

Industry Insights Report

Quarterly overview of consumer credit market

SECOND QUARTER 2019



Executive Summary

Growth in India's consumer credit market continued to decelerate in the second quarter, driven primarily by secured lending products. Non-banking financial companies (NBFCs) remain under stress, with a recent portfolio shift to higher-risk unsecured credit. NBFCs, which have played a key role in consumer credit growth in recent years, saw slower growth in the second quarter compared to banks. NBFCs continued to face difficult funding challenges and consequently have been shifting their originations strategy away from larger-value loans to smaller-ticket personal loans.

Balances and Access: Consumer credit balances across all major credit products grew 17.1% year-on-year (YoY) in Q2 2019, compared to 23.5% YoY in Q2 2018. Growth in credit cards and personal loans significantly outpaced increases in auto loans, home loans and loans against property (LAP). The total number of consumers with access to credit increased by 21.7% YoY in Q2 2019, which was down from a 26.3% jump YoY in Q2 2018.

Originations: Although overall originations volume growth remained strong at 37.2% YoY in Q2 2019, originations balance growth slowed significantly in Q2 2019, increasing just 2.5% YoY compared to 15.1% YoY in Q2 2018. Balances originated by NBFCs declined by 6.6% YoY in Q2 2019, while those of public sector undertakings (PSU) and private sector lenders (PVT) grew at 11.4% and 10.5% YoY, respectively.

Delinquency: Portfolio delinquency rates for most consumer credit products declined on a YoY basis in Q2 2019, the exception being for LAP. These improvements in delinquency rates were largely driven by bank-issued loans. NBFC delinquencies increased across most products, reflecting signs of stress. Viintage analysis confirmed the general improvement in delinquency rates YoY, but did reveal performance deterioration for smaller value personal loans and auto loans issued by NBFCs.

Credit Card Summary

At the close of Q2 2019, a record 27.7 million consumers held a credit card, driving outstanding balances to almost INR 1 trillion. Origination volumes continue to exhibit a robust growth. Both, account level and balance level delinquency have improved.

CREDIT CARD METRICS	Q2 2019	Y-O-Y CHANGE
Outstanding Balance (INR Billions)	998	34.3%
Number of Accounts (Millions)	42.4	29.5%
Number of Consumers Carrying a Balance (Millions)	27.7	24.8%
Average Balance per Account (INR '000)	24	3.7%
Origination Volumes (Millions)	3.6	30.2%
Balance-Level Delinquency Rate (90+ DPD)	1.62%	-27
Account-Level Delinquency Rate (90+ DPD)	0.76%	-14

A healthy 30.2% YoY increase in credit card originations volumes in Q2 2019 led to strong 29.5% YoY growth in the total number of credit card accounts in Q2 2019. Over the same period, total credit card balances increased by 34.3%.

PVT credit card issuers continue to dominate the credit card market with their balances increasing at 41.6% YoY and their share in total balances increasing to 78.4% in Q2 2019 from 74.4% in Q2 2018. Balances of MNC card issuers grew only by 13.3% YoY in Q2 2019. MNC card issuers have better balances per account (INR 38600) compared to PVT (INR 21900) and PSU (INR 10200) card issuers.

Credit card origination volumes increased at 44.3% and 30.7% YoY for PSU and PVT card issuers respectively. Contribution of PVT card issuers to overall origination volumes was 68.3% in Q2 2019.

During Q2 2019, there was a shift in credit card originations to higher risk tiers. In Q2 2019, 32.1% of card originations were to consumers in below- prime risk tiers (subprime and near prime), compared to 26.4% in Q2 2018.

Despite the shift in originations to higher-risk borrowers over the past year, credit card delinquencies improved by 27 bps YoY to 1.62% in Q2 2019. Balance-level delinquencies have ranged between 1.85-1.90% in the last five quarters. Credit card vintage analysis also confirmed this improvement in delinquency across all risk tiers.

Personal Loan Summary

Personal loan portfolio continues to grow at a healthy rate in Q2 2019, both in terms of balances and number of accounts. NBFCs continued to be the primary driver of growth in this category. Improvements are seen in delinquency levels of PSU and PVT lenders, while NBFC delinquencies have increased marginally.

PERSONAL LOAN METRICS	Q2 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	4,061	35.0%
Number of Accounts (Millions)	20.6	46.2%
Number of Consumers Carrying a Balance (Millions)	18.9	33.3%
Average Balance per Account (INR '000)	198	-7.7%
Origination Balances (INR Billions)	710	30.8%
Origination Volumes (Millions)	5.2	139.4%
Average New Account Balance (INR '000)	135	-45.4%
Balance-Level Delinquency Rate (90+ DPD)	0.63%	-6
Account-Level Delinquency Rate (90+ DPD)	1.27%	1

Personal loan balances grew 35.0% YoY in Q2 2019. NBFC personal loan balances increased 51.4% YoY in Q2 2019 while those of PSU and PVT lenders increased by 31.5% and 35.1% respectively.

Personal loan origination balances increased by 30.8% YoY in Q2 2019. This growth is seen across lender types with PSU, PVT and NBFC origination balances increasing YoY by 28.7%, 33.1% and 33.7% respectively in Q2 2019.

A higher proportion of small ticket NBFC loans resulted in a sharp dip in the average ticket size (ATS). The ATS of NBFC personal loans dropped to INR 41 thousand YoY in Q2 2019 from INR 110 thousand, causing a sharp dip in overall ATS. PSU and PVT lenders have maintained their ATS in the range INR 330-360 thousand and INR 380-400 thousand respectively.

There is shift in originations towards high risk tiers with 44.8% of total originations in Q2 2019 to borrowers in below prime segment (sub-prime and near prime) compared to 36.4% in Q2 2018. Almost 50% of NBFC originations in Q2 2019 were to borrowers in below-prime segments, which represented an increase of 8.5% over Q2 2018.

Improvements in PSU and PVT bank personal loan delinquencies more than offset a YoY increase of 6 bps in NBFC delinquencies during Q2 2019, resulting in an overall lower YoY delinquency rate.

Vintage analysis also showed improvements in PSU (-12 bps) and PVT (-22 bps) delinquencies and deterioration in NBFC cohort performance (+51 bps). Breaking down NBFC vintage delinquencies further by loan size, an increase in delinquency was seen for NBFC loans smaller than INR 50 thousand, which constitute almost 80% of NBFC personal loan originations.

Auto Loan Summary

Sluggish passenger vehicle sales continued to affect auto loan growth and serve as a drag on the growth of India's overall consumer credit market. Auto loans recorded the slowest rate of growth of all major lending categories in Q2 2019. Balance-level delinquency showed YoY improvement in Q2 2019.

AUTO LOAN METRICS	Q2 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	4,175	10.9%
Number of Accounts (Millions)	11.27	10.5%
Number of Consumers Carrying a Balance (Millions)	14.70	12.4%
Average Balance per Account (INR '000)	371	0.3%
Origination Balances (INR Billions)	457	-0.5%
Origination Volumes (Millions)	0.93	7.7%
Average New Account Balance (INR '000)	491	-7.6%
Balance-Level Delinquency Rate (90+ DPD)	2.66%	-31
Account-Level Delinquency Rate (90+ DPD)	3.59%	-93

Auto loan balances grew 10.9% YoY in Q2 2019, down significantly from growth of 23.3% YoY in Q2 2018. This was primarily due to soft results in PSU and PVT lenders, whose balances grew at 8.3% and 10.1% respectively in Q2 2019, compared to 21.4% and 26% in Q2 2018.

Origination balances remained flat YoY in the period. Origination balances of PSU and PVT lenders showed a YoY decline of 2.5% and 6.9% respectively in Q2 2019. Though, NBFC origination balances showed a YoY growth of 9.4%, this growth was much lesser compared to 24.5% in Q2 2018.

Origination average ticket size (ATS) of PSU lenders moved up to INR 0.60 mn in Q2 2019 from INR 0.55 mn in Q2 2018 while that of PVT lenders continues to be in the range of INR 0.67-0.67 mn. Origination ATS of NBFCs has dropped by 17% YoY in Q2 2019 to INR 0.35 mn. NBFCs are primarily focusing on loan sizes up to INR 0.25 mn. NBFC origination balance in this segment has increased by 30% YoY in Q2 2019.

There is shift in originations towards high risk tiers. Originations from borrowers in below prime segment (sub-prime and near prime) has increased to 37.4% in Q2 2019 from 33.1% in Q2 2018. This shift is seen in originations by PVT and NBFC lenders.

There is YoY improvement of 41 and 60 bps respectively in balance level delinquency of PSU and PVT lenders. Delinquencies of NBFCs increased by 7 bps YoY. Vintage analysis also showed an increase in delinquencies of NBFCs (+114 bps) across risk tiers. The increase in NBFC vintage delinquency is sharper for loans smaller than INR 250 thousand (+164 bps), which forms almost 55% of NBFC auto loan acquisitions.

Home Loan Summary

In the housing market, affordability constraints among younger generations was a factor limiting overall home purchases in Q2 2019, consequently limiting credit growth. Originations volumes and balances again declined YoY in Q2 2019, implying likely soft market conditions going forward. Home loan delinquencies saw a small YoY improvement.

HOME LOAN METRICS	Q2 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	19,028	14.5%
Number of Accounts (Millions)	14.15	9.0%
Number of Consumers Carrying a Balance (Millions)	19.72	11.9%
Average Balance per Account (INR '000)	1,344	5.1%
Origination Balances (INR Billions)	1,205	-6.3%
Origination Volumes (Millions)	0.52	-11.9%
Average New Account Balance (INR '000)	2,336	6.3%
Balance-Level Delinquency Rate (90+ DPD)	1.68%	-3
Account-Level Delinquency Rate (90+ DPD)	2.96%	-24

In Q2 2019, total home loan balances grew 14.5% YoY, compared to a 20.6% YoY increase in Q2 2018. Growth of NBFC home loan balances in the period slowed to 13.6% YoY, versus growth of 24.1% YoY in Q2 2018.

Origination volumes declined by 11.9% in Q2 2019. Origination balances also continued to decline (-6.3%), with balances originated by NBFC lenders decreasing -17.9% YoY in Q2 2019, in sharp contrast to 16.3% growth YOY in Q2 2018.

The origination average ticket size (ATS) for PSU lenders increased to INR 2.0 mn in Q2 2019 from INR 1.8 mn in Q2 2018. ATS for PVT lenders decreased to INR 3.1 mn from INR 3.3 mn during the same period while for NBFCs continued to remain in the range of INR 2.3-2.4 mn.

There were no significant shift in originations by risk tiers in home loans in Q2 2019; approximately 76% of originations continued to be from prime and above segments. However, there was a 2-3% shift observed in originations by PVT lenders towards the higher risk tier (sub-prime and near prime).

Balance delinquencies improved by 3 bps in Q2 2019, to 1.68%, compared to the same period last year. Delinquency rates for PSU and PVT lenders improved YoY by 34 and 3 bps respectively in Q2 2019. NBFC portfolios saw a YoY delinquency increase of 27 bps in the period.

Loans Against Property Summary

Credit growth in loans against property (LAP) has been negatively affected by poor sentiment in the property market. Market pressures are causing a shift in the composition of LAP originations. LAP saw the most significant increase in delinquencies over the past year among major consumer credit products.

LOANS AGAINST PROPERTY METRICS	Q2 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	4,307	16.7%
Number of Accounts (Millions)	2.07	22.0%
Number of Consumers Carrying a Balance (Millions)	3.32	21.6%
Average Balance per Account (INR '000)	2,085	-4.3%
Origination Balances (INR Billions)	303	-20.9%
Origination Volumes (Millions)	0.14	-0.7%
Average New Account Balance (INR '000)	2,105	-20.4%
Balance-Level Delinquency Rate (90+ DPD)	3.47%	25
Account-Level Delinquency Rate (90+ DPD)	3.42%	-44

LAP balances grew 16.7% YoY in Q2 2019, versus 26.4% YoY growth in Q2 2018. This reflected a sharp slowdown in growth of LAP balances of PSU lenders, to 14.9% YoY in Q2 2019 from 35.4% YoY in Q2 2018.

LAP origination balances decreased 20.9% YoY in Q2 2019. Balances originated by PSU and NBFC lenders declined 31.1% and 36% YoY, respectively, in Q2 2019, while at the same time balances originated by PVT lenders grew 11.9% YoY. This increased their share of LAP originations to 37% in Q2 2019 from 26% in Q2 2018.

Origination average ticket size (ATS) declined to INR 2.1 mn in Q2 2019 from INR 2.6 mn in Q2 2018. While ATS for PSU and PVT lenders has remained in the range of INR 2.0-2.2 mn and INR 5.5-5.7 mn, there has been a sharp decline in ATS of NBFC lenders to INR 1.3 mn in Q2 2019 from INR 2.0 mn in Q2 2018.

There was no significant shift in originations by risk tiers and almost 75% originations continue to be from prime and above segments. However, there was a shift observed in originations by PVT lenders towards higher risk tiers and 24.9% of PVT lender originations were to borrowers in below prime segment in Q2 2019 as against 21.3% in Q2 2018.

Balance-level delinquency rates increased by 25 bps to 3.47% in Q2 2019, reflecting increases across PSU, PVT and NBFC lenders of 29, 27 and 49 bps, respectively. These delinquency increases primarily occurred in loans larger than INR 10 million.

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.

Both account-level and consumer-level views of key metrics and trends are included in the report.

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, auto loan, home loans, loans against property and personal loan i.e. unsecured personal installment loan — while looking at aggregate views of all important retail lending products.

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

Delinquency rates are measured as percentage of accounts / balances in 90 to 179 days past due for personal loans, consumer durable loans, education loans, credit cards and two wheeler loans and as percentage of accounts / balances in 90 to 900 days past due for auto loans, home loans and loans against property.

Vintage analysis looks at all accounts originated between Q2 2017 and Q2 2018 and measures 90+ delinquency rates of those new accounts after 12 months of activity.

Risk Tier Definitions

RISK TIER	BORROWER TRANSUNION CIBIL V2 SCORE RANGE
Super prime	801–900
Prime plus	751–800
Prime	701–750
Near prime	651–700
Subprime	300–650
Note: <i>Below prime</i> refers to the 300 to 700 range, the union of near prime and subprime.	

Product Definitions

PRODUCT CATEGORY	DEFINITION
Credit card	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	Loans reported as an auto loan or auto lease. Includes auto loans provided for financing of pre-owned cars
Home loans	Home loans and installment (non-revolving) loans with a loan type including home equity, home improvement, real estate junior lien or second mortgage
Personal loans	Installment (non-revolving) loans with a loan type including unsecured, note loan and consolidation
Loans Against Property	Installment (non-revolving) loans with a loan type including loans against property

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
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 revolving-type account, including authorized account users, at quarter end
Number of consumers with a balance present	Total number of consumers with at least one open or closed account with a balance greater than zero, not including authorized users, at quarter end
Percentage of borrowers with a delinquent balance	Total number of consumers with at least one open account with a past-due balance greater than zero (90+ days past due), divided by the number of consumers with at least one open account, at quarter end

DATA CATEGORY	DEFINITION
Average number of accounts per consumer	Total number of open accounts, divided by the total number of consumers with at least one open account, at quarter end
Average total balance per consumer, of consumers with a balance	Total rupee balances of all open accounts, divided by the number of consumers with at least one open account with a balance, at quarter end

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