

The New Consumer Financing Marketplace: How It Grew, Why It Boomed, and Where It's Headed

April 30, 2026

The way Americans borrow, buy, and pay has undergone a quiet revolution over the last three years. What was once a fairly straightforward world — credit cards, bank loans, and mortgages — has exploded into a dynamic, tech-driven ecosystem that puts flexible financing options at every point of the consumer journey. From splitting a grocery bill into installments to securing a personal loan in minutes through a smartphone app, consumer financing has become less of a financial tool and more of an expectation.

The numbers tell an unmistakable story. The global consumer finance market was valued at approximately **\$1.2–1.4 trillion in 2023** and is projected to more than double to nearly **\$2.9 trillion by 2035**, growing at a compound annual rate of roughly 6.8%. That's not modest growth — that's a structural transformation.

So what's driving it? The answer lies at the intersection of technology, shifting demographics, economic pressure, and a fundamental change in what consumers expect when they open their wallets.

The BNPL Revolution: Rewriting the Rules of Credit

Few developments have reshaped consumer financing more visibly than Buy Now, Pay Later (BNPL). What started as a niche checkout option for online fashion shoppers has become a mainstream financial instrument used by tens of millions of Americans across virtually every retail category.

U.S. BNPL transaction values are estimated to jump from **\$316 billion in 2023 to \$442.6 billion by 2027** — a trajectory that reflects not just growth, but genuine behavioral change. Perhaps the most striking sign of normalization: a quarter of Americans now use BNPL loans to pay for **groceries**. Financing the weekly shop would have seemed unusual just a few years ago. Today, it's a practical response to persistent inflation and stretched household budgets.

BNPL's appeal is easy to understand. Unlike traditional credit cards or personal loans, BNPL

offers near-instant approval, transparent installment schedules, and a frictionless checkout experience that feels more like a payment preference than a debt obligation. The CFPB reported BNPL origination volume hitting **\$45.2 billion** in total loan value, though growth has moderated from the explosive pandemic-era pace as the model matures.

The demographic angle is critical. BNPL services appeal disproportionately to younger consumers — **45% of Gen Z and Millennials** used BNPL in the past year. Since these generations now represent the largest share of consumer spending power, their preferences aren't a niche trend. They're the market.

Embedded Finance: Money Where You Already Are

If BNPL is the headline, embedded finance is the deeper story reshaping the entire consumer financing landscape. Embedded finance refers to the seamless integration of financial services — lending, payments, insurance, banking — directly into non-financial platforms. Think of financing a Peloton at checkout through Affirm, or managing business cash flow inside Shopify Balance, or insuring a flight without ever leaving a booking app.

The embedded finance market was valued at roughly **\$83–105 billion in 2023–2024** and is projected to reach between **\$571 billion and \$623 billion by 2032–2033**, growing at CAGRs ranging from 21% to 32% depending on the segment. The embedded lending segment, in particular, is considered the *fastest-growing* category within embedded finance.

What makes this significant for consumers is the removal of friction. Historically, accessing credit meant visiting a bank branch, completing paperwork, and waiting days for a decision. Embedded finance collapses that process to seconds, delivered at the exact moment a consumer needs it — not before, not after.

The U.S. embedded finance market alone is expected to grow from **\$7.65 billion in 2024 to \$45.74 billion by 2034**, a nearly 20% annual growth rate. According to BCG and Adyen, roughly **80% of the total addressable market remains untapped** — suggesting this transformation is still in its early chapters.

Fintech Takes the Wheel in Personal Lending

The personal loan market has seen one of its most dramatic reshufflings in years. After a two-year stretch of tightening between mid-2022 and mid-2024 — as lenders responded to post-pandemic credit risk — origination growth came roaring back in 2025.

As of Q1 2025, total unsecured personal loan balances reached **\$253 billion across nearly 30 million loans** according to TransUnion. But the more telling detail is who's originating them: **fintech firms now account for nearly 50% of new personal loan account balances**, dramatically up from prior years when traditional banks dominated.

The growth at individual fintech lenders has been extraordinary. Upstart reported **+154% year-over-year origination growth** in Q2 2025, driven by AI model improvements that boosted its loan conversion rate from 15% to 24%. The consumer unsecured marketplace lending market surged **+95.8% on a year-over-year basis** in the same period. Cumulative new issue volumes in 2025 were running **66.9% ahead of 2024 levels** through mid-year.

This shift reflects a structural advantage that fintech lenders have built over traditional banks: speed, digital accessibility, and increasingly sophisticated credit models that can serve borrowers who might not fit legacy underwriting criteria.

The Economic Tailwinds (and Headwinds) Behind the Surge

Consumer financing doesn't grow in a vacuum. The last three years have been shaped by a specific macroeconomic context that made flexible credit not just attractive, but for many households, necessary.

Inflation and rising living costs have been the primary catalyst. As essentials — groceries, housing, healthcare, utilities — consumed larger shares of household income, consumers turned to installment plans and credit products to manage cash flow without liquidating savings. Consumer financing, in this context, became a household budget tool, not just a discretionary spending enabler.

Credit card debt hit a record high of \$1.2 trillion by Q2 2025, driven by persistent everyday spending on essentials at elevated prices. The gap between what credit cards offer and what consumers actually need — transparent terms, predictable payments, lower rates — created an opening that BNPL and fintech personal loan products have aggressively filled.

The end of student loan forbearance in September 2023 added another layer of pressure. Millions of borrowers re-entered repayment with pre-pandemic balances, contributing to a serious student loan delinquency rate approaching 8% by mid-2025. This has both pressured household finances and redirected some borrowers toward alternative credit products that offer more manageable terms.

Traditional bank tightening paradoxically fueled private and fintech lender growth. As banks raised credit standards in response to rising charge-offs and macroeconomic uncertainty, they left a significant portion of would-be borrowers underserved. Fintech

lenders — with more flexible underwriting models — stepped into that gap.

AI and Technology: The Engine Underneath

It would be a mistake to analyze consumer financing growth without acknowledging the technological engine driving much of it. Artificial intelligence has moved from buzzword to fundamental infrastructure in modern consumer lending.

AI-powered credit assessment is perhaps the most impactful application. Citigroup unveiled an AI-driven credit assessment tool in 2025 designed to streamline loan approvals and reduce wait times. Upstart's model improvements — which powered its dramatic origination growth — are a real-world demonstration of what AI underwriting can achieve at scale: more loans approved, faster, with lower default rates.

AI in fraud detection is equally significant. A third of consumers express interest in seeing AI used for fraud detection in financial services, reflecting a growing awareness that the same digital channels enabling seamless credit access also create security risks that need to be actively managed.

Personalization is reshaping how products are designed and delivered. Rather than one-size-fits-all loan terms, AI enables lenders to craft individualized offers based on spending patterns, income trends, and behavioral data — creating a better fit between borrower needs and product terms.

Fintech revenue overall grew **21% year-over-year in 2024** — up from 13% in 2023 — and significantly outpaced the 6% growth rate across the broader financial services sector. EBITDA margins for public fintechs rose 25%, and 69% reached profitability, up from less than half the year before.

The Competitive Landscape: Who's Playing

The consumer financing marketplace today is far more crowded and diverse than it was three years ago. The playing field now includes:

- **Traditional banks** (JPMorgan, Bank of America, Wells Fargo, Citigroup) investing in digital-first tools and fintech partnerships
- **Dedicated BNPL providers** (Affirm, Klarna, Sezzle, Afterpay) competing on merchant distribution and consumer loyalty
- **Fintech personal lenders** (Upstart, LendingClub, SoFi, OneMain) winning market share

from banks

- **Platform-embedded lenders** (Shopify Capital, Amazon Lending) serving merchants and consumers within existing ecosystems
- **Non-bank financial companies (NBFCs)** expanding in developing markets and underserved domestic segments

Sezzle's BNPL platform reported **+74% year-over-year growth in gross merchandise volume** in Q2 2025, with consumer purchase frequency rising to 6.1 times per quarter. OneMain grew originations 9% year-over-year even while maintaining stricter credit standards, and its auto finance originations grew 29% — reflecting successful diversification beyond its traditional personal loan base.

The competitive differentiation is shifting. According to industry analysis, the future competitive edge will move away from price-based competition and toward **innovation, technology integration, and the quality of the customer experience**.

What's Next: Looking Ahead

The consumer financing marketplace of 2026 bears little resemblance to that of 2022. Three forces will define the next phase of growth:

1. Deeper embedding. Financial services will increasingly disappear into the background of everyday digital experiences. The consumer of 2028 may never think of "applying for financing" — it will simply be a seamless option at every point of purchase.

2. AI-driven personalization at scale. As lenders accumulate richer behavioral data and AI models improve, the gap between what traditional credit scoring captures and what these systems understand about creditworthiness will widen — enabling credit access to expand further without a proportional increase in risk.

3. Regulatory evolution. The CFPB and other regulators have been actively monitoring BNPL growth and the broader shift toward non-bank lending. How that regulatory environment evolves — particularly around consumer protections, data use, and credit reporting standards — will shape which players thrive and which face constraints.

One thing is clear: consumer financing has crossed a threshold from an ancillary financial product to a core pillar of how the American economy runs. Businesses that ignore that shift risk being left behind by the companies — and consumers — who have already moved on.

Q1 2025 CIIR, Cross River Q2 2025 Consumer Lending Review, FinWise Bank 2025 Lending Trends, BCG Fintech Report 2025, GWI Consumer Finance Trends 2025, Allied Market Research, Grand View Research, UCFS Consumer Financing Report.