Indian Economy · GS - III

The rapid growth of instant personal loans through digital platforms reflects the expanding reach of retail credit in India. Assess its contribution to financial inclusion and consumption while highlighting the risks of excessive unsecured borrowing.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 19/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Digital lending, retail credit, financial inclusion, unsecured loans, fintech, household debt, credit assessment, RBI regulation, financial literacy.

Model Answer

Introduction

The expansion of instant personal loans through digital platforms reflects the growing penetration of formal credit in India. Faster processing and simplified applications have made borrowing more accessible across age groups and geographical regions.

Contribution to Financial Inclusion and Growth

1. **Credit accessibility:** Digital platforms connect borrowers, including those in smaller cities, with formal lending institutions.

2. **Consumption demand:** Personal loans support household expenditure, healthcare, education and other financial needs.
3. **Digital financial ecosystem:** Technology improves loan processing, customer access and credit assessment.
4. **Economic activity:** Increased consumption can support retail trade and service-sector demand.

Risks and Concerns

1. **Over-indebtedness:** Easy access to multiple loans can create unsustainable repayment obligations.
2. **Unsecured credit exposure:** Higher defaults can affect lenders' asset quality and financial stability.
3. **Predatory practices:** Hidden charges, misleading advertisements and coercive recovery practices can harm borrowers.
4. **Digital exclusion:** People with limited digital literacy may struggle to understand loan terms and financial risks.

Way Forward

The RBI should ensure effective implementation of digital lending regulations, transparent disclosure of annualised interest rates and responsible credit assessment. Lenders should evaluate repayment capacity and prevent excessive multiple borrowing. Financial literacy must accompany wider credit access.

Conclusion

Digital personal loans can deepen financial inclusion and support consumption-led growth. Their sustainability, however, depends on responsible lending, borrower protection and prudent household debt management.