

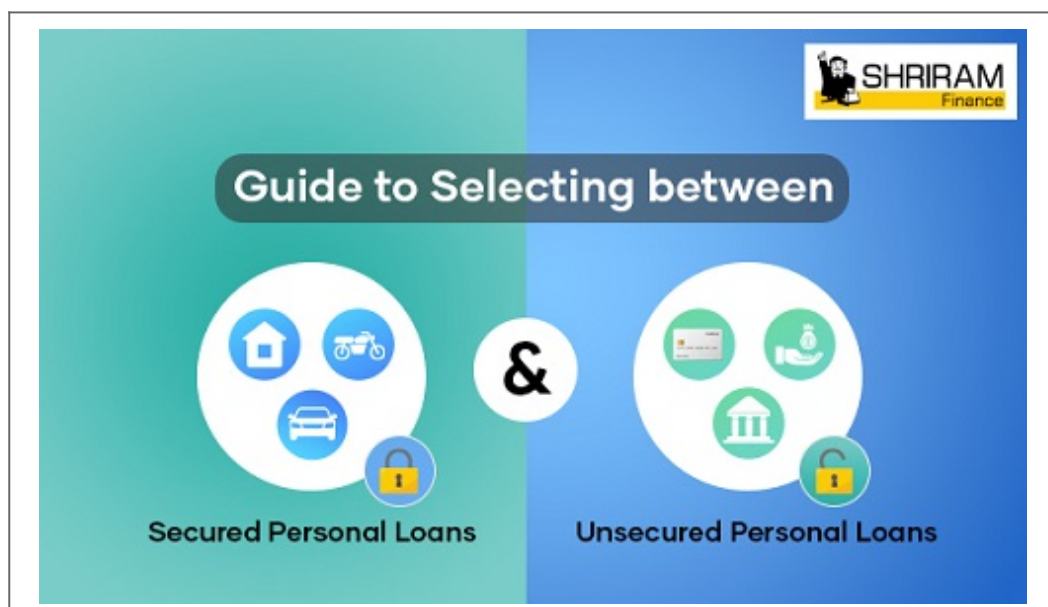
# Secured vs. Unsecured Personal Loans: A Comprehensive Guide to Finding the Right Fit

Category: Business

written by | December 16, 2024



Navigating the world of personal loans can be challenging, especially when deciding between secured and unsecured options. Understanding the differences between these two types of loans is crucial to making informed financial decisions.



## Secured Vs Unsecured Personal Loan

Most banks and NBFCs in India offer secured and unsecured personal loans, catering to a wide range of customers with different financial requirements. Shriram Finance, one of the leading players in the NBFC landscape, offers competitive interest rates on its personal loan, ensuring customers can access funds when they need them the most without straining their finances.

### What Are Personal Loans

[Personal loans](#) are a type of credit that allows individuals to borrow a lump sum of money for various personal expenses, such as home renovations, medical bills, debt consolidation, etc. Borrowers agree to repay the loan in fixed monthly instalments over a set period, usually ranging from one to five years. The interest rate on personal loans typically depends on the financial institution's policies, borrower's credit score, income, and overall financial profile.

### Secured vs. Unsecured Personal Loans

Based on the requirement of collateral, personal loans can either be secured or unsecured. Loans that are backed by collateral, like a loan against your credit card or an investment like a fixed deposit, are secured personal loans. Unsecured personal loans do not require borrowers to pledge any asset, like their house or any investment.

In the event of a default on a secured personal loan, the lender may take possession of the collateral to recover their loss. Because the risk to the lender is lower, secured loans often come with lower interest rates and higher borrowing limits.

Unsecured personal loans usually come with higher interest rates compared to secured personal loans and may also have limitations on the borrowing limit due to a high risk to the financial institution. These loans are faster to obtain and

more flexible, making them a good option if you need quick access to funds and don't want to risk losing assets.

### **Factors to Consider When Choosing a Personal Loan**

When deciding between a secured and unsecured personal loan, borrowers should evaluate several factors:

- **Interest Rates:** Secured loans usually offer lower interest rates due to the collateral involved. Unsecured loans, on the other hand, might come with higher rates but provide flexibility without the need for assets.
- **Loan Amount and Term:** Secured loans often allow for larger loan amounts and longer repayment terms, while unsecured loans may be more limited in these features.
- **Risk Tolerance:** Borrowers should consider their comfort level with potentially losing collateral if they choose a secured loan and default on it in unforeseen circumstances. Those unwilling to take this risk may prefer the unsecured option.
- **Credit Score and History:** A strong credit score can improve the chances of securing favourable terms for either type of loan, particularly for unsecured loans.

### **Shriram Personal Loan – Key Features and Benefits**

Shriram Finance provides unsecured [personal loans at competitive interest rates](#) and flexible repayment options. Here are some of the benefits of choosing Shriram Personal Loan for your funding requirements:

- **Collateral-free Loans:** You can apply for Shriram Personal Loan up to ₹10 lakh\* without pledging your assets or investments.
- **Competitive Interest Rates:** Shriram Personal Loan starts

at an interest rate as low as 11%\* p.a., easing your EMI burdens.

- **Flexible Repayment Tenure:** You can choose a comfortable repayment tenure between 12 to 60 months\* based on the loan amount.
- **Quick Loan Approval:** The personal loan application is approved quickly and seamlessly with minimal documentation.
- **Fully Digital Experience:** Applying for Shriram Personal Loan is as quick as it is easy. The NBFC's website and mobile app is intuitive and customer friendly, ensuring you can apply for loans comfortably.

## Conclusion

Personal loans can be one of the best ways to access emergency funds or planning your dream vacation, since they do not come with end-use restrictions. With Shriram Personal Loan, getting access to quick funds with minimal documentation is no longer a challenge. Visit the company's website to learn more about its loan and investment products.

***\*Above mentioned loan amount, rates and tenure are as per the company's Digital Personal Loan Policy.***

## About Shriram Finance

[Shriram Finance](#) is a leading diversified financial services company in India, offering a wide range of financial products and services across consumer, wholesale, and business finance segments. The company has a strong presence pan India with a network of 3,149 branches and an employee strength of 77,764 with an AUM of Rs. 2,430,40 crores. With a focus on financial inclusion and customer-centricity, Shriram Finance continues to empower individuals and businesses to achieve their financial goals.

