

2025

Housing Finance

The Quite Catalyst Driving
India's Property Market



Preface



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Urban Money, a fintech venture by Square Yards, was conceived to address the critical gap in housing finance in India – a largely underserved sector characterized by fragmented distribution and complex underwriting process mired by extensive paperwork, stringent compliance checks and delay in credit sanctions. With Urban Money, we created one of the largest mortgage distribution networks in the country with 500+ offices and a partner network of 50K+ agents. We also digitized many parts of the mortgage value chain by partnering with credit bureaus, developing automated valuation & title check solutions and integrating directly with lenders' tech systems. Through these efforts, Urban Money has seen strong momentum in recent years, emerging as India's largest mortgage marketplace with total loan disbursements now exceeding Rs. 61 K crore.

Given our scale, strategic positioning within the mortgage ecosystem, and strong on-ground presence, Urban Money is uniquely positioned to analyse the growth drivers and emerging trends shaping India's housing finance landscape, as explored in our latest report 'Housing Finance – The Quiet Catalyst Driving India's Property Market'. Some of the key insights include –

- India's retail credit segment is growing steadily, with property-linked loans (Home Loans + Loan Against Property) emerging as the most dominant category.
- Home loans, according to Urban Money insights, are showing strong double-digit growth, with volumes rising 10% and values up 15%, supported by steady demand, stable interest rates, and growing urban aspirations.
- High-value home loans are on the rise: nearly 21% of home loans disbursed in India's top cities fall in the Rs. 1 crore-plus category.

Together, these trends point to not just a strong credit environment but also evolving aspirations and demographics among Indian homebuyers. Housing finance remains the backbone of the residential real estate sector. India's overall outstanding housing loan portfolio currently stands at approximately Rs. 33 lakh crore, growing at a healthy decadal CAGR of approximately ~17%, according to RBI data. However, despite the current volume and value, home loan penetration stands at only 12% of GDP, indicating substantial headroom for growth.

Strong underlying demand, continued urbanisation, proactive government policies, and rapid digital infrastructure development—especially the rise of fintech—are accelerating this growth. Fintech-led innovations are streamlining credit assessment, widening access to credit, and improving the overall borrower experience.

Given these favourable conditions, India's housing finance sector is well-positioned to evolve into a more inclusive, resilient, and mature market. Given this context, we invite you to read the full report for a deeper look into these insights.



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Housing Finance

The Unsung Hero

The Growth Enabler: Residential Real Estate and India's Economy

In the recent years, despite a series of unprecedented global shocks and a broadly subdued economic environment, India has consistently stayed ahead of the curve. According to the International Monetary Fund, the country is projected to grow at a robust 6.3% in 2025—cementing its position as the fastest-growing major economy. In a significant milestone, India is on track to surpass Japan and become the world's fourth-largest economy. What's driving this momentum? At the heart of it lies strong domestic consumption, underpinned by rising incomes, favourable demographics, evolving consumer behaviour—and most notably, rapid urbanisation. Urban India already generates over 60% of national Gross Domestic Product (GDP)—a figure set to rise as the urban population, now at 500 million, is projected to approach 1 billion by 2050. As cities expand and evolve, the demand for infrastructure, housing, and commercial spaces continues to grow, placing real estate firmly at the centre of India's economic engine.

In fact, real estate has emerged as a key pillar of India's growth story. The sector, valued at approximately USD 200 billion in 2021, is projected to reach USD 1 trillion by 2030.¹ Its current contribution of nearly 7% to GDP is forecast to more than double to 15% over the next 25 years.² Alongside construction, real estate is now the second-largest employment generator in the country. Real estate also continues to attract capital, with investor preference remaining strong compared to traditional asset classes such as gold and equities.³ Within the sector, residential real estate remains dominant, accounting for nearly three-quarters of the sector's contribution to GDP.

India Residential Market Dynamics

Over the past decade, the residential segment has remained resilient through multiple regulatory reforms, including Real Estate Regulatory Authority (RERA), Goods and Services Tax (GST), and demonetisation followed by the COVID-19 pandemic. While the pandemic initially disrupted housing demand and construction activity, it ultimately acted as a reset—shifting consumer priorities toward homeownership and better-quality housing, which in turn supported a recovery and sustained upswing in the residential segment. **According to Urban Money, residential property transactions registered with IGR across major cities surged by 77% between FY2019 and FY2025. Over the same period, prices appreciated by 60%, underscoring resilient demand fundamentals.**



India's real estate sector, contributing 7% to the country's GDP, is projected to grow to USD 1 trillion by 2030 in market size, with residential real estate as the primary growth engine. Housing finance is a critical cog in this ecosystem; by enabling homeownership, it serves as a foundational driver of demand, which in turn underpins supply-side activity.

In FY2025 alone, nearly 5.44 lakh units were registered across top cities*, generating a gross sales value of Rs. 4.54 lakh crore. Also, a key post-pandemic trend is that residential supply and demand have decisively shifted in favour of the premium segment. Homebuyers with the means to purchase in this range have increasingly prioritised lifestyle and aspirational living over budget constraints. Simultaneously, developers have focused on high-end projects, given the tight profit margins in the budget segment and escalating construction costs. The result has been a shrinking supply of affordable or low-segment housing in urban areas. Furthermore it is important to note that in India, a home is typically considered affordable if it costs 4–5 times the household's annual income. However, in many Tier-1 and Tier-2 cities, the house price-to-income ratio has hovered around 10–11—well above this benchmark.⁴

Housing Finance: A Vital Cog in India's Housing Ecosystem

Amid rising property prices and limited affordability, housing finance—commonly referred to as mortgage lending—has become one of the most vital financial tools for aspiring homeowners. Typically, 70–90% of a property's value is financed through home loans, depending on the project value and buyer profile. As the market matures and aspirations for homeownership deepen, access to efficient, inclusive housing finance will be critical in bridging the demand-supply gap. It will also remain central to sustaining the growth of India's residential real estate sector—a cornerstone of the country's long-term economic narrative. Against this backdrop, we now take a closer look at the evolving landscape of housing finance, its underlying trends, and what it means for the future of Indian residential real estate.

1. IBEF

2. Real estate @2047: Road to Viksit Bharat – CREDAI - EY

3. Jefferies report on asset allocation in India

4. House Prices in India: How High, and for How Long? Centre for Social and Economic Progress

4. House Prices in India: How High, and for How Long? Centre for Social and Economic Progress
*Analysis includes key residential markets: Bengaluru, Noida & Greater Noida, Hyderabad, Mumbai, Navi Mumbai, Thane, and Pune.

Connecting the Dots

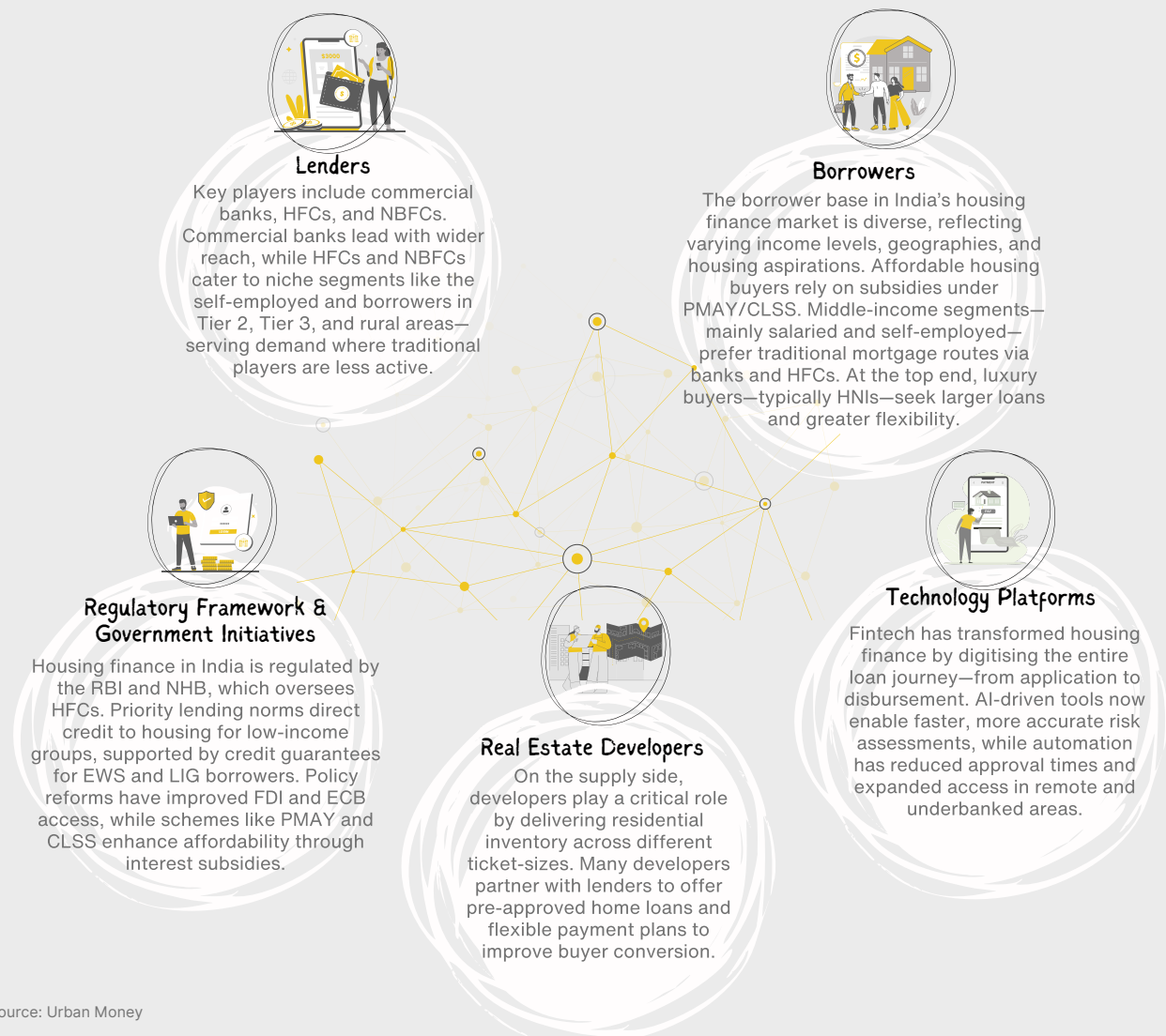
Mapping the Housing Finance Ecosystem

What is Housing Finance?

At its core, housing finance is about helping individuals afford a home. It refers to credit provided to people for buying, building, or improving residential property. The housing finance space in India is broad. On one side, there's the formal sector, made up of commercial banks, housing finance companies, cooperative banks, and public agencies. These players offer structured home loan products, typically regulated by the Reserve Bank of India (RBI). On the other side is the informal sector, where homebuyers might rely on personal savings, help from family, or loans from local moneylenders—still common in parts of rural and peri-urban India where formal access is patchy. Before you explore ahead, the difference between housing finance and construction finance is worth emphasising. It isn't to be confused with construction finance, which is credit extended to real estate developers—not homeowners—for building large-scale housing projects. Suppose a developer wants to build a residential tower. They'll need funds for land acquisition, construction materials, labour, permissions, and marketing. While banks may finance part of the construction, they won't fund the land. For that, developers turn to Alternative Investment Funds (AIFs), private equity, or family offices. In a nutshell, developers often require substantial capital for project development, while housing finance serves individuals with comparatively smaller loan amounts aligned with personal homeownership goals.

India Housing Finance Ecosystem

India's housing finance market has evolved rapidly over the last decade—driven by rising homeownership demand, digital innovation, and policy support. Today, it's an ecosystem involving multiple stakeholders: regulators, lenders, borrowers, developers, and tech platforms—each playing a role in keeping credit flowing.



Trends Unpacked

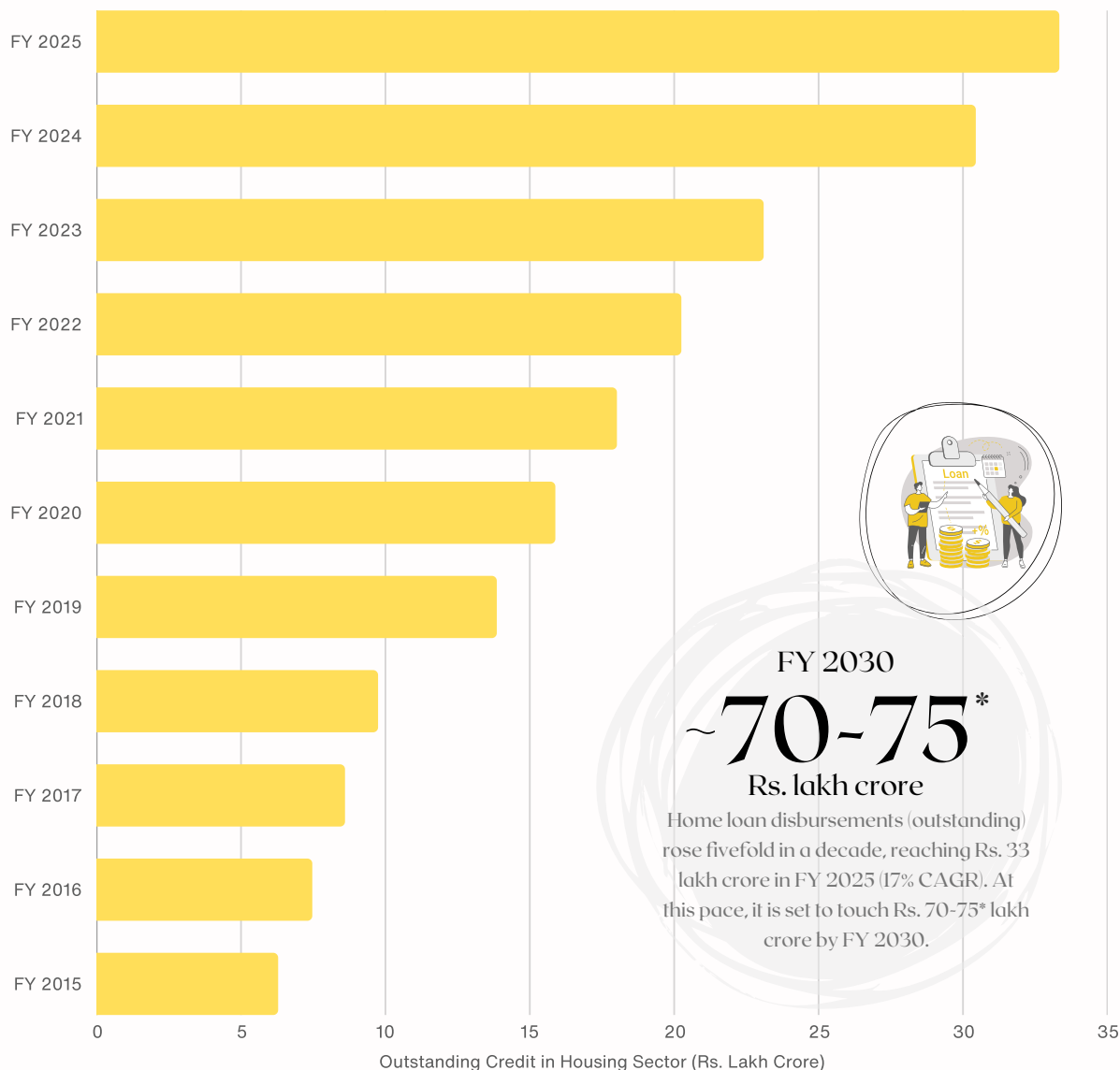
Housing Finance Through the Numbers

The past decade has seen remarkable growth in India's housing finance sector. **As of FY 2025, total outstanding home loan disbursements by scheduled banks and housing finance companies (HFCs) stood at Rs. 33 lakh crore—up from around Rs. 6 lakh crore in FY 2015, according to Reserve Bank of India (RBI). That's a fivefold increase in ten years.** By contrast, outstanding non-food credit in other major sectors grew roughly three times over the same period, as per the RBI data on sectoral deployment of bank credit.

Housing credit has not only expanded rapidly but has also gained a larger share of the overall credit market. A decade ago, housing accounted for about 9% of total bank credit; by FY 2025, that share had nearly doubled to 17%. The underlying drivers remain strong—rising urbanisation, more nuclear families, improving affordability, premiumisation in housing, and consistent government push through initiatives like Housing for All. Even compared to the commercial real estate segment, which saw credit deployment of Rs. 5.3 lakh crore in FY 2025, residential housing credit was nearly six times larger.

India's Home Loan Segment Reaches ~Rs. 33 Lakh Crore in FY 2025

Deployment of Bank Credit to Housing Sector in India (Outstanding)



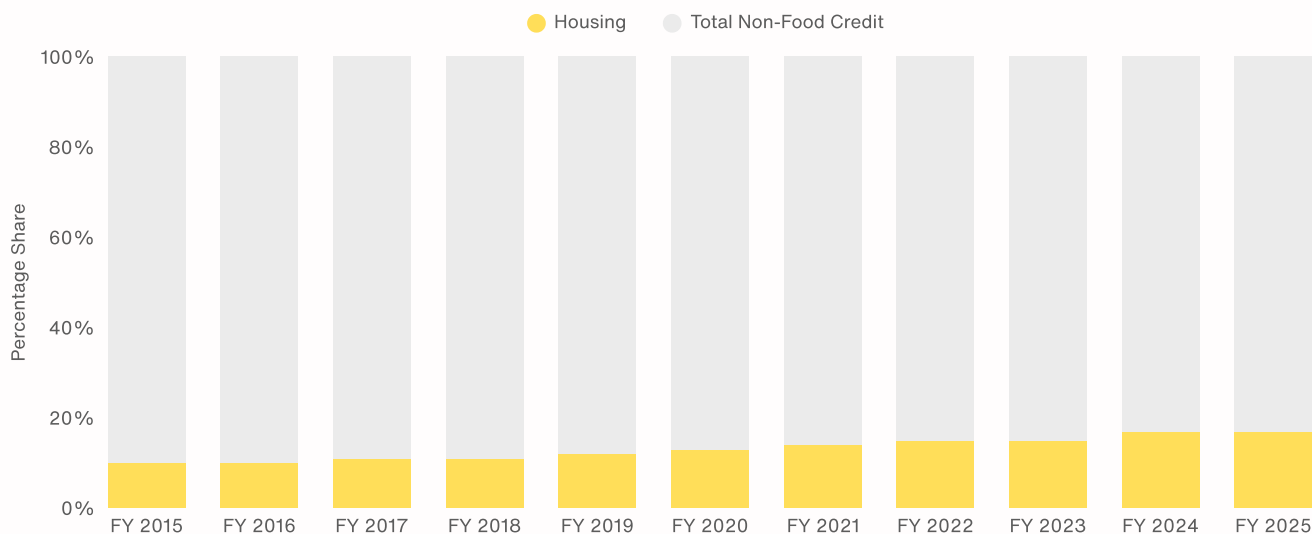
Note: Data for Housing Finance Companies (HFCs) has been included from 2019 onward, in line with availability on RBI sources. HFCs account for an estimated 10–15% share of outstanding credit in housing sector annually.

*Projections are based on decadal CAGR trends and are indicative in nature—the actual future figures may vary.

Source: RBI, Urban Money

Housing Credit Share Nearly Doubles from 9% to 17% in a Decade

Deployment of Bank Credit in India (Outstanding) - Share of Housing Segment in Total Non-Food Credit



Source: RBI, Urban Money

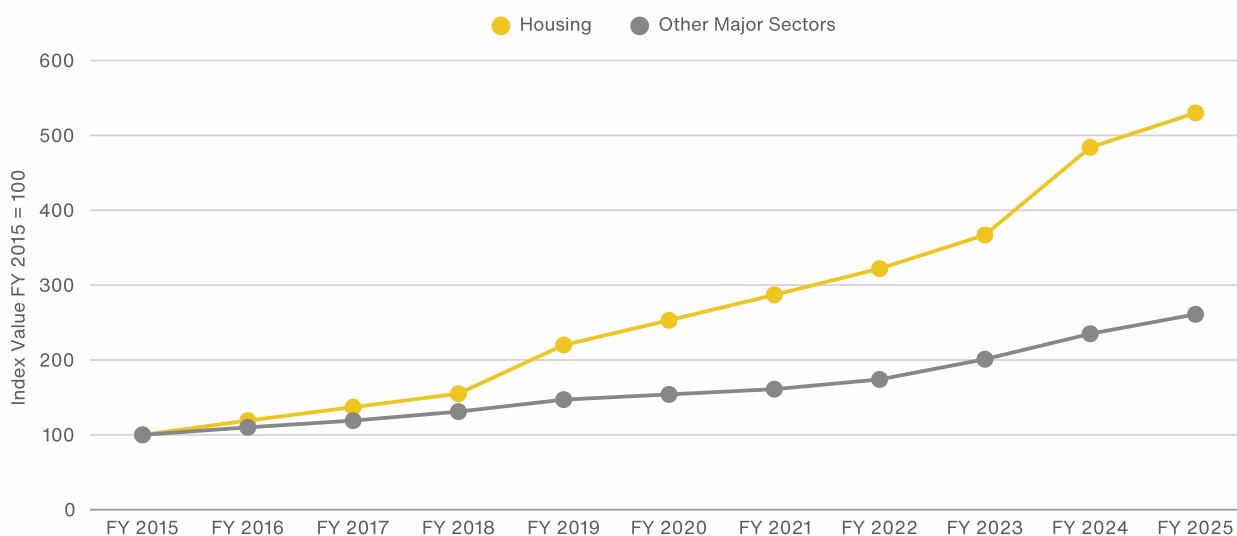
This momentum picked up significantly after the pandemic, helped by a housing market upcycle and a supportive interest rate environment. Despite the repo rate increasing from 4% to 6.5% between FY 2020 and FY 2025, home loan disbursements have continued to grow.

Given its current trajectory, the home loan segment—growing at a decadal CAGR of ~17%—is likely to approach Rs. 70–75 lakh crore by FY 2030.

Banks remain the dominant lenders, accounting for nearly three-fourths of the market—driven by competitive interest rates and widespread branch networks. Since October 2019, most banks have adopted the Repo-Linked Lending Rate (RLLR) for new loans, improving transparency and making rate changes more responsive to monetary policy. That said, HFCs have held their ground by focusing on niche and underserved segments, offering more flexible loan structures.

Housing Loans Grow 5x, Other Sectors Trail at 3x in the Last 10 Years

Growth in Deployment of Bank Credit in India (Outstanding)

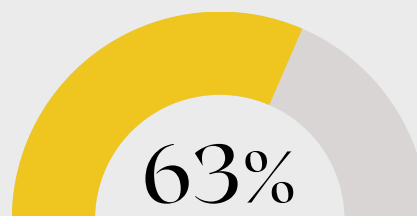


Note: Outstanding credit has been indexed to FY 2015 (base year = 100) to track relative growth across housing and other sectors over time.

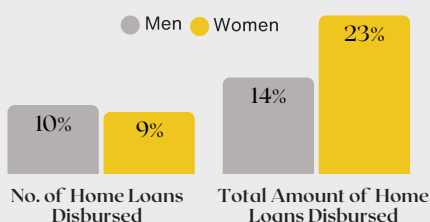
Source: RBI, Urban Money

India Housing Finance Tracker

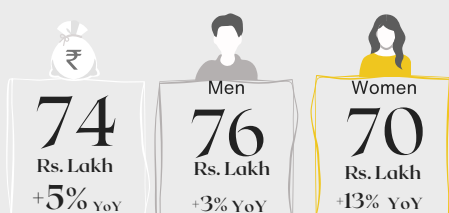
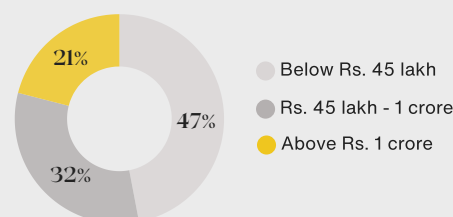
Urban Money Home Loan Disbursement Trends & Insights



Home Loan Volume and Value Climbs in Double Digits in Top Cities
YoY % Growth FY 2025 vs FY 2024



Women Drive Value Growth in Home Loan Disbursals in Top Cities
YoY % Growth FY 2025 vs FY 2024

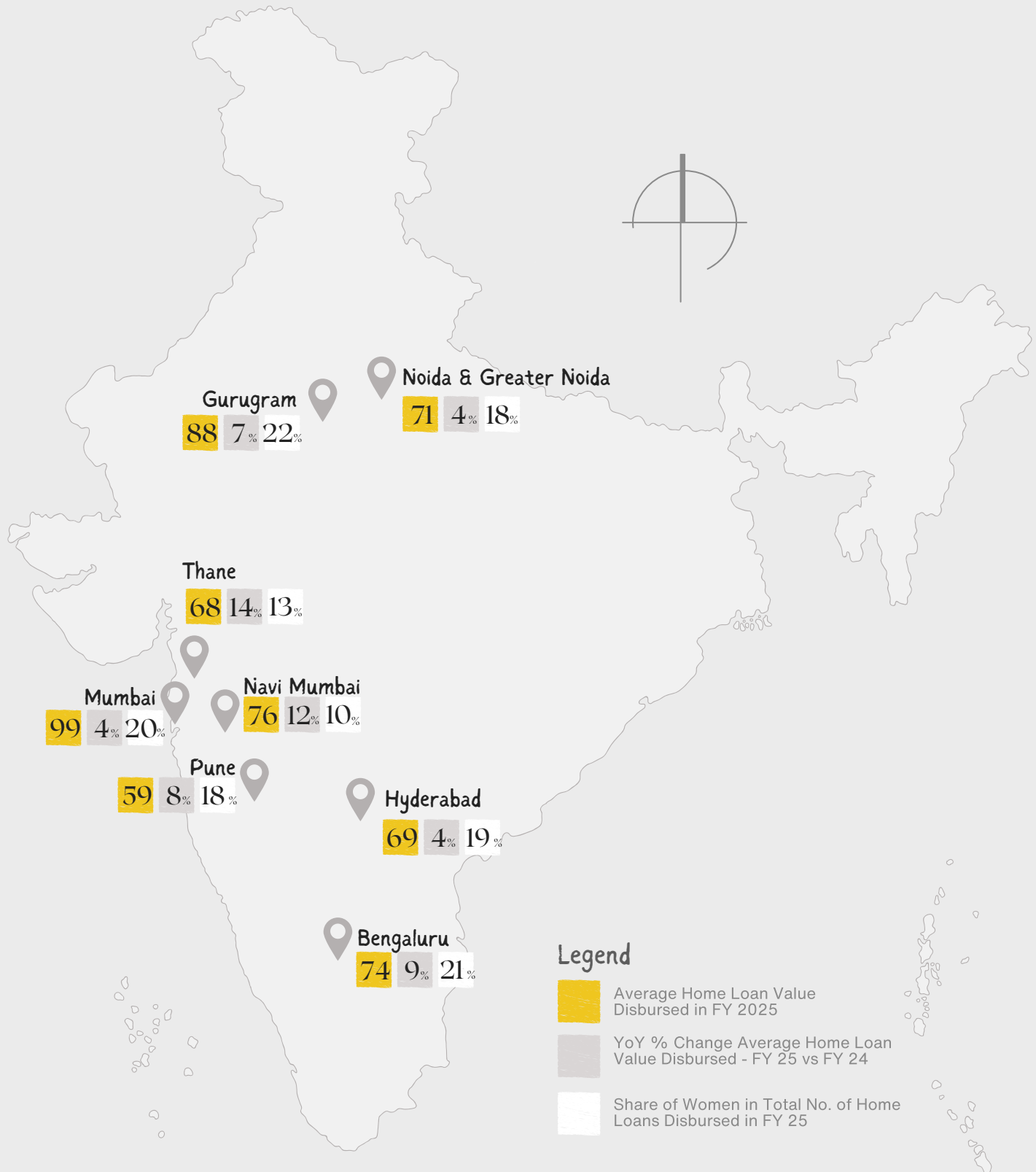


Average Home Loan Value in Top Cities Up 5%, Now at Rs. 74 Lakh
Average Value of Home Loan Disbursed | YoY % Change FY 2025 vs FY 2024



City-wise Trends

Urban Money Home Loan Disbursement Trends & Insights



Note: Insights are based on online data trends observed on www.urbanmoney.com and should be viewed as indicative, not definitive.

*Analysis includes key residential markets: Bengaluru, Noida & Greater Noida, Gurugram, Hyderabad, Mumbai, Navi Mumbai, Thane, and Pune.

Map for representation purpose only. Not to scale

Source: Urban Money

Click-to-Borrow

Housing Finance Goes Digital

Housing finance sits at the intersection of two rapidly digitising sectors: BFSI and real estate. The BFSI space has seen deep digital transformation through fintech—streamlining everything from payments to lending—while PropTech has digitised the real estate value chain, enabling virtual site visits, online transactions, and integrated platforms.

Housing finance, closely tied to property transactions, reflects the influence of both. Fintech has brought automation, data intelligence, and operational efficiency to the lending side. PropTech, meanwhile, has shaped customer expectations around ease of access, transparency, and speed. This convergence is reshaping the home loan journey—from discovery and approval to disbursal and closing.

The pandemic further accelerated digital adoption, pushing both institutions and consumers to embrace end-to-end digital workflows. And critically, today's borrowers are tech-savvy. They expect intuitive platforms, faster approvals, and seamless service delivery. In this environment, user experience is no longer a differentiator—it's a basic requirement. Banks, credit unions, and independent mortgage providers are responding by deploying technology that improves both consumer interfaces and backend efficiency. According to a NASSCOM report, the Indian fintech market is projected to reach USD 150 billion by 2025, with housing finance expected to contribute significantly.

Key Digital Trends Driving Housing Finance

As both FinTech and PropTech evolve, housing finance is becoming more agile, transparent, and customer-centric. For institutions, the opportunity lies not just in digital adoption, but in delivering a frictionless, tech-first experience that meets the expectations of the modern homebuyer.

Loan Origination & Processing

Digital platforms are making the loan application process more efficient by reducing paperwork, enabling online submissions, and automating workflows. Borrowers can now complete applications within minutes, and lenders benefit from faster processing and lower administrative overhead.

AI-Powered Valuation & Underwriting

Artificial intelligence and machine learning are enhancing underwriting by analysing borrower data, property details, and market trends in real-time. These tools help assess creditworthiness more accurately while reducing manual errors and approval timelines.



Verification & Risk Assessment

Advanced technologies like OCR (Optical Character Recognition) and blockchain are automating the extraction and validation of data from documents. This reduces fraud risk, improves compliance, and speeds up the traditionally time-consuming verification process.

E-Closing Solutions

Electronic closing solutions allow borrowers and lenders to complete documentation remotely, significantly reducing dependency on physical meetings. This not only saves time but also improves operational efficiency and flexibility, especially in geographically dispersed markets.

Enhanced Consumer Experience

With rising digital literacy, consumers expect seamless, mobile-friendly experiences across all touchpoints. Real-time updates, easy access to information, and responsive support are now standard expectations—pushing lenders to prioritise user-centric design and proactive service.

Outlook

Charting the Next Phase of Housing Finance Expansion

Housing finance contributes to capital formation and stimulates ancillary sectors such as construction, manufacturing, and services—making it a critical lever for economic growth. As such, increasing the share of home loans in GDP is not only a sign of financial system evolution but also a strategic enabler for inclusive and sustainable development. Major economies, such as the United States (47%), the United Kingdom (61%), and Japan (38%), exhibit significantly higher residential mortgage penetration, according to OECD owing institutional confidence, efficient underwriting systems, and widespread use of mortgage products to finance housing needs. In comparison, India's mortgage penetration remains low at around 12% of GDP.⁵ Even China's household debt to GDP ratio stands at approximately 60%, with a large portion attributed to home loans.⁶ This stark contrast underscores the considerable headroom for growth in India's housing finance sector.

Despite this relatively low penetration, the Indian housing finance market has already reached significant scale. As of FY 2025, total outstanding home loan

disbursements by scheduled commercial banks and housing finance companies stood at Rs. 33 lakh crore (~USD 400 billion)—a fivefold increase over the past decade. Assessing the current momentum, Urban Money projects this to grow at a CAGR of 14–17% between FY 2025 and FY 2030, potentially reaching Rs. 70–75 lakh crore (~USD 815–877 billion).

The sector will continue to be driven by strong demand, sustained urbanisation, supportive government initiatives, and the rapid expansion of digital infrastructure, especially through fintech adoption. Fintech innovations are improving credit assessment, expanding borrower access, and enhancing the overall customer experience.

However, challenges such as uneven credit access, informal income documentation, and regional disparities remain. Addressing these through continued innovation, regulation, and stakeholder collaboration will be essential to unlock the sector's full potential. With these favourable conditions, India's housing finance sector is poised to become a deeper, more inclusive, and resilient market.



5. PTI

6. Trading Economics

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About Urban Money

FinTech Venture by Square Yards

Urban Money is a leading digital lending marketplace and fintech platform that aggregates a wide range of loan products from banks and NBFCs, offering a seamless end-to-end borrowing experience. From helping customers choose the right product to managing documentation, tax and insurance advisory, and disbursement support, Urban Money simplifies the complex lending journey. Launched in 2015, Urban Money has rapidly scaled to become India's largest organised distributor of secured mortgages. As of FY 2025, the platform has facilitated loan disbursements worth Rs. 61K Crore+, supported by a robust network of over 50,000 agents and 150+ banking and NBFC partners. Urban Money is a fintech venture by Square Yards, India's largest integrated real estate marketplace. With a category leadership across key stages of the home ownership journey, Square Yards attracts over 8 million monthly users and has achieved a gross transaction value (GTV) of over USD 7+ billion. The company has a presence in 100+ cities across 9 countries, and is among the few Indian startups with global scale.

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₹61 k.cr+

Total Disbursements FY 25

500+

Offices

\$82 mn

Revenue FY 25

50k+

Agents

150+

Banking & NBFC Partners



Disclaimer: Urban Money Private Limited is engaged in facilitating mortgage and financial services from Banks and NBFCs, offering a wide range of services including consultancy, advisory, finance, and loan advisory services. To create awareness, foster transparency and help public make informed decisions based on market dynamics, Urban Money publishes data and analysis on interest rates, loan products, mortgage trends, and other financial insights based on aggregated data from the RBI website and other media sources.

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