

# Industry Insights Report

Quarterly overview of consumer credit market

THIRD QUARTER 2019



## Executive Summary

The third quarter results of consumer credit market show the continued development of trends seen in the first half of the year, as lenders and consumers continue to adjust to moderating macro-economic conditions. Consumer credit growth is concentrated in consumption lending categories including credit cards and personal loans. Demand for home loans and loans against property fell, while demand for consumption lending products increased. Overall delinquency rates showed a marginal increase, with large variances in performance across product types.

**Balances:** Overall balances across all major consumer lending products increased by 13.1% year-on-year (YoY), compared to 23.2% YoY growth the prior year in Q3 2018. Although still strong, this is now the sixth consecutive quarter where growth in credit balances has decelerated. This growth is not uniform across all of the major consumer lending categories. The consumption lending categories of credit cards and personal loans recorded growth rates of 40.7% and 28.0%, respectively, YoY in Q3 2019, whereas auto loans, loans against property (LAP) and home loans recorded comparatively more moderate rates of balance growth at 10.3%, 11.6% and 10.0%, respectively.

**Originations:** Overall origination volumes grew 32.1% YoY in Q3 2019, but this average belies a much more diverse story across categories. Personal loan new account origination volumes recorded dramatic YoY growth of 133.9% in Q3 2019. Non-banking financial companies (NBFCs), which have grown their share of personal loan originations in recent years, continue to focus on acquiring smaller value personal loans. Credit card origination volumes grew a healthy 20.9% YoY in Q3 2019, while LAP origination volumes grew marginally by 1.2% YoY in Q3 2019. Meanwhile, home loans (-12.9%) and auto loans (-1.0%) saw YoY declines in originations.

Growth in overall origination balances of installment credit products remained broadly flat in Q3 2019, compared to an increase of 15.1% in Q3 2018. Origination balances of consumption lending categories (personal loans and consumer durable loans) grew at 24.1% YoY, while those of asset finance products (auto loans, two-wheeler loans, LAP, home loans) declined by 8.4% YoY. The share of consumption products to total balances originated increased to 31.2% in Q3 2019, compared to 25.1% in Q3 2018.

Consumer inquiry volumes for personal loans and credit cards increased significantly over the period, whereas inquiries were broadly unchanged or slightly down for loans against property and home loans.

**Delinquency:** Overall balance-level serious delinquencies showed a relatively small increase of 10 basis points (bps) YoY in Q3 2019. As with other measures, the increase in delinquency rates was not uniform and was most pronounced for LAP (up 52 bps), home loans (up 13 bps) and credit cards (up 10 bps). Overall delinquencies actually improved for auto loans (down 22 bps) and personal loans (down 5 bps).

Overall delinquency rates have increased by 51 bps YoY in Q3 2019 for NBFCs, which continue to show signs of stress. At the same time, delinquency rates for public sector (PSU) and private sector (PVT) banks have declined by 26 bps and 9 bps, respectively YoY.

Vintage analysis showed encouraging signs for the home loan and LAP categories, with improvements of 312 bps and 205 bps, respectively, indicating better credit selection. Credit cards and personal loans also showed an improvement of 78 bps and 55 bps respectively. However, the same vintage analysis for auto loans did show an increase of 151 bps in delinquencies.

## Credit Card Summary

**Consumers' willingness and ability to spend propelled another strong quarter of origination and balance growth for credit cards. Balance level delinquencies saw a small increase.**

CREDIT CARD METRICS	Q3 2019	Y-O-Y CHANGE
Outstanding Balance (INR Billions)	1,090	40.7%
Number of Accounts (Millions)	44.53	29.8%
Number of Consumers Carrying a Balance (Millions)	28.56	23.5%
Average Balance per Account (INR '000)	24	8.4%
Origination Volumes (Millions)	3.91	20.9%
Balance-Level Delinquency Rate (30+ DPD)	4.93%	21
Balance-Level Delinquency Rate (90+ DPD)	1.95%	10
Account-Level Delinquency Rate (30+ DPD)	2.38%	-2
Account-Level Delinquency Rate (90+ DPD)	0.85%	-2

Credit card balances and number of accounts increased YoY by 40.7% and 29.8% respectively taking total balances to INR 1090 billion and number of active cards in circulation to 44.5 million. Balances of PVT card issuers increased by 50.7% YoY while for other card issuers increased by 26.9% YoY.

Balances in semi-urban and rural areas increased by 52.3% YoY in Q3 2019 indicating increased usage of cards as a payment option in these locations. The average balance per account as on Q3 2019 was INR 24.5 thousand, up from INR 22.6 thousand as on Q3 2018.

Credit card origination volumes increased by 20.9% YoY in Q3 2019 compared to 22.3% YoY increase in Q3 2018. There is no significant shift observed in credit card originations from consumers in below prime segment. Proportion of new to credit consumers in originations dropped to 18.6% in Q3 2019 compared to 26.2% in Q3 2019.

Consumers in the age group 25 to 35 years continue to be the focus for card issuers with this segment constituting 46.4% of total origination volumes in Q3 2019.

Both, balance-level 30+ and 90+ delinquencies have increased YoY by 21 bps and 10 bps respectively. These delinquency increases are observed in the portfolio of non PVT card issuers. However, credit card vintage delinquency shows improvement across card issuers indicating better customer selection.

## Personal Loan Summary

**Personal loan continued it's strong momentum in Q3 2019 with NBFCs focusing on originating small value personal loans. Serious delinquencies have improved for PSU and PVT banks.**

PERSONAL LOAN METRICS	Q3 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	4,292	28.0%
Number of Accounts (Millions)	23.59	48.1%
Number of Consumers Carrying a Balance (Millions)	20.77	35.2%
Average Balance per Account (INR '000)	182	-13.6%
Origination Balances (INR Billions)	864	28.2%
Origination Volumes (Millions)	7.28	133.9%
Average New Account Balance (INR '000)	119	-45.2%
Balance-Level Delinquency Rate (30+ DPD)	2.21%	10
Balance-Level Delinquency Rate (90+ DPD)	0.58%	-5
Account-Level Delinquency Rate (30+ DPD)	3.82%	58
Account-Level Delinquency Rate (90+ DPD)	1.49%	26

Personal loans balances increased YoY by 28.0% in Q3 2019. Balances in semi-urban and rural locations increased by 31.5% YoY and in metro and urban locations by 25.8% YoY. The continued focus of NBFCs on smaller value personal loans over last one year

has resulted in NBFC balances and number of loan accounts in micro loan size segment (loans up to INR 25000) growing by more than 5 times in a year.

With almost 7.3 million personal loan accounts originated in Q3 2019, the origination volumes have more than doubled over Q3 2018. This growth in origination volumes is primarily driven by NBFCs. NBFCs originated 5.3 million personal loans in Q3 2019 compared to 1.6 million in Q3 2018. Of these, 78% were from micro segment (loan size up to INR 25000).

Almost 42.6% of personal loan acquisitions are from consumers in the age group 18-30 years. Origination volumes in this age group have increased by 2.9 times in Q3 2019 over Q3 2018.

New to credit consumers comprise of 16.5% of total originations in Q3 2019 compared to 17.3% in Q3 2018. There has been a marked increase in originations for consumers in the below-prime risk segment. Almost 34.7% of personal loan originations in Q3 2019 were to borrowers considered below-prime – representing increases of 8.3% over Q3 2018.

Balance-level 90+ delinquency improved marginally in Q3 2019. This improvement is seen only for PSU and PVT banks. Vintage delinquency also shows a YoY improvement of 55 bps.

## Auto Loan Summary

**Decline in growth of passenger vehicle sales continued to impact auto loan growth. Origination volumes and balances declined. Originations from consumers in below prime risk segment increased in Q3 2019. Balance-level delinquencies have improved.**

AUTO LOAN METRICS	Q3 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	4,381	10.3%
Number of Accounts (Millions)	12.21	11.0%
Number of Consumers Carrying a Balance (Millions)	15.07	11.2%
Average Balance per Account (INR '000)	359	-0.6%
Origination Balances (INR Billions)	502	-3.5%
Origination Volumes (Millions)	1.02	-1.0%
Average New Account Balance (INR '000)	490	-2.5%
Balance-Level Delinquency Rate (30+ DPD)	7.80%	-41
Balance-Level Delinquency Rate (90+ DPD)	3.09%	-22
Account-Level Delinquency Rate (30+ DPD)	10.01%	-128
Account-Level Delinquency Rate (90+ DPD)	4.21%	-89

Auto Loan balances increased by 10.3% YoY in Q3 2019 compared to 16.8% YoY increase in Q3 2018. NBFC auto loan balances showed better growth in Q3 2019, increasing by 16.3% YoY.

Origination volumes and origination balances declined by -1.0% and -3.5% YoY respectively in Q3 2019 compared to an increase of 4.5% and 0.8% YoY in Q3 2018. The decline in origination balances is seen across lender types.

The overall origination average ticket size (ATS) in Q3 2019 remained at same levels as Q3 2018 at INR 490-500 thousand. While ATS has improved by 8.9% and 2.8% for PSU and PVT banks, it came down by -16.9% for NBFCs.

There has been an increase in originations from consumers in the below-prime risk segment. Almost 30.5% of auto loan originations in Q3 2019 were to borrowers considered below-prime – an increase of 3.5% over Q3 2018.

Both balance-level 30+ and balance-level 90+ delinquency improved by 41 bps and 22 bps YoY. This improvement in balance-level 30+ and 90+ delinquency is seen only for PSU and PVT banks. NBFCs balance-level 30+ and 90+ delinquency rates have increased by 36 bps and 16 bps respectively. Vintage delinquency has improved for PSU banks (-18 bps) but has increased for PVT banks (+50 bps) and NBFCs (+218 bps) resulting in an overall increase in vintage delinquency.

## Home Loan Summary

**Credit growth in home loans continues to decelerate as aspiring buyers are putting off purchase decisions because they lack confidence. Originations volumes and balances continued to decline YoY in Q3 2019. Delinquencies also saw a small YoY increase.**

HOME LOAN METRICS	Q3 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	19,073	10.0%
Number of Accounts (Millions)	14.20	3.8%
Number of Consumers Carrying a Balance (Millions)	19.60	6.1%
Average Balance per Account (INR '000)	1,343	6.0%
Origination Balances (INR Billions)	1,321	-7.8%
Origination Volumes (Millions)	0.61	-12.9%
Average New Account Balance (INR '000)	2,175	5.9%
Balance-Level Delinquency Rate (30+ DPD)	5.38%	-14
Balance-Level Delinquency Rate (90+ DPD)	1.82%	13
Account-Level Delinquency Rate (30+ DPD)	8.20%	-62
Account-Level Delinquency Rate (90+ DPD)	3.36%	-7

Home loans that constitutes almost 50% of the total consumer credit portfolio, saw slower growth in balances in Q3 2019. Home loan balances grew at 10.0% YoY as compared to 20.3% in Q3 2018. Balance growth has slowed down for housing finance companies (HFC) with their balances increasing YoY by 7.9% in Q3 2019 as against an increase of 23.2% in Q3 2018. Affordable housing segment, defined as loan size up to INR 2.5 million, saw lowest YoY growth of 4.1% in Q3 2019.

Home loan origination volumes and origination balances declined YoY by 12.9% and 7.8% respectively in Q3 2019. Balances originated by PSU and PVT banks increased by 8.0% and 2.8% YoY respectively while those of HFCs declined by -20.6% YoY in Q3 2019. Share of PSU banks in total balances originated increased by 5.6% over Q3 2018.

Origination balances in affordable segment declined by 11.6% YoY. PVT banks have increased their focus in the affordable housing segment. Balances originated by PVT banks from affordable segment increased YoY by 14.4% in Q3 2019. Also, of the total volumes originated by PVT banks in Q3 2019, 63.5% were from affordable housing segment as compared to 59.3% in Q3 2018.

An increased focus by PVT banks on affordable housing segment has resulted in their origination average loan sizes coming down marginally to INR 3.2 million from INR 3.4 million in Q3 2018.

Balance-level 90+ delinquency rates have increased by 13 bps in Q3 2019. Balance-level 90+ delinquency rates have gone up by 49 bps for HFCs. PSU bank 90+ balance level delinquency rates have improved by 24 bps and PVT bank's delinquency rates have remained at same levels YoY.

## Loans Against Property Summary

Credit growth in loans against property (LAP) has been limited due to lower credit off-take in self-employed segment who largely avail LAP for their business or capital expenditure needs. LAP balance-level delinquencies continued to increase YoY in Q3 2019.

LOANS AGAINST PROPERTY METRICS	Q3 2019	Y-O-Y Change
Outstanding Balance (INR Billions)	4,591	11.6%
Number of Accounts (Millions)	2.27	18.7%
Number of Consumers Carrying a Balance (Millions)	3.68	20.1%
Average Balance per Account (INR '000)	2,026	-6.0%
Origination Balances (INR Billions)	384	-18.5%
Origination Volumes (Millions)	0.19	1.2%
Average New Account Balance (INR '000)	2,070	-19.4%
Balance-Level Delinquency Rate (30+ DPD)	8.42%	59
Balance-Level Delinquency Rate (90+ DPD)	3.75%	52
Account-Level Delinquency Rate (30+ DPD)	8.28%	-85
Account-Level Delinquency Rate (90+ DPD)	3.59%	-3

LAP balances grew at 11.6% YoY in Q3 2019 compared to 29.0% in Q3 2018. Balances of PVT banks grew by at a healthy rate of 28.1% YoY thereby increasing their market share by 4.4% over previous year. Balances of PSU banks and NBFCs increased YoY by 11.3% and 3.2% respectively.

While origination volumes saw a small increase of 1.2% YoY in Q3 2019, origination balances declined by -18.5%. Other than PVT banks whose origination balances increased by 14.9% YoY, all other lender categories witnessed a decline in origination balances in Q3 2019.

ATS for PVT banks has dropped to INR 4.44 million in Q3 2019 from INR 4.76 million in Q3 2018. Similarly, ATS for NBFCs dropped to INR 1.20 million in Q3 2019 from INR 1.93 million in Q3 2018.

There is no shift in originations from consumers in below prime segment across lender types. Of the total originations in Q3 2019, 15.2% were from new to credit consumers compared to 23.3% in Q3 2018.

Balance-level 30+ and 90+ delinquency rates have increased YoY by 59 and 52 bps respectively in Q3 2019. This increase in delinquency rates is seen for NBFCs whose 30+ and 90+ delinquency rates have increased YoY by 135 bps and 59 bps respectively. Delinquency rates (balance-level 30+ and 90+) have improved on a YoY basis for PSU banks and remained stable for PVT banks. However, vintage delinquency rates have improved across lender types, indicating better credit selection by lenders.

## 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.

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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.

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

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

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

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

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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.

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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.

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Vintage analysis looked at all accounts originated in Q1 2018 and Q1 2019 and compared 30+ DPD delinquency rates of those new accounts 6 months later. Positive numbers indicate higher delinquencies for the more recent vintage, while negative numbers indicate lower delinquencies for the recent vintage.

## Risk Tier Definitions

RISK TIER	TRANSUNION CIBIL CREDIT VISION (CV) SCORE RANGE
Super prime	791–900
Prime plus	771–790
Prime	731–770
Near prime	681–730
Subprime	300–680
Note: <i>Below prime</i> refers to the 300 to 730 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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