**. Cities like **Ranchi and Ludhiana (88% each)** and **Lucknow (87%)** show the strongest sentiments.
- 🔄 **Kochi's High-Risk Tolerance:** The only significant outlier remains **Kochi (61%)**, which shows less urgency on this issue, suggesting that in some markets, transparency is currently secondary to other concerns.

Borrowers Expectation for Transparency in Personal Data Usage by Loan Apps by Demographics & Cities



Conclusion: The Transparency and the Fragility of Digital Trust

The analysis of data privacy reveals a market where the rapid embrace of digital convenience is dangerously outpacing regulatory awareness, creating a fundamental fragility in digital trust. Borrowers are making a calculated trade-off: they accept the speed of digital apps while simultaneously maintaining deep-seated anxiety about data misuse.

- 🕒 **The Trust Deficit is Actionable:** A striking **73% knowledge gap** exists, with only 27% of borrowers claiming to understand how their data is used. This deficit is not passive; it translates into active worry, with **56% of borrowers concerned** about data collection and **55% believing apps collect too much data**. This widespread skepticism is the single greatest obstacle to sustained digital growth.
- 🕒 **The Mandate for Clarity:** The solution is non-negotiable and universal: an overwhelming **84% of all borrowers demand transparency** regarding data usage. This mandate is strongest in digitally advanced cities like Bengaluru along with Ranchi and Lucknow and among Gen Z, indicating that the new generation of borrowers will not tolerate opacity.
- 🕒 **The Core Regulatory Challenge:** Borrowers simplify data protection down to one core concept: **consent (65%)**. The industry's challenge is to bridge the gap between complex legal guidelines and this simple human expectation. When a majority of users feel that apps are overreaching (collecting too much data) and are failing to communicate clearly (not informing them how it's used), the entire digital ecosystem is undermined.

The future of digital lending hinges on restoring the social contract around data. For institutions, this means moving beyond mere compliance to proactive, simple, and transparent communication. The next frontier in FinTech is not technological innovation, but ethical innovation: building a transparent privacy framework that converts the borrower's fundamental demand for clarity into unwavering, long-term trust. The institution that wins the borrower's data trust will ultimately win the market.

The New Indian Pledge: Financing the Future, One Dream at a Time



The Aspirational Map of India: Dreams in Every Borrowing Decision

The loan application is not merely a financial transaction; it is a promise to the future. For the lower middle class, every decision to borrow is a meaningful contract with their own potential—a strategic investment in a life defined by growth, stability, and dignity.

This section moves beyond the mechanics of credit to explore the emotional economy that powers the entire lending ecosystem, revealing the core aspirations and anxieties that shape the financial future of the nation.

Part I: The Near-Term Vision – Ambitions to Fulfill (1–2 Yrs.)

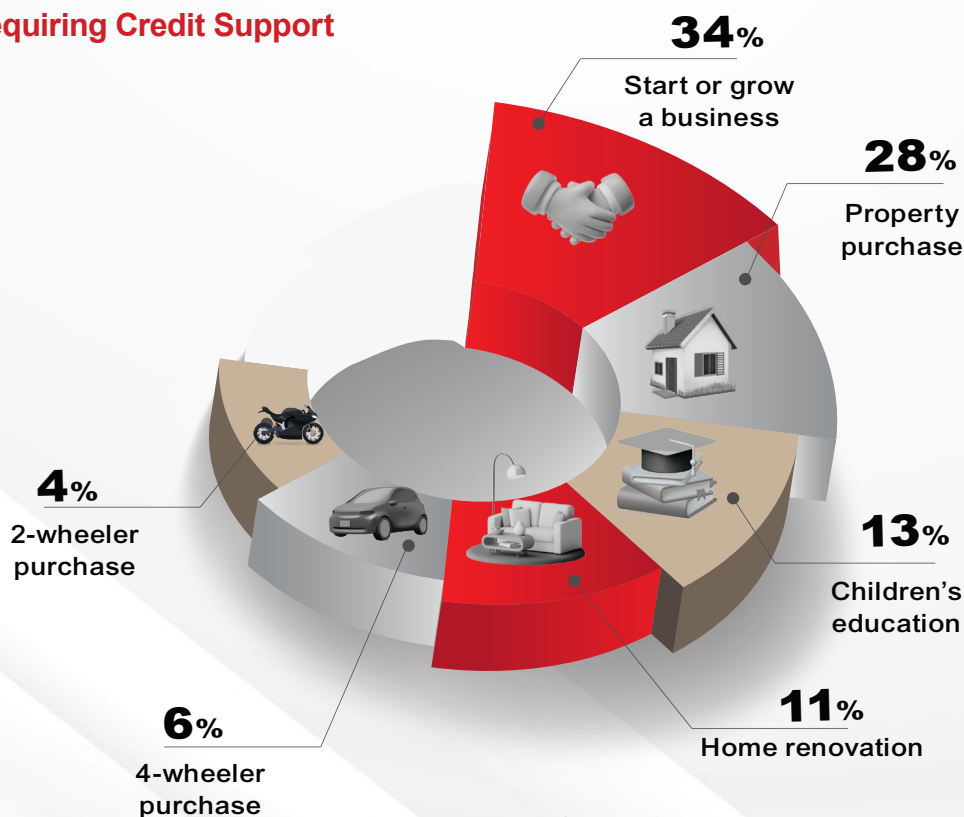
The goals of the aspiring borrower are not about fleeting consumption; they are about creation and foundation. The primary drivers for credit access over the next two years are centered on building economic self-reliance and securing a permanent base for the family.

The Entrepreneurial Fire: Fueling Self-Reliance

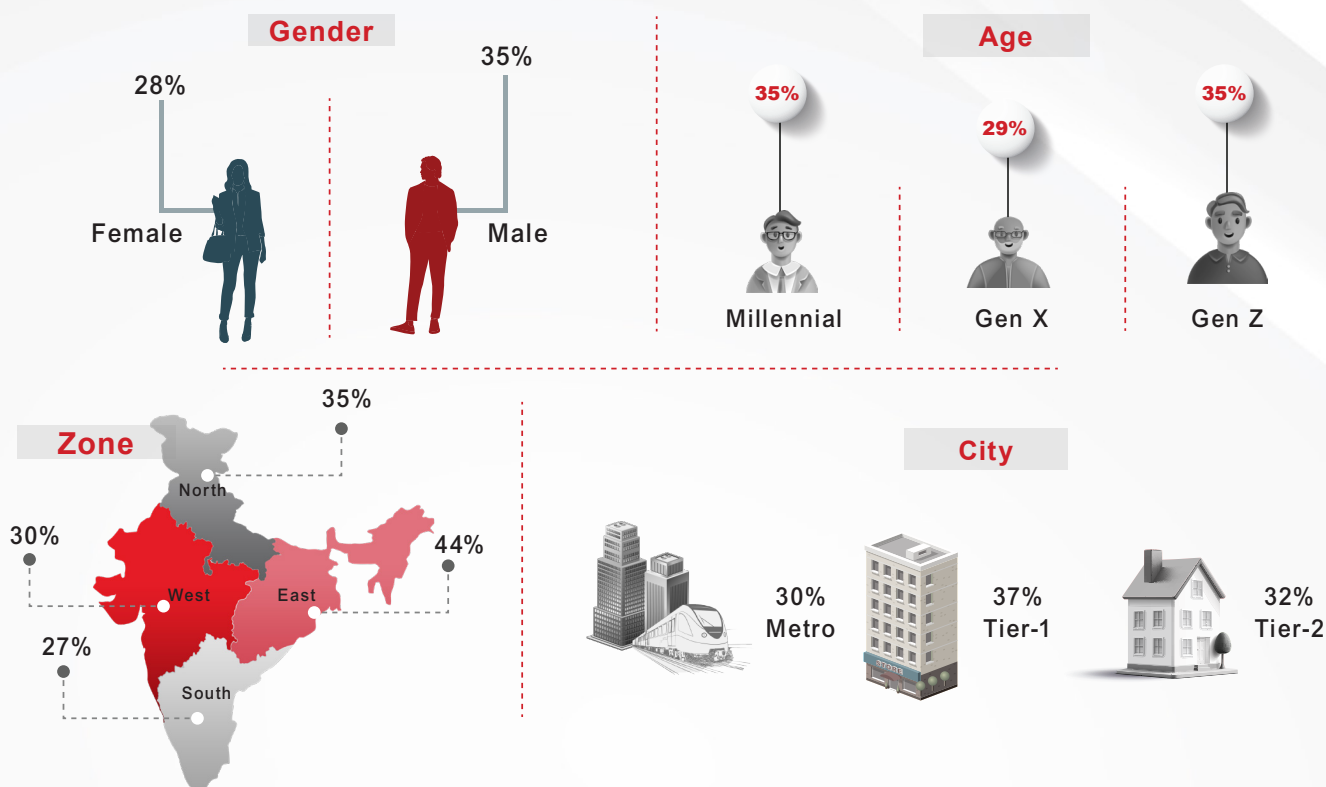
The single strongest near-term ambition is the drive to start or grow a business (34%). This signals a cultural pivot toward entrepreneurship, where credit is viewed as the necessary catalyst for economic independence.

This entrepreneurial zeal is surging in **East India (44%)**, significantly outpacing the national average, and exploding in emerging hubs like **Patna (52%)** and **Ranchi (47%)**. This is not just commerce; it is the quest for economic **self-sovereignty**.

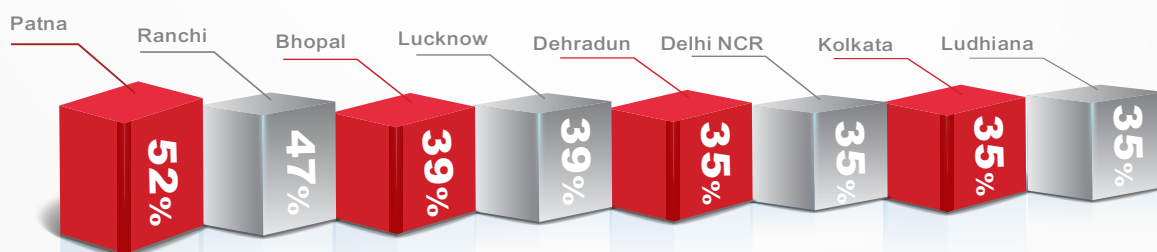
Life Goals Requiring Credit Support



Loan seekers for starting/expanding business : Variations across demographics



Top Cities to Avail Loan to start or grow business in near future



The Pillars of Stability and Legacy

These aspirations define the borrower's commitment to securing a lasting legacy for their family:

The Anchor of Ownership

The desire **to buy a house (28%)** remains the ultimate measure of success and security. This aspiration for a permanent legacy is disproportionately driven by **females (33% vs. 27% for males)**, confirming their role as the primary architects of family stability. The commitment to ownership is notably stronger in **Delhi NCR (37%)**, affirming its status as a major ambition hub.

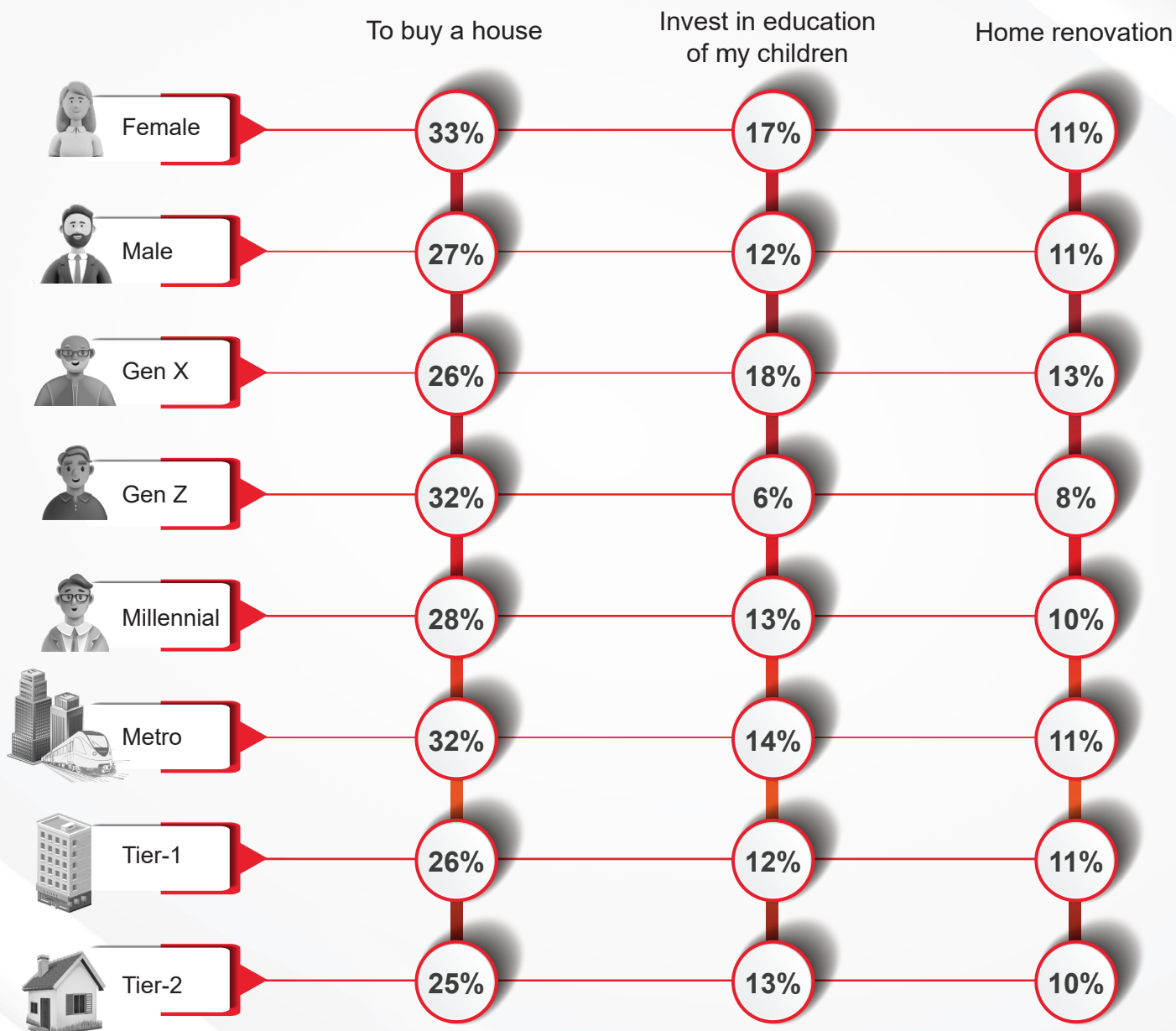
Investing in Home

Financing **home renovation (11%)** is an investment in the family's dignity and comfort. It is the borrower's commitment to ensuring their primary asset—the family's sanctuary—is maintained to a standard that reflects their success.

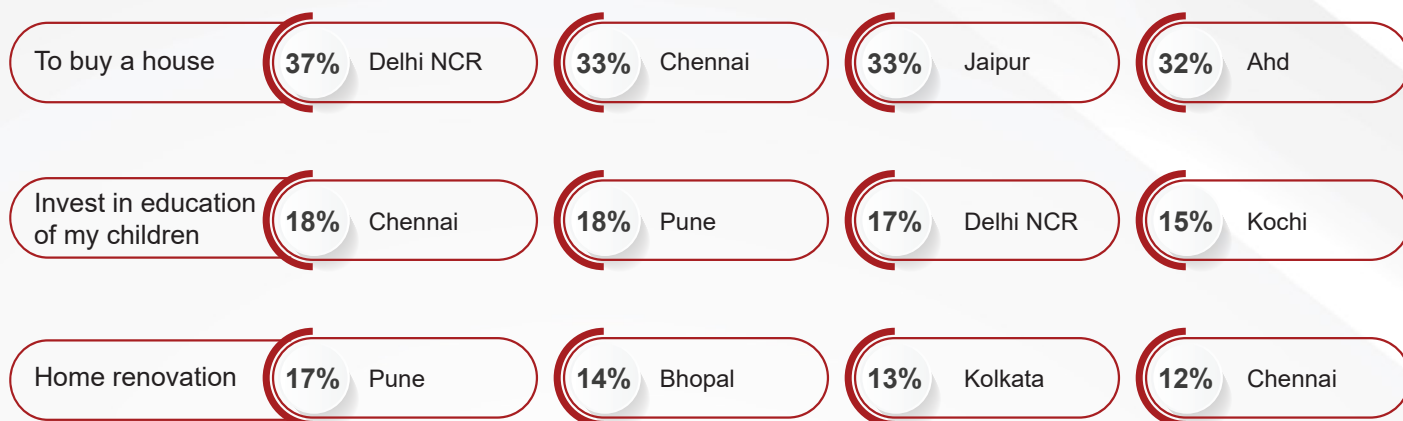
The Generational Contract

Credit is a strategic tool for mobility: the drive to **invest in the education of children (13%)** represents an untouchable investment in the future, a responsibility naturally shouldered by **Gen X (18%)**.

Loan seekers for home and Children's Education : Variations across demographics



Cities with the Highest Interest in Loans for Housing and Children's Education



The Strategic Borrower: Prudence and Protection

The data reveals the calculated pragmatism of this class, prioritizing long-term assets over immediate consumption:

Focus on Foundation

Big-ticket discretionary goals, like international vacations (1%) or lifestyle upgrades (2%), are decisively placed on the back burner. This financial discipline highlights the borrower's strategic focus on foundational growth and long-term security.

The Credit Shield

A critical, sober note exists in this vision: 4% fear their next loan may be for **medical or personal emergencies**. This concern is particularly acute in high-pressure financial centers like **Bengaluru and Hyderabad**, underscoring credit's vital, dual role as both a launchpad for dreams and a **shield against crisis**.

Part II: From Caution to Courage: Bridging the Gap to Credit Adoption

Despite the powerful aspirations that drive them, the lower middle class approaches credit with deep-seated **emotional caution**. This part explores the psychological and cultural hurdles that must be overcome, framing them as the ultimate challenge for both the borrower and the lender.

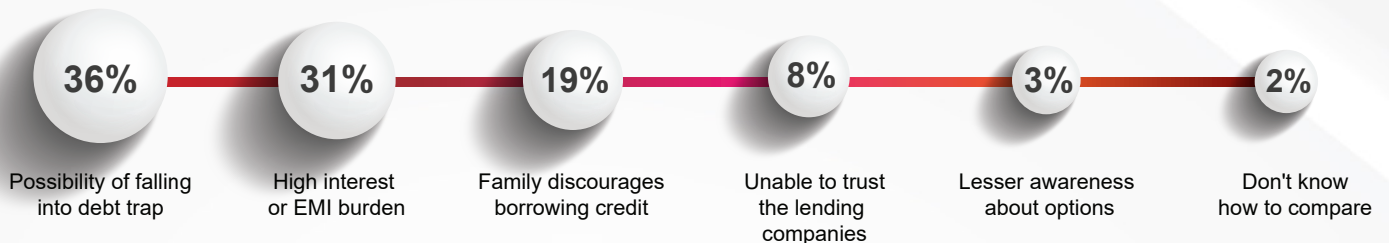
The Fears That Define Prudence

The primary barriers reveal a borrower focused on financial responsibility and a powerful aversion to losing control:

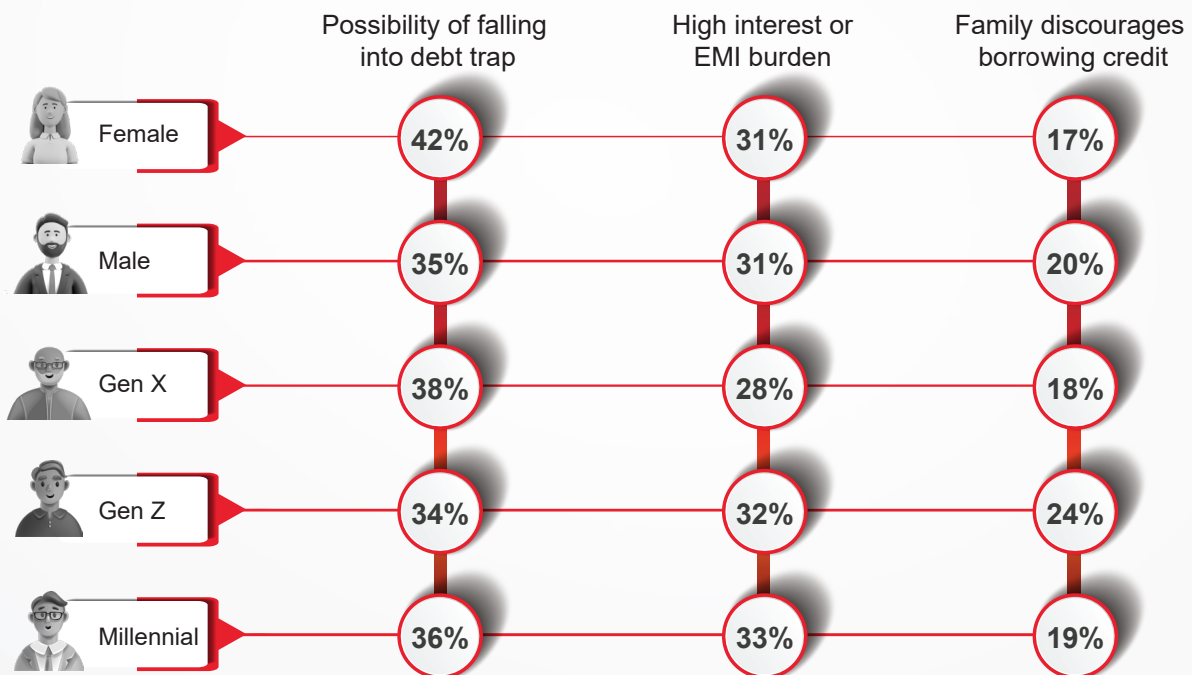
- 🔴 **The Debt Trap Anxiety (36%):** The most cited challenge is the fear of falling into a debt trap. This is a profound emotional fear of losing the stability they are working so hard to gain. This prudent risk aversion is significantly higher among females (42% vs. 35% for males), confirming their role as the family's primary financial anchors.
- 🔴 **The Weight of the Burden (31%):** The **high interest or EMI burden** is the secondary challenge. For the borrower, the cost is not just a number; it is the perceived weight on their monthly freedom, reinforcing the need for transparent and predictable financial structures.

- 🔗 **The Voice of Tradition (19%): Family discourages borrowing credit** emerges as a significant cultural and emotional hurdle. This conservatism is strongest among **Gen Z (24%)**, where the pursuit of financial independence is often checked by parental tradition and caution.

Barriers to Credit Among Borrowers



Barriers to Credit Among Borrowers



The Confidence Mandate

The path to increasing credit adoption lies not just in offering better rates, but in proactively **dismantling these emotional barriers** through transparency and education:

- 🔗 **Targeting Anxiety:** The high anxiety in cities like **Jaipur (42% debt trap fear)** calls for targeted communication strategies that emphasize responsible use and clear, manageable exit plans.
- 🔗 **Empowering the Youth:** The resistance from family (high in **Kolkata, Bhopal, and Chandigarh** 24%–25% and for Gen Z) highlights the need for institutional credibility that can overcome cultural skepticism.

- 🔄 **The Opportunity:** With barriers related to **lack of trust (8%)** and **awareness (3%)** remaining low, the industry's central task is clear: build a system that rewards the borrower's prudence and converts their cautious hope into confident courage.

Part III: Building the Future Self: The Affirmation of Financial Freedom

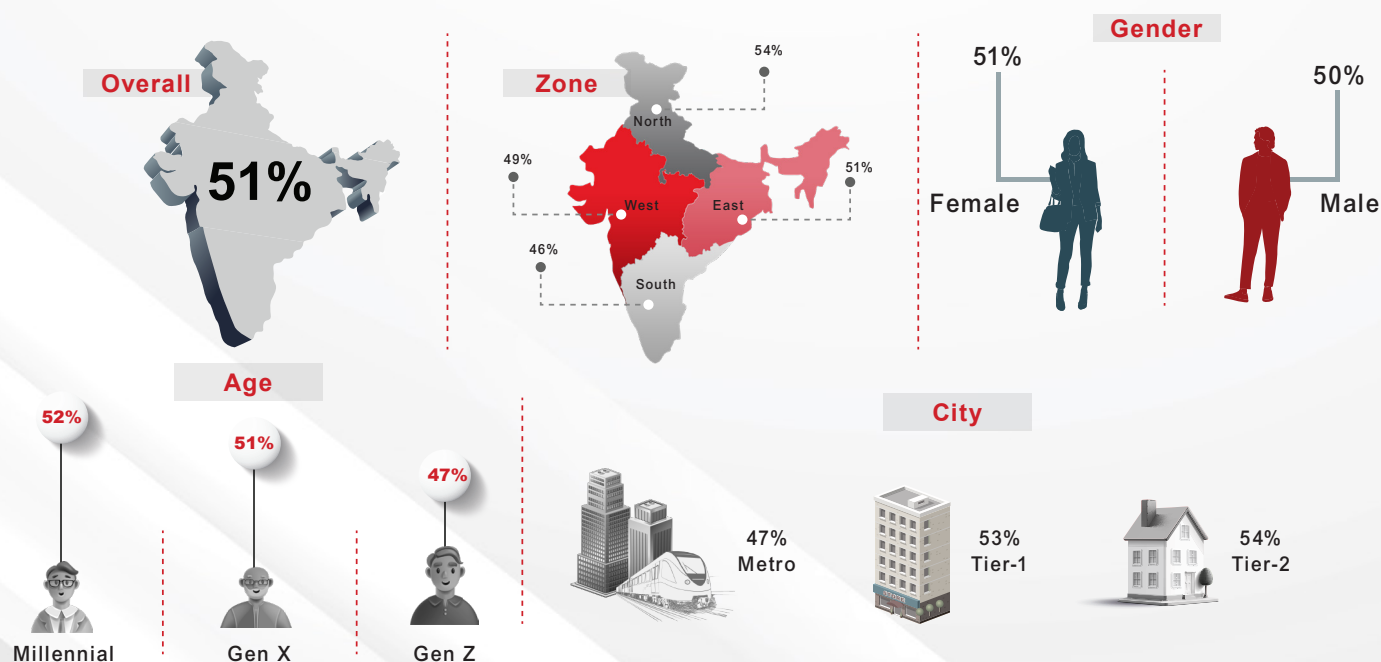
The emotional landscape of the borrower is defined by a powerful duality: the necessary caution of the present (Part II) and the unwavering conviction in the future. This section affirms that for the Indian lower middle class, credit is not a last resort; it is a **strategic affirmation of their capacity to achieve aspirational goals**. The fear of debt is ultimately countered by the **psychological dividend of empowerment**.

The Accelerator of Achievement: Making the Impossible Possible

The most compelling proof of credit's value lies in its perceived ability to transcend current financial limits and catalyze progress.

- 🔄 **Core Belief:** The statement "**Borrowing credit in the past has helped in obtaining something that might not have been possible without it**" (51%) is the core belief. **Half of all respondents** view credit as the direct accelerator of their destiny, collapsing the time-to-achievement on their life goals.
- 🔄 **The Tier-2 Momentum:** This conviction is strongest in **Tier-2 towns (54%)** and rapidly growing urban centers like **Ludhiana (58%), Dehradun (56%), and Jaipur (55%)**. This pattern is significant: it highlights that in areas where capital access is more recent and growth is accelerating, credit's transformative impact is most palpably felt, validating its function as a **tool for upward mobility**.
- 🔄 **The Metro Gap:** Conversely, this belief is relatively weaker in Metros and South India (e.g., Bengaluru 43%, Hyderabad 43%). This suggests that in more saturated, established markets, credit's role may be perceived as maintenance rather than a dramatic leap in opportunity.

Credit as an Enabler for Borrowers

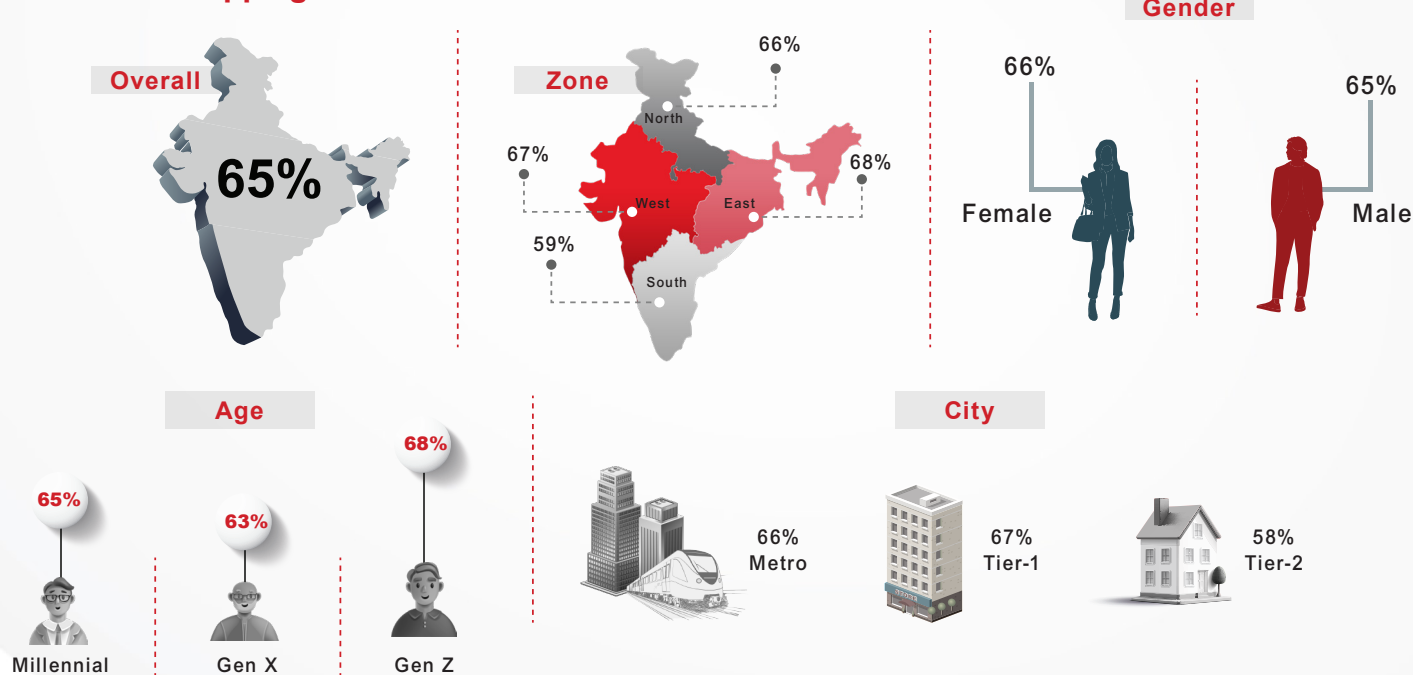


The Strategic Launchpad: Investing in a Lasting Legacy

The borrower's perspective fundamentally reframes the loan from a liability into an **asset-generating strategic investment**.

- Strategic Vision:** The statement "**I see loans as a stepping stone to bigger goals like education, business, home**" (65%) is affirmed by a resounding **two-thirds of borrowers**, who view loans strategically—not as a burden to be tolerated, but as the **essential bridge to a better future and a solid legacy**.
- Generational and Regional Ambition:** This forward-looking vision is most pronounced among the next generation, with **Gen Z (68%)** showing the strongest conviction. They are entering the workforce with a high confidence in the power of credit to build their "future self." Regionally, the belief is strongest in **East India (68%)** and **Tier-1 cities (67%)**, indicating a high level of strategic confidence in key economic zones.

Credit as a Steppingstone to Greater Goals



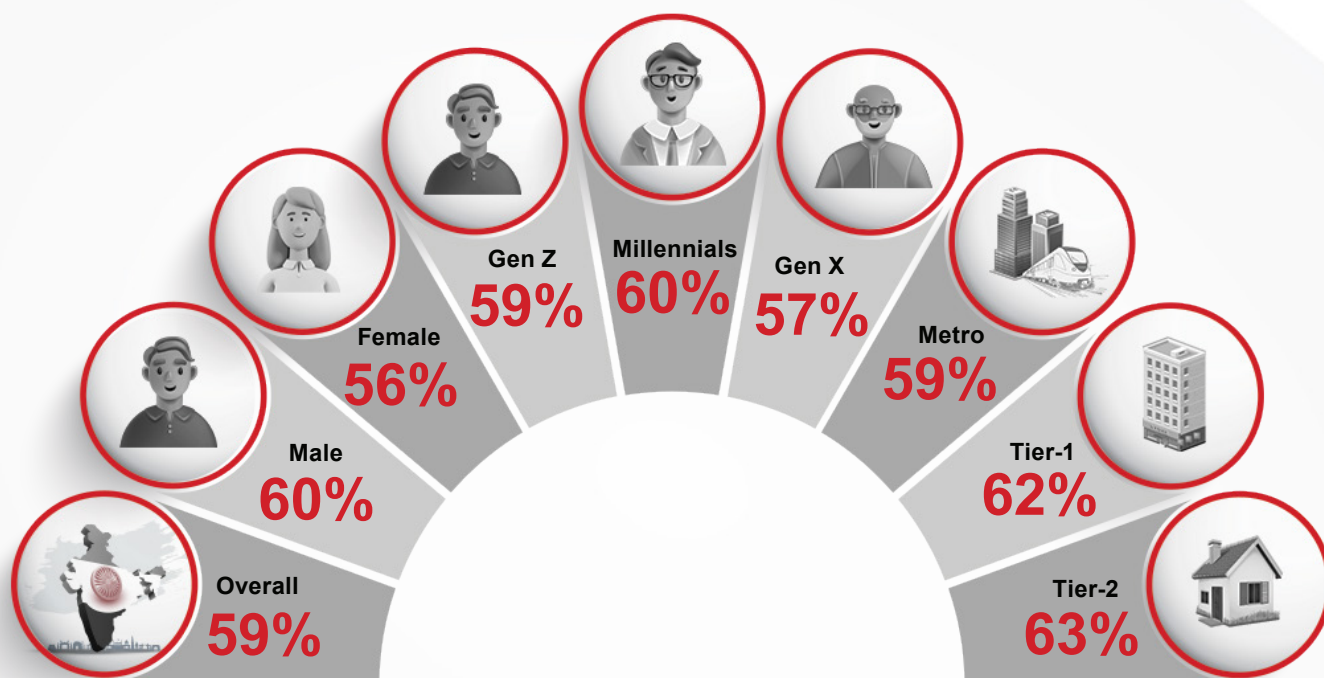
The Confidence Catalyst: The Psychological Value of Access

Beyond material gains, access to credit yields a crucial psychological return: a feeling of **personal agency** and command over one's financial life.

- The Empowerment Metric:** The statement "**Having access to credit makes me feel more financially independent and in greater control of my finances**" (59%) is embraced by nearly **six in ten** borrowers. They feel that credit provides an "**autonomy dividend**," replacing financial uncertainty with a powerful feeling of control over their financial destiny.

- Widespread Independence:** This feeling of independence is highest in **West India (63%)** and **Tier-2 towns (63%)**. This data proves that financial empowerment is a powerful and widespread driver of dignity in emerging urban markets, validating the thesis that **credit equals control**. The notably low affirmation in Hyderabad (43%) presents a specific regional challenge in cultivating this feeling of empowerment.

Credit as a Tool for Financial Autonomy

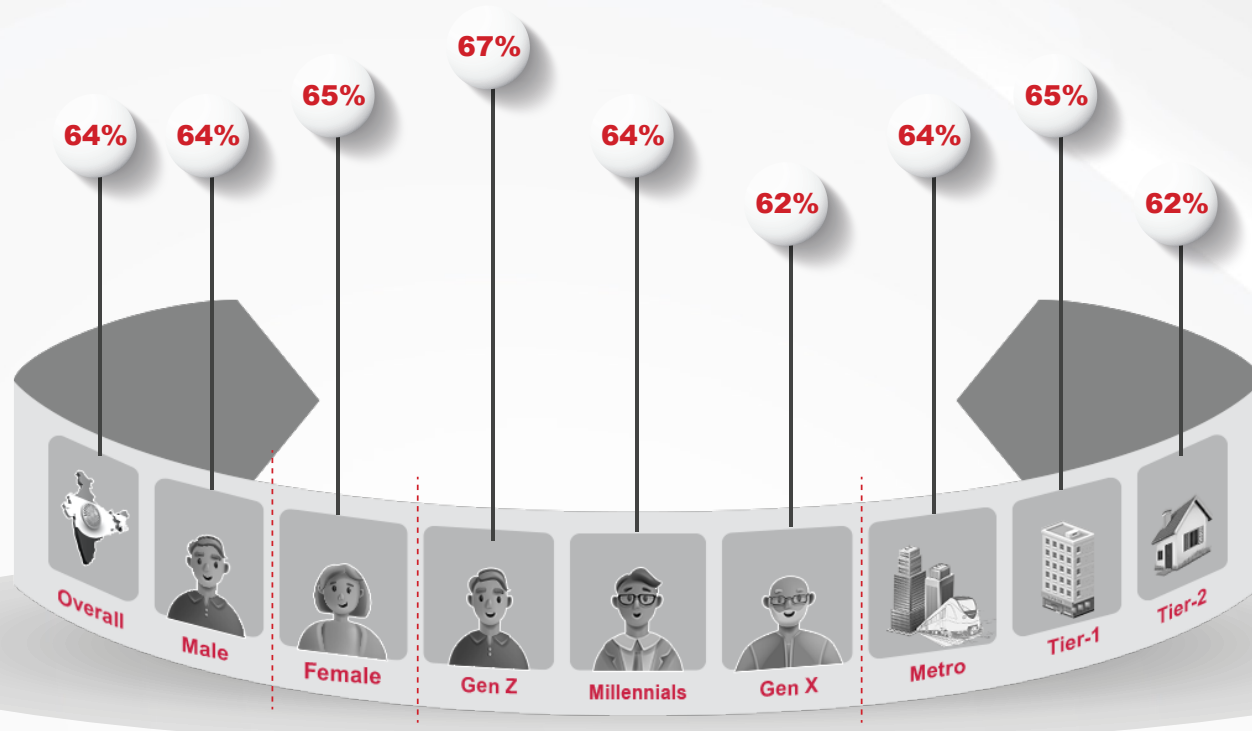


The Foundation of Financial Security: Prudence as a Strategy

The cautious approach identified in Part II is ultimately an expression of responsibility, resulting in a belief that managed credit is a tool for long-term security.

- Responsible Ethic:** The statement "**When used carefully, credit can help build a strong financial foundation for my future**" (64%) is affirmed by nearly **two-thirds** of the segment. This confirms the borrower is a **disciplined planner** who views credit as a constructive, rather than destructive, tool for stability.
- Future-Proofing the Market:** This conviction is strongest in **East India (67%)** and particularly high among **Gen Z (67%)**. This indicates that responsible usage is the prevailing financial ethic among the newest generation of borrowers, securing the long-term foundation of the credit market based on **mutual trust and prudence**.

Careful credit usage enables long-term security



Conclusion: The Confident Bet on India's Future

The data provides a clear mandate: the aspirations of the Indian borrower are profound, disciplined, and strategic.

The borrower is not a desperate consumer; they are a prudent planner making a calculated bet on their future. They see credit as a necessary accelerator for the big-ticket, life-changing goals—a business, a home, an education—and are overwhelmingly convinced that, when used responsibly, credit is the single most powerful tool for achieving financial autonomy and securing a lasting legacy.

The future of lending is the future of partnership. By moving beyond transactional relationships and embracing a culture of transparency that mitigates the borrower's caution, the lending industry can solidify its role as the essential bridge, converting the nation's profound aspirations into confident, realized prosperity.

A Nation of Aspiration: The Credit Contract with India's Future

Our exploration into the borrowing behavior of India's aspiring class reveals a cohort driven by extraordinary discipline, profound ambition, and a clear, strategic vision for their future. This is not a story of simply needing credit, but of intelligently **leveraging capital** to collapse the timeline between aspiration and achievement. These individuals are defined by their **dual nature**: meticulous prudence in managing finances coupled with an unyielding conviction in the power of credit to build their destiny.

The Strategic Mindset: Credit as a Bridge, Not a Trap

The core insight is the sophisticated way this segment views debt. For them, a loan is not a source of consumption but a **strategic asset**. The dominant near-term goals—launching a business, securing the family home, and investing in children's education—demonstrate a commitment to creation and legacy over fleeting luxuries. They understand the **Cornerstone of Legacy** and use credit to secure it. This strategic focus is highlighted by the strong entrepreneurial surge in new urban centers and the strong gender-based drive for homeownership. Their overwhelming belief that credit helps them obtain "something that might not have been possible without it" is the ultimate confirmation of its role as an **Accelerator of Destiny**.

The Imperative of Trust: From Caution to Confidence

While aspirational, the path to credit adoption is marked by high caution. The primary barriers are the very real **fear of the debt trap** and the burden of high costs. This risk aversion, particularly among women and Gen Z, is a powerful signal that the industry's task is not just to provide credit, but to provide **confidence**. Overcoming this **Responsible Threshold** requires **transparency, predictability, and education** that addresses these psychological barriers head-on, effectively bridging the gap **From Caution to Courage**.

The Empowerment Mandate: Unleashing the Future Self

Ultimately, the behavioral statements affirm a conviction that outweighs caution. The borrower views credit as a key to **Building the Future Self**. Two-thirds see loans as a "stepping stone" to major goals, and nearly six in ten feel that access to credit provides the **Confidence Catalyst**—a psychological return of independence and control. This belief, particularly strong among **Gen Z**, confirms that responsible credit usage is becoming the prevailing financial ethic, viewed as essential for **long-term security**.

The collective aspirations of this segment—to be business owners, homeowners, and financial custodians for the next generation—are the true engine of India's growth. By prioritizing products that **honor their prudence, enhance financial sovereignty, and dismantle the fear of the unknown**, financial institutions can move from simply supplying capital to becoming true partners in charting a more inclusive, confident, and prosperous course for the nation's rising class.

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