TransUnion CIBIL Industry Insights Report

Quarterly overview of consumer credit trends released by TransUnion CIBIL

FIRST QUARTER 2018

Executive Summary

For purposes of this report, retail lending includes the following products: auto loans, used car loans, home loans, loans against property, personal loans (unsecured installment loans), consumer durable loans, education loans, credit cards (bankcards), and two wheeler loans.

Retail lending continued to grow across all lending products as the number of live accounts grew by 31.3% in Q1 2018 compared to a year earlier in Q1 2017. In parallel, new account originations increased by 49.9% in Q4 2017 compared to the same quarter a year earlier, a robust acceleration from the originations growth observed in the previous three quarters of 2017. New account originations are reported a quarter in arrears to account for time lag by lenders in reporting new account originations and to improve the accuracy of originations counts and balances.

The broad trend of volume expansion and account balance compression due to the increasing proportion of short-term low ticket size consumption lending continued to exert its dominance.

Average ticket sizes have fallen for the past three years and volume growth has outstripped aggregate origination balances. This is due to the fact that the share of consumption lending products (credit card, personal loan and consumer durable loan) as a percentage of total origination account volumes has increased from 64.9% in Q4 2015 to 67.4% in Q4 2016 to 73.7% in Q4 2017.

Similar trends were observed on the balance sheet front as well. The aggregate balance of all retail lending products increased by 24.5% over the past year to reach INR 26.1 trillion in Q1 2018. The increase was a result of a 31.3% year-over-year increase in total account volumes, which was somewhat offset by a 5.9% annual decline in average balance per account.

As of December 2017, approximately 65.4 million consumers had access to a live retail lending facility – an increase of 24% over the previous year. This growth in consumer access was driven by a 33% increase in consumers accessing consumption lending products and 13% increase in consumers gaining access to an asset lending product. This increase in the number of consumers with access to credit demonstrates that lenders are successfully expanding their retail lending consumer base.

Average retail lending consumer balances declined by around 0.5% from INR 402,141 to INR 400,290 as the growth in per-consumer balances of credit card, personal loans, auto loans and mortgages was offset by declines in average balances of consumer durable loans and loans against property.

Delinquency rates for most major retail lending products declined or remained relatively stable over the year ended Q1 2018, indicating that consumers continue to do a good job of managing their credit obligations. The exception was loans against property which saw a year-over-year increase of 33 bps.

In summary, the retail lending industry has continued to expand in a robust and sustainable manner. Account originations and balances have grown significantly over the past year, with particular growth in lower-ticket consumption lending products. More consumers have gained access to credit, while delinquency rates are at controlled levels and have generally remained flat or trended lower.

Bankcard Summary

The significant increase in growth in activity from the first quarter of 2017 onwards indicates that credit cards have been the biggest beneficiaries of the demonetization exercise. The number of consumers with access to credit cards as well as aggregate balances reached all-time high levels. Origination activity has increased at the same time. Balances growth was largely led by consumers in the prime and near prime risk tiers, and delinquencies continued their declining trend.

BANKCARD METRICS	Q1 2018	Q-O-Q CHANGE	Y-O-Y CHANGE
Number of Accounts	32.6 M	7.4%	28.3%
Outstanding Balance (INR)	750.7 B	7.0%	43.0%
Average Balance (per consumer) (INR)	35,495	0.4%	12.1%
Average Balance (per account) (INR)	23,035	-0.4%	11.5%
Number of Consumers with Access to an Active Trade	21.1 M	6.6%	27.6%
Origination Volumes (Q4 2017)	2.7 M	12.0%	56.9%
Account-Level Delinquency Rate (90-179 DPD)	0.88%	4 bps	9 bps
Balance-Level Delinquency Rate (90-179 DPD)	1.70%	8 bps	9 bps

The number of consumers with access to a bankcard grew by 27.6% year-over-year, reaching an all-time high of 21.1 million consumers in Q1 2018. Origination activity has expanded at the same time, with the number of new accounts opened in Q4 2017—the most recent quarterly data available—expanding by nearly 57% compared to the Q4 2016. New bankcard originations grew by over 50% year-over-year in each of the last three quarters ending Q4 2017.

The significant rise in originations has been accompanied by robust balance expansion, as annual bankcard balance growth accelerated from approximately 17% in the year ended Q1 2016 to 27% in Q1 2017 and further to 43% in Q1 2018. Decomposition of the overall balance sheet growth into value (per card balance) and volume (number of live cards) components reveals the broad-based nature of this growth. Volume and per card balances grew robustly by 28.3% and 11.5% respectively, over the year ended Q1 2018.

Credit card volume growth often does not translate into commensurate total or average balance growth due to the frequent occurrence of existing cardholders shifting spend from existing to new cards while rendering the older cards inactive with zero balance. However, a detailed look at the spending pattern along the various open card accounts shows that the aggregate card account growth has been accompanied by an increase in the percentage of cards being actively used as well. While the number of zero-balance cards increased from 6.1 million in Q1 2017 to 7.6 million in Q1 2018, their share of the overall card base dropped from 24.1% to 23.4% over that same time period.

Further insights into card usage behavior are revealed by segmenting cardholders by the number of cards held. Conventional wisdom would suggest that most zero-balance cards would be held by consumers with multiple cards in their wallets. However, nearly 55.8% of all zero-balance cards are held by consumers with a single card – significant increase from the 53.8% level in March 2017. Meanwhile, the percentage of consumers with multiple cards who are carrying a balance on all their cards has increased from 79.9% in March 2017 to 81.5% in March 2018. This trend indicates that consumers holding two or more cards may have different spend behaviors and be using cards for a greater percentage of their total household spend.

Balance sheet growth over the year ended Q1 2018 was driven largely by robust increases within the prime and near prime consumer risk tiers, and comparatively quiescent growth of the prime plus and subprime segments. Similar trends were observed for average consumer balances, where the highest growth rates occurred in the prime and near prime segments.

The percentage of seriously delinquent (90-179 days past due) balances grew in QOQ and Y-O-Y terms by 8 bps and 9 bps respectively to reach the level of 1.7% in Q1 2018. Similarly, the percentage of seriously delinquent (90-179 days past due) accounts grew in QOQ and Y-O-Y terms by 4 bps and 9 bps respectively to reach the level of 0.9% in Q1 2018. Despite these recent increases, delinquency rates for cards remain at relatively low and controlled levels.

Auto Loan Summary

Auto loan originations have resumed growth after a brief hiatus in Q4 2016 and Q1 2017, as underlying demand for autos has picked up in the market following the 2016 demonetization event. Balance growth has been in line with originations. Aggregate balance growth has been driven by a combination of healthy increases in both accounts and average balances. The resumption of growth has been accompanied by significant improvements in delinquency metrics.

AUTO LOAN METRICS	Q4 2017	Q-O-Q Change	Y-O-Y Change
Number of Accounts	9.6 M	1.8%	20.8%
Outstanding Balance (INR)	3,293 B	3.2%	33.2%
Average Balance (per consumer) (INR)	372,012	1.4%	9.8%
Average Balance (per account) (INR)	341,957	1.4%	10.3%
Number of Consumers Carrying a Balance	8.8 M	1.7%	21.3%
Origination Volumes (Q4 2017)	0.84 M	11.6%	12.9%
Average New Account Balance (Q4 2017) (INR)	545,107	-3.5%	4.1%
Account-Level Delinquency Rate (90+ DPD)	4.39%	-42 bps	-199 bps
Balance-Level Delinquency Rate (90+ DPD)	2.78%	-24 bps	-83 bps

Auto loan originations have picked up steam after a lull experienced in Q4 2016 and Q1 2017 as the strengthening of the economic recovery has translated into robust demand for new cars. New car sales have bounced back strongly from a decline of 6.0% in Q4 2016 to a growth of 7.9% in Q3 2017 and further acceleration to 9.4% in Q4 2017.

Concomitantly, year-over-year originations (new accounts opened) growth has increased from 3.3% in Q4 2016, compared to the prior year quarter, to 12.9% in Q4 2017. In parallel, total new auto loan disbursements increased by 17.5% in Q4 2017 compared to Q4 2016, up from a 6.9% year-over-year increase in Q4 2016.

Aggregate disbursement growth of 17.5% in Q4 2017 was powered by a healthy 12.9% increase in account volumes and 4.1% increase in average ticket size. The growth in average ticket size in turn is attributable to the ongoing shift in consumer buying pattern from micro cars (size up to 3200 mm) to compact cars and SUVs.

Analysis of the origination from a sourcing perspective reveals broad stability in terms of the overall contribution of new and existing customers. The share of the new-to-credit (NTC) segment in the aggregate origination amount has declined modestly from 24.1% in Q4 2016 to 23.6% in Q4 2017. In account terms, the share of the NTC segment is comparatively higher, at 30.2%, in both Q4 2016 and Q4 2017, as the average ticket size of the NTC segment is lower than overall market.

The trend of balance sheet growth has mirrored the pattern exhibited by originations. Aggregate balance sheet growth of 33.2% in Q1 2018 compared to Q1 2017 has been fueled by 20.8% increase in total accounts and 10.3% growth in average balance per account. The fact that bulk of the growth comes from a widening pool of consumers (as opposed to increasing balance per consumer) augurs well for the future sustainability of the growth dynamics.

Robust total balance growth has been accompanied by stability in terms of share of the various risk tiers. Prime plus and prime consumers account for more than two-thirds of the aggregate balances and their share has remained steady for the past couple of years.

Stability of the share of the risk tiers along with resumption of growth has translated into a significant decline in delinquency in both balance and account level terms. The percentage of accounts seriously delinquent (90+ days past due) declined significantly—199 bps—to 4.39% in Q1 2018. In parallel, the balance-level delinquency (90+ DPD) declined by 83 bps on Y-o-Y basis to 2.78%.

Mortgage Summary

The mortgage sector exhibited resilience in face of the various structural issues plaguing the real estate industry. Originations bounced back from the lows seen in Q4 2016 and accelerated throughout the year due to resumption of genuine buyer demand, increased supply from the industry and ongoing refinancing activity. In consonance, balance sheet continued to expand and delinquencies remained stable at low levels.

MORTGAGE LOAN METRICS	Q4 2017	Q-O-Q Change	Y-O-Y Change
Number of Accounts	12.0 M	2.2%	18.4%
Outstanding Balance (INR)	15,225 B	4.1%	20.1%
Average Balance (per consumer) (INR)	1.50 M	2.6%	5.9%
Average Balance (per account) (INR)	1.24 M	1.9%	0.9%
Number of Consumers Carrying a Balance	9.9 M	2.0%	11.0%
Origination Volumes (Q4 2017)	0.55 M	3.2%	31.5%
Average New Account Balance (Q4 2017) (INR)	2.18 M	2.0%	3.9%
Account-Level Delinquency Rate (90+ DPD)	2.57%	-14 bps	-35 bps
Balance-Level Delinquency Rate (90+ DPD)	1.58%	-2 bps	4 bps

The mortgage sector exhibited resilience in face of the various structural issues plaguing the industry like the slowdown in house price inflation, continued high inventory levels, enhanced regulation in the form of RERA, and continued deterioration of the financial health of the real estate companies due to ongoing funding and liquidity issues.

After growing at a CAGR of 16.9% between September 2010 and September 2015, house price inflation moderated to a growth of 7.5% between September 2015 and September 2017 as continued high housing inventory levels and decreasing affordability had an adverse impact on demand from first-time buyers.

In spite of these adverse industry developments, aggregate originations started rebounding from Q1 2017 onwards as growth accelerated from 12.0% year-over-year in H1 2017 to 25.8% in H2 2017. In the fourth quarter of 2017, originations increased 31.5% compared to Q4 2017. Early indications point towards further acceleration in Q1 2018.

Aggregate new account disbursement Y-o-Y growth of 36.7% in Q4 2017 was supported by 31.5% increase in new account originations as well as a 3.9% increase in per-account balance. In terms of origination sourcing, the new-to-bank (NTB) segment accounted for close to half of aggregate originations, indicating robust refinancing trends. Known-to-bank (KTB) and NTC sourcing channels accounted for around 25% each of the aggregate originations.

Housing Finance Companies (HFCs) have continued to increase their market share from an average of around 41% in 2016 to approximately 44% in 2017 at the expense of the Public Sector Banks (PSB) players. The growth was broad-based across the various size ranges.

The ongoing moderation in house prices has meant that the aggregate balance sheet expansion has been led increasingly by growth in the number of accounts. Balance sheet growth of 20.1% in Q1 2018 was driven by an 18.4% increase in account volumes and 0.9% increase in average account balance.

From a risk perspective, the market remains overwhelmingly dominated by consumers in the prime plus and prime risk tier segments, with a 60% and 21% share of aggregate balances, respectively. Over the past several quarters, there has been a marginal shift in the share of balances held by consumers in prime and better risk tiers.

This trend towards lower risk borrowers has had some impact on delinquency rates. Account-level delinquency rates (90+ DPD) dropped 35 basis points in Y-O-Y terms, to 2.57%, in Q1 2018, while balance-level delinquencies were essentially flat, increasing 4 bps to 1.58%.

Unsecured Installment Loan Summary

Unsecured personal loan growth continued unabated as balance growth accelerated throughout 2017. Recent origination trends portend solid future growth. The robust health of the market is indicated by the all-time high level of balances and significantly low level of delinquencies. Growth is increasingly coming from the existing consumer base with consumers showing a strong preference for repeat purchase and loyalty.

UNSECURED INSTALLMENT LOAN METRICS	Q1 2018	Q-O-Q Change	Y-O-Y Change
Number of Accounts	13.9 M	4.7%	26.9%
Outstanding Balance (INR)	2,724 B	7.6%	49.1%
Average Balance (per consumer) (INR)	224,474	2.9%	18.9%
Average Balance (per account) (INR)	195,482	2.7%	17.5%
Number of Consumers Carrying a Balance	12.1 M	4.5%	25.4%
Origination Volumes (Q4 2017)	1.58 M	6.9%	56.6%
Average New Account Balance (Q4 2017) (INR)	299,949	2.0%	3.9%
Account-Level Delinquency Rate (90-179 DPD)	1.00%	0 bps	-18 bps
Balance-Level Delinquency Rate (90-179 DPD)	0.52%	2 bps	-19 bps

Personal loan is one of the fastest growing segments of the retail lending market. In consonance with aggregate market trends, growth accelerated considerably in the later part of 2017 with origination amount growth increasing at a robust 62.7% in Q4 2017 compared to the prior year quarter. Early indications point to this growth trend continuing in Q1 2018 and onwards.

Growth has increasingly being driven by higher volumes i.e. number of new loans accounts opened. Origination accounts growth rates accelerated throughout the year, with year-over-year growth rates increasing from 9% in Q1 2017 to 23.7% in Q2 2017 to 35.1% in Q3 2017 and further on to 56.6% in Q4 2017. In contrast, the year-over-year growth in average ticket size of new loans has slowed throughout the year, from 13.3% in Q1 2017 to 8.0% in Q2, 6.8% in Q3, and 3.9% in Q4 2017.

Personal loan (along with consumer durable loan) is a product which is characterized by repeat purchase and high consumer loyalty. This was amply clear when we analyzed the relative contribution of the three different origination sources – NTC, NTB and KTB.

The share of known-to-bank (KTB) sourcing in aggregate new account disbursements increased from an already high level of 60% in Q4 2015 to around 65% over the last four quarters ending Q4 2017. It is important to understand that the relative increase in share of KTB does not imply that the other two sources of originations – NTC and NTB – are not growing. In fact, disbursements through NTC and NTB origination sources grew year-over-year by 58.8% and 65.9%, respectively, in Q4 2017 – significant acceleration from the year-over-year growth of 22.4% and 50.9% growth in Q3 2017.

The robust increase in the aggregate market has been accompanied by change in market share of the various market players. The ability of the Private Banks (PVT) and the Non-Banking Financial Companies (NBFC) players to capitalize on the burgeoning demand has allowed them to grow their market share at the expense of the PSB players.

As expected, the balance sheet has expanded in line with the trends observed with respect to originations. Aggregate balance sheet has expanded by a CAGR of 32% from around INR 1.1 trillion in March 2015 to INR 2.7 trillion in March 2018. Overall balance sheet growth has been driven by broad-based increase in both volume and average account balances.

The 49.1% Y-o-Y growth in aggregate balances in Q1 2018 was driven by a 26.9% increase in number of live trades outstanding and 17.5% increase in per-trade balances. The fact that the per-trade balance growth on a year-over-year basis has steadily increased from a low of 3.6% in Q1 2017 to 12.6% in Q3 2017 and further to 17.5% in Q1 2018 is a trend that requires the attention of the industry participants. Sustained increase in average account balances of this magnitude over the next couple of years could be a harbinger of the over-heating of the market.

As expected, the vigorous growth rate of aggregate balances has resulted in significant decline in the delinquency rates for all industry participants expect the NBFC sector.

Report Overview and Definitions

The TransUnion CIBIL Industry Insights Report is a quarterly overview summarizing data and trends and providing insights on the Indian consumer lending industry.

All trends originate from TransUnion CIBIL's consumer credit database of more than 600 million files, which profiles nearly every credit-active consumer in India. The report analyzes all accounts reported to TransUnion CIBIL that have been verified in the past 10 years.

The report provides a full view of all data records (not a sample) over the nine most recent quarters.

The report covers data and trends for the national population overall, as well as breakdowns within consumer credit-score risk tiers.

The report analyzes individual consumer loan product types—credit card i.e. bankcard, auto, mortgage, and personal loans i.e. unsecured personal installment loans—while looking at aggregate views of all important retail lending products.

Risk Tier Definitions

RISK TIER	BORROWER TRANSUNIION CIBIL V1 SCORE RANGE
Prime plus	801–900
Prime	751-800
Near prime	651–750
Subprime	300–650
Note: *Non-prime* refers to the 300 to 750 range, the union of near prime and subprime.	

Product Definitions

PRODUCT CATEGORY	DEFINITION
Bankcard	Revolving account, open account or line of credit reported by a bank; loan types include credit card, business credit card, secured credit card and cards with no preset spending limit (flexible spending)
Auto	Loans reported as an auto loan or auto lease. Includes auto loans provided for financing of pre-owned cars
Mortgage	Mortgage loans and installment (non-revolving) loans with a loan type including home equity, home improvement, real estate junior lien or second mortgage
Unsecured installment loans	Installment (non-revolving) loans with a loan type including unsecured, note loan and consolidation

Data Definitions

DATA CATEGORY	DEFINITION
Total account volumes	Total number of accounts that are open and have a reporting with the bureau in the last six months, at quarter end

DATA CATEGORY	DEFINITION
Total account balances	Total Rupee amount of accounts that are open and have a reporting with the bureau in the last six months, at quarter end
Average account balance	Total account balances, divided by the total account volumes, at quarter end
Unit delinquency rates	Total number of delinquent open accounts at quarter end, divided by the total account volumes
Rupee delinquency rates	Total Rupee amount of delinquent open accounts at quarter end, divided by total account balances
Total new account volumes	Total number of new accounts reported opened during the calendar quarter
Total new account balances	Sanctioned Rupee amount of new accounts reported opened during the calendar quarter
Average new account balance	Total new account balances, divided by the number of new accounts reported opened during the calendar quarter
Number of consumers with access to an active trade	Total number of consumers with access to at least one open loan account, at quarter end

Report Generation Timing

Each quarter's data and calculations are generated from the data available on the last day of the quarter. There is typically a time lag between the date when a new account is opened and when lenders report new accounts to credit reporting companies. As a result of this time lag, a significant number of new accounts opened during a quarter may not yet be reported as of the quarter end date. To enable more accurate and complete reporting of new accounts, we measure all new account counts and balances in this report one quarter in arrears. With this approach, the quarter prior to the current report date reflects the most recent data.

Disclaimer

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