
Lending Trends 2026 and Beyond

 White Paper



Preface

Lending is entering a fundamental reset. Easing interest rates have not translated into an easier operating environment: inflation remains stubborn, white-collar employment is under pressure, and banks are facing sustained margin compression as funding costs rise and traditional deposits erode. In this context, incremental product innovation is no longer a growth strategy—it is a distraction. The next phase of lending will be defined by structural change, not feature launches.

Viewed together, these slivers point to a single meta-shift: lending is moving closer to context, data, and execution, rather than existing as a standalone financial product. Credit is becoming increasingly invisible yet omnipresent—embedded inside platforms, marketplaces, journeys and workflows, triggered by real-world intent rather than

applications and forms. Distribution, not product design, is emerging as the primary battleground. Intelligence, not rules, is reshaping risk. Execution, not balance-sheet scale alone, is becoming a source of advantage.

The institutions that succeed in this environment will not be those that build more loan variants, but those that re-architect lending around modern realities: fragmented journeys, non-standard incomes, real-time data, and programmable infrastructure. Lending is shifting from a discrete transaction to a continuously orchestrated capability—contextual, adaptive, and embedded by default. Those who fail to make this transition risk becoming increasingly invisible in a world where credit no longer announces itself, but simply happens.

Agenda

Join us as we navigate the critical insights and future trajectories of the lending industry.

1.

Economic Outlook 2026

An overview of global and local economic projections impacting lending.

2.

State of the Markets

Analyzing the current landscape, competitive forces, and technological shifts.

3.

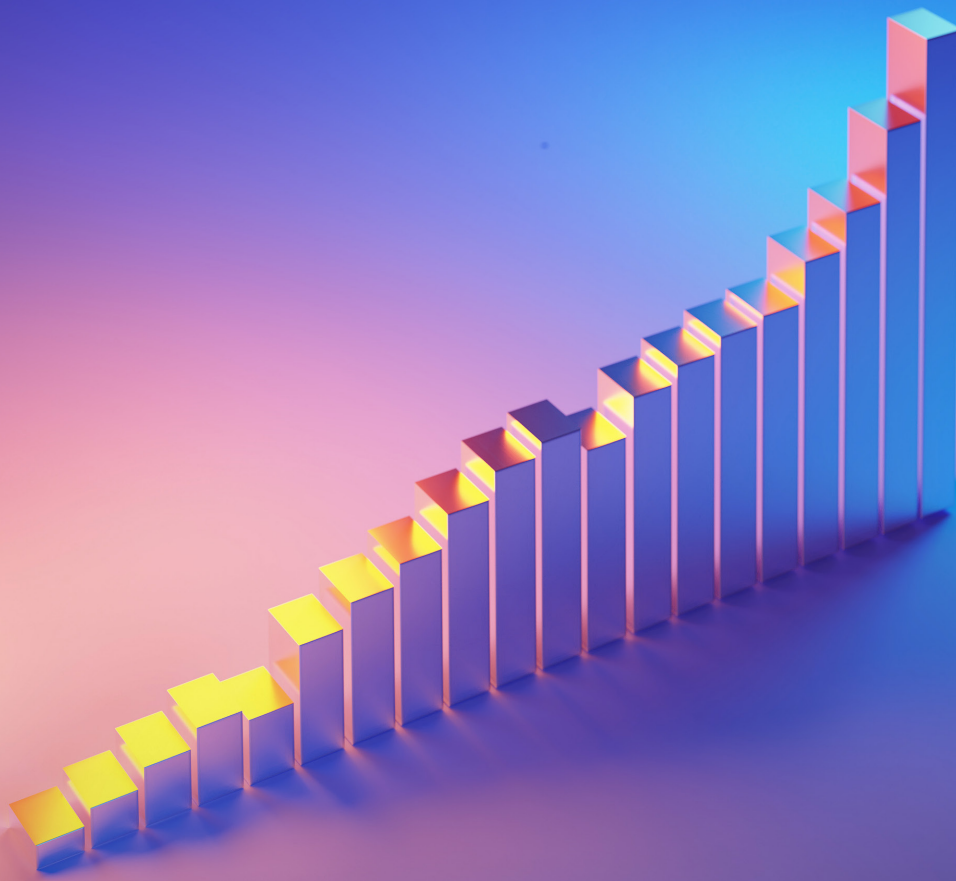
Lending Trends 2026 & Beyond

Exploring innovation, emerging models, and strategic opportunities.

4.

Key Takeaways & Future Steps

Consolidating insights and outlining actionable strategies for success.



Economic Outlook 2026

As 2026 unfolds, several key economic factors are set to influence the lending landscape, presenting both opportunities and challenges.

Geopolitical tensions and geoeconomic fragmentation have become key macro-risk drivers, constraining cross-border lending, elevating credit risk, and tightening global financing conditions.

Interest rates are expected to remain higher for longer, as central banks defer easing to prioritize inflation control amid geopolitical uncertainty.

Inflation is unlikely to moderate smoothly, with geopolitical shocks and supply-side risks keeping price pressures volatile and above target.

Global GDP growth is forecast to maintain a steady, moderate pace, primarily supported by resilient consumer spending and innovation.

Monetary policy is expected to remain cautious and restrictive, with central banks deferring easing to address persistent inflation and geopolitical risks.



Macro Economic Factors Affecting Trends

Inflation & Cost Pressures

Global headline inflation is projected around 2.6-3.7%, however disinflation momentum has weakened. Persistent cost pressure from geopolitical shocks, supply disruptions, and energy volatility increase the risk of remaining sticky and above target levels across major economies.

Interest Rate Volatility

Interest rate volatility remains elevated. With inflation risks persisting, central banks are increasingly expected to defer or delay planned rate cuts, keeping borrowing costs higher for longer. This environment is pushing lenders towards risk-based pricing, shorter tenors, and dynamic credit models.

Wage Stagnation & Job Losses

Global unemployment in 2025 is ~5.0%, youth unemployment remains severe: India ~13.8% and South Africa ~46% (15-34 age group, >62% for 15-24), sustaining demand for microloans and affordability-smoothing products.

Gig Economy & Income Volatility

Global gig economy market reached \$582.2 billion in 2025, projected to hit \$674.1 billion in 2026; US workforce includes 36% freelancers, creating demand for Income-linked and personalized credit solutions.

Global Economic Uncertainty

Economic Policy Uncertainty Index for the US surged to early COVID-era levels in March 2025, with 82% of chief economists rating global uncertainty as “very high,” increasing credit risk variability.

Credit Access Gaps

MSME finance gap estimated at \$5.7 trillion globally, equal to 19% of GDP, with 40% of MSMEs credit-constrained, fueling alternative-data lending and open-banking solutions.

Regulatory & Policy Mandates

Tightening global regulations, including UK FCA BNPL rules, US CFPB mandates, SARB credit norms, and Basel III/IV capital requirements, are heightening responsible-lending expectations and compliance demands

Capital & Margin Pressure

Deposit outflows and higher funding costs are squeezing margins, elevating deposit costs, compressing NIMs, and limiting lending in lower-yield segments.

Demographic Shifts

Urbanization projected to reach 68% globally by 2050; current rates: US 83%, UK 84%, South Africa 68%, driving demand for milestone-based credit journeys.

Financial Inclusion Push

Account ownership globally stands at 79%, up from 55% in 2011; LMICs at 75%, yet 1.3 billion adults remain unbanked, driving digital onboarding and thin-file credit scoring.

ESG & Green Finance Push

ESG assets projected to reach \$50 trillion by 2030, up from \$35 trillion in 2024, supported by UK Green Finance Strategy and US IRA, spurring green lending adoption

Climate Commitments

COP targets require \$4.5 trillion annual climate finance to achieve net-zero by 2050, aligning lenders with sustainability goals and green credit offerings.

Tech & Digitalization

Global digital economy will reach \$16.5 trillion by 2028, driven by fintech and e-commerce growth, enabling embedded lending and real-time underwriting.



Market Commentary

The current lending market is dynamic, influenced by technological advancements and shifting borrower expectations. Staying ahead requires a keen understanding of these evolving conditions.

Heightened geopolitical risk, driven by ongoing conflict in the Middle East and continued Russia-Ukraine tensions, has added a layer of uncertainty to global credit markets.

Energy price volatility and delayed monetary easing are increasing funding costs and risk sensitivity, reshaping lender appetite across sectors and geographies.

Evolving borrower behavior

There's a growing demand for speed, transparency, and flexible lending products, driven by digital-native consumers and businesses.

Defaults rising

U.S. leveraged loan defaults are projected to rise to 4.5–5.0% in 2026, while European high-yield defaults have already peaked at 5.1% in mid-2025. Elevated interest rates and geopolitical uncertainty are expected to prolong refinancing stress, particularly for leveraged, SME and energy-dependent borrowers, reinforcing a cautious credit outlook through 2026.

Strategic focus on data

Lenders are increasingly leveraging advanced analytics and AI for credit assessment, risk monitoring, and early warning indicators, enabling more selective underwriting, portfolio resilience, and identification of niche opportunities in a risk constrained environment.

Intensified competition

Fintechs continue to disrupt traditional models, forcing established lenders to innovate rapidly with digital solutions and personalized offerings.

A 3D bar chart with numerous vertical bars of varying heights, rendered in a blue-to-white gradient. The bars are set against a dark blue background with a glowing grid pattern. The perspective is from an elevated angle, looking down at the chart. The bars are arranged in several groups, with some taller bars in the foreground and shorter ones in the background, creating a sense of depth.

State Of The Markets

US Housing & Auto Market Overview 2026

The U.S. housing market is stabilizing rather than expanding, as mortgage rates ease from 2023 peaks while affordability remains constrained. The 30-year fixed mortgage rate averaged ~6.1% in late Jan-2026, supporting a modest return of buyer demand but remaining well above pre-pandemic levels.

Existing-home sales improved modestly toward year-end 2025, rising to an annualized pace of ~4.35 million units in December. Despite this uptick, overall activity remains subdued due to affordability pressure and persistent homeowner rate lock-in.

Supply conditions remain tight, with housing inventory at ~3.3 months, well below long-term norms. This supply imbalance continues to limit transaction volumes and provide underlying support to home prices.

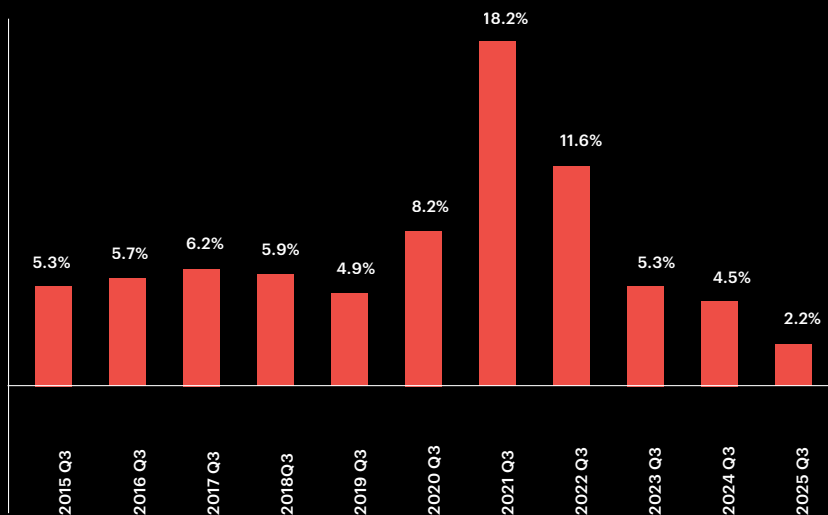
Home price growth has slowed materially, with the FHFA House Price Index up ~2.2% YoY in Q3-2025, marking a transition from rapid post-pandemic appreciation to low single-digit, more sustainable growth nationally.

New residential construction remains cautious, with housing starts at ~1.25 million units (SAAR) in Oct-2025. Builders are pursuing selective supply expansion, reflecting elevated construction costs and uncertain demand visibility.

Mortgage credit quality remains broadly resilient, with overall delinquency rising modestly to ~3.99% in Q3-2025, driven primarily by stress in FHA portfolios. Conventional loan performance remains stable, pointing to localized affordability stress rather than systemic risk, while the MBA projects single-family originations of ~\$2.2 trillion in 2026.

House Price Appreciation Over Previous Four Quarters for U.S.

Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal) through 2025Q3



U.S. house prices rose steadily for several years, peaked sharply in 2021, and have been slowing down since then. By 2025, price growth is much lower, showing a cooling and stabilizing housing market.

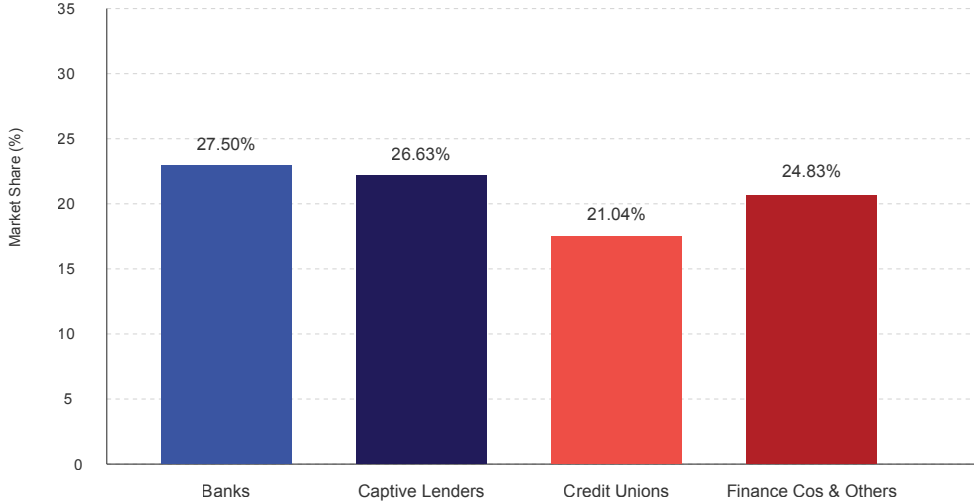
US Auto loans market

US Auto Loan	Verified Data
Total outstanding auto debt	\$1.66T (Q3 2025)
Avg loan amount – New / Used	\$42,332 (new) / \$27,128 (used), Q3 2025
Avg interest rate – New / Used	6.56% (new) / 11.40% (used), Q3 2025
Avg monthly payment – New / Used	\$748 (new) / \$532 (used), Q3 2025
Delinquencies	3.8% (30+ DPD) as of Jun 2024—highest since 2010; 5.02% (90+ DPD) in Q3 2025
Subprime share of originations	~15% in Q3 2025 (NY Fed)

US Auto Loan	Verified data
Total financing share by lender type	Banks 27.50%, Captives 26.63%, Credit unions 21.04% (Q2 2025)
New-vehicle financing share (captives)	52.39% in Q2 2025, down from 60.74% a year earlier
Used-vehicle financing (banks)	28.59% share in Q2 2025 (banks lead)
Refinance activity	~70% YoY surge in Q2 2025; avg payment ↓ \$71/mo; credit unions = 68.33% of refis

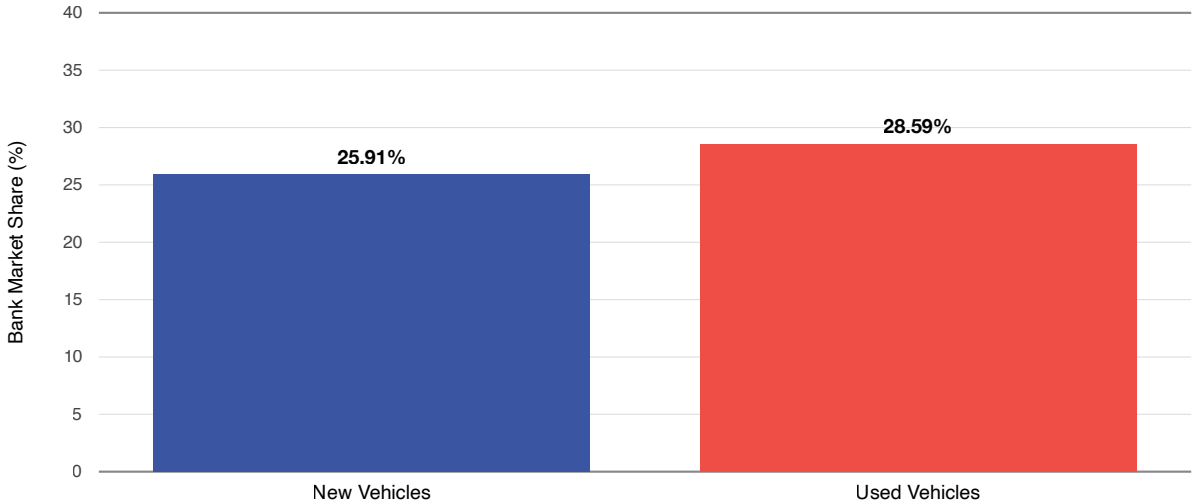
EV Loans	Verified data
EV share of new financing	11.36% of financed new purchases
EV leasing	>56% of new EV transactions are leases; EVs = ~25% of all new leases

US Auto Financing Market Share by Lender Type — Q2 2025



Data: Experian State of the Automotive Finance Market (Q2 2025).

Banks: Market Share in New vs Used Vehicle Financing — Q2 2025



Data: Experian State of the Automotive Finance Market (Q2 2025).

US Student Loan & Consumer Credit Loan Market Overview 2026

US Student loan market

The U.S. student loan market remains policy-driven and federally concentrated. As of Q3 2025 outstanding student loan debt stood at ~\$1.65-1.67 trillion, covering ~42 million borrowers, with ~90% held by the federal government, limiting private-sector exposure but amplifying policy risk.

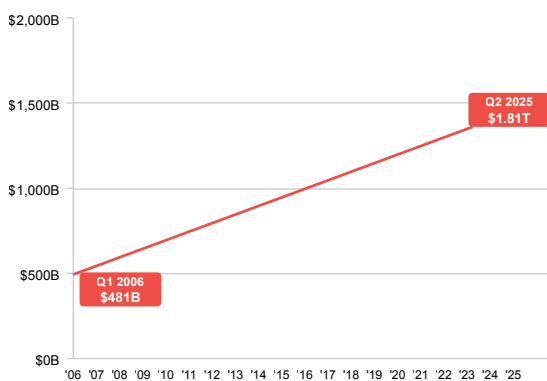
The New York Fed reports ~9.4% of student loan balances were 90+ days delinquent or in default in Q3 2025, reflecting the backlog of missed payments accumulated during the pandemic-era reporting pause rather than a sudden new shock.

Policy intervention remains the primary stabilizer. In January 2026, the U.S. Department of Education paused involuntary collections, including wage garnishment and Treasury offsets, to allow time for repayment system reforms to be implemented.

Looking ahead, a new income-driven repayment framework (RAP) under the Working Families Tax Cuts Act is scheduled to launch on July 1, 2026, aiming to simplify repayment options, expand rehabilitation pathways, and improve long-term portfolio performance.

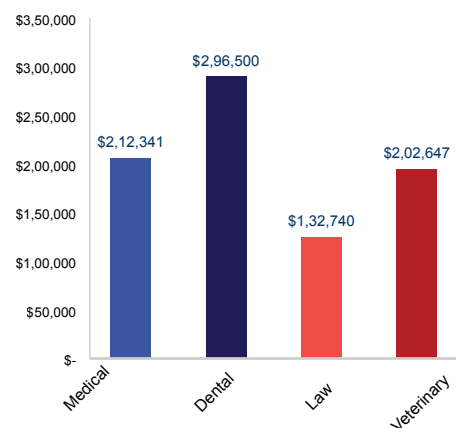
Americans Owe \$1.81 Trillion in Student Debt

Value of outstanding student loans in the United States (not seasonally adjusted)



Source: U.S. Federal Reserve

Average Student Loan Value - specialized Program



US Consumer Credit loans market

Consumer credit continues to expand at a moderate but uneven pace. According to the Federal Reserve's (Nov-2025), total consumer credit outstanding stood at ~\$5.08 trillion, comprising ~\$1.31 trillion in revolving credit (credit cards) and ~\$3.77 trillion in non-revolving credit (auto, personal loans). Growth remains stronger in non-revolving credit than in revolving balances.

Borrowing costs remain a key constraint, particularly for revolving credit. Credit card interest rates on accounts assessed interest averaged ~22.3% in Nov-2025, near historic highs, increasing repayment stress for below-prime borrowers even as prime customers remain relatively resilient.

Lender risk appetite remains selective. Despite elevated rates, aggregate credit card limits increased by ~\$94 billion in Q3-2025, signaling continued lender confidence in prime and super-prime borrowers while underwriting remains tight elsewhere.

At the household level, total U.S. household debt reached ~\$18.59 trillion in Q3-2025, with ~4.5% of balances in some stage of delinquency higher than pandemic lows but broadly in line with pre-COVID norms.

Delinquency trends are diverging by product. Early-stage delinquencies are rising in credit cards and student loans, while mortgage performance remains comparatively stable, supported by high homeowner equity and tighter underwriting standards.

For US Student and Consumer Credit Loan Market

Sources: • Federal Reserve Board - Consumer Credit - G.19 • Household Debt and Credit Report - FEDERAL RESERVE BANK of NEW YORK • Credit Card APR • The Fed - A Note on Recent Dynamics of Consumer Delinquency Rates.

For US Housing and Auto Loan Market

Sources: • Mortgage Rates - Freddie Mac • Existing Home Months Sales Supply • U.S. House Price Index Report - 2025 Q3 | FHFA • Experian recapture top auto-finance market share spot in Q2 • Average Car Payment and Auto Loan Statistics 2025 • EV Sales 2025

Lending Trends 2026 & Beyond

1

Embedded Lending — Credit at the Moment of Intent

Lending is shifting from bank channels → platforms and journeys, with credit offered at the moment of intent (checkout, marketplace, journeys, workflow)

2

Lending for the Gig Economy — A Market Untapped

Loans are tailored for freelancers using real-time income and platform data instead of traditional paylips, unlocking access for millions who previously couldn't qualify for conventional banking

3

AI-Powered Credit Decisioning - When AI Becomes the Lending Decision Engine

Lending is evolving from form-based → agent-led credit decisions, where AI agents interpret intent, affordability, and eligibility in real time

4

Emergence of a Tokenized Lending Ecosystem

Lending is shifting from manual → programmable execution, where loans, collateral, and receivables become digital assets on blockchain rails

5

Reg-First, Consent-First Orchestration — Invisible Loans, Visible Trust

From checkout to closing: Compliance-driven UX is the new X-factor. The winners will own the entire journey — from intent to credit to closing — embedded, consented, compliance-ready, and auditable

6

From Safeguarding to Cross-Sell — The Partnership-led Growth Playbook

Fintech-bank partnerships are redefining GTM: FBO rails start as compliance, evolve into engagement engines — driving onboarding, DAU/MAU growth, and cross-sell at scale

Embedded Lending

— Credit at the Moment of Intent

Lending is shifting from bank channels → platforms & journeys, with credit offered at the moment of intent (checkout, marketplace, journeys, workflow).

The Shift

Distribution is becoming the moat. Credit is now embedded in customer journeys, not sold separately.

Embedded Distribution

BNPL, marketplace lending, platform-native credit

Open Finance Data

Real-time, consented financial data for smarter decisions

Moment of Intent

Credit offered exactly when customers need it

The Benefits

Higher conversion, lower CAC, better risk decisions — all driven by context and timing.



Growth Advantage

Own the distribution channel



Strategic Moat

Products alone aren't enough

Open-Finance Powered Credit Ecosystems

Market Insights

Open Banking-powered lending is gaining traction as it enables real-time, consent-based data sharing that improves credit access, risk management, and personalization making it a resilient solution amid economic volatility and regulatory-driven financial inclusion.

1 Key Market data

- Digital lending and Open Banking APIs are scaling rapidly in UK/EU, with US adoption accelerating under CFPB 1033 guidelines.
- Surveys show 71% of borrowers are willing to share financial data for better loan terms, and 85% prefer digital-first lending experiences.

2 Macroeconomic Drivers

- UK: Open Banking has 13.3M active users, with rapid growth in VRP Payments and A2A payments, driving embedded lending and Pay-by-Bank solutions
- US: Adoption is accelerating under CFPB 1033 rule, which mandates consumer data portability and secure APIs, enabling lenders to use real-time transaction data for credit decisions.

3 Consumer drivers

- Consumers increasingly expect frictionless, personalized lending journeys and control over their financial data.
- Open banking empowers borrowers to compare rates and products, which is critical in markets facing wage pressure and inflation.

4 Key adoption

- HSBC and Aro leverage open banking APIs for income verification and credit risk assessment, improving approval speed and accuracy in unsecured lending markets.
- Standard Bank and Capitec bank offer open banking APIs and platforms such as OneHub and Global One, enabling fintechs to build lending solutions with real-time transaction data.



Business Use case

Embedded Lending

Lenders integrate Open Banking APIs into accounting platforms and banking apps to enable instant cash-flow underwriting and adaptive credit limits.

AI-Driven Fraud Detection

Combining Open Banking data with AI models allows real-time anomaly detection and dynamic risk scoring to reduce fraud and defaults.

Smarter Credit Scoring

Transaction-level data improves predictive accuracy by up to 30%, delivering 20–30% higher approval rates for thin-file and near-prime customers.

Personalized Repayment Plans

Continuous data sharing supports adaptive repayment schedules and VRP (Variable Recurring Payments), reducing missed payments and improving reliability.

Key Imperative

Open banking lending requires strict compliance with PSD2, UK OB trust frameworks, and US 1033 principles, alongside consent-first UX and API integration layers for legacy systems. Adopting this trend enables differentiation and margin resilience, while opting out risks, customer attrition, regulatory pressure, and erosion of competitive advantage within 12 – 24 months.

Sources:

1. Open banking vs embedded finance
2. World Bank Role of Consent in Open Banking
3. CFPB – Section 1033 Personal Financial Data Rights
4. Open banking and open finance in the UK
5. HSBC: Open Banking & Income Verification
6. McKinsey's Global Banking Annual Review 2025 | McKinsey

Invisible Loans — Credit Where Life Happens

Market insights

Digital Ecosystem Embedded Lending is rising as credit distribution shifts from banks to digital platforms. Consumers and SMEs demand instant, contextual financing across essentials, payroll, healthcare, relocation, and B2B workflows. Platforms become financial super-surfaces; Open banking + AI underwriting drive safe, compliant growth.

Market Dynamics & Adoption Insights

1 Key Market data

- UK Open Banking penetration: 13-14% users, SMB ~18%.
- SA embedded finance forecast: \$3.95B by 2030.
- Banks already active (Wells Fargo x ChargeAfter; NatWest x vodeno) & increasingly leverage BaaS/API gateways for embedded credit.



2 Macroeconomic Drivers

- High inflation → BNPL for essentials.
- Gig economy → payroll-linked loans.
- Healthcare cost spikes → adaptive BNPL.
- Tech modernization → banks partner with platforms to stay relevant.

3 Consumer drivers

- Preference for credit-as-a-feature vs traditional loans
- Demand for micro-loans integrated into familiar platforms
- SME adoption of embedded finance for working capital flexibility

4 Key adoption

- Nedbank acquired iKhokha (Aug 2025) to use SME transaction data for embedded cash advances
- SMB merchant financing via split-settlement rails
- Payroll-linked loans with salary deduction
- Healthcare BNPL tied to claims
- Invoice finance in logistics/B2B SaaS
- Life-event credit bundles: Microcredit + BNPL + protection orchestrated at event triggers across partner platforms

Business Use case

Product Innovation

- Target high-intent flows (e-commerce checkout, payroll platforms, healthcare portals)
- Partner with 10–20 anchor platforms
- embed "credit as a feature" seamlessly in workflows affordability-by-design.

Revenue Lever

- Target Risk-adjusted margin 4–8% of EAD in steady state
- Partner rev-share 10–40% based on leverage
- Early cohorts 2–4%, mature cohorts: 5–10%.
- Streams: interest margin, BNPL fees (3–6%), subscriptions (\$9–\$19/month), interchange, and insurance commissions.

Technology & Risk Readiness:

- API-first architecture; event triggers; staged disburseals.
- Data via Open Banking/payroll/invoice; consented & logged.
- Model governance: bias audits, stress throttling.
- BNPL discipline: short tenors, bureau reporting, clear terms.

Key Imperative

We believe Embedded Lending will be a major growth trend, and success lies in owning contextual journeys - not generic products - by focusing on two high-impact sub-themes per quarter, launching with strong affordability controls, leveraging agentic AI for orchestration, and tracking key metrics like takerate, approval latency, and ROE.

Sources:

1. Open banking vs. embedded finance
2. Consumer Duty | FCA
3. Development Topics | World Bank Group
4. OECD – Gig economy & embedded financial services,

Lending for the Gig Economy – A Market Untapped

42–76M gig workers in the US represent a massive, underserved lending segment.

The Challenge

Most excluded by traditional banks due to lack of W-2s and irregular cash flow patterns.

Emerging Solutions: Cash Advance

Giggle, Ualett, Fundo

Emerging Solutions: Alt-Data Lending

Giggle, Ualett

Emerging Solutions: Working Capital

Credibly, Rapid Finance

The Opportunity

Leverage cash flow data & platform* income to unlock this untapped market.

Gig Scenario:

Side-Gig Earner:

Supplemental but irregular income, suited for small cash-advance products.

Scaling Micro-Business:

Growing but uneven cash-flow → needs working-capital credit lines.

No-Pay-Stub / Non-Linear Income

Creator: Episodic creator/freelancer revenue → requires alt-data-based personal loans.

42M

Gig Workers

Americans engage in some form of gig or non-standard work.

37%

US Workforce

work freelance, contract or gig jobs in 2025.

15.5M

Primary Job

Americans engage in some form of gig or non-standard work.

\$100K+

High Earners

4.7 million independent workers earned more than US \$100,000 in 2024.

\$152.6B

 Market

Alt-Data Powered Dynamic Lending (ADPDL)

Market Insights

In markets with rising credit exclusion, gig economy growth, and digital payment adoption, permissioned alt-data and cash-flow underwriting will become critical for financial inclusion. Combined with real-time, context-aware pricing and dynamic risk monitoring, this approach enables lenders to expand access responsibly while maintaining portfolio resilience and regulatory compliance. The Orange Economy push is expanding high-skill creative gig work (AVGC, digital content, design) through India's Budget-2026's nationwide creator-lab and IICT.

1 Key Market data

- Gig economy surge: In the US, 37% of the workforce are freelancers; India and Africa show similar growth in gig platforms.

Regional traction:

- **USA and UK:** Rent history is now part of mortgage underwriting.
- **South Africa:** Telco and utility data is used for informal borrowers.
- **India:** Creative gig work accelerates as India formalizes the Orange Economy with large-scale AVGC skilling and creator-lab expansion.

2 Macroeconomic Drivers

- \$5.7Tn MSME finance gap globally; CRA and inclusion mandates push banks toward underserved segments.
- FCA Consumer Duty enforces fair pricing and ongoing affordability; macro volatility (rate hikes) drives the need for adaptive risk.
- Digital finance adoption: Lowers cost-to-serve by up to 80 – 90% compared to manual processes.

3 Consumer drivers

- US: Renters and gig workers often lack bureau records but maintain strong digital footprints for alternative credit assessment.
- UK: Consumers expect transparency and dynamic pricing; trust in tech-enabled credit decisions is rising.
- SA: Mobile-first behavior; telco and utility payments create rich alternative data; strong adoption of fintech lending apps.

4 Key adoption

- Upstart: Uses AI and alternative data for personal loans, achieving +27% higher approvals and 16% lower defaults compared to traditional models.
- FannieMae & FreddieMac (USA): Integrated rent payment history into mortgage underwriting.
- TALA leverages permissioned alternative data (like mobile usage, transaction history, behavioral patterns) to underwrite loans, disbursing (over \$3.4 billion globally and offering dynamic credit limits and pricing based on behavioral signals).



Business Use case

Gig-cash-flow lending

Offer flexible credit lines for gig workers based on verified earnings and bank transaction feeds. Dynamic limit increases and APR reductions are triggered by consistent deposits, with instant payouts enabled via real-time payment rails.

Personal loans for thin-file consumers

Use rent and utility payment history to improve credit scoring.

Mortgage underwriting

Include positive rent history to expand homeownership access.

MSME working capital loans

Leverage POS and mobile money data for cash-flow-based lending

Embedded finance

Instant credit eligibility at e-commerce checkout using alternative data.

Key Imperative

Alt-Data Powered Dynamic Lending (ADPDL) is the new lending model that fuses inclusion (alt-data, cash flow) with adaptive pricing and real-time risk. By leveraging permissioned data such as rent, cashflows, and gig earnings, lenders can improve risk assessment and serve thin-file borrowers responsibly. Success depends on compliance with FCA Consumer Duty, CRA, and POPIA, while deploying open banking APIs and real-time decision engines for instant disbursements and dynamic repricing.

Sources:

1. Gig Economy
2. Gig Economy- India
3. Urban Institute
4. Transunion Report
5. Economic Survey
6. Mortgage Lending
7. Tala Lending
8. Forbes- Tala Overview
9. POS Lending
10. State of Tala
11. Thin File Underwriting

IoT-Powered Asset-Backed Micro-Loans

Market Insights

IoT-secured micro-loans are gaining traction as lenders seek risk-controlled models for thin-file customers. By using IoT-enabled assets (smartphones, solar kits, e-bikes, appliances) as collateral and remotely locking them on default, lenders reduce credit risk and enable financial inclusion. This trend aligns with IoT growth, microfinance expansion, and the need for secured lending in volatile economies such as the **US, UK, and South Africa**.

Market dynamics and adoption insights

1 Key Market data

- Global IoT market est. to reach \$2.72Tn by 2030.
- PAYGo growth shows adoption: PAYGo solar sales jumped 54% YoY to 2.35Mn units in H1-2025, overtaking cash sales — proving device-locked financing is scaling.
- Big investors are now putting money into PAYGo. For example, d.light has grown its PAYGo financing facilities to about US\$842Mn (as of July 2025), all focused on device-locked products.

2 Macroeconomic Drivers

- Digital-lending platforms are increasingly using AI credit scoring, broadening access to borrowers with thin credit files and accelerating IoT-secured lending models.
- Asset tracking is already 22% of the global IoT market (2024), making it easier for lenders to monitor collateral.
- Consumer protection and digital lending norms: Regulators in emerging markets (Africa, India) are introducing IoT lending guidelines to ensure ethical remote-lock practices and borrower consent.

3 Consumer drivers

- **Essential asset financing:** Smartphones, solar kits, and e-bikes are income enablers for gig workers and low-income households.
- **Trust in tech models:** 85% of PAYGo users were previously unbanked; strong repayment behavior observed.
- Over 42% of PAYGo smartphone buyers were first-time smartphone owners, showing strong consumer adoption when devices can be financed and locked remotely.

4 Key adoption

- PAYJOY Smartphone loans secured through IoT device-lock technology (US, UK).
- KOPA crossed 7Mn customers, US\$2Bn credit, and 1.3Mn smartphones sold in 2025 via device-lock + mobile-money —broadening IoT-secured lending.
- Sun King closed a KSh 20.1Bn (~US\$156Mn) local-currency securitization (Jul 2025) to finance ~1.4Mn PAYGo devices in Kenya
- IOT Ventures - E bike financing using IoT telemetry and geofencing (Europe).



PAYGo Model

Pay-As-You-Go (PAYGo) is a flexible financing model where customers acquire an asset by making small, incremental payments over time instead of paying the full cost upfront

Business Use case

Smartphone financing

Enables gig workers and immigrants to access affordable devices and build credit history.

Solar kit financing

Provides clean energy to African households via small, flexible payments.

E-mobility financing

Affordable e-bikes/e-motorcycles for delivery riders and gig platforms.

Appliance financing

IoT-enabled fridges, TVs, and productive-use devices for low-income households.

Key Imperative

Lenders must harness IoT telemetry to continuously verify asset identity, usage, and condition — reducing default risk, enabling automated lock/unlock enforcement, and opening sustainable credit access for thin-file customers who lack traditional credit histories.

Sources:

1. GSMA- PayGO
2. M-KOPA PayGO
3. GOLGA Report
4. M-KOPA Case Study
5. M-KOPA Smartphones
6. Citi Press Release
7. Africa Signal
8. Smart Device Lending
9. Lighting Global PayGO

Agentic AI and Autonomous Finance — Borrower's Perspective

Market Insights

In periods of economic volatility, consumers exhibit heightened demand for automated, personalized financial management tools that reduce cognitive load and optimize credit usage. Concurrently, financial institutions adopt agentic AI to cut costs, improve compliance, and unlock new revenue streams in small-ticket lending and BNPL markets.

Market dynamics and adoption insights

1 Key Market data

- Global autonomous finance market: \$15.8Bn → \$82 – 89Bn by 2032
- Banks report 20 – 40% cost reduction, 10 – 30% revenue uplift via AI automation
- BNPL GMV rising under cost-of-living pressure

2 Macroeconomic Drivers

- Volatility and inflation → demand for stability tools
- Wage stagnation → higher credit dependency
- FX risk → need for auto-adjusted repayments

3 Consumer drivers

- Financial anxiety → “set-and-forget” automation
- Hyper-personalized coaching expected by modern users through intelligent, adaptive AI systems
- Consumer trust shifting toward tech over institutions

4 Key adoption

- Tier-1 banks (DBS, HSBC, Citibank) scaling AI in credit risk and fraud
- BNPL orchestration via merchant APIs to improve affordability and conversion rates
- Fintechs (Revolut, CLEO) monetizing AI coaches
- CLEO- \$147.5Mn for 2025 through subscription



Business use case

Product innovation

- Launch phased in cards and BNPL; expand to SME credit
- Bundle into mobile banking; integrate open banking and payroll rails

Revenue lever

- Late fees ↓ 20 – 30%; charge-offs ↓ 10 – 20%
- Servicing cost ↓ 15 – 25%; premium attach \$3–\$7/mo

Technology and risk readiness

- Deploy transparent AI models with affordability checks, user consent, and manual override options
- Embed fraud and AML detection signals while ensuring robust failsafe mechanisms for system resilience

Key Imperative

We believe agentic AI and autonomous finance will redefine financial services, with success anchored in contextual journeys — not generic products — by launching in cards and BNPL first, measuring ROI before scaling to SME lending, embedding affordability checks and transparency for regulatory alignment, and ensuring operational resilience through failsafe modes, override controls, and continuous retraining.

Sources:

1. CIO Dive
2. HSBC's AI Officer
3. Autonomous Finance
4. BNPL Stats
5. CFPB-BNPL
6. Revolut
7. Forbes
8. HSBC
9. Mc Kinsey
10. Agentic AI
11. Grandview Research

Agentic AI and Autonomous Finance — Lender's Perspective

Market Insights

Banks are scaling agentic/AI systems across underwriting, pricing, fraud/AML, and collections to lift productivity and profitability while tightening controls; sector analysis estimates ~9% profit uplift by 2028, ~20% productivity gains, and the need for explainability, bias controls, and data security in deployment.

Market dynamics and adoption insights

1 Key Market data

- Adoption: 65% of organizations reported regular Gen AI use in 2024; AI adoption across functions rose to 72%.
- Efficiency potential: Fully embracing AI can improve a bank's efficiency ratio by up to ~15 percentage points.
- Operating model shift: Leading banks are moving from pilots to enterprise value, rewiring complex workflows with multi-agent systems.

2 Macroeconomic Drivers

- Margin pressure: Slowing revenue/loan growth forces faster cost takeout — AI helps restore productivity and profitability.
- Profit pressure: AI at scale could lift global banking profits by ~9% by 2028E.
- Risk and compliance bar: The US Treasury highlights AI opportunities alongside requirements for explainability, bias mitigation, privacy, and third-party risk management.

3 Lender's objectives

- Better approvals with lower risk — AI strengthens credit models and early-warning signals for safer lending.
- Reduced fraud and fewer false positives — AI significantly improves real-time fraud detection accuracy vs. rule-based systems.
- Higher productivity — financial institutions report ~20% productivity gains from AI across operations and service.
- Stronger collections — AI delivers ~25% higher recoveries and 30 – 50% lower

4 Key adoption

- JPMorgan Chase: 450+ Gen AI use cases improving productivity and lending decisions
- HSBC: 600+ AI use cases; 20k developers using copilots (~15% faster); Gen AI supports 3Mn+ interactions
- Lloyds: 80+ ML and 18 Gen AI systems; mortgage checks cut from days to seconds after migrating 15 models
- Barclays: Gen AI assistants + Copilot scaling to 50k staff (2025), reducing handling times

Business use case

Product innovation

- **Explainable underwriting and risk-based pricing** that ingest consented bank data (open banking) for affordability checks and faster decisions.

Revenue lever

- AI could lift bank profits via smarter acquisition, pricing, and ops.
- **Collections ROI: ~25% higher recoveries; 30 –50% lower OpEx** with AI-driven segmentation and outreach.

Technology and risk readiness

- Implement responsible AI: model-risk management, **explainability and bias testing**, data minimization, and **third-party oversight** per Treasury guidance.
- Target **~20% productivity** via copilots and workflow automation; reinvest capacity in risk and controls.

Key Imperative

Scale lender-side AI with discipline — combine explainable credit-risk models, risk-based pricing, embedded fraud/AML, and proactive collections; anchor everything in governance, consented data use, and fail-safes to capture profit and productivity gains without elevating model or conduct risk.

Sources:

1. Banking's agentic AI opportunity
2. Banking on AI | ABA Banking Journal
3. Global Banking Annual Review 2025
4. AI in Debt Collection: Benefits and Uses - Experian Insights
5. BIS – Managing Explanations in AI Models

Emergence of a Tokenized Lending Ecosystem

Lending is shifting from manual → **programmable execution**, where loans, collateral, and receivables become digital assets on blockchain rails

The shift

Infrastructure defines advantage. Smart contracts automate disbursement, repayment, and settlement — real-time and auditable.

Digital asset infrastructure

Loans and collateral represented as programmable tokens → standardization creates clear, composable asset pools

Blockchain rails

Real-time settlement, transparency, and immutable ownership records

Smart contract execution

Automated disbursement, repayment logic, and cashflow waterfalls for securitized structures

Tokenized securitization

Tokenization enables clearer loan pools, fractionalization, and transferability of exposures

The outcome

Lower cost, faster cycles, new liquidity — tokenization unlocks capital efficiency and scalability

Speed and efficiency

Instant settlement, reduced overhead

Scalable infrastructure

New models: tokenized collateral, pay-as-you-go scalability

Digital Asset-Backed Loans — Programmable Tokenized Assets

Market Insights

Programmable lending uses stablecoins/tokenized deposits as programmable cash, digital assets as collateral, and smart-contract-based issuance/repayment, creating end-to-end on-chain lending workflows.

Market dynamics and adoption insights

1 Key Market data

- **UK: FCA/BoE Digital Securities Sandbox(DSS)** enables tokenized collateral and programmable lending pilots
- **US:** Stablecoin market >\$230Bn; Fed prioritizes stablecoin regulation over CBDCs
- **SA:** Project Khokha explores wholesale CBDC and stablecoin-based secured lending

2 Macroeconomic Drivers

- **BIS** promotes unified ledger for tokenized money/assets enabling **programmable lending**
- **ISO 20022** adoption ensures interoperability for tokenized payments and loan servicing
- **Tokenization** reduces **OpEx by 20 – 40% and cycle time by 30 – 60%**

3 Consumer drivers

- **Tokenization and smart** contracts enable real-time auditability, conditional disbursement, and machine-readable loan terms for fair, digital-first credit.
- **Stablecoins and tokenized** money reduce cross-border friction, expanding financial access while requiring stability safeguards.

4 Key adoption

- **UK:** DSS pilots tokenized securities for corporate/mortgage lending
- **US:** NY Fed/BIS Project Pine tests smart contracts for policy operations
- **SA: CBDC and stablecoin** pilots for **wholesale trade finance**

Business Use case

Stablecoins/tokenized deposits as collateral

Regulated stablecoins and tokenized deposits are being evaluated for **use as tokenized collateral**, increasing collateral mobility (CFTC tokenized-collateral initiative; FDIC/CSBS guidance).

Tokenized collateral

Digital assets as loan collateral: Tokenized treasuries, MMFs, and other RWAs are now operational in pilot collateral platforms (e.g., DTCC digital collateral system), enabling real-time collateral movement for loans.

Smart contracts

Programmable repayments and settlement: Stablecoins + wCBDCs enable instant, programmable repayment and atomic DvP/PvP settlement for loan legs (BIS Project Jura).

On-chain loans via smart contracts

Smart contracts automate **issuance, covenant checks, interest calculations, and liquidation** — already validated in institutional pilots (Project Guardian, Project Pine).

Key Imperative

To scale **digital asset-backed lending**, institutions must integrate **ISO 20022** messaging and tokenization engines, enforce smart contract governance with **legal enforceability**, align with **Basel and MiCA compliance**, embed privacy-by-design and **KYC/AML controls**, and rewire operating models for **end-to-end automation and collateral mobility**.

Sources:

1. Digital Securities
2. Regulators open Digital Securities
3. BOE
4. BIS
5. The Emergence of Tokenized Investment Funds and Their Use Cases
6. Project Cedar: Improving Cross-Border Payments With Distributed Ledger Technology

Reg-First, Consent-First Orchestration — Invisible Loans, Visible Trust

From checkout to closing: Compliance-driven UX is the new X-factor. The winners will own the entire journey — from intent to credit to closing — embedded, consented, compliance-ready, and auditable.

The shift

Lending is being rearchitected by compliance mandates — from optional checks to privacy-first, consent-driven workflows baked into every step.

Trust and affordability

Real-time income signals for BNPL and seamless identity-proofing for eClosings

Privacy-first design

Clear consent, purpose flags, retention controls, and easy data rights

Invisible rails

BNPL, platform-native credit, IPEN/RON eClosings integrated with audit-ready orchestration, exposure controls, and real-time KYC/AML pipelines to withstand regulator scrutiny

The outcome

Lower cost of compliance through automation, faster approvals, and trust-driven growth — especially important for fintechs and neo-banks, navigating heightened oversight and fragmented state-level rules

Actions

Track intent, embed credit and closing with consent-first, frictionless UX

KPIs for success

Compliance SLAs, cycle-time, audit-trail completeness, dispute-resolution metrics, affordability accuracy, and explainability coverage

Digital Transformation in Lending: RON and IPEN Adoption

Market Insights

Remote Online Notarization (RON) and In-Person Electronic Notarization (IPEN) enable fully digital or hybrid mortgage closings, reducing cycle times, and errors, and improving compliance through **MISMO standards, SMART Doc® eNotes, MERS eRegistry, and secure eVaults.**

Market dynamics and adoption insights

1 Key Market data

- **RON laws:** Permanent in **44 states + DC**; IPEN allowed in **46 states + DC**
- **Federal push: SECURE Notarization Act (2025)** aims for nationwide standards and interstate recognition
- **eRecording coverage: ICE Simplifile** spans **2,400+ counties (~90% U.S. population)**
- **GSE compliance:** Fannie Mae mandates RON video retention and artifact delivery via **MERS eDelivery** (effective Feb 2025)

2 Macroeconomic Drivers

- Regulatory harmonization via SECURE Act for ID proofing, retention, and interstate recognition
- MISMO RON Standards V2 and ALTA/MBA checklists drive uniformity
- Digital capital markets rely on MERS eRegistry and SMART Doc eNotes for faster secondary transfers

3 Consumer drivers

- **Convenience and speed:** Borrowers (especially millennials/Gen-Z) expect digital-first closings; **RON/IPEN** provide flexible scheduling, fewer in-person constraints, and faster funding with tamper-sealed electronic packages and complete audit trails.
- **Trust via stronger ID proofing:** Consumers benefit from bank-grade KBA, credential analysis, and increasingly biometrics/liveness to deter fraud while keeping processes remote. **State guidance (e.g., RI SOS)** codifies acceptable methods.

4 Key adoption

- **Wolters Kluwer:** Open RON Hub, evaluating, MERS integration
- **DocMagic:** Total eClose with hybrid RON/IPEN; IPEN rollout in 2025
- **ICE Simplifile:** eRecording in 2,400+ counties; eligibility checks
- **SIGNiX and Stavvy:** State availability tools, MISMO-compliant workflows, onboarding checklists

Business Use case

Smart contracts

Enterprise eClosing modernization: Implement dual-rail RON/IPEN workflows with MISMO SMART Doc eNotes, MERS eRegistry, and eVaults. Use eligibility engines, secure ID proofing, and compliance controls to reduce closing times, improve borrower experience, and enable secondary market readiness.

Key Imperative

Adopt RON/IPEN with MISMO standards and GSE-compliant eVaulting. Prepare for federal SECURE Act alignment, interstate operability, and eNote-readiness to future-proof lending operations.

Sources:

1. RON Adoption
2. SECURE Notarization Act
3. Fannie Mae
4. MERS eRegistry
5. DocMagic
6. SIGNiX

Responsible BNPL 2.0

Market Insights

A safer, regulated version of Buy Now Pay Later (BNPL) that is income-anchored, credit-bureau-visible, and embedded in banking workflows built significant momentum through 2025, with continued acceleration into 2026. This growth is driven by high inflation and wage stagnation, pushing consumers toward flexible, low-cost credit; by bank margin compression, prompting digital-first lending models; and by regulatory pressure from UK FCA and US CFPB for affordability checks and transparency.

Market dynamics and adoption insights

1 Key Market data

- Global BNPL market: Projected at \$560Bn in 2025, expected to reach \$912Bn by 2030 (CAGR ~10%). And around 91.5Mn US consumers are expected to use BNPL in 2025. Risk indicators:
 - Loan stacking risk: Nearly 63% of BNPL users hold multiple active loans, often across different providers.
 - Rising delinquencies : Late BNPL payments rose from ~34% (2023) to ~39% (2024) and remained elevated at ~40–41% in 2025–26, indicating sustained repayment stress.

2 Macroeconomic Drivers

- **High inflation and stagnant wages:** Consumers need affordable, short-term credit options like BNPL instead of high-interest loans.
- **Bank margin compression:** Shrinking profitability is pushing banks toward digital-first, low-cost lending models.
- **Regulatory evolution:** UK FCA rules (effective July 2026) and US CFPB oversight require affordability checks and transparency, pushing BNPL providers toward compliance-driven models

3 Consumer drivers

- **Preference for interest-free installments:** BNPL adoption is strong among Gen Z and millennials (over 50% of users under 35).
 - 48% of UK adults say they are more likely to use BNPL once regulation is passed; 71% believe regulation is important for trust.
 - **Digital-first lifestyle:** BNPL integrated into e-commerce and mobile apps; accounts for ~9% of e-commerce transactions in Europe.
 - **Psychology of small payments:** Splitting purchases into smaller installments makes budgeting easier and feels manageable.

4 Key adoption

- **Zilch (UK):** Real-time affordability checks with credit bureau reporting
- **Affirm & Sezzle (US, Canada):** Started reporting BNPL loans to Experian and other bureaus for transparency
- **Affirm (US):** Introduced income-based underwriting and reports loans to Experian
- **Klarna (Europe, US):** Uses open banking data and AI-driven affordability checks



Klarna

Business Use case

Income-anchored BNPL

Offer BNPL plans based on verified income using open banking or payroll data to ensure affordability

Credit bureau-visible BNPL

Report all BNPL loans to credit bureaus (Experian, TransUnion) to reduce hidden debt and improve transparency

Regtech-integrated BNPL

Automate compliance with FCA/CFPB rules through real-time affordability checks, disclosures, and complaint handling

AI-driven risk and collections

Use AI models for dynamic credit limits, fraud detection, and proactive hardship management to reduce defaults

Key Imperative

Responsible BNPL 2.0 is a structural response to economic stress, digital commerce growth, and tightening regulations. Its success depends on strong compliance and advanced technology. Providers must align with UK FCA rules (effective July 2026) and US CFPB requirements for affordability checks and bureau reporting, while piloting strict checks in emerging markets like SA.

Sources:

1. Global BNPL Market
2. Delinquency rise
3. Credit bureau visibility
4. UK FCA BNPL Affirm & Sezzle
5. BNPL bureau reporting

From Safeguarding to Cross-Sell — the Partnership-Led Growth Playbook

Fintech-bank partnerships are redefining GTM: FBO rails start with compliance and evolve into engagement engines, driving onboarding, DAU/MAU growth, and cross-sell at scale.

The challenge

High CAC in direct banking, slow onboarding, fragmented UX, thin engagement beyond core accounts

Emerging models

Wallet play: Wise/Revolut

Multi-currency wallets, instant onboarding, high DAU/MAU; partner banks gain deposits + interchange/FX

Co-issuing and embedded credit

Co-branded cards, A2A flows, BNPL, and personal loans powered by transaction telemetry

The opportunity

Fintech-bank partnerships → frictionless onboarding, daily engagement, and consented data for credit and cross-sell, API-first models to reduce compliance friction and accelerate activation

Emerging models

New-to-bank growth?

Leverage fintech front-end + bank rails for onboarding

Engagement lag?

Add multi-currency, travel/FX, bill-pay, micro-credit features

Cost pressure?

Automate compliance, consolidate servicing, and use partner distribution to cut CAC

Beyond Safeguarding: Unlocking Growth via Fintech–Bank Partnerships

Market Insights

Fintech–bank partnerships (via BaaS/FBO/safeguarding models) let banks onboard digitally, tap wallet-scale engagement, and launch cross-sell credit and payments with lower friction — while meeting rising regulatory expectations on custody, auditability, and privacy.

Market dynamics and adoption insights

1 Key Market data

- **FBO/safeguarding model:** Common for fintechs; funds held in custodial accounts with sponsor banks for compliance and FDIC coverage
- **Regulatory tightening:** FDIC mandates daily reconciliation for FBO accounts; FCA introducing CASS-style safeguarding rules by 2026
- **Fintech scale:** Wallets such as Wise/Revolut drive revenue via FX spreads, interchange, subscriptions, and deposits

2 Macroeconomic Drivers

- **Regulatory push:** Global regulators emphasize AML/KYC, operational resilience, and third-party risk in fintech–bank models.
- **Privacy Laws:** DPDP (India), GDPR (EU), CCPA/CPRA (US), and POPIA (South Africa) enforce consent-first design, opt-outs, breach alerts, and retention limits.
- **Cross-border compliance:** Harmonization is needed for portability and lawful processing across jurisdictions.

3 Consumer drivers

- **Frictionless onboarding** and multi-currency wallets (e.g., Wise/Revolut) drive frequent usage and engagement with transparent FX and instant P2P; banks benefit via deposits, fees, and broader reach through fintech UX.
- **Trust through compliance UX:** Clear consent, withdrawal, breach notifications, and retention nudges (per DPDP/CCPA/GDPR) improve conversion and reduce data-related abandonment.

4 Key adoption

- **Wallet play (Wise/Revolut):** Partner with major banks; use safeguarded/FBO structures; offer instant onboarding, multi-currency, high engagement; banks earn FX and interchange and access fintech customer bases.
- **Co-issuing and embedded credit:** Fintechs and banks co-create products (co-branded cards, BNPL, personal loans) leveraging transaction data and sponsor-bank rails under tightened supervision.
- **Consent-based data sharing:** Emerging models prioritize “consent-first” cross-sell under DPDP/GDPR/CPRA rules.

Business Use case

New-to-bank growth with a wallet-led frontend + Bank rails

Model: Fintech wallet (front-end UX) + sponsor bank (FBO custody/safeguarding) for deposits, payments, and credit; layer in consent-managed data sharing for cross-sell (travel, bill-pay, micro-credit)

Controls: Implement eligibility and KYC orchestration; daily reconciliations; immutable audit logs; GDPR/DPDP/CPRA notices, opt-outs, and retention; contractual oversight of third parties

Outcomes: Faster onboarding, higher activation and engagement; diversified revenue (FX, interchange, subscriptions, credit); and compliant scaling across jurisdictions

Key Imperative

Banks and fintechs must build partnership-ready governance frameworks that combine strong safeguarding controls, privacy compliance, and scalable consent management. Designing for portability, reconciliation discipline, and lawful data sharing ensures regulatory alignment while enabling growth through co-branded products, embedded credit, and wallet-led engagement.

Sources:

1. FBO Rules PS25/12
2. AML
3. DPDP Act Wise vs Airwallex vs Revolut Regulation

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This paper is published by the BFS Industry Solutions Group (ISG) at Zensar, presenting our view of the top leading trends for global markets.

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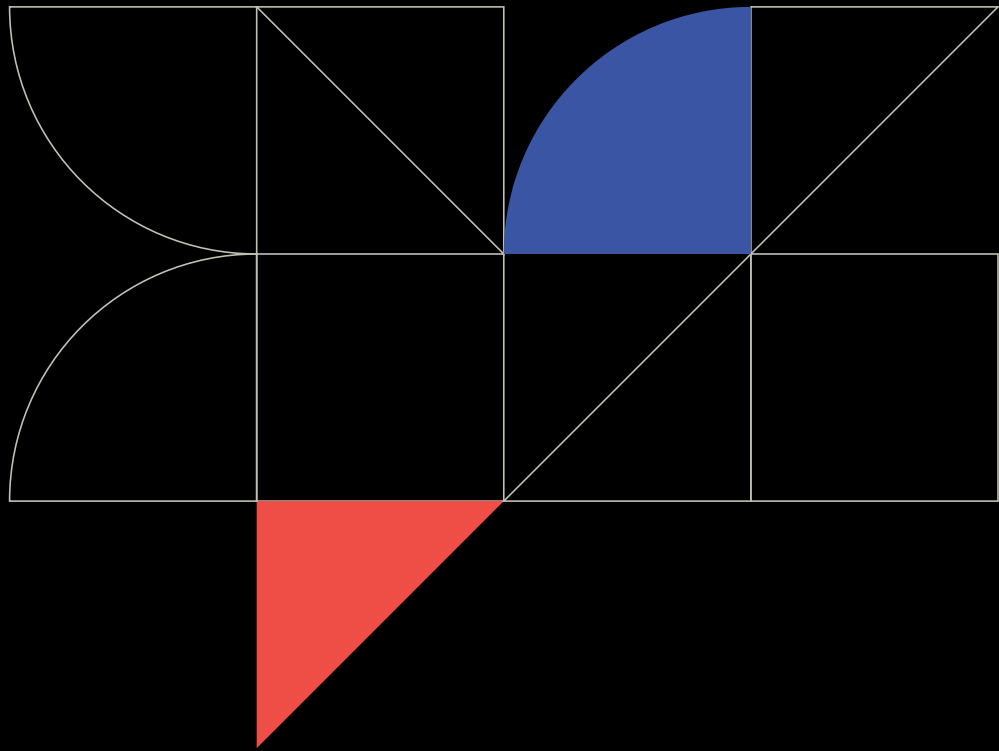
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