redseer
Strategy Consultants

Industry Report

Education Financing Industry in India

Client: Credila Financial Services Limited

26th June, 2025

Section 1: Macroeconomic Scenario

The global economy is gradually stabilizing after tepid growth due to COVID-19, the Russia-Ukraine conflict, and tight monetary policies. Recent trends show positive momentum, with moderate growth driven by resilience in several developed and developing economies. India is positioned as the world's fastest-growing major economy, with nominal Gross Domestic Product ("GDP") projected to reach approximately ₹510 trillion by calendar year ("CY") 2029. The healthy growth will be driven by the large young population (aged 15-29 years), rapid urbanisation, expanding middle class, and economic formalization.

Global economy is witnessing the unwinding of tight monetary conditions

As per the International Monetary Fund ("IMF"), global real GDP growth is projected at 2.8% and 3.0% in CY2025 and CY2026 respectively. Additionally, according to the World Economic Outlook report by IMF in April 2025, global headline inflation is expected to fall to 4.3% in CY2025 and 3.6% in CY2026.

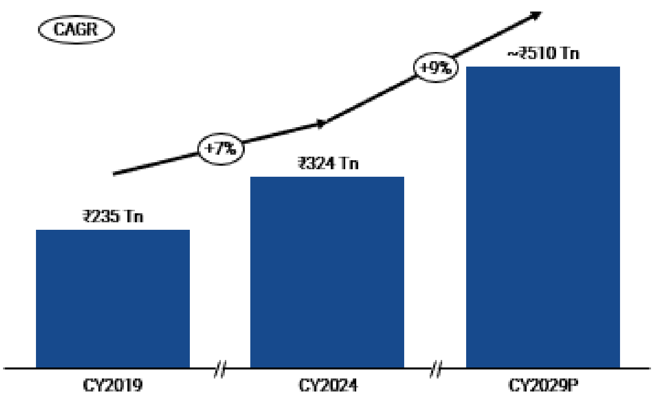
India is poised to be the world's 3rd largest economy by CY2028, as repo rates and inflation stabilize

According to the IMF, India, with a nominal GDP of ₹324 trillion in CY2024, is the fifth-largest economy in the world. It is expected to become the fourth-largest economy in CY2025 and by CY2028, India's nominal GDP is expected to reach approximately ₹464 trillion making it the third-largest economy.

This growth is underpinned by structural resilience demonstrated through a large working-age population (aged 15 to 59 years), expanding middle class, rapid urbanisation, and economic formalization. This, in turn, among other factors, has led to rapid expansion in manufacturing activity and sustained services sector growth. Collectively, these factors are expected to catapult India to be the third-largest economy in the world by CY2028, according to the IMF. During the period between CY2024 CY2028, India will be the fastest growing major economy, with an average annual real GDP growth rate of approximately 6.4%. This will surpass the projected real GDP growth rates of other developed and developing economies, such as the United States ("US"), China, Indonesia and Brazil, which have projected real GDP growth rates of approximately 2.1%, 4.3%, 4.9% and 2.4% respectively, during this period.

Exhibit 1

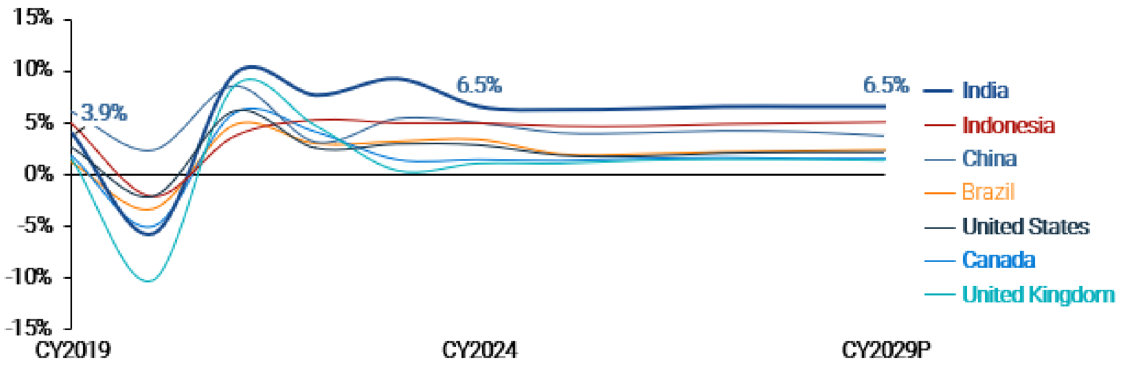
GDP, current prices – India
(₹trillion CY2019, CY2024, CY2029P)



Note(s): Conversion rate: 1 US$ = ₹83
Source(s): IMF

Exhibit 2

Real GDP Growth - India, China, United States, United Kingdom ("UK"), Canada, Indonesia and Brazil (%, CY2019 – CY2029P)



Source(s): IMF

The Reserve Bank of India's Monetary Policy Committee (MPC) reduced the policy repo rate by 50 basis points to 5.50% during its 55th meeting, held in June 2025. The RBI has cumulatively cut the repo rate by 100 basis points since its February 2025 policy review. Consequently, the standing deposit facility (SDF) rate under the Liquidity Adjustment Facility (LAF) now stands at 5.25%, while the marginal standing facility (MSF) rate and the Bank Rate have both been revised to 5.75% during the 55th meeting. With this decision, the RBI aims to maintain Consumer Price Index (CPI) inflation within the 4% ±2% target band while supporting growth momentum. According to the Ministry of Statistics and Programme Implementation ("MoSPI"), the year-on-year inflation rate, based on the All-India CPI, declined to 3.16% in April 2025 (Provisional), down from 5.22% in December 2024, reflecting improved price stability. In April 2025, rural inflation reached 2.92%, while urban inflation stood at 3.36%. This overall decline was primarily driven by a sharp drop in food inflation, which fell to 1.78% in April 2025, compared to 8.39% in December 2024, largely due to a decline in the prices of vegetables, pulses and products, fruits, and other essential commodities.

India's large working-age population, expanding middle class. rapid urbanisation, and economic formalization are collectively driving economic growth

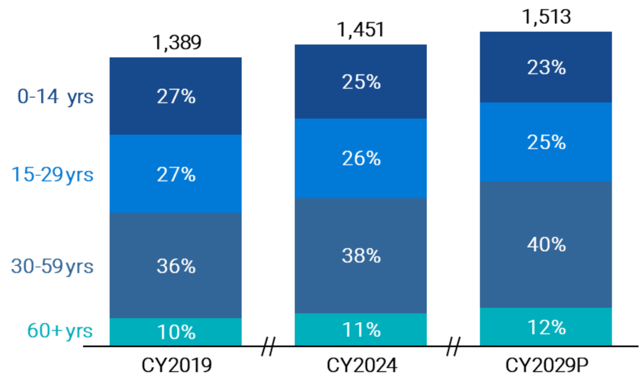
A) India has world's largest population, with approximately 64% of people belonging to the favourable working-age (aged 15 to 59 years) demographic

According to the United Nations, India's population was approximately 1.39 billion as of CY2019 and has grown to approximately 1.45 billion by CY2024. By CY2029, the population is expected to reach approximately 1.51 billion.

As of CY2024, India had the world's largest young population (aged 15-29 years), with a median age of 28.4 years. Approximately 89% of India's population was under the age of 60, with approximately 64% in the working-age group of 15 to 59 years. India had approximately 937 million individuals in the 15–59 age group, which was 4–5 times the number in the similar age bracket in the US and 23–24 times that in the UK. As the workforce expands, the demand for upskilling and reskilling is expected to grow, driving increased adoption of education services.

Exhibit 3

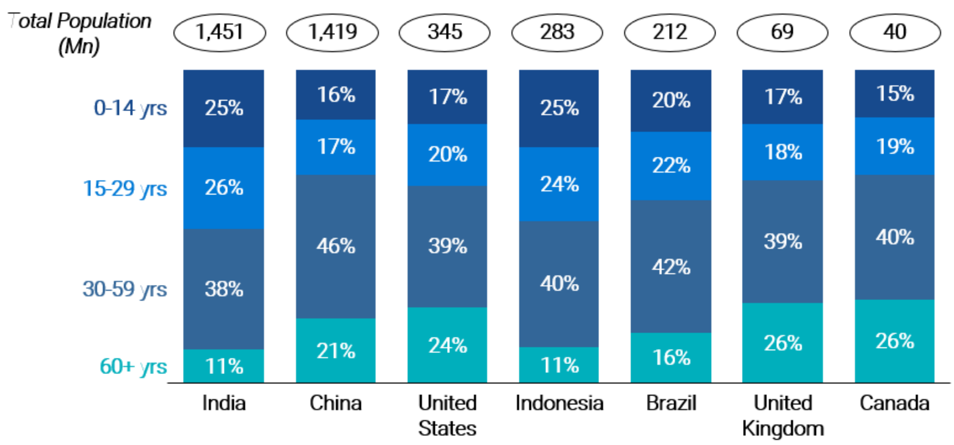
Population and split by age group – India
(million, CY2019, CY2024, CY2029P)



Source(s): World Population Prospects, United Nations

Exhibit 4

Population split by age groups - India, China, US, Indonesia, Brazil, UK and Canada
(%, CY2024)



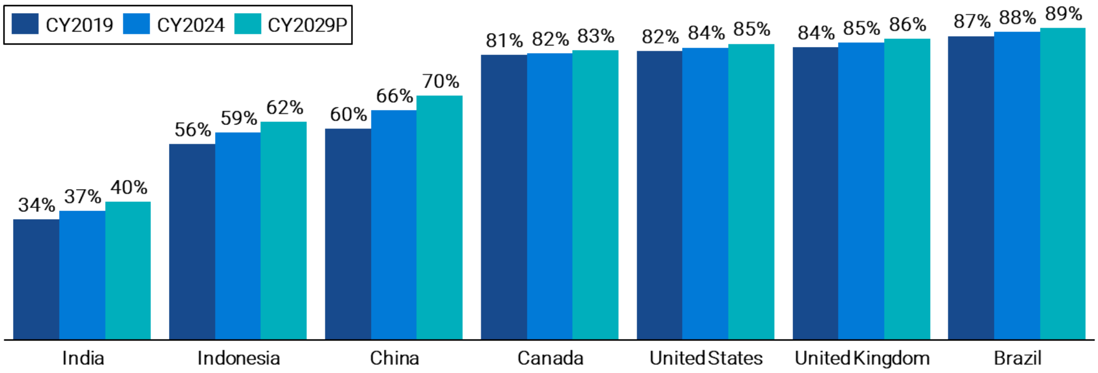
Source(s): World Population Prospects, United Nations

B) India is undergoing rapid urbanisation, with an estimated 40% urban population by CY2029

Urbanisation, a vital economic growth driver, is anticipated to fuel significant investments in infrastructure, which, in turn, is expected to generate employment, enhance modern consumer services, and boost savings mobilization. India's urban population has consistently risen over the years. According to the World Population Prospects, the urban proportion of India's population grew from approximately 34% in CY2019 to approximately 37% by CY2024, with projections indicating a rise to approximately 40% by CY2029. Despite this growth, urban penetration in India remains lower than that of major economies such as the US, the UK, Canada, and China, highlighting substantial potential for further urbanisation in India. With urban expansion, there is expected to be higher aspirations for improved quality of education and better living standards, enabling the young urban consumers to explore advanced education and employment opportunities.

Exhibit 5

Urban population as a percentage of total population– India, US, China, UK, Canada, Indonesia and Brazil
(%, CY2019, CY2024, CY2029P)



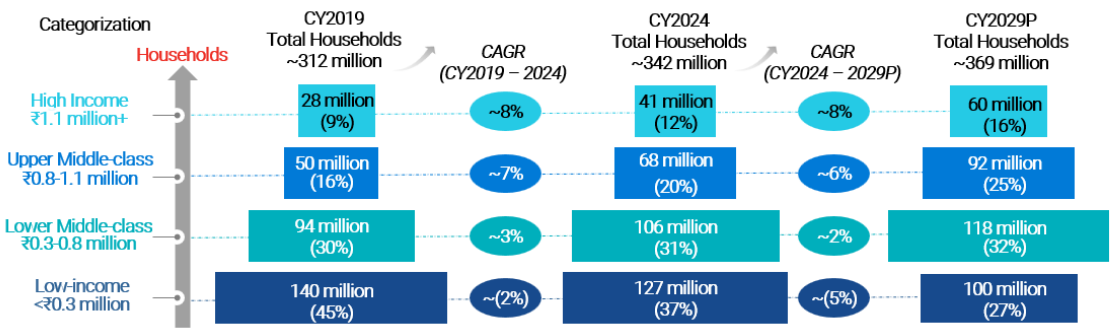
Source(s): World Population Prospects, United Nations

C) India's middle-class is expanding swiftly driven by growing income levels and is projected to reach 210 million households by CY2029

The share of middle-class households (which is split into upper middle-class and lower middle-class households) in India has been steadily growing over the years and is projected to continue its growth trajectory as income levels rise further. In CY2019, India had approximately 144 million middle-class households, which has increased to approximately 174 million in CY2024. This growth reflects a Compounded Annual Growth Rate ("CAGR") of approximately 6% for upper-middle-class households and approximately 2% for lower-middle-class households. The number of middle-class households is expected to grow at a similar rate to reach approximately 210 million by CY2029. This growth is anticipated to improve literacy rates, enhance access to information, increase awareness, ensure better availability of essential goods, improve standards of living, and increase the propensity for overseas education. With rising disposable incomes, many middle-class households are increasingly becoming eligible for formal credit, enhancing their ability to make investments in housing, education, and healthcare.

Exhibit 6

Household Income Pyramid in India
(million, CY2019, CY2024, CY2029P)



Source(s): Redseer Research and Analysis

The increase in income is also evident from the rising per capita gross national income ("GNI") of India, which grew from ₹140,899 (1st Revised Estimates) in Financial Year ("FY") 2019 to ₹208,633 (Provisional Estimates) in FY2024 (approximately 1.5 times that of FY2019), as per MoSPI. This rise in per capita income is driven by macroeconomic factors such as increased GDP, expanding trade opportunities, supportive government policies, and technological innovation, reflecting enhanced purchasing power and economic upliftment, particularly among semi-urban and rural households transitioning into the middle-income bracket.

In India, urban households (which include a higher proportion of middle-class households), have a Monthly Per Capita Consumption Expenditure ("MPCE") of ₹6,996 on both food and non-food items, in contrast to rural households, whose MPCE is ₹4,122; as per the Household Consumption Expenditure Survey 2023-24. This spending trend extends to non-discretionary categories such as education, where urban households allocate 5.97% (₹418) of their MPCE to education, compared to 3.24% (₹134) among rural households. This highlights the greater emphasis urban households place on education (especially higher education), viewing it as an essential expenditure rather than a discretionary one, which makes education a large and growing sector. Moreover, the approach to education among these urban households is marked by several distinctive characteristics:

- **Demand for options with better quality education:** Urban households are increasingly prioritizing a wide range of high-quality education options, including private schools, international baccalaureate (or IB) curricula, and online learning platforms. This shift reflects growing demand for better infrastructure, specialized programs, and personalized learning tailored to their children's needs.
- **Willingness to invest in overseas education:** Many households are inclined to spend on overseas education, either through overseas education programs or global learning experiences, viewing them as crucial for career advancement and a better standard of living.
- **Increased spending on supplementary education:** There is a marked increase in investment in education, including spending on coaching, tutoring, and additional academic support to ensure academic excellence and competitiveness in entrance exams. This trend reflects a growing focus on continuous learning, skill development, and upskilling.

D) Structural reforms are driving formalization and economic growth

The structural reforms implemented in recent years have played a crucial role in formalizing India's economy, driving greater financial inclusion, and paving the way for long-term economic resilience. A key reform, the introduction of the Goods and Services Tax ("GST"), has significantly streamlined taxation and compliance, leading to a sharp increase in tax collections—from ₹11.37 trillion in FY2021 to ₹20.18 trillion in FY2024, reflecting a robust CAGR of approximately 21%. This simplification of the tax system has contributed to greater transparency and efficiency across the economy.

In addition to this, initiatives such as the JAM Trinity (Jan Dhan, Aadhaar, Mobile) and the Digital India Program have been pivotal in formalizing the economy further. The JAM Trinity has enabled direct benefit transfers, ensuring that government schemes reach citizens efficiently, while the Digital India Program has empowered individuals with access to a range of digital services. Platforms such as Unified Mobile Application for New-age Governance (UMANG) and Unified Payments Interface ("UPI") have made services more accessible, increasing convenience and expanding financial participation among the population.

Together, these reforms are strengthening the country's institutional frameworks, driving financial inclusion, and contributing to a more formalized and resilient economy

<u>India's increasing economic strength is expected to increase financial inclusion</u>

The above factors are driving better financial inclusion in the country across various financial products such as bank accounts, credit facilities, insurance, pension schemes, investment products, and digital payment services. This is evident from the Financial Inclusion Index tracked by RBI, which measures the ease of access, affordability, and availability of these products. The index has improved significantly over the last few years, rising from 53.9 in FY2021 to 64.2 in FY2024.

Exhibit 7. Financial Inclusion-Index (FI-Index) – India

	FY2021	FY2022	FY2023	FY2024
Financial Inclusion Index	**53.9**	**56.4**	**60.1**	**64.2**

Note(s): The FI-Index has been conceptualised as a comprehensive index incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with the Government of India and respective sectoral regulators. The index captures information on various aspects of financial inclusion in a single value ranging between 0 and 100, where 0 represents complete financial exclusion and 100 indicates full financial inclusion.
Source(s): RBI

This is evident from the growth in the number of outstanding debit cards, which has risen significantly from approximately 500 million in December 2014 to approximately 991 million in December 2024, according to RBI data. The increase in debit card issuance indicates broader access to financial services, empowering individuals to engage in the formal economy.

In addition to the above macroeconomic factors, rapid digitization and government initiatives such as Digital Public Infrastructure, including Aadhaar and e-KYC, have streamlined customer verification and expanded financial access. Growing internet and smartphone penetration further enables better awareness and usage of financial products, creating a robust digital transaction and investment ecosystem. As of CY2024, India's internet user base was ~58% of the population and is projected to reach 65-74% by CY2029, while smartphone penetration is expected to grow from ~47% in CY2024 to 63-70% by CY2029.

While financial inclusion is improving across the different financial products, formal credit remains an underpenetrated category in India, offering significant room for growth.

Section 2: Overview of Credit Scenario and NBFC Sector in India

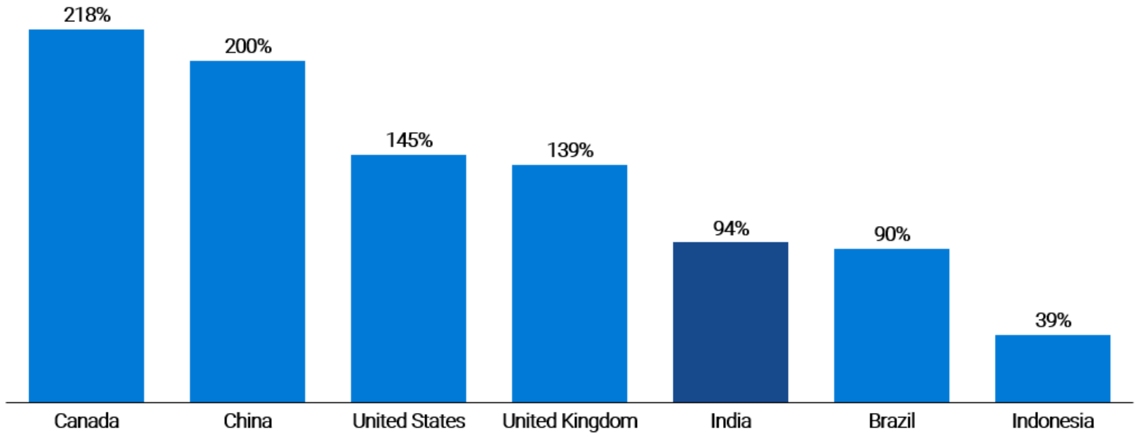
India's household credit-to-GDP ratio remains low (at approximately 42%) compared to other countries such as Canada and China at 100% and 60% respectively in Q3CY2024, but is growing swiftly, particularly in the retail category. Factors such as government reforms, a stable interest rate environment, expanding financial inclusion, rising financial awareness, and a strengthening digital infrastructure, are enabling this growth. Non-Banking Financial Companies ("NBFCs") are playing a crucial role in this transformation by providing credit to the underserved sections of the economy and are projected to drive 23-24% of the retail credit in India by FY2029.

<u>India has a large headroom for higher credit adoption</u>

India's credit adoption (excludes all forms of informal credit) is notably lower than other economies such as Canada, China, the US and the UK, underscoring a significant opportunity to enhance formal credit reach, particularly among the underserved section of the population. For instance, India's credit-to-GDP ratio stands at approximately 94% in Q3CY2024, compared to China where the ratio is approximately 200% in Q3CY2024.

Exhibit 8

Credit to GDP ratio[1] – Canada, China, US, UK, India, Indonesia, Brazil
(% of GDP, Q3CY2024)

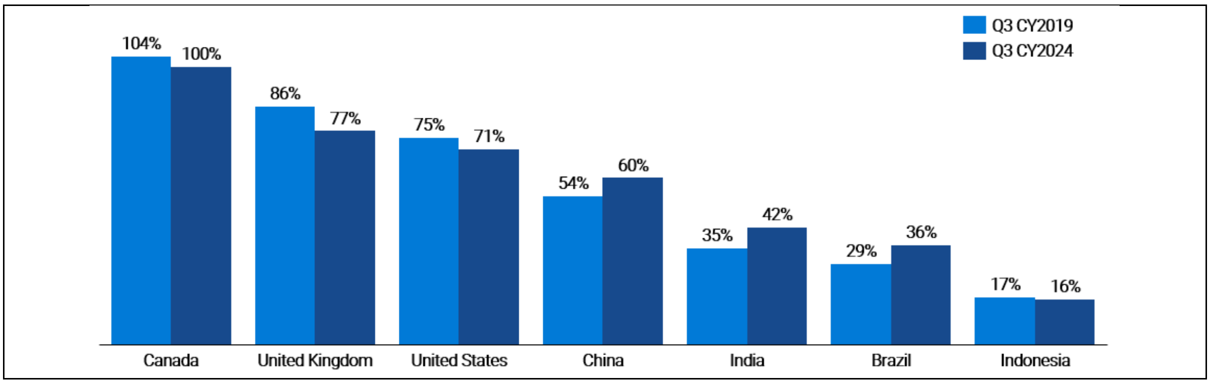


Note(s): The Credit-to-GDP ratio represents the outstanding amount of debt (liabilities) held by the private non-financial sector, expressed as a percentage of a country's GDP.
Source(s): Bank of International Settlement

Similarly, household credit-to-GDP ratio (which accounts for credit from all sectors to households and non-profit institutions serving households ("NPISHs") is low in India, at approximately 42% in Q3CY2024, versus 71% in the US and 60% in China in Q3CY2024.

Exhibit 9

Household credit to GDP ratio – China, US, UK, Canada, India, Indonesia, Brazil
(%, Q3CY2019, Q3CY2024)



Note(s): Household credit to GDP ratio indicates credit from all sectors (including domestic banks, other domestic financial corporations, non-financial corporations and non-residents) to households and NPISHs
Source(s): Bank of International Settlement

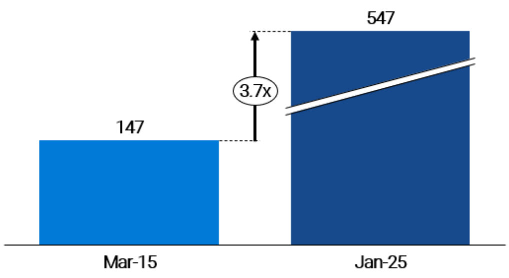
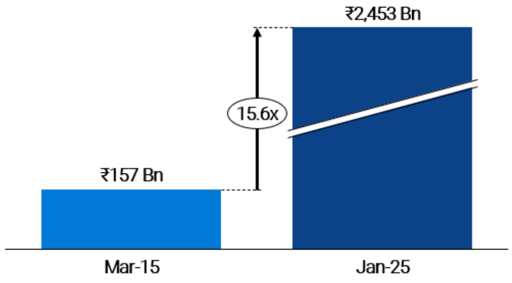
Low credit penetration in India is primarily due to a large informal workforce lacking documented income, limited financial literacy, and a cautious lending approach by banks due to past non-performing assets.

India's credit adoption is ramping up swiftly, led by the retail category

The following factors are enabling rapid credit adoption in the country.

- **Boosting credit adoption through reforms –** The Government of India's reforms aimed at boosting credit adoption in India have played a key role in strengthening the financial ecosystem. One significant reform is the implementation of GST on July 1, 2017, which simplified the tax structure, enhanced business formalization, and improved transparency, thereby boosting lender confidence. Additionally, other initiatives such as the Pradhan Mantri Mudra Yojana have provided easier access to credit for micro and small businesses, while the Digital India campaign has expanded financial inclusion by improving access to banking and digital payment systems.
- **Stable Interest Rate Environment –** The RBI has maintained a relatively stable interest rate environment, particularly through its control over the repo rate, which has contributed to a more predictable lending and borrowing landscape. The repo rate, which was reduced to a record low of 4.00% in May 2020 in response to the COVID-19 pandemic, has been gradually adjusted as the economy recovered, standing at 5.50% as of June 2025. These changes in the repo rate help ensure a stable borrowing environment, encouraging both consumers and businesses to access credit. The RBI's proactive management of the repo rate helps maintain liquidity in the system, thus supporting continued credit growth and economic stability.
- **Expanding financial access and inclusion –** Programs such as the National Pension System (NPS) promotes long-term retirement planning. Alongside these initiatives, digital banking has grown rapidly, with initiatives such as the DigiDhan Mission improving payment infrastructure and introducing systems such as the Bharat Bill Payment System and National Electronic Toll Collection. Government's dedicated efforts towards boosting financial access, particularly through Pradhan Mantri Jan Dhan Yojana ("PMJDY") (enabling 547 million accounts with total deposits reaching ₹2,453 billion as of January 2025), have played a crucial role.

  Exhibit 10

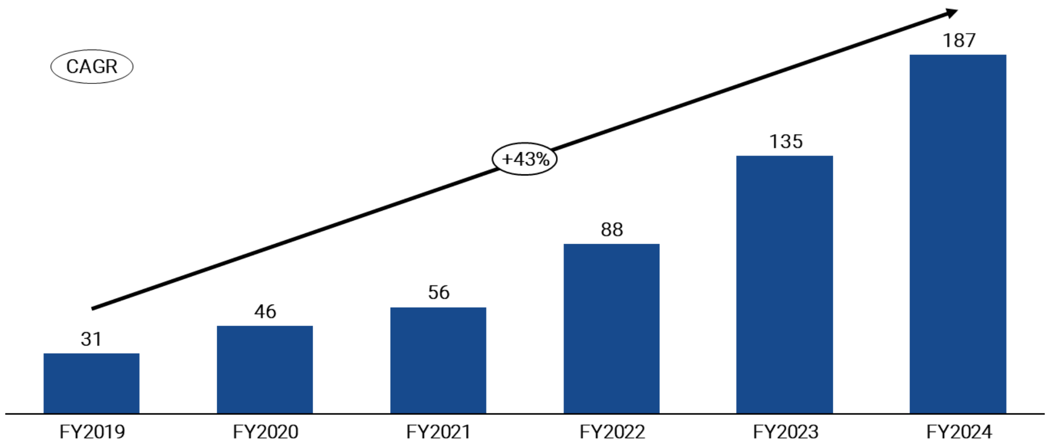
Number of PMJDY Accounts – India (million, March 2015 and January 2025)	*Deposits under PMJDY- India (₹billion, March 2015 and January 2025)*
	

Source(s): PMJDY

- **Rising financial awareness:** Programs such as the Financial Literacy Week organized by the RBI and initiatives run by the Securities and Exchange Board of India, which focus on educating people about saving, budgeting, and investing, are playing a crucial role in improving financial awareness. Additionally, awareness campaigns such as '*Pradhan Mantri Gramin Digital Saksharta Abhiyan*' have significantly boosted digital literacy, further contributing to the rise in financial awareness. This is evident in the growth of digital transaction volumes, which have surged over the past five years, increasing from 31 billion transactions in FY2019 to 187 billion transactions by FY2024, reflecting a CAGR of 43%.

Exhibit 11

Digital Payments Transactions- Volume
(billion, FY2019- FY2024)



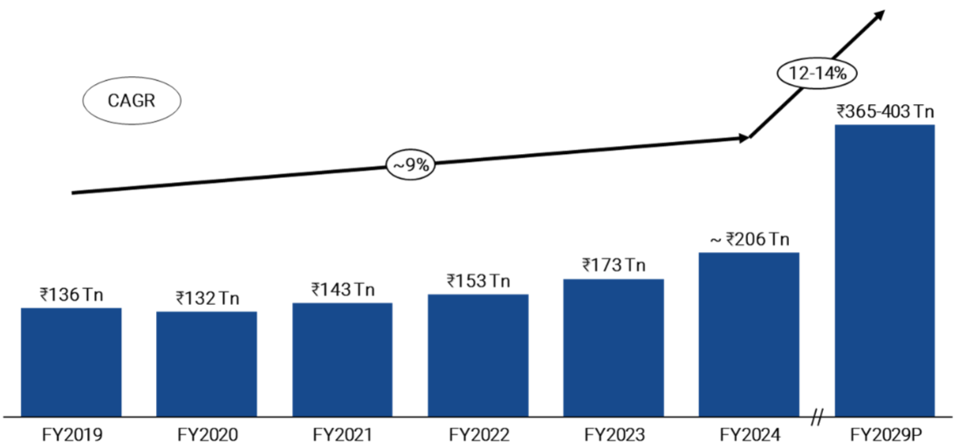
Note(s): Digital Payments include modes such as National Automated Clearing House (NACH), Immediate Payment Service (IMPS), UPI, Aadhar Enabled Payment System (AePS), National Electronic Toll Collection (NETC), Debit Card, Credit Card, National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Prepaid Payment Instruments, Internet Banking, Mobile Banking and Others (all intrabank transactions).
Source(s): Press Information Bureau, Government of India

- **Strengthening digital infrastructure –** The rapidly strengthening digital infrastructure in India has led to widespread use of smartphones, internet, and digital payment systems such as UPI, thus enhancing the accessibility of financial services for both urban and rural populations. Government initiatives such as Aadhaar (for identity verification), e-KYC (for digital onboarding), and eNACH (for automated recurring payments) have simplified processes such as opening bank accounts, accessing loans, and conducting digital transactions. Additionally, the introduction of digital loan agreements and adherence to digital lending guidelines, ensure faster, transparent, and cost-effective transactions. The growing repository of digital transaction data enables lenders to improve underwriting accuracy and make more informed credit decisions.

Driven by the above factors, systemic credit (which typically refers to credit exposures that are significant enough to impact the broader financial system, often including institutions with an asset size of ₹5,000 million or more) is growing in India. Systemic credit has grown at a CAGR of approximately 9% from FY2019 to FY2024, fuelled by increased budgetary investments (funding for initiatives like the PMJDY), rise in private investments, and recovery in business activities. Going forward, systemic credit is projected to grow at a CAGR of 12-14% between FY2024 to FY2029.

Exhibit 12

Overall Systemic Credit
(₹trillion, FY2019 - FY2024, FY2029P)

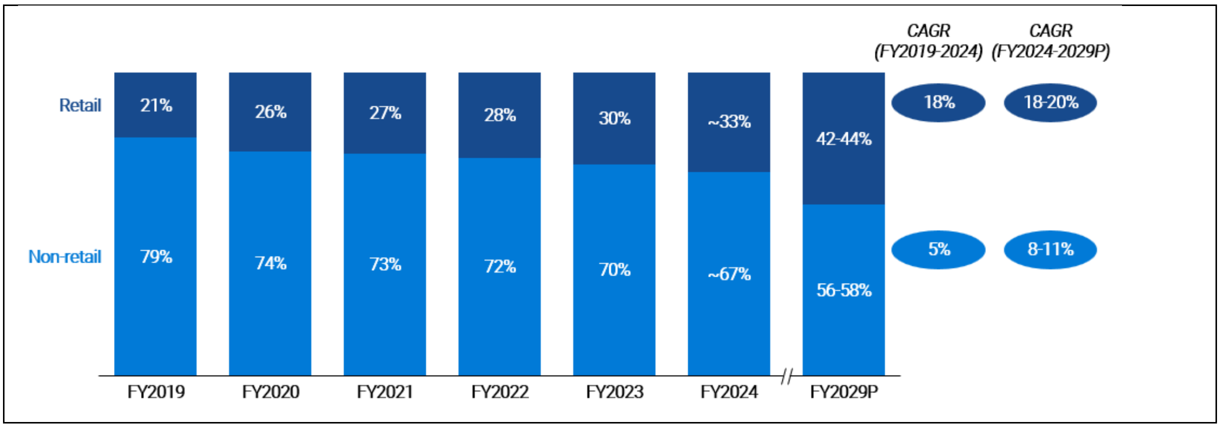


Note(s): Systemic credit which typically refers to credit exposures that are significant enough to impact the broader financial system, often including institutions with an asset size of ₹5,000 million or more. It includes domestic banking credit, NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by banks and NBFCs.
Source(s): RBI, Redseer Research and Analysis

Retail credit (includes housing finance, automotive loans, gold loans, education loans, consumer durables, personal loans, credit cards, microfinance, and other retail loans) has emerged as a key driver of overall systemic credit growth (led by the factors discussed above on government reforms, stable interest rate environment, expanding financial inclusion, rising financial awareness, and strengthening digital infrastructure), with the share of retail credit growing from 21% in FY2019 to approximately 33% in FY2024. Over the next few years, retail credit growth is expected to drive the growth of overall systemic credit expansion, with lenders focusing on growing their retail portfolios.

Exhibit 13

Overall Systemic Credit Split – Retail[1] and Non-Retail[2]
(%, FY2019 - FY2024, FY2029P)



Note(s): 1. Retail credit includes housing finance, automotive loans, gold loans, education loans, consumer durables, personal loans, credit cards, microfinance, and other retail loans, 2. Non-retail credit includes Food credit, Agriculture and Allied Activities, Industry (Micro and small, medium, large and others), Services (Retail trade and commercial real estate) and other non-food credit.
Source(s): RBI, Redseer Research and Analysis

NBFCs are driving retail credit adoption in India and have the potential to enable 23-24% of total retail credit by FY2029

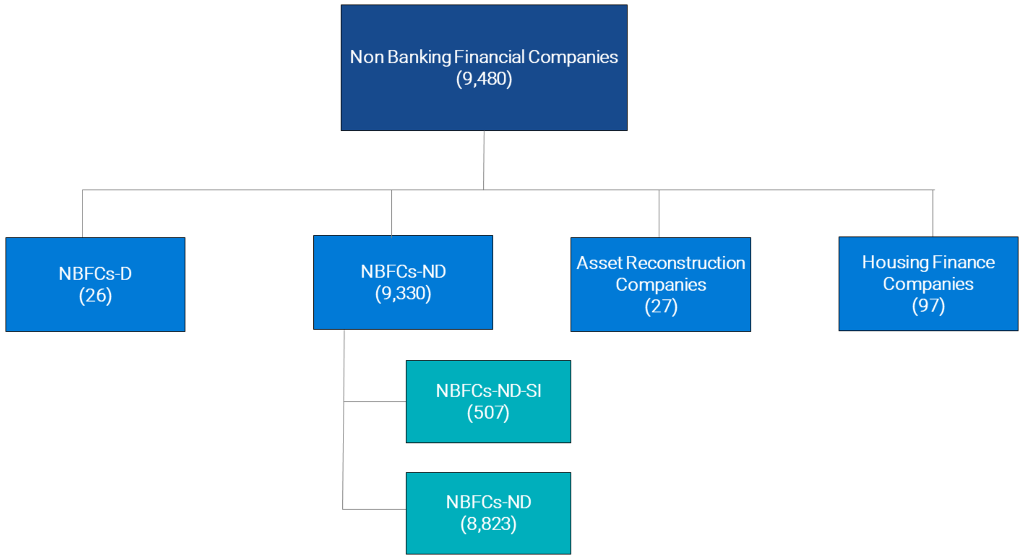
NBFCs and banks are the two major lenders in India's financial landscape, though they operate with different structures and regulatory requirements. Banks, regulated by the RBI, provide a full range of financial services, including deposit accounts, loans, and payment systems, and have access to deposit insurance. NBFCs, on the other hand, are financial institutions regulated by the RBI under the Reserve Bank of India Act, 1934, that engage in providing loans, advances, and acquiring marketable securities such as shares, bonds, and debentures. While certain NBFCs, known as deposit-taking NBFCs (NBFC-Ds), are permitted to accept term deposits from the public, they must adhere to the regulations set by the RBI.

NBFCs have played a crucial role in expanding retail credit adoption in India, particularly in the underserved sections and regions. They have been instrumental in reaching customers who might not have access to conventional banking channels, such as those with limited credit history or lacking the required collateral for loans. NBFCs employ unconventional but reliable underwriting models (such as the use of digital transactions data in personal / Micro, Small and Medium Enterprises (MSME) loans, data on student placement rates by education NBFCs etc.) and execute them efficiently to provide faster approvals than traditional industry standards. NBFCs have been pivotal in microfinance, automotive loans, education loans, and personal loans, where access to credit has traditionally been limited. NBFCs are classified based on two different approaches:

- **Liability-based classification** refers to the categorization of NBFCs based on the type of liabilities they hold, such as whether they can accept deposits or not. There are deposit-taking NBFCs (NBFC-Ds), which are authorized to accept public deposits under strict regulations, and non-deposit-taking NBFCs (NBFC-NDs), which do not accept deposits, but engage in lending activities. Further, non-deposit-taking NBFCs are classified into systemically important (NBFC-ND-SI) and non-systemically important entities, based on their asset size and potential impact on financial stability. Housing Finance Companies (HFCs) and Asset Reconstruction Companies (ARCs) are treated separately due to their distinct business models and regulatory frameworks. While HFCs are regulated by the Reserve Bank of India (RBI) post-2019, they are still classified separately from NBFC-D and NBFC-ND due to their distinct business model. ARCs, on the other hand, are regulated by the RBI but operate under a different set of regulations.

Exhibit 14

Classification of NBFCs based on liabilities (number of institutions)
(end of September 2023)



Note(s): 1. Figures in parentheses indicate the number of institutions (provisional), 2. The number of NBFCs is as of September 30, 2023, 3. Based on asset/liability structure, NBFCs are categorised into deposit-taking NBFCs (NBFCs-D) and non-deposit taking NBFCs (NBFCs-ND). Within NBFCs-ND, NBFCs with asset size of 5,000 million or more are called non-deposit taking systemically important NBFCs (NBFCs-ND-SI) and the remaining are NBFCs-ND.
Source(s): RBI

- **Activity-based classification** is based on the core financial activities an NBFC performs. For example, Asset Finance Companies (AFCs) primarily finance physical assets such as vehicles and machinery, while Micro Finance Institutions (NBFC-MFIs) focus on providing small loans to low-income individuals in rural and semi-urban areas. Other types include Loan Companies (LCs), which provide general financing, and Infrastructure Finance Companies (IFCs), which focus on long-term funding for infrastructure projects.

As of FY2024, NBFCs hold a share of approximately 19-20% of the overall systemic credit, which is expected to reach to approximately 20-22% by FY2029, driven by the below factors:

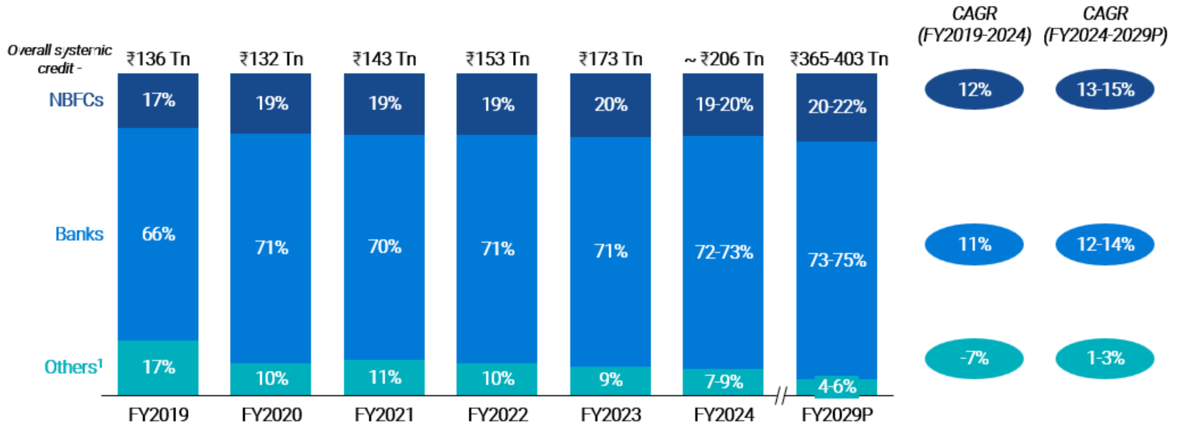
- **Ability to serve the underserved population:** NBFCs play a critical role in extending financial services to unbanked and underserved populations, which have traditionally not been targeted by banks. NBFCs can provide credit in regions where banks may have limited presence, driven by their flexible business models and localized understanding of credit assessments.
- **Effective Underwriting model**: NBFCs are adopting advanced and differentiated underwriting models, such as involving the use of alternative data (e.g., utility payments, and transaction history), enabling them to assess the creditworthiness of a wider range of customers, including those with non-traditional profiles. Their nimble structure and focused approach, have enabled faster decision-making, sharper customer targeting, and improved turnaround times. While banks have also been strengthening their underwriting models, NBFCs remain ahead in terms of agility and innovation.
- **Sectoral Focus:** Many NBFCs are focusing on specific sectors such as housing finance, education loans, microfinance, and vehicle financing, allowing them to develop specialized expertise and create products that are finely tuned to the needs of specific customer groups.
- **Risk Mitigation**: With diversified offerings, specialized sectoral focus, and the use of advanced risk models, NBFCs are able to better manage and mitigate risks. Their focus on niche markets allows them to tailor risk models to specific customer profiles, making them more resilient in managing defaults.

Banks, on the other hand, often follow more standardized risk mitigation procedures and have less flexibility to adapt to smaller, non-traditional markets.

- **Structured financing for capital efficiency:** NBFCs are actively leveraging structured financing tools such as asset securitization, co-lending, and loan assignments to raise funds. Mechanisms such as co-lending and loan assignments also help in unlocking liquidity by facilitating capital release and strengthening capital adequacy.
- **Efficient operations:** NBFCs often have more efficient operations than banks, enabling them to offer faster turnaround times and a more personalized approach to customer needs. Their streamlined processes and flexibility allow them to better understand and respond to customers, providing tailored solutions and enhancing overall service quality.

Exhibit 15

Overall Systemic Credit – Split in NBFCs, Banks and Others[1]
(%, FY2019 - FY2024, FY2029P)

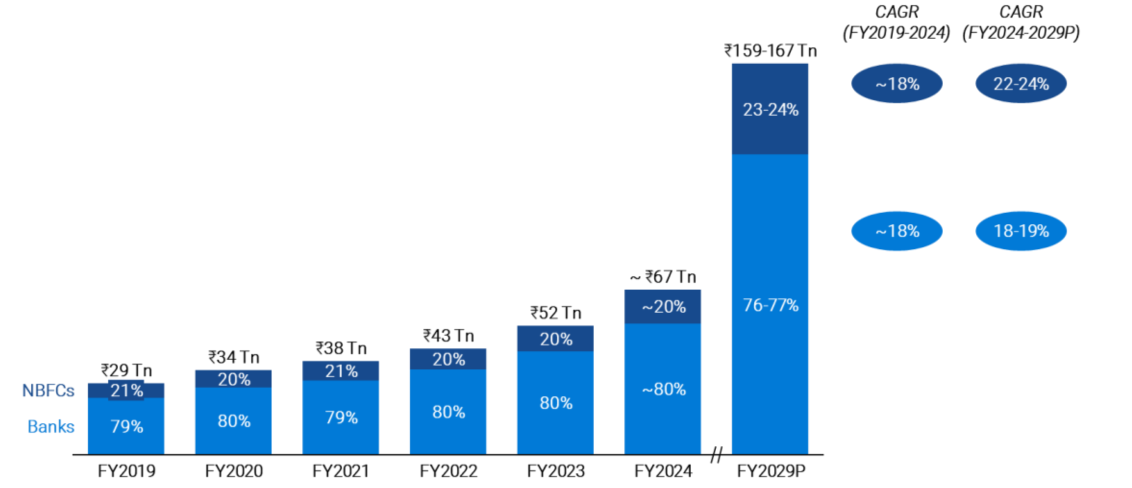


Note(s): 1. Others include commercial papers, corporate bonds and external borrowings
Source(s): RBI, Redseer Research and Analysis

NBFC penetration in the retail category has been slightly higher. As of FY2024, NBFCs accounted for approximately 20% of the retail credit in India. Driven by their ability to provide credit to the underserved groups, NBFC retail credit has grown swiftly, at a CAGR of approximately 18% from FY2019 to FY2024 and is expected to grow even faster at a CAGR of approximately 22-24% from FY2024 to FY2029 (as NBFCs mature further and are able to penetrate the sectors with limited access to credit). At this growth rate, NBFCs have potential to enable 23-24% of India's total retail credit by FY2029.

Exhibit 16

Overall retail credit – NBFCs and Banks
(₹trillion, FY2019 – FY2024, FY2029P)

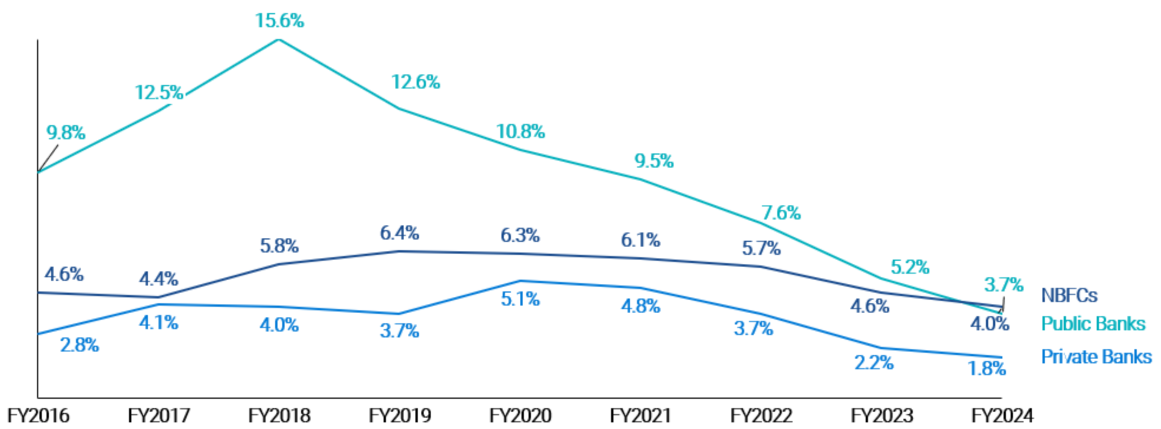


Note(s): Retail loans include housing loans, automotive loans, gold loans, education loans, consumer durables loans, personal loans, credit card receivables, microfinance and other retail loans
Source(s): RBI, Redseer Research and Analysis

Further, NBFCs' asset quality, represented by the Gross Non-Performing Asset ("GNPA") ratio, has shown improvement over the last 8 years. It declined from 4.6% in FY2016 to approximately 4.0% in FY2024 (though it saw an interim increase between FY2017 and FY2019). This highlights an improvement in managing and containing credit risk through superior risk management practices (such as effective underwriting models, diversified portfolios, and technology adoption to better gauge creditworthiness, mitigate risks, and maintain a healthier asset quality).

Exhibit 17

GNPA[1] ratio for NBFCs, Public Banks and Private Banks
(% of Gross Advances, FY2016 to FY2024)

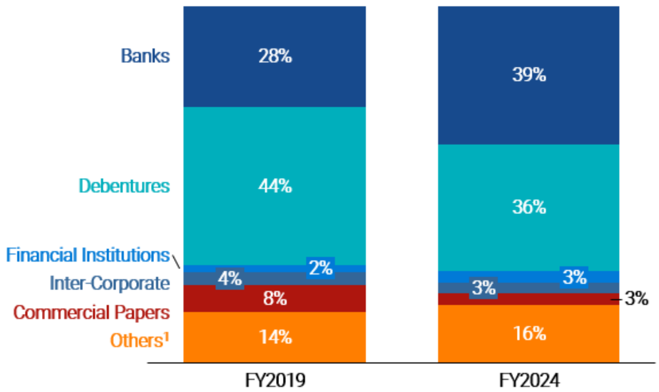


Note(s): 1. Includes both retail and non-retail asset classes
Source(s): RBI

Moreover, NBFCs have a diversified borrowing mix, including debentures, bank loans, commercial paper, inter-corporate loans and financial institutions. In recent years, the reliance on bank borrowings has increased, rising from 28% in FY2019 to approximately 39% in FY2024. Going forward, NBFCs are undertaking steps to diversify their funding sources beyond banks by tapping into other sources of financing. This shift, supported by evolving regulations and fintech partnerships are expected to help NBFCs access broader capital pools and mitigate systemic risks, especially during financial stress. Fintech collaborations will enable NBFCs to leverage innovative solutions such as alternative credit scoring models, fraud detection, and process automation, enhancing operational agility and reducing risk.

Exhibit 18

Borrowing mix of NBFCs
(% of borrowings, FY2019, FY2024)



Note(s): 1. Others include Borrowings from Government, Subordinated debts and other borrowings
Source(s): RBI

NBFCs are well regulated entities. Some of the key regulations governing NBFCs are detailed below:

Basel Regulations

The Basel regulations are a set of international standards developed by the Basel Committee on Banking Supervision to enhance regulation, supervision, and risk management in the financial sector. Basel I, introduced in 1988, focused on credit risk and established minimum capital requirements for banks. Basel II, implemented in 2004, expanded this framework by emphasizing risk management and supervisory processes. Basel III, introduced in 2010, requires banks to maintain a Capital to Risk-Weighted Assets Ratio ("CRAR") of at least 11.5% and mandates that NBFCs maintain a CRAR of at least 15%, promoting a stronger capital base and improved risk management practices.

Basel III also introduced liquidity norms like the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") to ensure sufficient liquid assets and stable funding. Additionally, under Internal Capital Adequacy Assessment Process ("ICAAP"), banks and systemically important NBFCs are expected to assess their capital needs under stress scenarios, promoting proactive risk and capital management.

Regulatory Adjustments to Risk Weights

Risk weight on bank exposure is a regulatory measure used by regulators to evaluate the risk associated with different asset types held by banks and NBFCs. It determines the capital that banks must maintain as a buffer against potential losses. Assets perceived to have lower risk are assigned lower risk weights, while higher-risk assets require more capital allocation. In November 2023, the RBI raised risk weights for bank loans to NBFCs from 100% to 125%. However, on February 25, 2025, the RBI reversed this decision, restoring risk weights to 100% and removing higher risk weights for microfinance loans, effective April 1, 2025. This rollback was driven by a slowdown in bank credit to NBFCs in FY2025, tighter market liquidity, and the need to ensure credit flow to underserved segments for economic growth.

Scale-Based Regulations

In October 2021, the RBI introduced a four-tier regulatory framework known as Scale-Based Regulation ("SBR") for NBFCs. This framework, which came into effect in October 2022, classifies NBFCs into four categories:

1. NBFC – Base Layer (NBFC-BL): NBFC-ND with assets < ₹10 billion, Peer-to-peer (P2Ps), Account Aggregators (AAs), Non-operative financial holding companies (NOFHCs), NBFCs not availing public funds and not having any customer interface
2. NBFC – Middle Layer: NBFC-D, NBFC-ND with assets > ₹10 billion, Standalone Primary Dealers (SPDs), Infrastructure Debt Funds (IDFs), Core Investment Companies (CICs), Housing Finance Companies (HFCs) and Infrastructure Finance Company (IFCs)
3. NBFC – Upper Layer: As of January 16, 2025, 15 NBFCs (including four HFCs) have been placed in the upper layer and are subjected to enhanced regulatory oversight
4. NBFC – Top Layer: Ideally remain empty

Additionally, NBFCs such as NBFC-ICC, NBFC-MFI, NBFC-Factors, and NBFC-MGC may belong to any layer based on SBR parameters, while government-owned NBFCs are typically in the Base or Middle Layer. This regulation aims to build a strong and resilient financial system. The SBR approach renders the regulation and supervision of NBFCs to be a function of their size, activity, and perceived risk profile.

Education loans have emerged as the fastest-growing asset class for NBFCs, with superior asset quality

NBFCs deploy retail credit across various sectors (housing loans, automotive loans, education loans, gold loans and microfinance). In FY2024, education loans accounted for ₹440 billion which has increased from ₹73 billion in FY2019. Automotive loans, however, held the largest share, accounting for approximately 35% of NBFC retail credit in FY2024.

Higher education in India offers a large and growing opportunity, with education being a key priority for Indian households and a driver of social and economic mobility. The education loan market is the fastest growing market within NBFC retail credit in India and has outpaced other major loan products during the FY2021-2024 period. NBFC retail education loans grew at approximately 43% CAGR over the last 5 years (FY2019 to FY2024) and approximately 71% in the last 3 years (FY2021 to FY2024).

Exhibit 19. Distribution of NBFC retail credit across asset classes – Gross Advances (₹billion, FY2019, FY2021, FY2024)

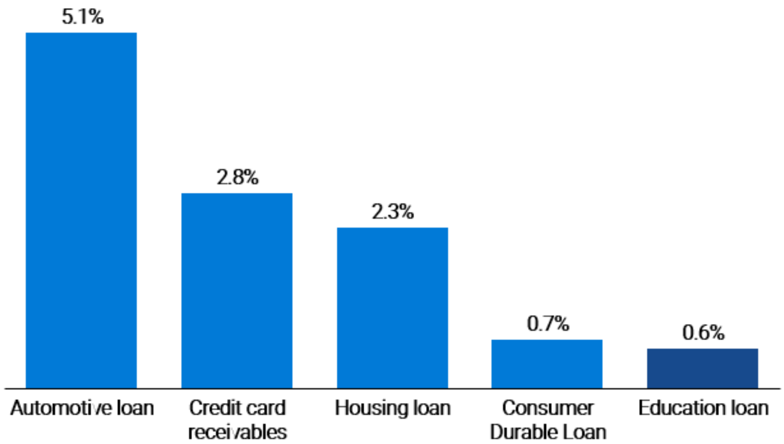
Asset Class	FY2019	FY2021	FY2024	CAGR (FY2021-24)	CAGR (FY2019-24)
Automotive Loans	3,041	3,566	4,748	10%	9%
Gold Loans[2]	-	948	1,535	17%	-
Microfinance loans/ SHG loan[2]	-	573	1,485	37%	-
Credit Card Receivables	198	260	557	29%	23%
Housing Loans	184	215	336	16%	13%
Education Loans[3]	73	88	440	71%	43%
Consumer Durables	196	183	410	31%	16%
Other Retail Loans[1]	2,295	2,032	4,187	27%	-
Total Retail Loans	**5,988**	**7,865**	**13,698**	**20%**	**18%**

Note(s): 1. Other retail loans include Advances against Fixed Deposits, Advances to Individuals against Shares, Bonds, and other retail loans, 2. For FY2019, Gold and micro finance loans are not mentioned separately. 3. Data for education loans has been sourced from Equifax.
Source(s): Equifax, RBI, Redseer Research and Analysis

The GNPA ratio of NBFCs for education loans has also been superior to other asset classes. It stood at approximately 0.6% as of FY2024, while overall housing loans have a GNPA of approximately 2.3% and automotive loans hover at approximately 5.1% – demonstrating better asset quality. This superior asset quality is attributed to selective lending practices focused on academically strong students, high-ranked institutions, and in-demand courses, as well as the higher earning potential of graduates, particularly those working abroad. Cultural factors, such as parental support and prioritization of loan repayment, further contribute to the lower default rates in education loans.

Exhibit 20

GNPA ratio comparison for retail sectors of NBFCs – Automotive, Housing, Education, Credit card receivables and Consumer Durable loans
(%, FY2024)

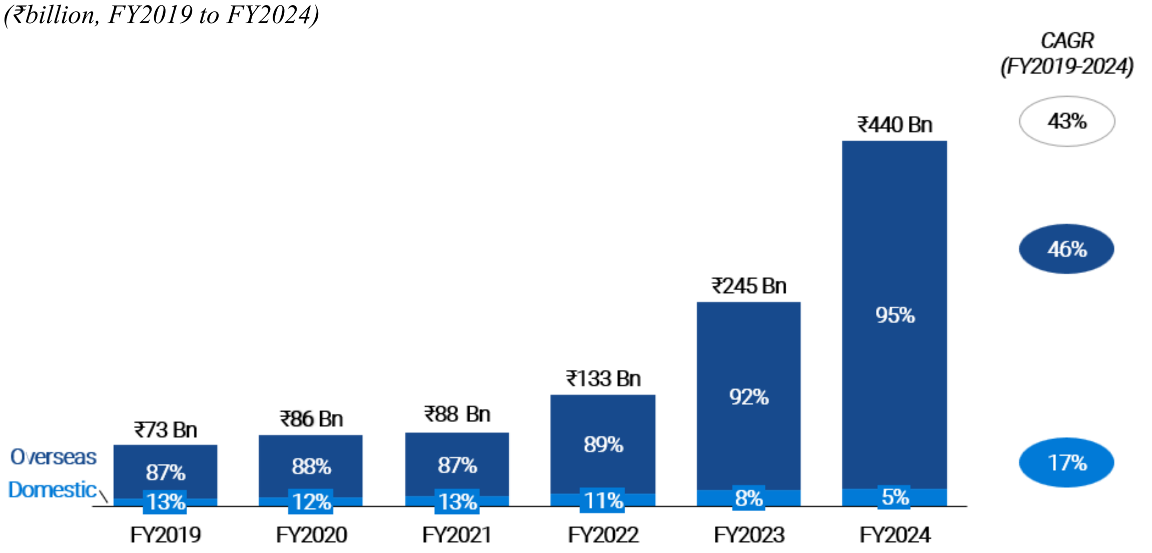


Source(s): Equifax, RBI

Within education loans, overseas loans accounted for 95% of the NBFC portfolio in FY2024 and is scaling up faster than the domestic category.

Exhibit 21

Outstanding education loans for NBFCs – Overseas and Domestic
(₹billion, FY2019 to FY2024)



Note(s): The outstanding education loan market segmentation for NBFCs is calculated as follows: 95% of loans between ₹1.5-2.5 million average ticket size and 100% of loans greater than ₹2.5 million ticket size are considered as overseas loans, while the remaining is categorized as domestic loans
Source(s): Equifax, Redseer Research and Analysis

Section 3: India Education Market and the Growing Need for Financing

India's overall education market, sized at approximately ₹19,186 billion in CY2024 and is projected to grow at a CAGR of 11-13% between CY2024 and CY2029, driven by increasing demand for higher education. Within this the overseas education sector is witnessing rapid growth in India, fuelled by aspiration for better quality education, favourable immigration policies, desire for better standard of living, talent shortage overseas, rising demand for international students overseas, evolving and expanding ecosystem, and availability of overseas financing. Accessibility of funds remains a key concern for Indian students with overseas education aspirations, creating a strong need for financing in the market. Despite this need, loan penetration for overseas education remains low at 10.5% in CY2024, indicating significant room for growth, and is projected to grow rapidly to reach 11-13% by CY2029. The rise in NBFC driven lending is leading this transformation.

<u>Indian education market is growing fast on the back of the untapped potential in the domestic higher education sector</u>

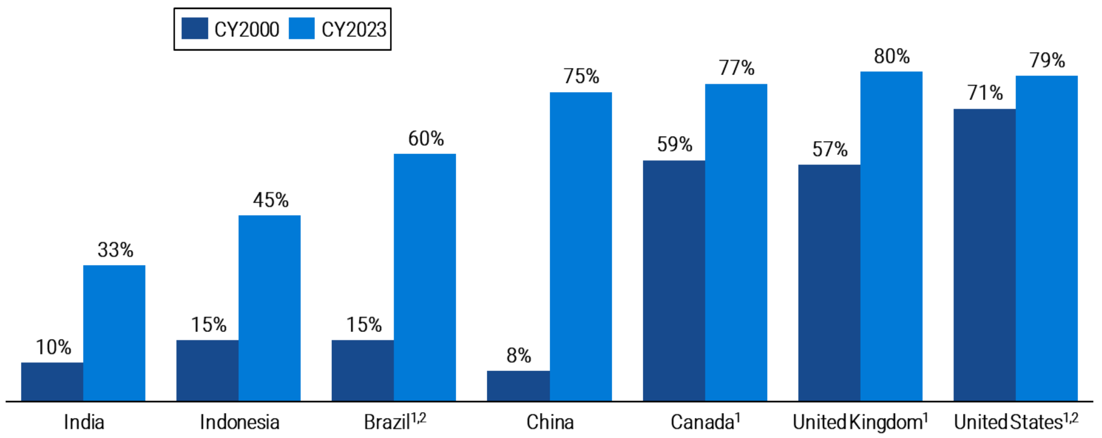
India has a large education market (including both overseas and domestic) sized at ₹19,186 billion in CY2024. It is projected to grow at a healthy CAGR of 11-13% between CY2024 and CY2029.

One of the key factors contributing to this projected growth is the significant scope for improvement in the Gross Enrolment Ratio ("GER") for higher education. GER is defined as the % of students enrolled in tertiary education (refers to all formal post-secondary education, including public and private universities, colleges, technical training institutes, and vocational schools) divided by the total population aged 18-23 who is eligible for tertiary education enrolment after completion of school. India's GER for higher education stands at 33% (as of CY2023), compared to 75%, 77%, 80% and 79% in markets such as China, Canada, the UK, and the US, respectively. The GER for China and India has grown exponentially from 8% and 10% respectively in CY2000. The GER for Canada, the UK and the US has also grown (while at a slower rate) from 59%, 57% and 71% respectively in

CY2000 (CY1999 for the US) to 77%, 80% and 79% respectively as of CY2022. This gap, influenced by barriers such as limited access to quality education, financial constraints related to high tuition fees, and socio-economic challenges (such as inadequate awareness of educational opportunities and a lack of support systems for students from lower-income backgrounds), highlights untapped potential in India's higher education market. Additionally, the widespread English-speaking population further enhances India's global competitiveness, enabling students to pursue international education and career opportunities effectively.

Exhibit 22

Gross Enrolment Ratio[3,4] – Higher Education[5]
(%, CY2000 and CY2023 (unless specified in the notes)



Note(s):1. Data for Canada, the UK, Brazil and the US as of CY2022 instead of CY2023, 2. Data for the US and Brazil as of CY1999 instead of CY2000, 3. GER is defined as the % of students enrolled in tertiary education divided by the total population aged 18-23 who is eligible for tertiary education enrolment after completion of school, 4. GER does not include students studying overseas, 5. Indicates tertiary school enrolments.
Source(s): World Bank

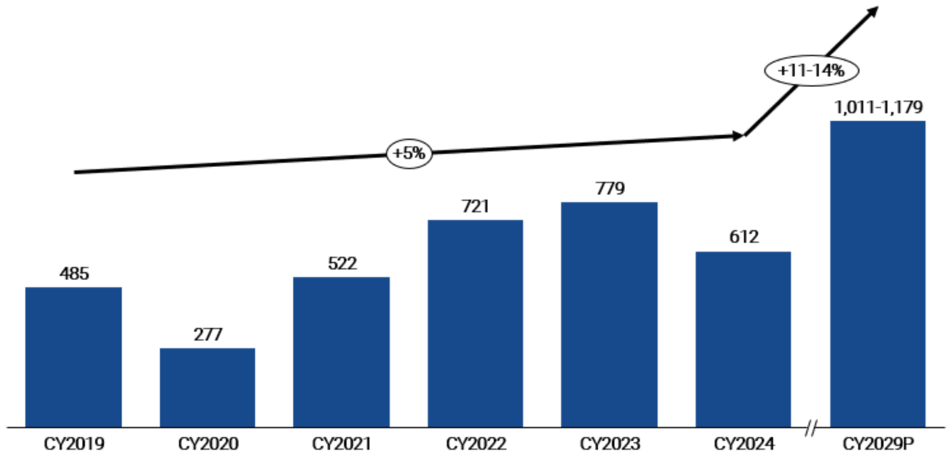
The overseas education market, accounting for approximately 18% of India's education market in CY2024, is expanding more rapidly. Sized at ₹3,422 billion in CY2024, this market is expected to reach ₹7,500 – 8,000 billion by CY2029, reflecting a CAGR of 17-19% (CY2024 to CY2029).

A. Overseas Education Market (Total Addressable Market ("TAM")) is poised to grow at 17-19% CAGR between CY2024 and CY2029

India has emerged as a major source of international students for universities worldwide. In recent years, the number of Indians studying overseas has increased, and this trend is expected to continue in the future as well. Indian students continue to constitute a significant 26% of international students in leading education hubs (including the US, the UK, Australia, and Canada) as of CY2024. According to Home Affairs Office/Education Ministry of key education hubs (the US, the UK, Canada, Australia, Germany, UAE, Ireland, and Singapore), approximately 611,655 student visas were issued for Indians studying overseas in CY2024, an increase from approximately 484,728 in CY2019, reflecting a CAGR of 5% over this period.

Exhibit 23

Total number of visas issued to Indian Students
(# of students in '000s, CY2019 – CY2024, CY2029P)



Note(s): CY2020 saw a decline due to the impact of COVID-19. The dip in CY2024, can be attributed to the extraordinary demand observed in CY2022 and CY2023, with CY2024 returning to a more normalized level.
Source(s): Home Affairs Office/Education Ministry of Key Education Hubs (the US, the UK, Canada, Australia, Germany, UAE, Ireland, and Singapore), Redseer Research and Analysis

Several demand and supply-side factors have driven this growth. The key demand-side factors include:

- **Aspiration for better quality education:** Overseas education is becoming an increasingly attractive option for Indian students seeking high-quality education, globally recognized programs (particularly STEM programs), and overseas exposure, with limited options domestically and a growing demand for higher quality education. As per leading university ranking agencies, 40-45% of the top 100 universities are based in the US and the UK. This has created a strong demand among international students (including Indian students) to receive education from the top universities in these markets. Leading Indian universities, on the other hand, have lower acceptance rates of approximately 1%, compared to that in countries, due to intense competition in the domestic market.

  Further, Indian families view overseas degrees as gateways to superior career opportunities, personal growth, and competitive edge in the global job market. Studying at overseas universities enables Indian families to enhance their socio-economic status, as graduates often secure careers with attractive salaries. For example, in the US, annual salaries for similar job roles range from US$ 65,000 to US$ 115,000, compared to an average annual salary of US$ 7,000 to US$ 13,000 in India. Along with the financial upside, overseas education enables students to access better lifestyle and career growth opportunities.

- **Favourable immigration policies:** Immigration policies remain favourable for international students across major study destinations, with post-study work visa permits providing students the opportunity to gain valuable work experience. As of February 2025, some of the initiatives are:
  - **US:** The US offers international students F-1 visas with opportunities for work experience through Curricular Practical Training (CPT) during studies and Optional Practical Training ("OPT") following completion of the course of study. OPT allows 12 months of work in a field related to the student's major, with a 24-month extension provided to Science Technology Engineering and Management ("STEM") graduates. Additionally, universities in the US offer

strong support through dedicated international offices, helping students to navigate through work authorizations, cultural integration, and career opportunities.

- **UK:** The UK has attractive post-graduation work policies such as the Graduate Visa which allows bachelor's and master's graduates to stay and work in the UK for 2 years, while PhD holders can remain for 3 years with straightforward eligibility criteria (such as holding a valid Student Visa and completing a recognized course).
- **Canada:** Canada's Post-Graduation Work Permit ("PGWP") offers an opportunity for international students to stay and work after completing their studies. The duration of the permit is based on the length of the study program: for programs lasting 8 months to less than 2 years, the PGWP is valid for the same duration as the program, and for programs of 2 years or more, graduates can receive a permit valid for up to 3 years. To be eligible, students must have completed their program at a Designated Learning Institution ("DLI"), apply within 180 days of receiving confirmation of program completion, and hold a valid study permit. Additionally, working in Canada post-graduation can facilitate the process of obtaining Permanent Residency ("PR"), providing international students with an opportunity to explore long-term career and settlement options in the country.
- **Australia:** Australia's Post-Higher Education Work Visa (formerly the Post-Study Work Visa) offers international students an opportunity to work in the country after completing their studies. To be eligible, applicants must have completed a bachelor's, master's, or doctoral degree from a recognized Australian university, have studied in Australia for at least 16 calendar months, and apply within six months of completing their studies. Applicants must also be under 35 years old, demonstrate English proficiency, and provide medical and character certificates. The temporary visa duration varies based on the degree level: up to 2 years for bachelor's and master's degrees (coursework and extended), and up to 3 years for master's degrees (research) and doctoral degrees.

While there has been some recent global uncertainty around immigration policies in countries such as Australia, Canada, the United Kingdom, and the United States, students pursuing higher education are generally regarded as skilled immigrants with the potential to contribute positively to the workforce. Long-term supply-side factors continue to support skilled immigration across these countries including the higher education sector's reliance on international students for fees and funding, and the job market's demand for qualified talent, particularly in STEM fields.

- **Better standard of living overseas:** Many countries offer a higher standard of living, denoted by factors such as better air quality, higher life expectancy, developed infrastructure (transportation, electricity, and internet connectivity) and access to healthcare. For example, countries such as the US and Germany have more hospital beds per capita (e.g., 6 hospital beds per 1,000 people in Germany, according to the German Federal Statistical Office, compared to India's 1 bed per 1,000 people, according to the Ministry of Health and Family Welfare as of CY2023). Life expectancy at birth (The average number of years of life expected) is also higher in countries such as the UK (81.45 years) and the US (79.46 years) compared to India's 72.24 years as of CY2024, according to the United Nations.

On the supply side, the key growth factors are:

- **Talent Shortage Overseas:** The drive towards studying overseas is a result of several factors. These include aging populations in certain countries leading to increased reliance on international students to support their labour markets, and dependence of foreign universities and colleges on overseas students considering reducing income from domestic students. The US and UK are facing significant workforce shortages due to aging populations and a subsequent rise in demand for skilled professionals. By 2030, nearly 40% of the UK population is projected to be over 50, intensifying the need for skilled workers which includes essential sectors such as healthcare, IT, and engineering. Developed countries also face a shortage of STEM professionals, a concern highlighted by educational and industry bodies. For instance, in the US, only 16.9% of graduates in 2022 were from STEM fields, according to the U.S. Bureau of

Labor Statistics. In comparison, approximately 33-35% of undergraduate ("UG") and 26-28% of postgraduate ("PG") in India were from STEM fields in FY2022, as reported by All India Survey on Higher Education ("AISHE") 2021-22.

- **High demand for international students overseas:** With declining GER in countries such as the US (where GER declined from 88% in CY2018 to 79% in CY2022, as per World Bank), foreign universities have increasingly relied on international students. These students also help universities to boost earnings, as they pay 2-3 times higher tuition fees than domestic students. In addition, these students make a significant contribution to the economy of the country where they are studying, as approximately 38% of their overall spending goes towards living and housing expenses. Furthermore, they contribute to the GDP of these countries through their employment post-graduation. Additionally, many universities and colleges in these countries depend on international students to offset declining enrolment and income from domestic students.
- **Evolving and Expanding Ecosystem**: The evolving and expanding ecosystem of overseas education counsellors and partners, including education consultants, student counsellors, loan aggregators, and test prep providers, plays a crucial role in raising awareness about university and course options, as well as career opportunities, particularly in the emerging markets. Education counsellors are instrumental in guiding students through the complex process of selecting the right universities and programs based on their aspirations, academic background, and career goals. They provide personalized advice, helping students navigate admissions requirements, visa processes, and scholarship opportunities.
- **Availability of overseas financing:** The robust growth in overseas education loan disbursements, rising from ₹87 billion in CY2019 to ₹358 billion in CY2024, at a CAGR of approximately 33%, underscores increased financial accessibility for students. This growth is further supported by the introduction of student-friendly products by several NBFCs, such as minimal or interest-only equated monthly instalments ("EMIs"), flexible repayment tenures, and customized loan structures tailored to individual needs. These innovations address students' financial constraints, making overseas education more accessible. However, the space remains underpenetrated, indicating significant headroom for growth, as more students explore financing options to manage tuition, living expenses, and other associated costs.

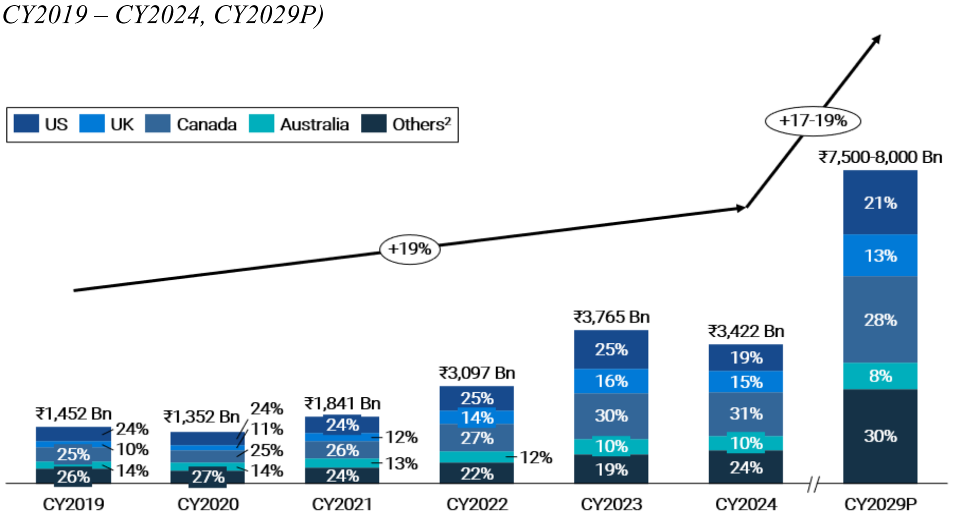
Summing up, while students are motivated by opportunities for high-quality education, access to globally recognized programs, wider range of career prospects, the ability to gain overseas exposure and overseas destination countries increasingly rely on foreign students due to aging populations, are generating a demand for skilled labour to support their economies and labour markets.

Four countries, namely the US, the UK, Canada, and Australia have historically driven India's overseas education demand and are expected to continue doing so

Historically, the United States (US), Canada, the United Kingdom (UK) and Australia, have been the preferred destinations for Indian students. The combined market share of these countries in terms of visas issued to Indian students has risen from 58% in CY2019 to 65% in CY2024, as they reopened their borders post-COVID and relaxed key regulations. While historically the United States attracted a substantial majority of Indian students (by value) to study, current trends indicate that other developed countries also provide high quality and skill-based education and employment opportunities to Indian students, leading to a growth in the total addressable market, and diversity and resilience in the sector. Further, in recent years, there has been growing interest among Indian students studying in other developed countries, such as Germany and Ireland, driven by high-quality education providers, immigration-friendly policies, and improved employment opportunities.

Exhibit 24

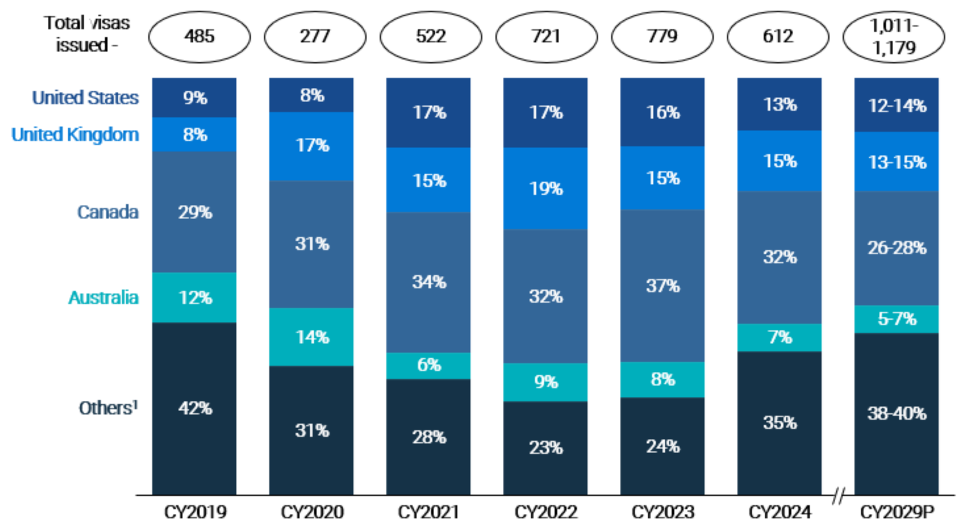
Total Addressable Market (TAM)[1]
(₹billion, CY2019 – CY2024, CY2029P)



Note(s): 1. TAM is defined as the total annual expenditure by Indian students pursuing higher education overseas, 2. Others include countries like New Zealand, Ireland, Germany, UAE, Singapore, France and other smaller education destinations.
Source(s): Ministry of External Affairs (India), Bureau of Consular Affairs (the US), Immigration, refugees and citizenship (Canada), Department of Home Affairs (the UK), Ministry of Education (Australia), Federal Foreign Office (United Arab Emirates), Auswärtiges Amt (Germany), Higher Education Authority (Ireland), United Nations Educational Scientific and Cultural Organisation (UNESCO), Redseer Research and Analysis

Exhibit 25

Visas issued to Indian students – Share of 4 countries (US, UK, Canada and Australia) vs Others
(%, CY2019 – CY2024, CY2029P)



Note(s): 1. Others include countries like New Zealand, Ireland, Germany, UAE, Singapore, France and other smaller education destinations.

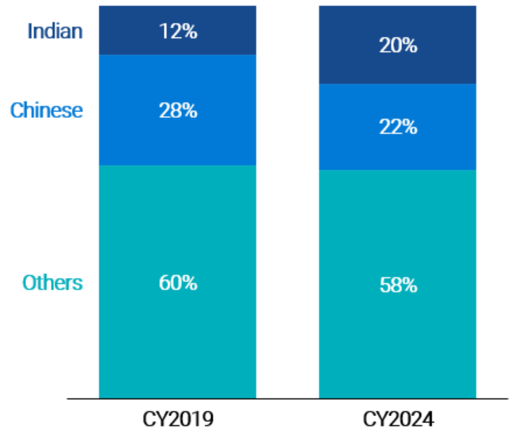
Source(s): Ministry of External Affairs (India), Bureau of Consular Affairs (the US), Immigration, refugees and citizenship (Canada), Department of Home Affairs (the UK), Ministry of Education (Australia), Federal Foreign Office (United Arab Emirates), Auswärtiges Amt (Germany), Higher Education Authority (Ireland), United Nations Educational Scientific and Cultural Organisation (UNESCO), Redseer Research and Analysis

Each of these countries offers unique characteristics that appeal to international students:

- **US**
  - The US remains one of the largest and most renowned destinations for overseas education, particularly known for its STEM and PG programs.
  - Approximately 73% of Indian students pursue STEM-related courses, and 86% of Indian students enrol in PG programs. According to Redseer Estimates, the share of Indian students is estimated to increase from 12% of the overall international students in CY2019 to 20% in CY2024.

    Exhibit 26

    Split of International students pursuing higher education in the US by country of origin - India, China, and Others
    (%, CY2019, CY2024)



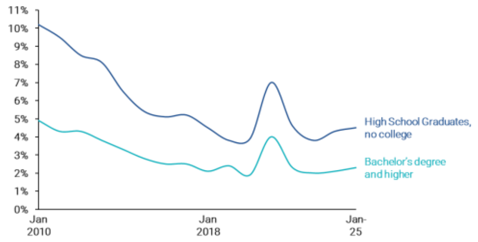
Source(s): Redseer Research and Analysis

  - Between CY2019 and CY2024, the number of visas issued to Indian students for studying in the US grew from 45,000 to 77,000, reflecting a robust CAGR of 11%. While the growth rate has moderated due to recent changes in the US administration, the overall outlook for the US remains stable.
  - Several long-term factors are enabling the growth in the US market (which is expected to propel the market growth over the next 5 years).
    - **Attractive labour market:** The attractive labour market, particularly for STEM graduates, enables Indian students to improve their socio-economic status. According to the US Bureau of Labor Statistics, the employment for software developers, quality assurance analysts, and testers (who require STEM education), is projected to grow 17% from CY2023 to CY2033, significantly outpacing the average growth rate of 4% for all occupations.
    - **Low unemployment rates:** In the US, the unemployment rate for individuals with a bachelor's degree or higher has dropped from 4.9% in January 2010 to 2.3% in January 2025, highlighting strong demand for skilled professionals, according to the U.S. Bureau of Labor Statistics. The US also offers the highest average annual salary globally, ranging from ₹5,395,000–9,545,000 (US$ 65,000–115,000),

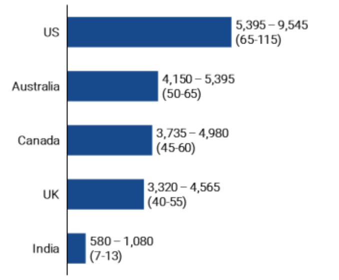
outpacing countries like Australia (₹4,150,000–5,395,000 (US$ 50,000–65,000)) and India (₹580,000–1,080,000 (US$ 7,000–13,000)).

Exhibit 27

Unemployment rate –Higher school graduates and Bachelor's degree and higher (%, Jan'10 – Jan'25)



Country-wise comparison of average salary[1] (₹'000 (US$ '000), CY2024)

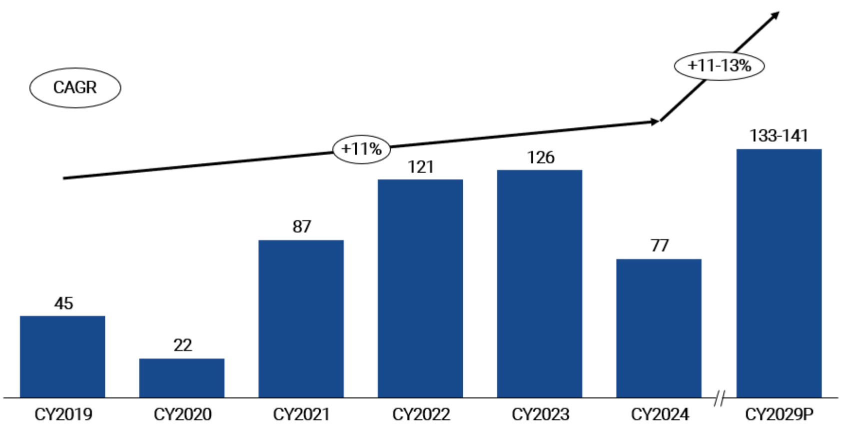


Note(s): 1. Roles considered are Senior Software Developer Engineer, Finance and Account Manager, Support Engineer, Business Analyst, Staff Accountant and others
Source(s): US Bureau of Labor Statistics, Redseer Research and Analysis

- **Post-study work:** Extended post-study work period for STEM OPT allows international students with STEM degrees to work in the US for up to 36 months after graduation, as of December 2024.
- **Support programs:** Many US universities have also introduced pathway programs, which support students with lower language proficiency, by allowing them to complete preparatory courses and transition into degree programs.
- **Growing Indian diaspora:** The growing Indian diaspora in the US offers cultural familiarity and a strong professional network, further enhancing the appeal of studying in the country. According to the Ministry of External Affairs, approximately 5.4 million Indians reside in the US.
- **Global recognition:** US degrees remain widely recognized and respected around the world, particularly in STEM fields. This global recognition makes it an attractive option for Indian students who seek both quality education and strong career prospects.

Exhibit 28

US: Visas issued to Indian students
(# of students in '000s, CY2019 – CY2024, CY2029P)



Source(s): U.S Department of State: Bureau of Consular Affairs, Redseer Research and Analysis

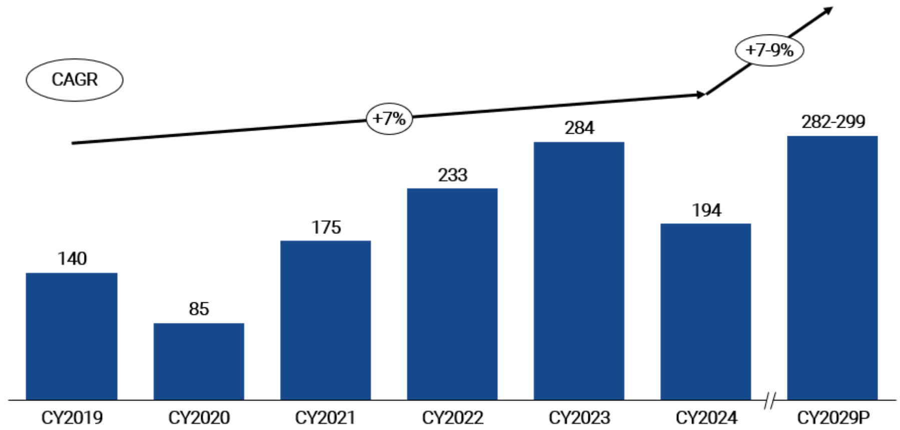
- In 2022 and 2023, the number of Indian students going to the US saw a sharp rise, as many students had deferred or postponed their plans to study overseas (in the preceding years), due to travel restrictions, visa processing delays and uncertainties around in-person classes on account of the COVID-19 pandemic. This was accompanied by the decline in the number of Chinese students as a percentage of international students from 28% in CY2019 to 22% for CY2024. In CY2024, this growth is expected to stabilize, leading to a normalization in the number of Indian students pursuing education in the US.
- The US has issued approximately 77,000 visas to Indian students in CY2024; this number is projected to grow at a CAGR of 11–13%, reaching 133,000–141,000 by CY2029.

• **Canada**

- Canada has emerged as a key destination for Indian students. Traditionally, it has been a diploma-first market with a relatively affordable tuition fee, where students primarily enrolled with the goal of obtaining PR in the country. According to the Government of Canada, approximately 86,000 PRs were issued to Indians in CY2019, increasing to approximately 127,000 in CY2024.
- Between CY2019 and CY2024, the market experienced significant growth, with the number of visas issued to Indian students in Canada rising to 194,000 in CY2024, up from 140,000 in CY2019. Canada's immigration-friendly policies was a key driver for this growth, along with the other factors mentioned above.

Exhibit 29

Canada: Visas issued to Indian students
(# of students in '000s, CY2019 – CY2024, CY2029P)



Source(s): Immigration, refugees and citizenship, Canada, Redseer Research and Analysis

- Since mid-2023, Canada has introduced regulatory restrictions for two main purposes: first, to improve the quality of international students coming to the country (as a majority of students post pandemic were getting enrolled in diploma courses in public-private partnership ("PPP") universities), and second, to address the housing crisis in its metropolitan cities. As part of these measures, the Canadian government proposed a 35% reduction in international student visa grants through CY2026, which is beginning to impact international student figures. These regulations are expected to primarily affect diploma students, especially those studying at PPP universities. In addition to this the Canadian government plans a further 10% reduction in the allocations for study permits in CY2025 as compared to CY2024.
- Canada's Student Direct Stream (SDS), a program designed to expedite study permits for students from 14 countries, was discontinued on November 8, 2024, to promote equal access for all applicants, resulting in longer visa processing times. The CY2026 study permit intake cap will include master's and doctoral students, who will need to submit a provincial or

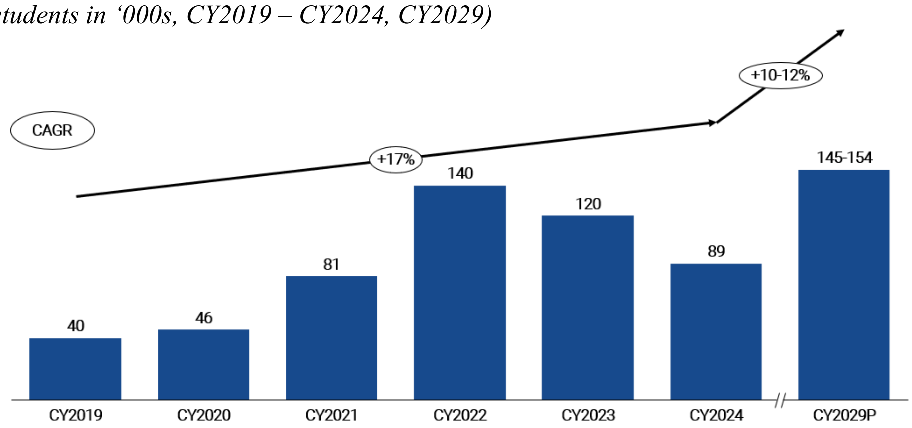
territorial attestation letter, with approximately 12% of study permit allocations reserved for them (acknowledging their contributions to Canada's labor market, according to the government of Canada).

- The PGWP allows graduates from DLIs in Canada to work after completing their studies. The permit duration varies - it is unavailable for programs under 8 months, matches the program length for studies of 8 months to less than 2 years, and is valid for up to 3 years for programs of 2 years or more. Graduates must apply within 180 days of completing their program, with a valid study permit at the time of application, as of December 2024.
- The long-term outlook for Canada remains positive driven by factors such as:
    - **Growth in STEM related occupations:** According to the Government of Canada, from CY2022 to CY2031, the country is expected to see 44,300 new job openings for software engineers and designers, driven by expansion and replacement demand. These roles are expected to be filled by approximately 48,800 new job seekers through, immigration, and mobility. As of 2021, employment in this sector stood at approximately 106,000.
    - **International students:** In CY2023, international students constituted 16% of bachelor's degree enrolments and 24.5% of master's degree enrolments, according to Statistics Canada, reflecting the importance of international students for Canadian universities.
    - **Part-time work opportunities:** Additionally, Canada's flexible work policies allow students to work part-time while studying, with an average hourly wage ranging from ₹900 to 1,195 (US$ 11 to 14). This helps students cover living expenses, which aids in managing the overall cost of education.
- As a result, the number of visas issued to Indian students in Canada is projected to grow from approximately 194,000 in CY2024 to 282,000-299,000 by CY2029, at a CAGR of 7-9%. This already accounts for the correction seen in the number of students in CY2024 due to change in policy.

- **UK**
    - The UK is another major destination with a strong university ecosystem, across both UG and PG programs in STEM and non-STEM fields. According to the Higher Education Student Statistics of the UK, there were over 2.9 million higher education students in 2022-23, with 70% being UGs and 30% PGs across more than 280 higher education institutions. Additionally, the UK is favoured for its proximity and access to European markets.
    - In CY2024, the UK issued 89,000 visas to Indian students, growing at a CAGR of 17% from 40,000 visas in CY2019. This growth can be attributed to the availability of post-study work visas, strong employment prospects for students, and relatively affordable PG courses compared to the US.

Exhibit 30

United Kingdom (UK): Visas issued to Indian students
(# of students in '000s, CY2019 – CY2024, CY2029)

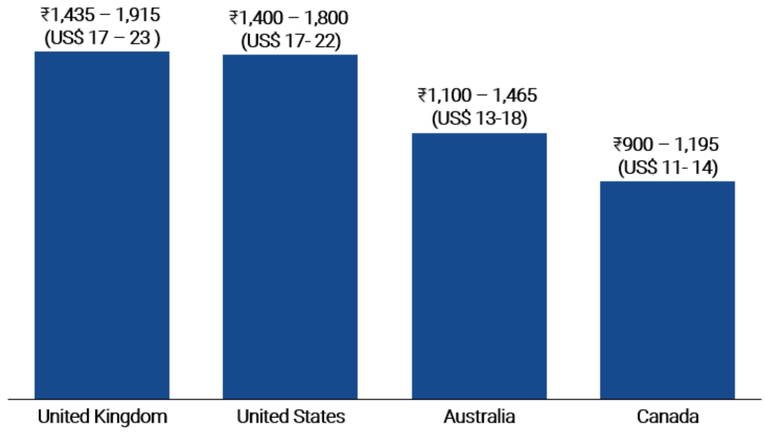


Source(s): Government of United Kingdom, Redseer Research and Analysis

- The growth forecasts remain healthy for the UK supported by multiple long-term drivers such as:
  - **Share of international students:** The large share of international students in the UK makes universities dependent on them as a key source of income. According to the House of Commons Library, in CY2023, there were 758,855 international students out of total 2.9 million students enrolled at UK universities, with India contributing 126,600 students.
  - **Post-Graduation visa scheme:** The UK offers a Graduate Visa, allowing international students to stay and work for up to 2 years after completing a bachelor's or master's degree, or 3 years for those with a PhD or doctoral qualifications. To be eligible, students must be in the UK at the time of application, hold a valid student or Tier 4 general visa, and have completed a recognized course at a UK institution. Applications must be made before the current student visa expires, and students can apply once their education provider confirms course completion to the Home Office, as of December 2024.
  - **Growing Indian diaspora:** The growing Indian diaspora in the UK significantly enhances its appeal as a study destination by providing cultural familiarity, community support, and a robust professional network. According to the UK Government, approximately 1.9 million Indians reside in England and Wales as of CY2021, accounting for 3.1% of the total population, up from 2% in CY2001. This steady growth highlights the strong presence and integration of the Indian community in the UK, making it easier for Indian students to adapt.
  - **Attractive work opportunities:** The UK offers the highest average hourly wages for part-time workers at ₹1,435–1,915 (US$17–23), followed by the US at ₹1,400–1,800 (US$17–22), Australia at ₹1,100–1,465 (US$13–18), and Canada at ₹900–1,195 (US$11–14). This provides attractive part time opportunities which help students to cover their living expenses.

    Exhibit 31

Average salaries of part-time workers per hour – UK, US, Australia, Canada (₹(US$), CY2024)

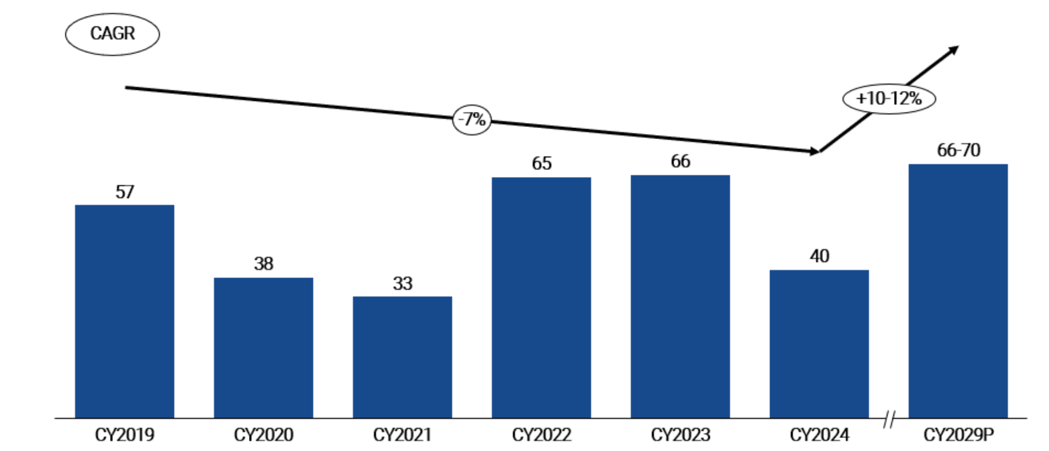


Note(s): Part time workers roles include lab assistant, research assistant, data entry specialist, customer service advisor, sales associate etc.
Source(s): Redseer Research and Analysis

    - **Low unemployment rate**: According to the Office of National Statistics, the unemployment rate for individuals aged 16 and above was approximately 4.4% from October to December 2024, decreasing from approximately 5.2% during the same period in 2000.
  - In 2023, the UK introduced new visa regulations that restricted the issuance of dependent visas for students, to enhance the quality of incoming international students. Under the new rules, international students are no longer able to bring dependents along with them unless they are pursuing PG courses at a certain level. This change has led to a decline in the number of visas issued to Indian students in the UK, with the figures dropping from 120,000 in CY2023 to 89,000 in CY2024.
  - The UK market has shown strong demand historically, and there remains potential for a rebound in the long term. As a result, the number of visas issued to Indian students in the UK is projected to reach 145,000-154,000 by CY2029, growing at a CAGR of 10-12% between CY2024 and CY2029.
- **Australia**
  - Historically, Australia has been a non-STEM dominated market, with a balanced mix of various universities offering a broad range of academic programs. However, in recent years, there has been a noticeable shift towards increasing the share of STEM courses. This change is largely driven by government initiatives and a global surge in demand for STEM-related education.
  - Between CY2019 and CY2024, the number of visas issued to Indian students in Australia has degrown at a CAGR of -7%, falling from 57,000 in CY2019 to 40,000 in CY2024. A key factor behind this degrowth, compared to other major education hubs, was the introduction of the Genuine Student (GS) requirement, which replaced the previous Genuine Temporary Entrant (GTE) criterion. The GS test includes more stringent assessments of a student's intent and background, leading to higher visa rejection rates particularly for students targeting Tier-2 and 3 universities, which have relaxed admission rules. Moreover, the show of funds required for the visa has been increased from AUD 10k to 30k further leading to higher visa rejections. Additionally, the Australian govt. has raised the minimum threshold for IELTS, making it harder for students to score. All of the factors in unison have led to the degrowth between CY2019 and CY2024.

Exhibit 32

Australia: Visas issued to Indian students
(# of students in '000s, CY2019 – CY2024, CY2029P)



Source(s): Department of Home Affairs, Government of Australia, Redseer Research and Analysis

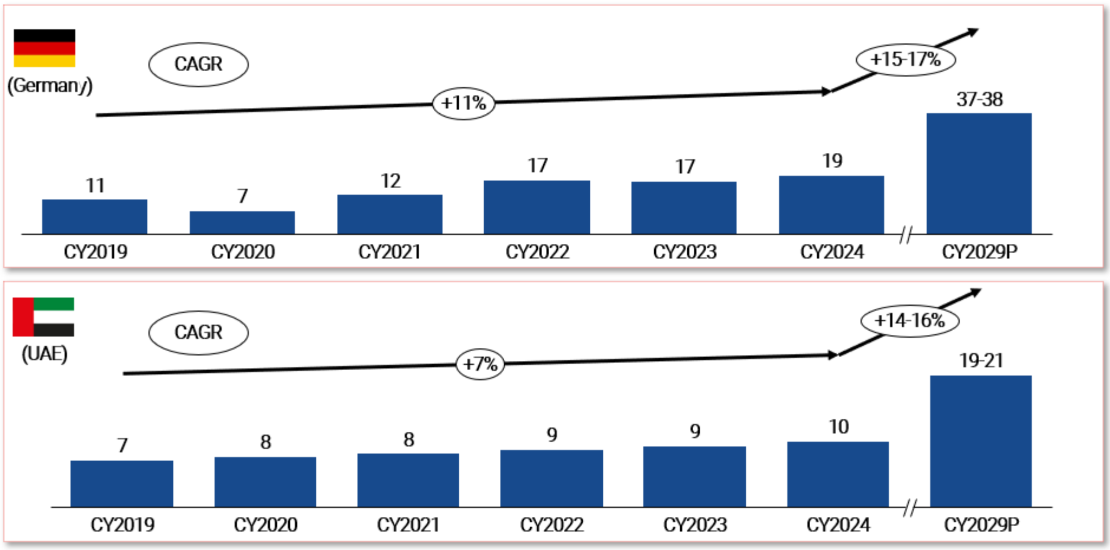
- This decline in number of visas issued to Indian students between CY2023 to CY2024 is anticipated to stabilize driven by the below mentioned factors:
  - **Growing demand for skilled workforce:** In recent years, Australia has become a preferred destination for Indian students, particularly for higher education and vocational skills. This is driven by Australian Government's initiatives to meet the growing demand for skilled professionals in tech, engineering, and innovation. The number of students enrolled in STEM courses has risen from 209,000 in CY2015 to 242,000 in CY2022, while STEM graduates have increased from 40,000 in CY2015 to 48,000 in CY2022, as per the Australian Government.
  - **Impact of International students:** International students play a crucial role in supporting Australia's economy, The closure of borders during the COVID-19 pandemic led to a decline in the number of visas issued, reflecting its impact on the country's economy.
  - **Low Unemployment rate:** According to the Australian Bureau of Statistics, the unemployment rate was approximately 4.0% in January 2024, decreasing from approximately 5.5% in January 2018.
  - **Post-study work opportunities:** Australia's Post-Higher Education Work Visa allows international graduates to work after completing a bachelor's, master's, or doctoral degree from a recognized university. Applicants must have studied for at least 16 months, be under 35 years old, and meet English proficiency, medical, and character requirements. The temporary visa duration varies, offering up to 2 years for bachelor's degrees and up to 3 years for research-based master's and doctoral programs, providing valuable post-study work opportunities, as of December 2024.
  - **Announcement of Temporary Graduate Visa Scheme –** Under the scheme students are offered up to 5 years of work visa in regional education centres such as Gold Coast, Tasmania etc. compared to major cities like Melbourne and Sydney, where the visa is offered for 3 years, post completion of masters
- Australia is projected to grow at 10-12% CAGR (CY2024 to CY2029) in terms of number of visas issued to Indian students. The emergence of favourable regulatory policies, and a strong need for STEM talent, are expected to drive this rapid growth.

New geographies emerging fast as alternate overseas education destinations for Indian students

Several overseas destinations are emerging as attractive hubs for Indian students. Germany, the UAE, Ireland, and Singapore, are seeing significant growth in student numbers, driven by favourable policies, financial incentives, and career opportunities. Germany's free public university education and work opportunities for students are expected to increase the number of visas issued to Indian students from 19,000 in CY2024 to 37,000 – 38,000 by CY2029. The UAE's expanding job market is also contributing to an increase in Indian students, with visas issued to Indian students projected to rise from 10,000 in CY2024 to 19,000-21,000 by CY2029. Ireland's student-friendly policies and post-study work visa is projected to double the number of visas issued to Indian students from 6,000 in CY2024 to 15,000-17,000 by CY2029. Singapore's growing PG offerings and proximity to India are expected to boost the visas issued to Indian students from 8,000 to 15,000-17,000 over the same period.

Exhibit 33

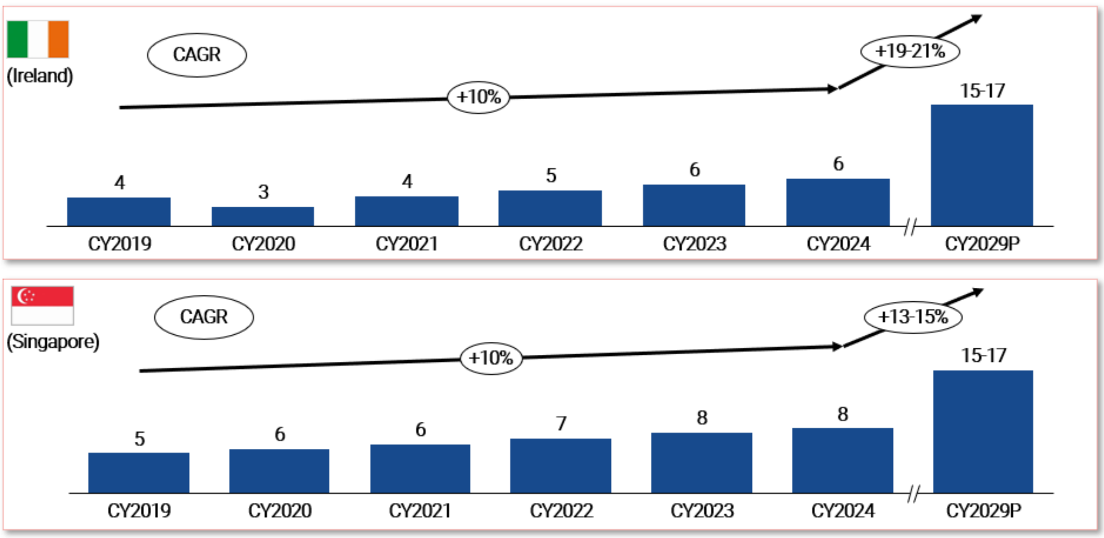
Visas issued to Indian students – Germany and UAE
(# of students in '000s, CY2019-CY2024, CY2029P)



Source(s): Ministry of Education, United Arab Emirates, Federal Foreign Office, Auswärtiges Amt, Redseer Research and Analysis

Exhibit 34

Visas issued to Indian students – Ireland and Singapore
(# of students in '000s, CY2019-CY2024, CY2029P)



Source(s): Higher Education Authority, Ireland, United Nations Educational Scientific and Cultural Organisation (UNESCO), Redseer Research and Analysis

In addition, countries such as Kyrgyzstan, Bangladesh, and Philippines, are considered as hubs for Indian students pursuing medical education, and account for a sizeable chunk of the visas issued to Indian students. The demand for studying in these countries, is primarily driven by the intense competition for admission to Indian medical colleges. Secondly, these countries also provide Indian students with an opportunity to pursue medical education at a relatively lower cost compared to the private universities in India.

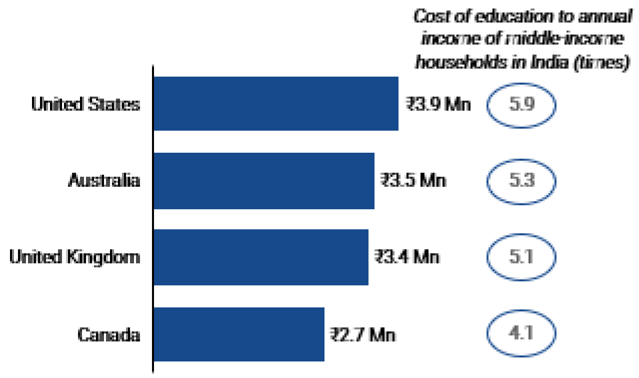
Rising education costs and income disparity emphasize the increasing importance of accessible financing options in the overseas education market

The cost of overseas education for a student can vary significantly based on factors such as country, course, university, and lifestyle choices, ranging between ₹2.7 million and ₹3.9 million annually, among the four major markets.

For example, the average annual expense for an international student in the US is approximately ₹3.9 million. This amount is nearly 5.9 times the annual income of a middle-class household (average annual household income of a middle-class household is between ₹0.27 million and ₹1.07 million in CY2024) and 15 times that of a low-income household (average annual household income of a low-income household is less than ₹0.27 million in CY2024).

Exhibit 35

Annual cost of education – US, UK, Australia, Canada (₹million, CY2024)

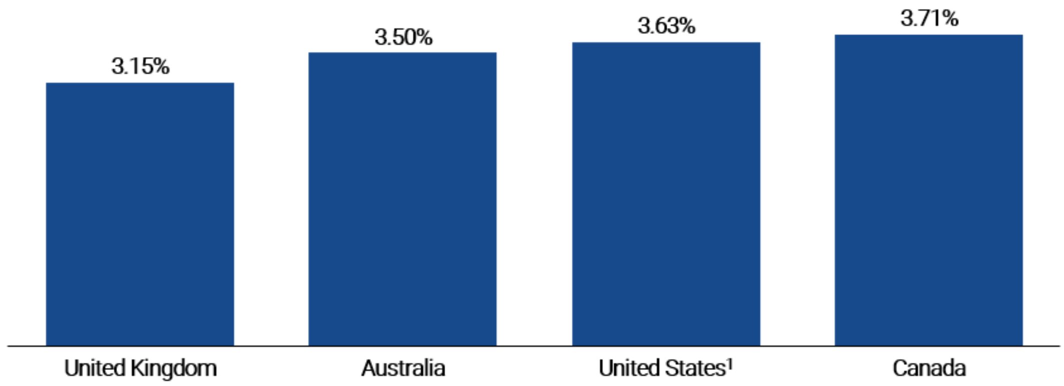


Note: Cost of Education includes only post admission expenses (Tuition Cost, Living Expenses and Housing Cost)
Source(s): Redseer Research and Analysis

In addition, the cost of education has been rising steadily, with inflation rates varying across different countries. Education inflation at a local currency level, particularly in major overseas education markets such as the US (3.63%), the UK (3.15%), Australia (3.5%), and Canada (3.71%), further increases in effective terms when accounted for Indian Rupee depreciation against the US dollar, adding an additional financial cost for students. In countries such as the US, the UK, Canada, and Australia, tuition fees and living expenses have increased at a pace higher than general inflation, further widening the gap between household income and education costs.

Exhibit 36

Education inflation at the local currency level
(%, CY2018-CY2024)



Note(s): 1. The period for the US is CY2010 to CY2023
Source(s): Reserve Bank of Australia, Office of National Statistics (UK), National Council Education Statistics (US), Redseer Research and Analysis

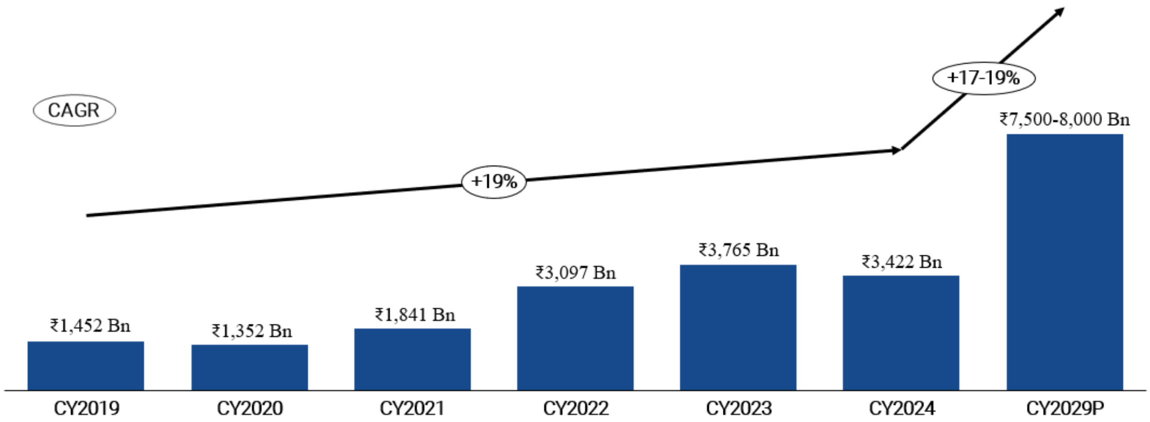
Given the disparity between the high and increasing cost of education, and average income levels in India, financing plays a key role in enabling students to pursue higher education overseas. This includes financial solutions such as education loans, scholarships, and other forms of support to bridge this gap. These options allow students to access overseas education and manage the financial requirements over time. Additionally, availing education financing (instead of self-financing education) can result in tax benefits for students and their families.

The total addressable market for overseas education financing in India is ₹3,422 billion in CY 2024, with tuition fees accounting for the largest share

The above factors translate to a total addressable spend for financers aggregating to ₹3,422 billion in CY 2024, of which only ₹358 billion was formally financed by banks and NBFCs. The TAM for overseas education financing has grown at a CAGR of 19% between CY2019 and CY2024 and projected to continue its healthy growth trajectory with a CAGR of 17-19% over the next 5 years.

Exhibit 37

Total Addressable Market (TAM) – Overseas Education
(₹billion, CY2019 – CY2024, CY2029P)

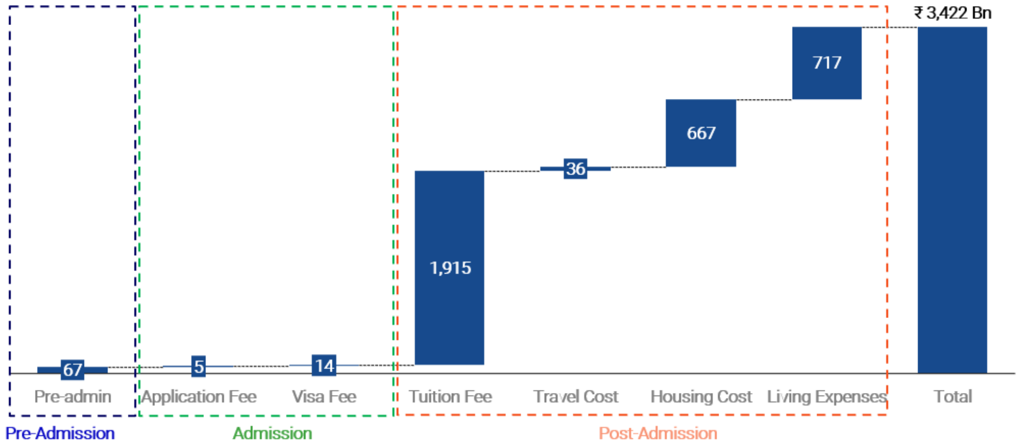


Source(s): Redseer Research and Analysis

This market opportunity includes the expenses incurred by a student during the entire duration of overseas education. The market can be split into pre-admission, admission and post-admission, as set out below:

Exhibit 38

Market Size Split by Admission Journey – Overall Market
(₹billion, CY2024)



Source(s): Redseer Research and Analysis

- Pre-admission expenses: These expenses are incurred by a student prior to getting admitted into a college/university and account for 2% of the TAM. This category is projected to grow at a CAGR of 15-17% between CY2024 and CY2029. These expenses include:
    - Test prep expenses: Expenses incurred by an aspirant for test prep including coaching fee and study material costs.
    - Test fee expenses: The fee paid by an aspirant to take a standardized test, such as the GMAT. This also includes any additional fees for multiple attempts.
    - Admission counselling expenses: Expenses related to professional guidance and advisory services provided to aspirants for university or program admissions.
- Admission expenses: These expenses are incurred by a student during the application process and account for 1% of the TAM. This category is projected to grow at a CAGR of 17-19% between CY2024 and CY2029. This can be split into:
    - Application Fee: A mandatory fee that every aspirant must pay when applying to a university, typically paid by the aspirants after evaluating their test scores, profile, and meeting other eligibility criteria.
    - Visa Fee: A mandatory fee paid by students for the visa application process to study in the destination country.
- Post admission expenses: These expenses cover the costs incurred by a student during the years of study and account for 97% of the TAM. This category is projected to grow at a CAGR of 17-19% between CY2024 and CY2029. The post-admission expenses can be further broken down into the following key categories:
    - Travel cost: Expenses related to flight tickets and other travel-related costs, linked to the student's first travel to his/her education destination.
    - Tuition fee: This is the largest category within the post-admission expenses, accounting for approximately 56% of the overall market. In CY2024, tuition fee expenses are estimated to be ₹1,915 billion, having grown at a 19% CAGR between CY2018 and CY2024.
        - This category is expected to reach ₹4,444 billion by CY2029, implying a CAGR of 17-19% (between CY2024 and CY2029). Tuition fee expenses cover all college-related costs paid by the student, including tuition, course fees, books, materials, supplies, equipment fees, and other miscellaneous academic expenses, and excluding living expenses such as accommodation and food.

Exhibit 39. Average Annual Tuition Fees Per International Student – across countries
(₹million, CY2019, CY2024, CY2029P)

Average Annual Tuition Fees Per Student (₹million)

Country	CY2019	CY2024	CY2029P
Australia	1.4	1.9	2.3
Canada	1.2	1.5	1.8
UK	2.0	2.3	2.6
US	2.1	2.5	3.0
New Zealand	1.1	1.3	1.7
Ireland	1.5	1.6	1.8
Germany	0.2	0.2	0.3
Singapore	1.9	2.5	3.4
UAE	1.4	1.8	2.2
Rest of the World	1.0	1.3	1.7

Source(s): Redseer Research and Analysis

- Housing expenses – Housing expenses refer to the cost of accommodation, including rent for apartments or dormitories and any associated maintenance costs.
- Living expenses – Living expenses cover daily costs beyond housing, including utilities such as electricity, water, internet, transportation, food, groceries, personal items, entertainment, and healthcare.

Exhibit 40. Annual Cost of Education – across countries
(₹million, CY2024)

Cost of Education (₹million)	
Country	CY2024
Australia	3.5
Canada	2.7
UK	3.4
US	3.9
New Zealand	2.5
Ireland	3.2
Germany	1.6
Singapore	4.6
UAE	2.7
Rest of the World	1.6

Note: Cost of Education includes only post admission expenses (Tuition Cost, Living Expenses and Housing Cost)
Source(s): Redseer Research and Analysis

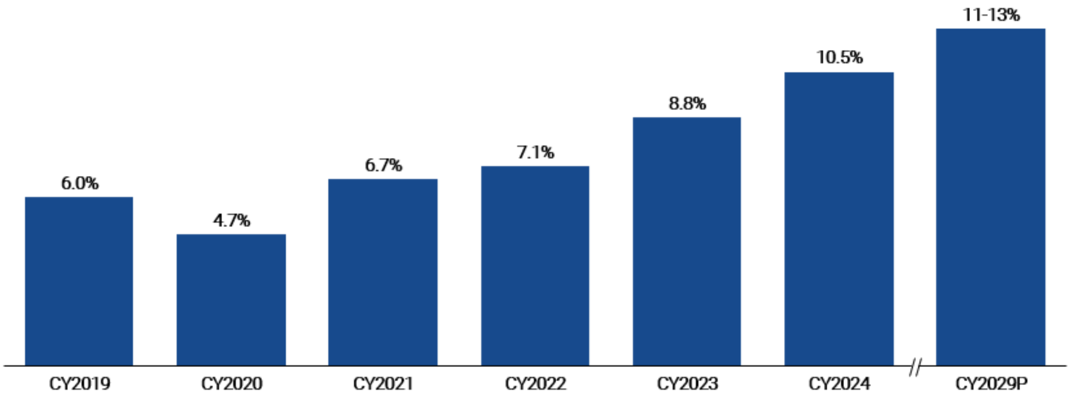
Overseas education loan in India is currently underpenetrated at approximately 10.5% in CY2024, with the penetration expected to increase to 11-13% by CY2029, driven by NBFC-led offerings

Education loans are increasingly being used to meet the growing demand for financing overseas education. With rising tuition fees and living costs, loans offer a crucial solution, enabling students to access the funds needed to pursue opportunities that would otherwise be financially unattainable.

Despite the growing demand for overseas education financing in India, education loan penetration in the sector is relatively low at 10.5% as of CY2024, with disbursements for overseas education standing at ₹358 billion as of CY2024. This limited penetration is partly due to the presence of only a few lending institutions with specialized models for education loans in the market, particularly within the NBFC space. As a result, a large portion of the low- and middle-income population remains underserved. This gap presents a substantial opportunity for lenders to expand their presence and meet the financing needs of these sections of the population.

Exhibit 41

Finance Penetration[1] – Overseas Education
(%, CY2019 - CY2024, CY2029P)



Note(s): 1. Calculated as the overseas education loan market size divided by the TAM for overseas education
Source(s): Equifax, Redseer Research and Analysis

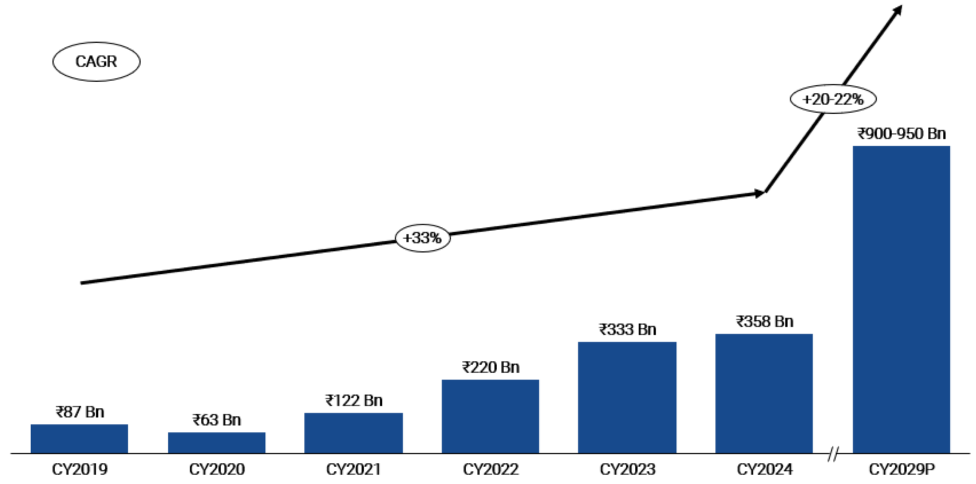
Going ahead, the financing penetration in the overseas education sector is projected to reach 11-13% by CY2029, driven by the following drivers:

- **Availability of Credit:** Banks and NBFCs are increasingly providing education loans for higher amounts without collateral. This is expanding access to funding, particularly for students planning to study overseas, addressing a critical gap in the market. This trend is expected to sustain in the future.
- **Increasing Awareness Among Students:** Efforts from banks, NBFCs, counselors, and aggregators, along with government initiatives, are expected to continue raising awareness about education loan options. As students become more informed regarding the availability of financial products, the demand for education loans is expected to grow, leading to greater market penetration.
- **Financial Inclusion:** Increased internet penetration and government initiatives for financial inclusion, such as 500 million bank accounts and 60,000 bank branches, are expected to improve access to education loans. Digital banking platforms allow students to apply for, track, and manage loans online, thus streamlining the process.
- **Introduction of Innovative Products:** Lenders are increasingly introducing education loan products with flexible repayment options, such as minimal EMIs or interest-only payments during study periods. They are likely to further expand and sharpen such offerings, as they look to target the underserved sections of the population.

This increase in penetration implies that disbursements towards overseas education loans are expected to grow at 20-22% CAGR over the next 5 years (CY2024 to CY2029)

Exhibit 42

Disbursements – Overseas Education loans
(₹billion, CY2019 - CY2024, CY2029P)



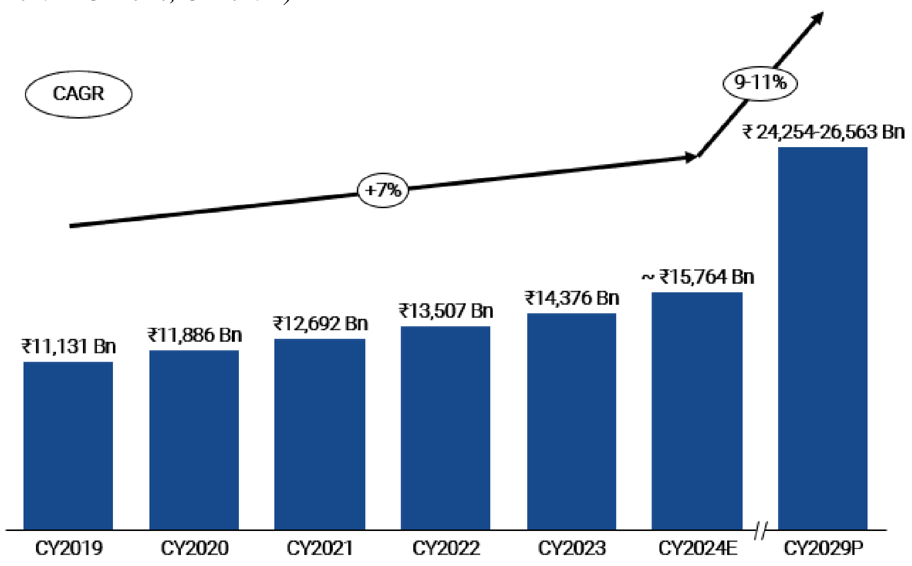
Note(s): The overseas education loan disbursements are calculated by aggregating overseas loan disbursements from NBFCs, Banks, and the Rest of the Industry as follows: 1. For NBFCs, 95% of loans between ₹1.5-2.5 million average ticket size and 100% of loans greater than ₹2.5 million ticket size are considered as overseas loans, with the remaining categorized as domestic loans, 2. For Banks and the Rest of the industry, 85% of loans between ₹1.5-2.5 million ticket size and 90% of loans above ₹2.5 million ticket size are considered overseas loans, with the remaining classified as domestic loans
Source(s): Equifax, Redseer Research and Analysis

B. <u>Domestic education market in India is estimated to be sized at ₹15,764 billion in CY2024 and projected to grow at a CAGR of 9-11% by CY 2029.</u>

India's domestic education market, sized at ₹15,764 billion in CY2024, is on a strong growth trajectory. It is projected to expand at a CAGR of 9-11%, reaching ₹24,254-26,563 billion by CY2029.

Exhibit 43

Overall Domestic Education Consumption Market
(₹billion, CY2019 – CY2024, CY2029P)



Source(s): Redseer Research and Analysis

This growth is being driven by three key factors: government initiatives, demographic factors, and supply-side evolution. Government spending on education rose from 3.8% of GDP in 2013 to 4.1% in 2022, compared to 5.4% in the US (CY2021) and 5% in the UK (CY2022). Initiatives such as the National Education Policy ("NEP") 2020, tax benefits on education loans, and investments in digital learning platforms such as Study Webs of Active-Learning for Young Aspiring Minds ("SWAYAM") and National Programme on Technology Enhanced Learning ("NPTEL"), are also contributing to this growth.

The country's large and young population, rising enrolment rates, and increasing private expenditure on education are driving the demand for education. Private education expenditure grew at a CAGR of 11% since FY2018, reaching ₹7.39 trillion in FY2023. The supply side is also expanding, with the number of higher education institutions increasing from 44,690 in FY2011 to over 58,643 in FY2022 (according to AISHE), offering increased access to education, with greater focus on vocational and tech fields.

Together, these factors are setting the stage for a more inclusive, accessible, and high-quality education system, that caters to India's young and growing population.

Higher education drives approximately 36% of the market in CY2024, with a strong need for financing

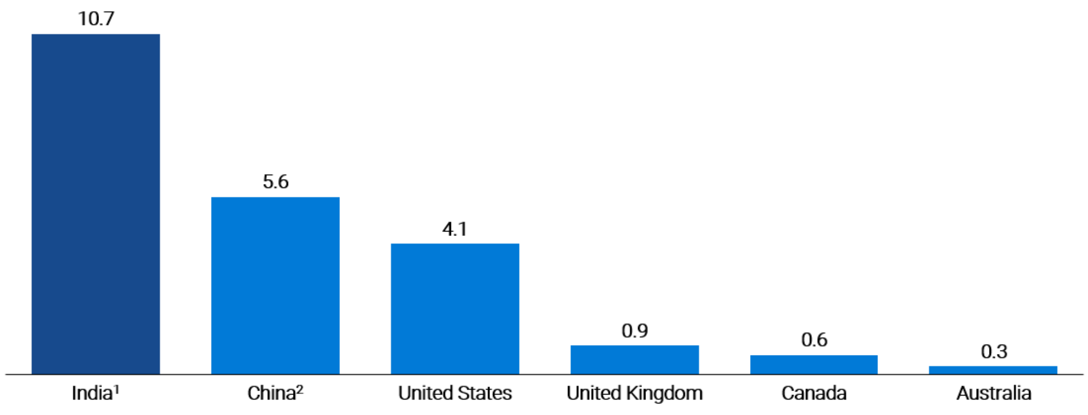
The Domestic education market in India can be broadly classified into (i) K-12 education, (ii) higher education (including UG, PG and vocational programs), (iii) test preparation and (iv) others which include pre-K (early childhood education), K-12 supplemental learning, and online upskilling.

As of CY2024, higher education, accounts for approximately 36% of the domestic education market in India (K-12 education being the largest with approximately 42% market share). By CY2021, enrolments in higher education had reached 43.3 million. However, India's GER in higher education remains significantly lower at 33% in CY2023, compared to other countries, such as the US (79%) and the UK (80%) in CY2022. Recognizing this disparity, the Government of India has set a target to increase the gross enrolment ratio in higher education to 50% by 2035, as outlined in the NEP 2020.

India also had the highest number of higher education graduates, approximately 10.7 million in FY2022, compared to other countries such as the China[2] (5.6 million), US (4.1 million), the UK (0.9 million), Canada (0.6 million), and Australia (0.3 million) as of CY2022.

Exhibit 44

Overall Higher education graduates – India, China, US, UK, Canada and Australia (million, CY2022 (unless specified in the notes))



Note(s): 1. Data for India is for FY2022, 2. Data for China excludes Vocational Undergraduate, Undergraduate in Adult HEIs, Web-based Undergraduates
Source(s): All India Survey on Higher education ("AISHE") 2021-22, Ministry of education (India), National center for education statistics, US Department of Education (the US), Higher Education Statistics Agency (the UK), Statistics Canada (Canada), Australian Government (Australia)

As the domestic education market in India continues to grow, there is an increasing need for education financing, primarily within higher education. Rising tuition fees, particularly for UG and PG programs, is becoming a significant financial burden for many families, especially for private institutions. While government initiatives and an expanding supply of institutions contribute to greater access, the cost of high-quality education remains a barrier for many students. Financing solutions such as education loans, scholarships, and other financial products are essential to bridge this gap and ensure that students from diverse socio-economic backgrounds can access higher education.

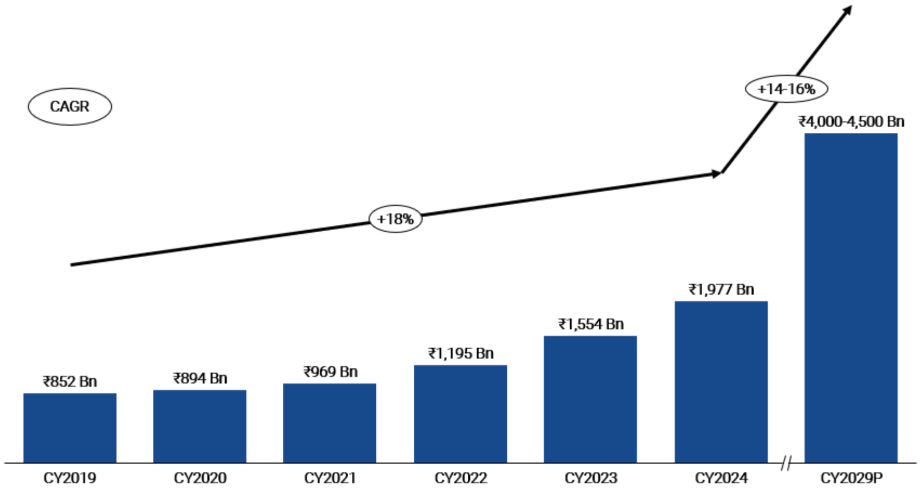
C. India's Education Loan Market expected to grow at a CAGR of 14-16% from CY2024 to CY2029 reaching ₹4,000-4,500 billion.

Driven by the need for financing in India's education market, education loans have become a vital component of the financial ecosystem in India, catering to an increasing demand for higher education across both overseas and domestic categories.

The overall education loan market in India reached approximately ₹1,977 billion as of CY2024, having increased from approximately ₹852 billion in CY2019, reflecting a CAGR of 18%. The outstanding loan market is expected to reach ₹4,000-4,500 billion by CY2029.

Exhibit 45

Overall Outstanding Education loans - NBFCs, Banks and Rest of the Industry (₹billion, CY2019-CY2024, CY2029P)

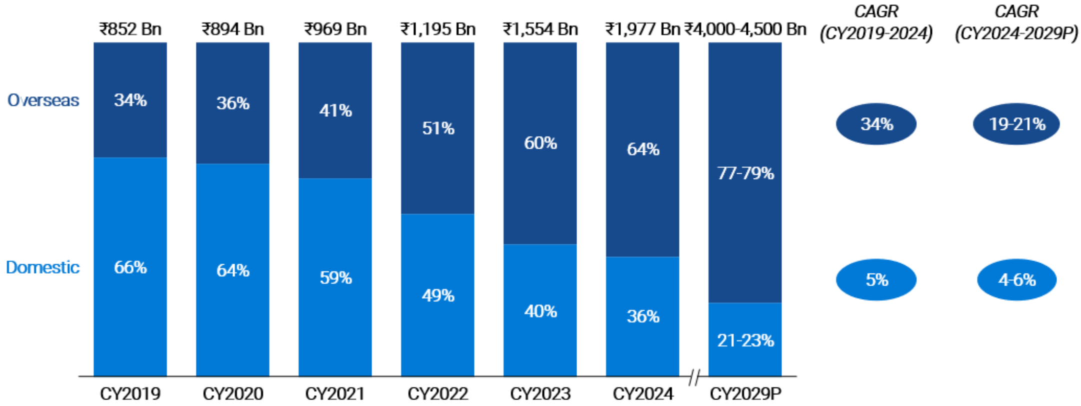


Source(s): Equifax, Redseer Research and Analysis

This market growth is expected to be driven by factors similar to those contributing to the disbursement growth mentioned earlier. Further, within the education loan market, the overseas market has been experiencing significant growth and has reached ₹1,266 billion (64% share) in CY2024, with the domestic education market at ₹711 billion during the same period. By CY2029, the overseas education loan market is projected to contribute 77-79% of the total market share.

Exhibit 46

Outstanding Education loan – Overseas vs Domestic (NBFCs, Banks, and Rest of the Industry)
(₹billion, %, CY2019-CY2024, CY2029P)

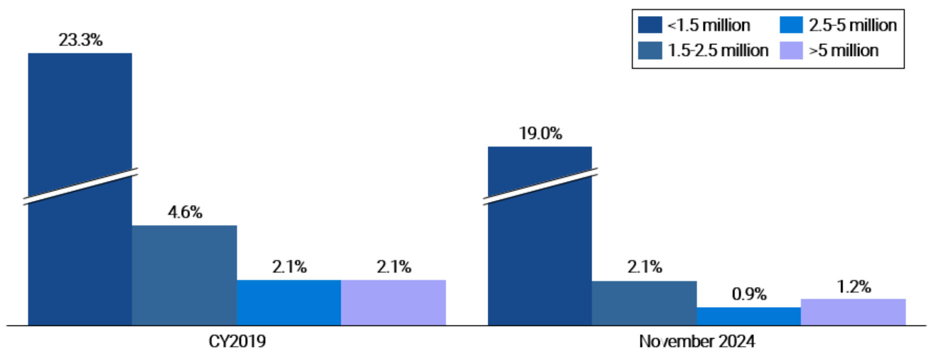


Note(s): The outstanding education loan market size is calculated by aggregating outstanding loans from NBFCs, Banks, and the Rest of the Industry as follows: 1. For NBFCs, 95% of loans between ₹1.5-2.5 million average ticket size and 100% of loans greater than ₹2.5 million ticket size are considered as overseas loans, with the remaining categorized as domestic loans, 2. For Banks and the Rest of the industry, 85% of loans between ₹1.5-2.5 million ticket size and 90% of loans above ₹2.5 million ticket size are considered overseas loans, with the remaining classified as domestic loans
Source(s): Equifax, Redseer Research and Analysis

In addition to the rapid growth, overseas education loans have also demonstrated better asset quality than domestic loans. This is driven by factors such as global recognition of foreign qualifications and higher repayment capacity of students pursuing education overseas (owing to their increased likelihood of securing well-paying jobs post-graduation). For November 2024, the GNPA for loans with an average ticket size of ₹1.5–2.5 million stood at 2.1%, while it was 0.9% for ₹2.5–5 million and 1.2% for loans exceeding ₹5 million. These figures were significantly better compared to the 19% GNPA observed for loans with an average ticket size below ₹1.5 million during the same period.

Exhibit 47

GNPA – Education loans by ticket size
(%, CY2019, November 2024)



Source(s): Equifax

Section 4: NBFCs' Right to Win in India's Education Loan Market

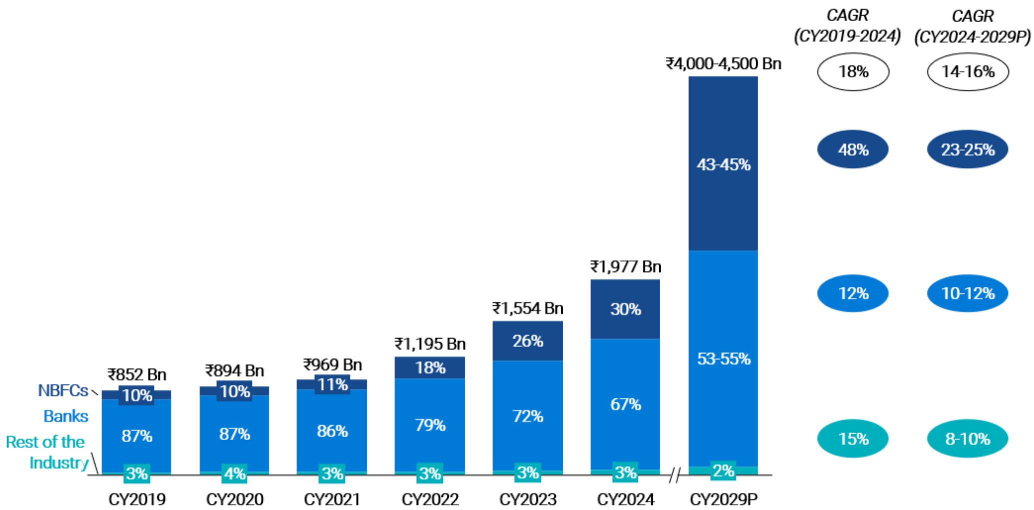
Banks have traditionally dominated the education loan market in India, but NBFCs are rapidly gaining traction, particularly in the overseas loan sector. This is driven by their strong distribution network, customized products/ offerings, and their ability to refine and offer specialised underwriting models, among other factors. Driven by the same, NBFCs' contribution to education loans in India has increased from 10% in CY2019 to 30% in CY2024 and at this pace, they are expected to contribute 43-45% of the Indian education loan market by CY2029. Given the evolving market structure, education-focused monoline NBFCs have a competitive edge due to their sharper focus, deeper market insights, and stronger presence within the education ecosystem.

NBFCs are outpacing banks in education loans.

In CY2021, banks dominated the Indian education loan market with approximately 86% of the outstanding loans. NBFCs' share in the overall education loan market has increased from 11% as of CY2021 to 30% as of CY2024. This has been primarily due to NBFCs' offering customised loan products, faster processing and lower turnaround times, specialized underwriting, personalised customer service, innovative financing options, value-added services and differentiated distribution approach, among other factors. This share is projected to rise further to 43-45% by CY2029.

Exhibit 48

Outstanding Education loans – NBFCs, Banks, and Rest of the Industry[1]
(₹billion, CY2019- CY2024, CY2029P)

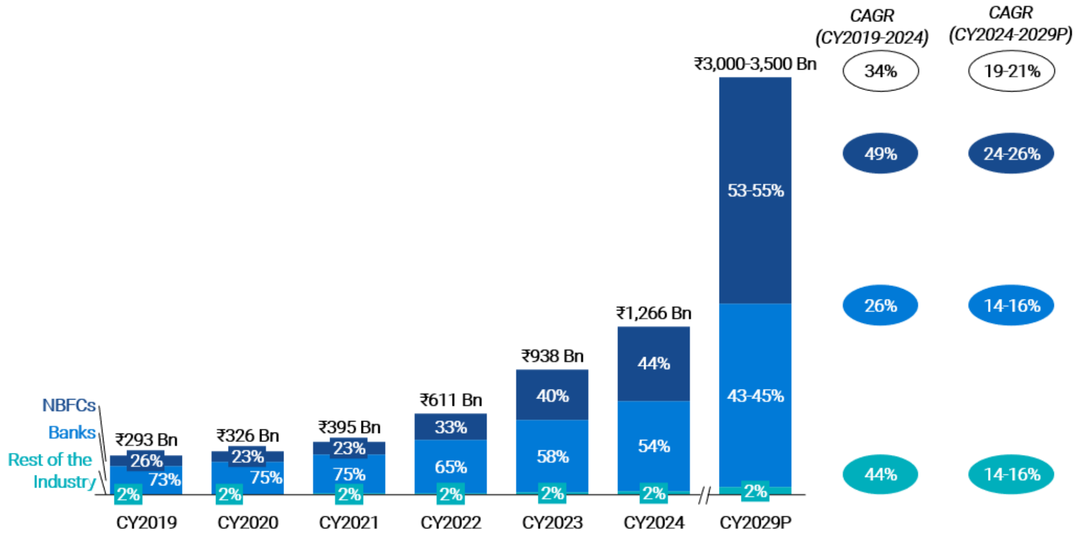


Note(s): 1. Rest of the Industry includes regional rural banks, small finance banks providing education loans
Source(s): Equifax. Redseer Research and Analysis

Overseas education loans represent the fastest-growing sector within the education loan market, projected to reach approximately ₹3,000-3,500 billion by CY2029, with NBFCs accounting for approximately 53-55% of the market share. Within this sector, NBFCs are expected to achieve a CAGR of 24-26% between CY2024 and CY2029.

Exhibit 49

Outstanding Overseas Education loans – NBFCs, Banks and Rest of the Industry[1]
(₹billion, CY2019- CY2024, CY2029P)

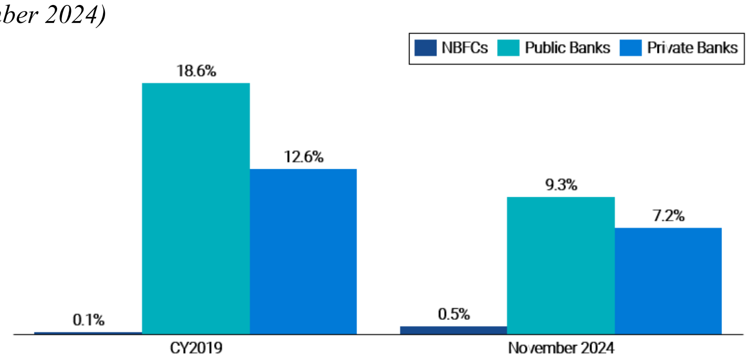


Note(s): 1. Rest of the Industry includes regional rural banks, small finance banks providing education loans, 2. The overseas education loan market size is calculated by aggregating overseas loans from NBFCs, Banks, and Rest of the Industry as follows: 1. For NBFCs, 95% of loans between ₹1.5-2.5 million average ticket size and 100% of loans greater than ₹2.5 million ticket size are considered as overseas loans, with the remaining categorized as domestic loans, 2. For Banks and the Rest of the industry, 85% of loans between ₹1.5-2.5 million ticket size and 90% of loans above ₹2.5 million ticket size are considered overseas loans, with the remaining classified as domestic loans
Source(s): Equifax, Redseer Research and Analysis

NBFCs cater to a wide range of borrowers, including those without substantial credit histories. They also maintain low non-performing asset (NPA) ratios, with gross NPA ("GNPA") reported at approximately 0.5%, compared to 7.2% for private banks and 9.3% for public banks for November 2024. This strong performance is attributed to the rigorous underwriting models employed by NBFCs. Their robust risk assessment processes include thorough evaluations of academic credentials (such as academic scores, institution rankings, and course reputation), co-borrower profiles (credit history, income stability, and repayment capacity) and potential employment outcomes (employability trends, job placement rates, and expected earning potential), ensuring loans are granted prudently.

Exhibit 50

Education loans GNPA – NBFCs vs Private Banks vs Public Banks
(%, CY2019, November 2024)

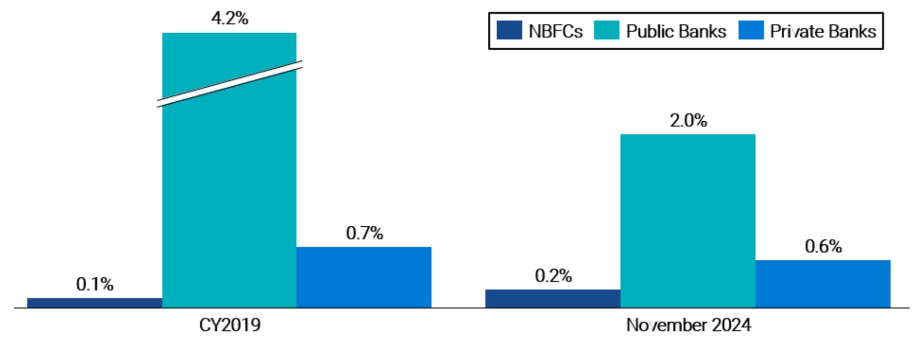


Source(s): Equifax

Similarly, the asset quality (GNPA) of NBFCs for overseas education loans also remains low at 0.2% in CY2024, compared to 2.0% of public banks and 0.6% of private banks. Asset quality for overseas education loans is better than domestic loans (GNPA at 5.5% for NBFCs for November 2024), due to higher earning potential of borrowers from global job markets. In the domestic market, borrowers face challenges such as lower post-graduation earnings and limited job opportunities, affecting repayment rates.

Exhibit 51

Overseas Education loans GNPA – NBFCs vs Private Banks vs Public Banks (%, CY2019, November 2024)



Note(s): The GNPA for the overseas education loan market is calculated by aggregating the GNPA of overseas loans from NBFCs, Banks and the Rest of the Industry as follows: 1. For NBFCs, 95% of loans between ₹1.5-2.5 million average ticket size and 100% of loans greater than ₹2.5 million ticket size are considered as overseas loans, with the remaining categorized as domestic loans, 2. For Banks and the Rest of the industry, 85% of loans between ₹1.5-2.5 million ticket size and 90% of loans above ₹2.5 million ticket size are considered overseas loans, with the rest classified as domestic
Source(s): Equifax, Redseer Research and Analysis

The strong performance of NBFCs in the education loan sector can be attributed to several factors:

	NBFCs	Banks
Enabler: Strong data repository	Comprehensive database on academics, employment, and co-borrower profiles	Rely more on traditional credit metrics such as credit history of the borrower
Outcome: Wider coverage	Wider coverage of courses and colleges	Specific courses and colleges
Outcome: Flexible lending criteria	Flexible lending criteria based on employment potential, academic performance and co-borrower income.	Fixed lending criteria
Outcome: Flexible repayment options	Offer customized repayment terms, such as longer grace periods and lower initial instalments	Fixed repayment options with limited customizations available
Enabler: Efficient Operations	Enhance operational efficiency and reduce processing time through advanced digitization and automation	Face longer processing times and slower approvals due to traditional systems and compliance checks
Outcome: Lower turnaround time (TAT)	Disburse unsecured loans within 6-7 days and secured loans in 20-25 days	Disburse unsecured loans and secured loans within 20-30 days and 30-40 days respectively

Outcome: Superior customer service	Offer flexibility and personalization through consultative interactions, providing borrowers with tailored advice throughout the loan process	Private banks offer better customer service compared to public banks but have lengthy approval processes
Outcome: Better alignment with young customers	Completely online, paperless loan application process	Highly digitized process with some offline touchpoints involved
Enabler: Strong distributor and counsellor network	Strong relationships with distributors and counsellors	High reliance on branches thus, lower connects with distributors and counsellors
Outcome: Innovative product development	Tailored loans covering all expenses	Strict regulations and standardized products with limited expenses coverage
Outcome: Focused targeting approach	Leverage distributors and counsellors for targeted digital marketing and use a branch-lite model to reach niche markets and adapt to trends	With branch-heavy model and traditional marketing strategies, struggle to adopt targeted approaches or adapt to local trends, limiting their reach

Thus, to summarize NBFCs' success in this market is driven by three key levers:

- **Specialised underwriting model:** NBFCs' usage of comprehensive data, including academic records, employment details, and co-borrower profiles, to assess loan applicants, allows them to adopt flexible lending criteria, whereas banks mainly rely on traditional credit metrics. This also allows NBFCs to provide loans to students who may not have an established credit history. NBFCs offer financing for a wider variety of courses and institutions, compared to banks, which typically focus on a narrower set of approved courses and colleges. By leveraging a robust data repository, NBFCs have developed superior underwriting models and created loan products that are better aligned with the specific needs of students.
- **Efficient operations:** NBFCs enhance operational efficiency by leveraging digitization and automation to reduce processing times. Unsecured loans are typically disbursed within 6-7 days, and secured loans within 20-25 days, significantly faster than banks, which often take longer due to traditional and legacy systems. This speed is critical for students facing time-sensitive admission and scholarship deadlines. With a fully online, paperless loan application process, NBFCs also align well with younger, digitally-savvy borrowers. These streamlined processes not only accelerate loan approvals but also improve tracking and repayment management.
  Building on these operational strengths, NBFCs also have an advantage over Fintechs as NBFCs combine a scalable business model with a robust regulatory framework. NBFCs have an evolved framework in place to gain access to Capital and thus, can solve for capital requirements to scale their operations. Supported by a strong regulatory framework, NBFCs ensure disciplined risk management while achieving deeper market penetration and servicing a wider range of customer profiles. Their hybrid model, blending technology with human touchpoints, helps build trust and enables more accurate credit assessments.

- **Robust distribution network:** NBFCs build networks with both organized distributors (such as banks and educational consultancies) and unorganized distributors (such as local agents and regional facilitators). While banks rely primarily on branch networks, which limits their ability to reach underserved areas, NBFCs use their distribution channels to access remote regions more efficiently. A balanced distribution network helps NBFCs to respond to localized trends, such as shifts in student preferences or regional course demands. NBFCs also use their distributor and counsellor relationships to conduct targeted digital marketing campaigns. In contrast, banks, with their branch-heavy models, have less flexibility to adapt quickly to niche markets or specific trends, which limits their ability to reach younger or niche customer groups.

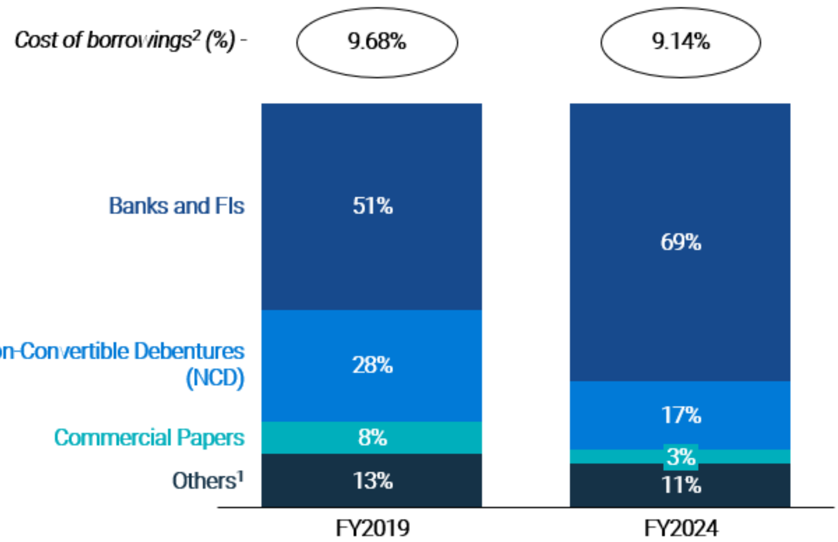
Education-focused monoline NBFCs are expected to have sustained growth in the education loans market.

Education-focused monoline NBFCs are well-positioned to sustain their strong growth trajectory in the education loan market, due to their nuanced focus on the fast-evolving student and university landscape, particularly in the overseas education market. Their strong distribution network and branch-lite model enable them to stay closely connected with the local market, allowing them to adapt quickly to on-ground market conditions. This network, combined with their data-driven approach, enables them to track trends and respond swiftly to changes in geo-political environments, immigration regimes, student demand, course offerings and employment outcomes. Their ability to pivot quickly to new markets, even across countries, further strengthens their competitive edge in the sector.

Though banks still contribute to the majority of the borrowings mix for leading education-focused NBFCs, borrowings mix has been diversified across funding sources over time. In FY2024, 69% of leading education focused NBFCs' funding came from banks, complemented by NCDs, and other debt instruments. However, these NBFCs have potential to derisk the dependency on a single source, in-line with the recent RBI directives. The NBFCs are increasingly seeking alternative funding sources such as NCDs and commercial papers. Additionally, these NBFCs are looking to securitize their assets through initiatives such as direct assignment and co-lending.

Exhibit 52

Borrowing mix and cost of borrowings – Leading Education NBFCs
(%, FY2019, FY2024)

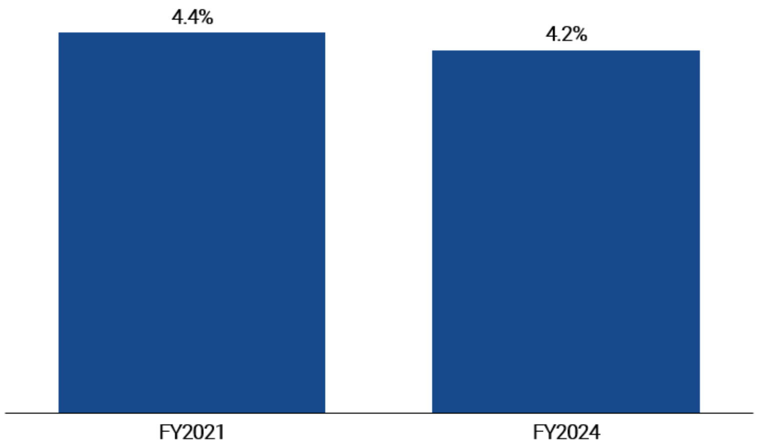


Note(s): 1. Others includes external commercial borrowings, subordinated liabilities, cash credit from banks, securitization liabilities, inter-corporate deposits, overdrafts from banks and other borrowings, 2. Cost of borrowings is calculated as the finance cost divided by average borrowings, 3. Players considered are Avanse and Credila
Source(s): Company reports, Redseer Research and Analysis

Fuelled by the above factors, these NBFCs have also maintained a stable adjusted net interest margin (NIM), driven by a balance of loan pricing and operational efficiency. Over the past 3 years, they have consistently achieved an adjusted NIM of approximately 4%, reflecting strong borrower relationships and a focus on cost management.

Exhibit 53

Adjusted Net Interest Margin[1] – Leading Education NBFCs
(%, FY2021, FY2024)



Note(s): 1. Calculated as (Total interest income + net gain (Net gain/(loss) on financial instruments at fair value through profit or loss on Investments and derivatives) - finance cost)/ Average of Interest earning assets (summation of Net loans, cash and cash equivalents, Bank balances other than cash and cash equivalents above, Investments), 2. Players considered are Avanse and Credila
Source(s): Company reports, Redseer Research and Analysis

Threats & Challenges for Financiers in the Overseas Education Loan Market

The Overseas education loan market in India, in which Credila Financial Services Limited operates, may encounter several threats that could impede the growth trajectory and stability as outlined below:

- **Student Mobility Risks**: Visa restrictions and geopolitical tensions can limit the number of students pursuing education overseas, thus reducing the demand for overseas education loans.
- **Regulatory Risks**: Changes in immigration, post-study work policies, or tuition fee regulations in the home or host country, can affect students' ability to repay loans.
- **Currency Risks**: Exchange rate fluctuations between the disbursed and repayment currencies, can impact the value of repayments, adding financial risk.
- **Economic Risks**: Economic downturns in the destination country can reduce job opportunities for students, hindering their ability to repay loans.
- **Credit & Market Risks**: The dependence on students securing employment for repayment increases credit risks, while growing competition and shifting education trends can impact loan volumes.

Section 5: Peer Comparison

For peer benchmarking, education-focused NBFCs in India are defined as those with more than 75% of their Assets Under Management ("AUM") derived from student education loans, for both domestic and overseas markets, and an overall AUM exceeding ₹25 billion as of March 31, 2024. The education-focused NBFCs included in the peer set are Credila Financial Services Limited ("Credila"), Avanse Financial Services Limited ("Avanse"), and Auxilo Finserv Private Limited ("Auxilo").

Certain other listed NBFCs which are not focused on education loans have been included as peer group references. These peers, though serving different customer segments, were selected based on their market leadership, comparable cost of borrowing, and broadly similar return and credit cost metrics. The other NBFCs in the peer group include Aavas Financiers ("Aavas"), Bajaj Finance, Bajaj Housing Finance ("Bajaj Housing"), Cholamandalam Investment and Finance Company ("CIFC"), Five Star Business Finance ("Five Star"), and Home First Finance Company ("HFFC").

AUM, Disbursements and Profit after Tax

Founded in 2006, Credila was India's largest education-focused NBFC by Assets Under Management ("AUM") as of March 31, 2024, and the longest serving in the sector based on its inception year, among education-focused NBFCs in India (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025). Credila is the largest education-focused NBFC in India in terms of Net Loans of ₹414,693.08 million as of March 31, 2025 and has the highest restated profit after tax of ₹9,855.47 million for the Financial Year 2025, it had the highest disbursements of ₹140,892.15 million for the Financial Year 2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025). Credila was the first NBFC in India to specialize in education loans and achieve an AUM of ₹281,871.98 million, as of March 31, 2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025).

Despite being more than twice the size of the second-largest education-focused NBFC in India (in terms of AUM), Credila was the fastest growing education-focused NBFC in India with a year-on-year growth of 84.26% in AUM between March 31, 2023, and March 31, 2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025). Credila was the second fastest-growing education-focused NBFC in India, with a compounded annual growth rate ("CAGR") of 80.83% in disbursements and a CAGR of 78.59% in AUM, each between the Financial Years 2022 to 2024 (assessment performed for Financial Year 2022-2024 given unavailability of peer data for Financial Year 2025). Additionally, Credila is the fastest-growing education-focused NBFC in India, with a CAGR of 64.96% in Net Loans between the Financial Years 2023 to 2025. Also, Credila is the second fastest growing education-focused NBFC in India with a year-on-year growth of 47.67% in Net Loans between Financial Years 2024 and 2025.

INR 192,430 crore of education loans were outstanding in the market as of 30th November 2024 (data pertaining to outstanding education loans has been sourced from Equifax and excludes data for 720+ Days Past Due for November 2024 calculation), of which Credila's AUM was INR 37,855 crore during the same period. This implies that Credila held a market share of approximately 19.7% in the education loan market in India in terms of loans outstanding as of 30th November 2024, increasing from approximately 7% as of 31st March 2019.

Exhibit 54: Size of the companies (as of March 31st of the respective financial year) in terms of reported AUM (unless specified in notes)

Players	AUM (₹Mn)		AUM Growth (%)		
	FY2024	FY2025	FY2024-25 (Y-O-Y)	FY2023-24 (Y-O-Y)	FY2023-25 (CAGR)
Education Focused NBFCs					
Credila	281,871.98	418,104.49	48.33%	84.26%	65.32%
Avanse	133,030.47	NA	NA	53.86%	NA
Auxilo	28,784.60	NA	NA	70.27%	NA
Other NBFCs					
Aavas	173,126.47	204,201.76	17.95%	22.21%	20.06%
Bajaj Finance[1]	3,306,150.00	4,166,610.00	26.03%	33.65%	29.78%
Bajaj Housing	913,704.00	1,146,840.00	25.52%	31.98%	28.71%
CIFC[1]	1,537,180.00	1,847,460.00	20.19%	36.30%	27.99%
Five Star	96,406.00	118,770.00	23.20%	39.42%	31.06%
HFFC	96,978.00	127,127.17	31.09%	34.73%	32.90%

Note(s): 1. Consolidated figures have been considered, 2. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 3. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 4. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Credila is the fastest growing education-focused NBFC in India, achieving year-on-year growth of 70.32% in revenue from operations between the Financial Year 2024 and Financial Year 2025, 84.26% in AUM between March 31st, 2023, and March 31st, 2024, and 76.30% in disbursements between the Financial Years 2023 and 2024, among education-focused NBFCs in India (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025).

Exhibit 55: Comparison basis reported Disbursements (for the respective Financial Year)

Players	Disbursements (₹Mn)		Disbursements Growth (%)		
	FY2024	FY2025	FY2024-25 (Y-O-Y)	FY2023-24 (Y-O-Y)	FY2023-25 (CAGR)
Education Focused NBFCs					
Credila	140,892.15	153,088.59	8.66%	76.30%	38.40%
Avanse	63,350.03	NA	NA	3.15%	NA
Auxilo	13,434.70	NA	NA	32.21%	NA
Other NBFCs					
Aavas	55,822.00	61,230.06	9.70%	11.08%	10.39%
Bajaj Finance[1]	NA	NA	NA	NA	NA
Bajaj Housing	446,562.40	508,430.00	13.85%	30.07%	21.69%
CIFC[1]	887,250.00	1,008,690.00	13.69%	33.36%	23.13%
Five Star	48,814.00	49,697.00	1.81%	43.93%	21.05%
HFFC	39,634.00	48,052.60	21.24%	31.54%	26.29%

Note(s): 1. Consolidated figures have been considered, 2. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 3. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 4. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Credila reported the highest profit after tax among education-focused NBFCs, with ₹5,288.39 million in FY2024 and ₹9,899.58 million in FY2025, followed by Avanse.

Exhibit 56: Comparison basis Reported Restated Net Profit After Tax/Profit After Tax (for the respective Financial Year)

Players	Restated Net Profit After Tax/Profit After Tax (₹Mn)	
	FY2024	FY2025
Education Focused NBFCs		
Credila[1]	5,288.39	9,899.58
Avanse[2]	3,424.03	5,021.23
Auxilo	692.19	1,119.40
Other NBFCs		
Aavas	4,906.94[2]	5,741.08
Bajaj Finance[2]	144,511.70	167,794.80
Bajaj Housing	17,312.20	21,629.00
CIFC[2]	34,200.50	42,627.00
Five Star	8,359.00	10,724.90
HFFC	3,057.20	3,820.68

Note(s): 1. Restated net profit after tax has been considered, 2. Consolidated figures have been considered, 3. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 4. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 5. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Branch distribution network

Credila had the largest branch distribution network among education-focused NBFCs, with 26 branches as of March 31st, 2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025). Credila had the second-highest number of employees among education-focused NBFCs, with a headcount of 547[3] employees as of March 31, 2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025). Credila had the largest distribution network (comprising DSAs, aggregators, counsellors, and financial institutions) among education-focused NBFCs in India with a network of 1,095 distribution agents as of March 31, 2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025).

Exhibit 57: Distribution footprint of Peers (Reported as of March 31st of the respective Financial Year)

Players	No. of Universities (#)		No. of countries covered (#)		Employees (#)		Branches (#)	
	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025
Education Focused NBFCs								
Credila	4,682	5,290	63	64	547[3]	743[3]	26	32
Avanse	1,585[2]	NA	49[9]	NA	672[3]	NA	19[6]	NA
Auxilo	NA	NA	NA	NA	349[5]	NA	8	NA
Other NBFCs								
Aavas	NA	NA	NA	NA	8,545[4]	NA	367	397
Bajaj Finance[1]	NA	NA	NA	NA	53,782[4]	64,092[4]	4,145[7]	4,263[7]
Bajaj Housing	NA	NA	NA	NA	2,372[4]	1,977[10]	215	216
CIFC[1]	NA	NA	NA	NA	54,098[8]	64,941[8]	1,387	1,613
Five Star	NA	NA	NA	NA	9,327[5]	11,934[5]	520	748
HFFC	NA	NA	NA	NA	1,249[4]	1,634[4]	133	155

Note(s): 1. Consolidated figures has been considered, 2. Refers to number of international universities as disclosed in the company filings, 3. Refers to on-roll employees as disclosed in company filings, 4. Refers to permanent and other than permanent employees as disclosed in company filings, 5. Refers to employees as disclosed in company filings, 6. Includes branches and sales representative offices as disclosed in company filings, 7. Refers to locations (includes branches and corporate offices) as disclosed in company filings, 8. Refers to on-roll and off-roll employees as disclosed in company filings, 9. Refers to Cumulative number of countries in student loans – international disbursed as disclosed in the company filings, 10. Refers to Employee headcount as disclosed in the company filings 11. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 12. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 13. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Cost of borrowings and other financial ratios

Credila has an average cost of borrowing[3] of 8.92% for the year ending March 31, 2025, which is the lowest among education-focused NBFCs in India. Additionally, it recorded the lowest operating expense to average total assets[5] at 0.90% for the year ending March 31, 2025, and the second-lowest credit cost to average total assets[6] at 0.37% for the year ending March 31, 2025, among the education-focused NBFCs in India.

Exhibit 58: Financial Ratios (for the respective Financial Year)

Players	Yield on advances (%)[2]		Average Cost of Borrowing (%)[3]		Adjusted NIM (%)[4]		Operating expense to average total assets (%)[5]		Credit Cost to average total assets (%)[6]	
	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025
Education Focused NBFCs										
Credila	11.70%	11.98%	8.72%	8.92%	3.86%	4.04%	1.17%	0.90%	0.21%	0.37%
Avanse[1]	13.35%	13.25%	10.10%	9.89%	4.90%	4.93%	2.61%	2.39%	0.66%	0.39%
Auxilo	13.76%	13.04%	10.26%	9.79%	5.06%	NA	2.73%	2.40%	0.26%	0.31%
Other NBFCs										
Aavas[7]	12.51%	NA	7.47%	7.69%	6.37%	6.07%	3.58%	3.32%	0.16%	0.15%
Bajaj Finance[1]	16.40%	NA	7.34%	7.57%	9.38%	8.97%	3.19%	2.93%	1.42%	1.89%
Bajaj Housing	10.02%	NA	7.64%	7.91%	3.63%	3.46%	0.94%	0.80%	0.08%	0.09%
CIFC[1]	13.77%	NA	7.96%	8.07%	6.46%	6.53%	3.16%	3.02%	0.97%	1.39%
Five Star	25.06%	25.20%	8.87%	9.38%	16.91%	16.83%	5.45%	5.20%	0.54%	0.68%

HFFC	13.72%	13.62%	8.25%	8.49%	7.04%	6.33%	2.84%	2.70%	0.31%	0.26%

Note(s): 1. Consolidated figures have been considered, 2. Calculated as Interest income on education loans or loans (as applicable)/Average total net loans (2-year period), 3. Calculated as Finance Cost/ Average Total Borrowing and Deposits (as applicable) (2-year period), 4. Calculated as (Total interest income + net gain(Net gain/(loss) on financial instruments at fair value through profit or loss on Investments and derivatives) - finance cost)/ Average of Interest earning assets (Net loans, cash and cash equivalents, Bank balances other than cash and cash equivalents, Investments), 5. Operating Expenses (Summation of Employee benefit, Depreciation, other expenses)/ Average Total Assets (2-year period), 6. Impairment on Financial Instruments/ Average Total Assets (2-year period), 7. Standalone figures have been considered, 8. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 9. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 10. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Operational productivity

Credila had the highest productivity among education-focused NBFCs, with AUM per employee[4] at ₹515.31 million, AUM per branch[4] at ₹10,841.23 million, disbursement per employee[4] at ₹257.57 million, and disbursement per branch at ₹5,418.93 million, for FY2024 (assessment performed for Financial Year 2024 given unavailability of peer data for Financial Year 2025). In FY2023 Credila reported the highest AUM per employee[4] at ₹331.12 million, AUM per branch[4] at ₹5,883.72 million, Disbursement per employee[4] at ₹172.98 million and the second highest disbursement per branch[4] at ₹ 3,073.75 million (following Avanse at ₹3,838.52 million). Additionally, Credila has the lowest cost-to-income ratio[2] among education-focused NBFCs in India, at 27.10% and 19.65% for Financial Years 2024 and 2025 respectively.

Exhibit 59: Operational Productivity (for the respective Financial Year)

Players	AUM / Employee[4] (₹Mn)		AUM / Branch[4] (₹Mn)		Disbursement / Employee[4] (₹Mn)		Disbursement / Branch[4] (₹Mn)		Cost to Income (%)[2]	
	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025
Education Focused NBFCs										
Credila	515.31	562.72	10,841.23	13,065.77	257.57	206.04	5,418.93	4,784.02	27.10%	19.65%
Avanse	197.96	NA	7,001.60	NA	94.27	NA	3,334.21	NA	36.84%[1]	35.06%[1]
Auxilo	82.48	NA	3,598.08	NA	38.49	NA	1,679.34	NA	42.18%	37.69%
Other NBFCs										
Aavas	20.26	NA	471.73	514.36	6.53	NA	152.10	154.23	44.92%[3]	43.15%[3]
Bajaj Finance[1]	61.44	65.01	797.62	977.39	NA	NA	NA	NA	28.67%	27.42%
Bajaj Housing	385.20	580.09	4,249.79	5,309.44	188.26	257.17	2,077.03	2,353.84	23.63%	20.42%
CIFC[1]	28.41	28.45	1108.28	1,145.36	16.40	15.53	639.69	625.35	41.87%	39.70%
Five Star	10.34	9.95	185.40	158.78	5.23	4.16	93.87	66.44	32.16%	30.87%
HFFC	77.64	77.80	729.16	820.18	31.73	29.41	298.00	310.02	35.22%	35.63%

Note(s): 1. Consolidated figures have been considered, 2. Calculated as an operating expense (Summation of Employee benefit, Depreciation and Other expenses)/ (total income – finance cost), 3. Standalone figures have been considered, 4. Refers to the number of employees and branches as disclosed in the company filings and are detailed in the table above ("Distribution footprints of peers"), 5. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 6. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 7. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Asset quality

Credila has the lowest gross stage 3 assets ("Gross Stage 3 Assets") of 0.19% and second-lowest net stage 3 assets ("Net Stage 3 Assets") of 0.07% among education-focused NBFCs in India, as of March 31, 2025.

Exhibit 60: Asset Quality Metrics – as reported (for the respective Financial Year)

Players	Gross Stage 3 Assets %		Net Stage 3 Assets %	
	FY2024	FY2025	FY2024	FY2025
Education Focused NBFCs				
Credila	0.08%	0.19%	0.03%	0.07%
Avanse[1]	0.43%	0.26%	0.13%	0.04%
Auxilo	0.90%	0.52%	0.50%	0.08%
Other NBFCs				
Aavas[2]	0.94%	1.08%	0.67%	0.73%
Bajaj Finance[1]	0.85%	0.96%	0.37%	0.44%
Bajaj Housing	0.27%	0.29%	0.10%	0.11%
CIFC[1]	3.54%	3.97%	2.32%	2.63%
Five Star	1.38%	1.79%	0.63%	0.88%
HFFC	1.70%	1.70%	1.20%	1.30%

Note(s): 1. Consolidated figures have been considered, 3. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 4. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 5. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Return on equity and Return on assets

Credila recorded the highest RoE[(4)(6)] of 13.63% for TTM as of March 31, 2025, among education-focused NBFCs.

Exhibit 61: Key ratios

Players	RoA%[2]		RoE%			
	FY2024	FY2025	FY2024[3]	FY2025[3]	TTM as of March 31, 2024[4]	TTM as of March 31, 2025[4]
Education Focused NBFCs						
Credila[5]	2.20%	2.48%	14.14%	14.41%	15.30%	13.63%
Avanse[1]	2.84%	3.01%	11.75%	12.84%	13.01%[6]	12.97%[6]
Auxilo	2.60%	2.72%	9.57%	9.39%	9.51%	9.21%
Other NBFCs						
Aavas[6]	3.28%	3.27%	13.93%	14.12%	13.96%	14.15%
Bajaj Finance[1]	4.44%	3.99%	22.05%	19.11%	22.46%	19.41%
Bajaj Housing	2.36%	2.34%	15.23%	13.44%	15.19%	12.72%
CIFC[1]	2.53%	2.38%	20.15%	19.71%	20.54%	19.80%
Five Star	8.20%	8.22%	17.53%	18.65%	17.59%	18.69%
HFFC	3.76%	3.51%	15.52%	16.46%	15.62%	16.57%

Note (s):1. Consolidated figures have been considered, 2. Profit after tax/ Average Total Assets (2-year period), 3. Profit after tax/ Average Net Worth (2-year period), 4. Profit after tax/ Average Tangible Net Worth as reported in the company filings (5-quarter period), 5. Restated net profit after tax has been considered for the computation, 6. Standalone net worth has been considered for the purpose of computation, 7. The companies mentioned above may have other related entities or may define metrics differently and hence, may not be directly comparable, 8. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 9. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Annual Reports and company filings of players

Credit ratings

Credila currently holds a credit rating of AA+ from CRISIL and AA from CARE and ICRA for its long-term financial instruments, this is the highest among the education-focused NBFCs in India reflective of Credila's strong business model, robust asset quality, and sound capitalization.

Exhibit 62: Credit Ratings – Long Term Rating

Players	Long Term Rating
Education Focused NBFCs	
Credila	CRISIL AA+/Stable (Mar 2024), CARE AA/Stable (Apr 2024) and ICRA AA/Stable (Apr 2024)
Avanse	CRISIL AA-/Stable (Aug 2024), CARE AA-/Stable (Aug 2024)
Auxilo	CRISIL A+/Stable (Mar 2024), CARE A+/Stable (Sept 2023)
Other NBFCs	
Aavas	ICRA AA/Stable (Jan 2024), CARE AA/Stable (Jan 2024)
Bajaj Finance	CRISIL AAA/Stable (May 2024), ICRA AAA/stable (May 2024), CARE AAA/Stable (Jan 2024)
Bajaj Housing	CRISIL AAA/Stable (May 2024)
CIFC	ICRA AA+(Positive) (Oct 2024), CARE AA+/Stable (Jan 2023)
Five Star	ICRA AA-/Stable (Jan 2024), CARE AA-/Stable (June 2024)
HFFC	ICRA AA-/Stable (July 2024), CARE AA-/Stable (July 2024)

Note (s): 1. Other NBFCs are not primarily focused on education loans, and, therefore, they are not fully comparable to Credila or Education-focused NBFCs, 2. Other NBFCs may operate in different sectors and are not comparable to one another.
Source(s): Credit rating agencies – CRISIL, CARE, ICRA

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