

CreditScape: PERSONAL LOANS

DIGEST ON PERSONAL BANKING PRODUCTS

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INDUSTRY OVERVIEW

India is currently the sixth largest economy with projections of 7% plus annual GDP growth. According to World Economic Forum, the domestic private consumption which accounts for 60% of the country's GDP is expected to grow 4X to a USD 6 Trillion opportunity. According to Asian Development Bank, while the growth rate slowed down to 7% in 2018 from 7.2% a year before due to weaker agricultural output & curtailed consumption growth due to external factors, it is expected to rebound to 7.2% in 2019 & 7.3% by 2020 with fiscal policy measures for income support & bolstering the domestic demand.

Rising income levels, subdued inflation levels, rising urbanization & a shift towards aspirational spends continue to lead to consumption driven borrowings by individuals with personal loans becoming one of the most sought-after products for banks & new-age lenders.

Focus on salaried consumers, young demographics and raised aspiration levels are now being supported by more sourcing from digital channels, increased focus from neo-age lenders on unsecured lending, and instant approvals with powerful analytics, credit bureau data & alternate data. The personal loans book* size is 3.8 Lac Cr. The loans book continues to grow with a consistent 35% Y-o-Y growth over the last two fiscal years, while the portfolio at risk (amount) which is 91-180 days past due is around 0.6%.

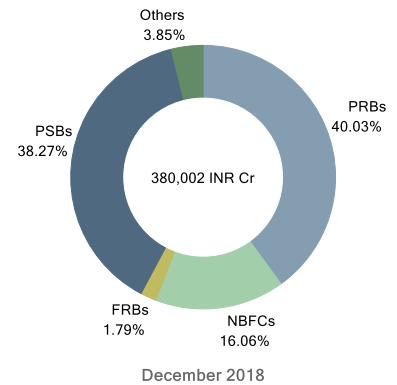
*The analysis provided in the report above is based on the data submitted as Personal Loan to the credit bureau till December 2018. This does not include other unsecured individual financing products such as consumer durable loans or special purpose loans such as education loans, etc.

PORTFOLIO OVERVIEW & SOURCING TRENDS

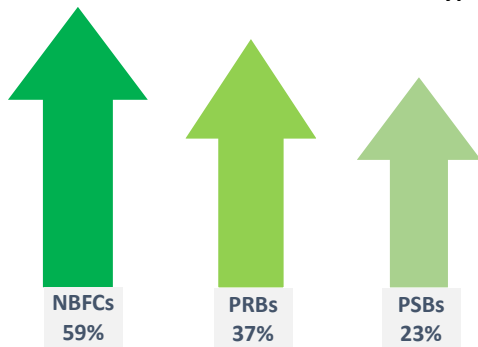


- As of December 2018, the Gross Loan Portfolio (GLP) of personal loans is Rs 3.8 Lac Cr
- Personal loans segment is now led by Private Banks with a market share of 40% of the loan book, closely followed by Public Sector Banks (38%), while Public Sector Banks were the market leaders a year back
- Non-Banking Financial Companies with a focus on small ticket personal loans indicate a 59% Y-o-Y growth in the loan book size as compared to Dec 2017
- Top 25 Institutions account for 90% of the GLP, 70% GLP is with top 5 players and 80% GLP with the top 10 players

Market Share



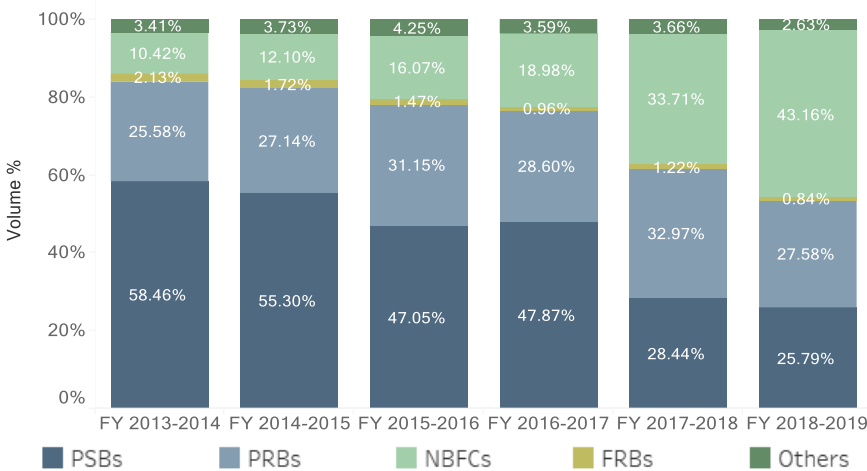
Y-o-Y Portfolio Growth: Across Lender Types



Market Leaders Composition



Sourcing Trends by Lender Type



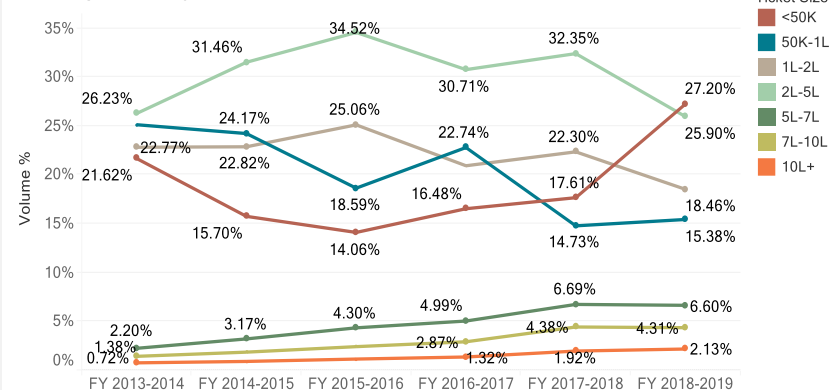
- Number of loans disbursed has increased by 2.5X between FY 2013-14 to FY 2017-18, with a CAGR of 25%
- Value of the loans disbursed saw an overall growth of 4X during the same period, with a CAGR of 37%
- Number of loans disbursed is up 18% in Q3 FY 2018-19 as compared to same period previous year while the value of the loans disbursed is up by 28% as compared to Q3 FY 2017-18

TICKET SIZE COMPOSITION

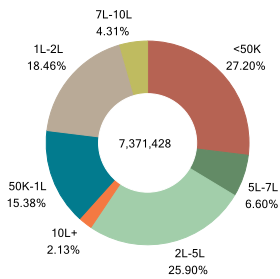


- National average ticket size is at 2L by December 2018, up by 10K in each of the last two years
- Non-Banking Financial Companies are dominant players (63%) in the small ticket personal loans (up to 2L) with 84% market share in number of loans disbursed up to 50K & 74% market share for loans up to 1L
- Private Banks have a ~40% market share in the number of loans disbursed in the 2L-5L segment, continue to grow in the 5L-10L ticket size segment (50% market share)

Sourcing Trends by Ticket Size

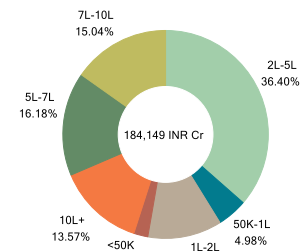


Sourcing Volumes - Ticket Size Share FY 2018-19 (up to Dec 2018)



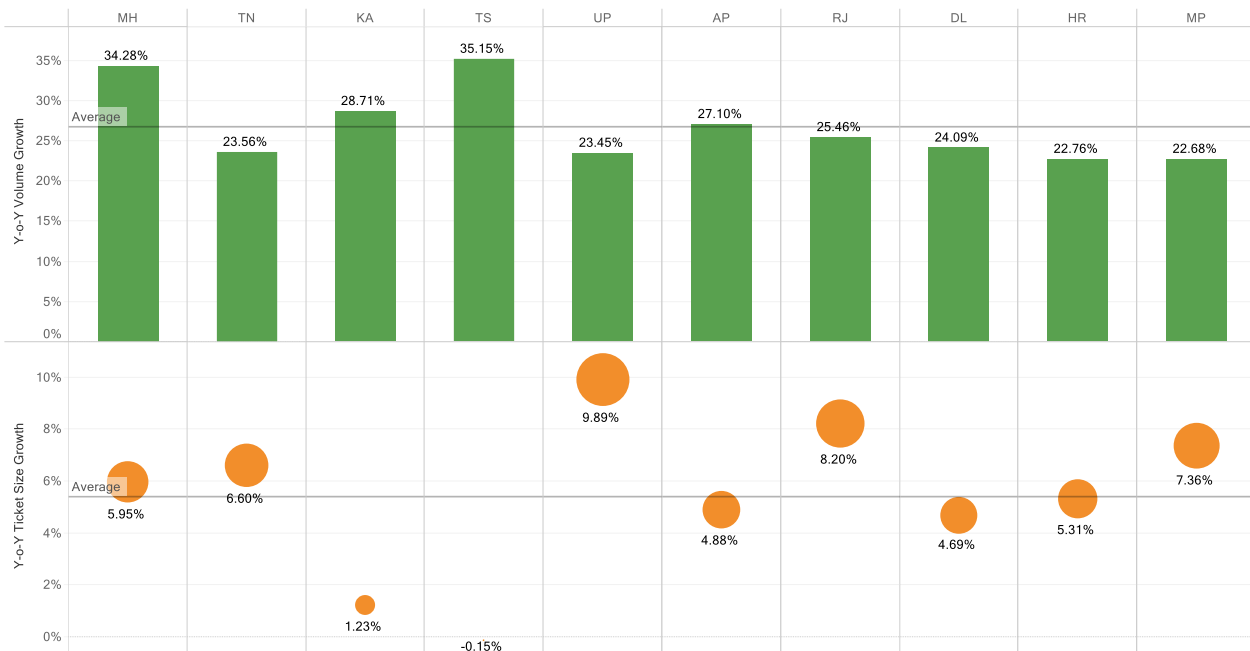
- Non-Banking Financial Companies have a 64% market share in number of loans disbursed in the <2L segment, 12% higher than same period last year
- 2L-5L loans dominate the market in both number and value of loans disbursed, where Private Banks have maximum (43%) share of the number of loans disbursed

Sourcing Value - Ticket Size Share FY 2018-19 (up to Dec 2018)



- The Y-o-Y growth rate in the number of loans disbursed is ~27% in the top geographies which account for 70% of the market
- Southern Region dominates the growth in number of loans disbursed but the average ticket size is observed to be nearly at the Dec 2017 levels, compared to eastern region with 9% & western region 8% higher ticket sizes, resp.
- Uttar Pradesh, Rajasthan & Madhya Pradesh indicate the highest growth in the ticket sizes while the growth in number of loans disbursed is below the national average level

Y-o-Y Growth in Volumes & Average Ticket Size



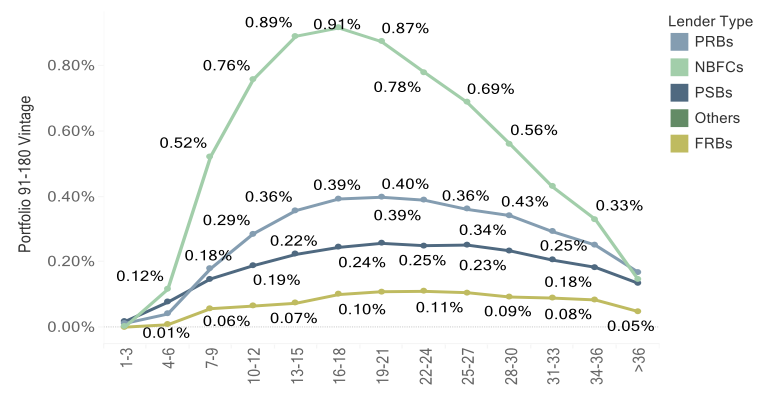
RISK PROFILE

Stressed Ticket Size Segments PAR 91-180

| | December 2017 | | | | | | | Total | December 2018 | | | | | | | Total |
|-------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| | <50K | 50K-1L | 1L-2L | 2L-5L | 5L-7L | 7L-10L | 10L+ | | <50K | 50K-1L | 1L-2L | 2L-5L | 5L-7L | 7L-10L | 10L+ | |
| PRBs | 4 Cr 0.21% | 20 Cr 0.51% | 78 Cr 0.60% | 203 Cr 0.45% | 37 Cr 0.24% | 31 Cr 0.20% | 50 Cr 0.30% | 422 Cr 0.38% | 5 Cr 0.26% | 27 Cr 0.61% | 112 Cr 0.74% | 306 Cr 0.54% | 76 Cr 0.36% | 67 Cr 0.28% | 101 Cr 0.34% | 693 Cr 0.46% |
| NBFCs | 39 Cr 2.79% | 61 Cr 1.52% | 108 Cr 1.25% | 112 Cr 0.79% | 14 Cr 0.42% | 11 Cr 0.39% | 24 Cr 0.59% | 369 Cr 0.96% | 64 Cr 2.20% | 113 Cr 1.52% | 221 Cr 1.53% | 192 Cr 0.92% | 19 Cr 0.38% | 18 Cr 0.42% | 55 Cr 0.90% | 682 Cr 1.12% |
| PSBs | 27 Cr 1.33% | 40 Cr 0.94% | 85 Cr 0.59% | 210 Cr 0.33% | 33 Cr 0.18% | 29 Cr 0.23% | 28 Cr 1.05% | 452 Cr 0.38% | 23 Cr 1.04% | 46 Cr 1.03% | 75 Cr 0.53% | 204 Cr 0.30% | 46 Cr 0.15% | 36 Cr 0.17% | 23 Cr 0.44% | 452 Cr 0.31% |
| Others | 28 Cr 5.83% | 35 Cr 5.67% | 88 Cr 6.88% | 154 Cr 3.93% | 8 Cr 2.17% | 19 Cr 3.76% | 47 Cr 5.30% | 379 Cr 4.70% | 59 Cr 7.63% | 69 Cr 7.33% | 140 Cr 7.44% | 218 Cr 3.68% | 27 Cr 1.96% | 31 Cr 1.70% | 96 Cr 5.16% | 641 Cr 4.39% |
| FRBs | 0 Cr 2.73% | 1 Cr 0.91% | 3 Cr 0.73% | 7 Cr 0.37% | 2 Cr 0.26% | 2 Cr 0.13% | 2 Cr 0.19% | 16 Cr 0.30% | 0 Cr 1.02% | 1 Cr 0.63% | 3 Cr 0.61% | 6 Cr 0.28% | 2 Cr 0.22% | 2 Cr 0.13% | 1 Cr 0.09% | 15 Cr 0.22% |
| Grand Total | 98 Cr 1.72% | 157 Cr 1.22% | 361 Cr 0.96% | 686 Cr 0.53% | 94 Cr 0.25% | 92 Cr 0.28% | 150 Cr 0.60% | 1,638 Cr 0.58% | 151 Cr 1.93% | 255 Cr 1.48% | 551 Cr 1.20% | 926 Cr 0.60% | 170 Cr 0.29% | 155 Cr 0.29% | 276 Cr 0.62% | 2,484 Cr 0.65% |

- Industry average for PAR 91-180% stands at 0.65% by December 2018, up 0.07% from December 2017
- Private Banks have more than 50% share of overall written off loans, both in terms of number and value of loans disbursed with high written off amount for ticket size up to 5L
- Non-Banking Financial Companies indicate peak stress for portfolio overdue 91-180 at 13-15 MOB

Portfolio 91-180 Vintage

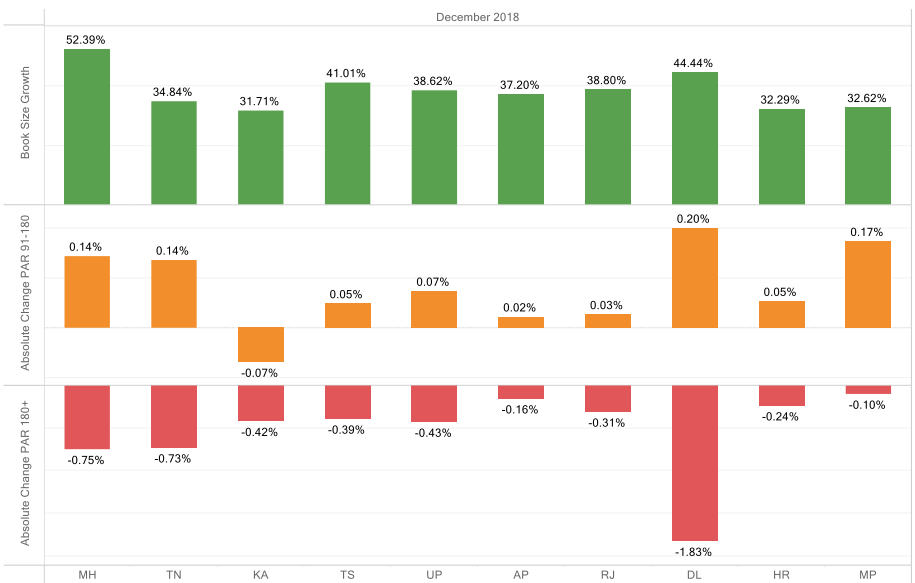


Ratio of the Portfolio 91-180 days past due as a ratio of the Total Sanctioned Amount, observed at various months on book.

REGIONAL MIX – STATES

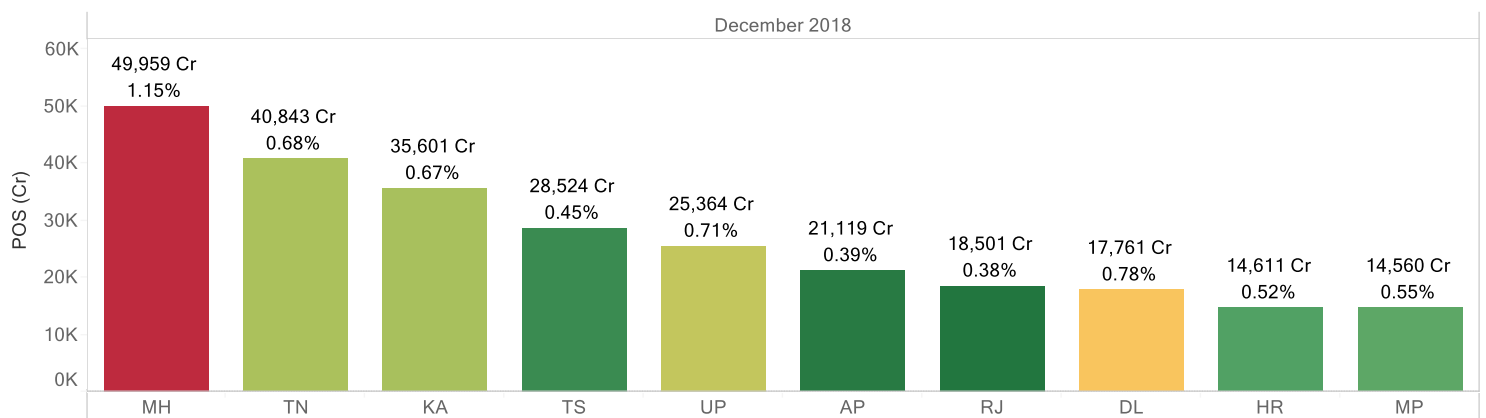
- Top 10 states constitute 70% of the total GLP of personal loans, as of December 2018, southern India constitute 35% of India’s GLP
- The top 10 states indicate deterioration in the PAR 91-180%, with Delhi being the worst, followed by Madhya Pradesh, Maharashtra & Tamil Nadu
- Y-o-Y absolute change in PAR 180+ in the Top 10 states indicates older book prior to December 2017 as well as some sourcing from 2018 which is 180+ days past due has been written-off

States Y-o-Y Portfolio & Risk



- Maharashtra, Delhi, Uttar Pradesh have higher PAR 91-180 as compared to national average PAR 91-180
- Telangana, Andhra Pradesh & Rajasthan have lower PAR 91-180 as compared to national average PAR 91-180

Top States

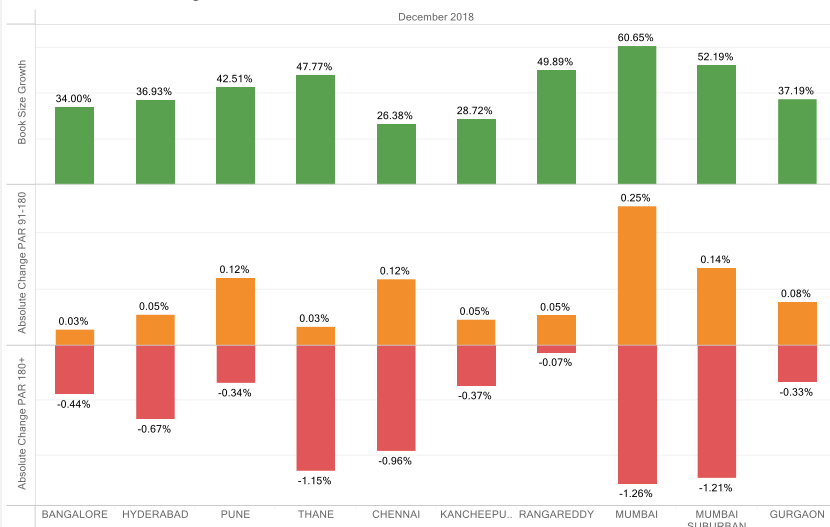


REGIONAL MIX – DISTRICTS

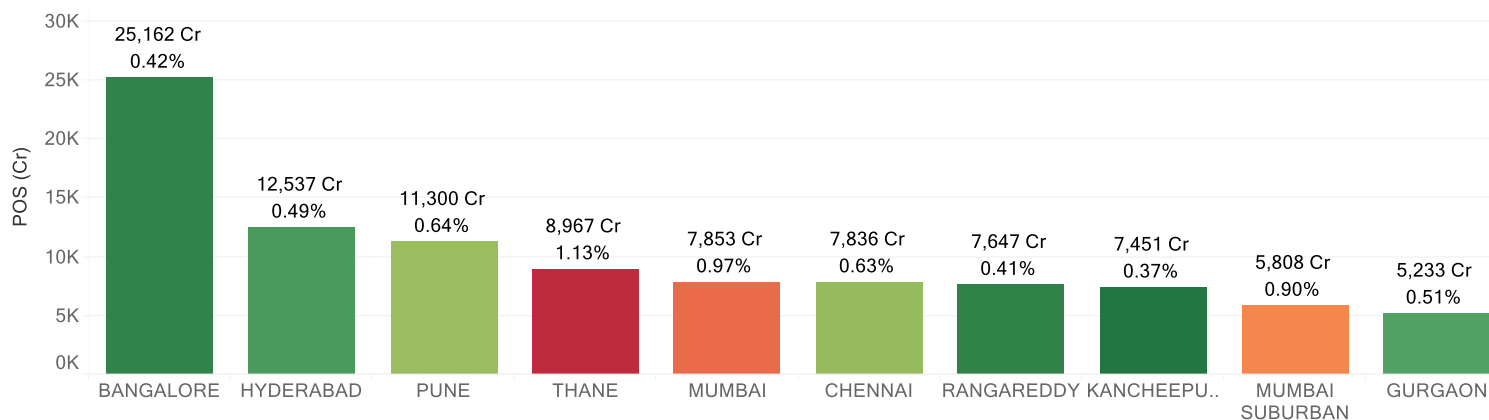


- Top 10 districts have 26% of the national GLP for personal loans with 40% Y-o-Y growth in book size & 0.60% PAR 91-180
- In the top 10 districts, ~ 60% of the market is captured by Private Banks with 34% Y-o-Y growth in the book size
- Non-Banking Financial Companies have gained market share by 2% with a 58% Y-o-Y growth in the book size in the top 10 districts

Districts Year on Year Change in POS & PAR 91-180 %

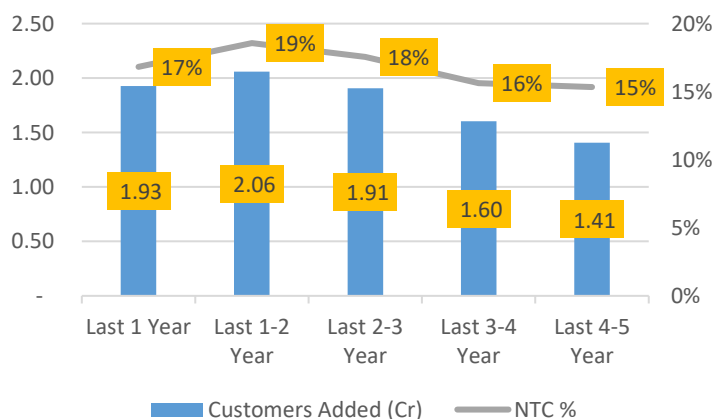


Top Districts

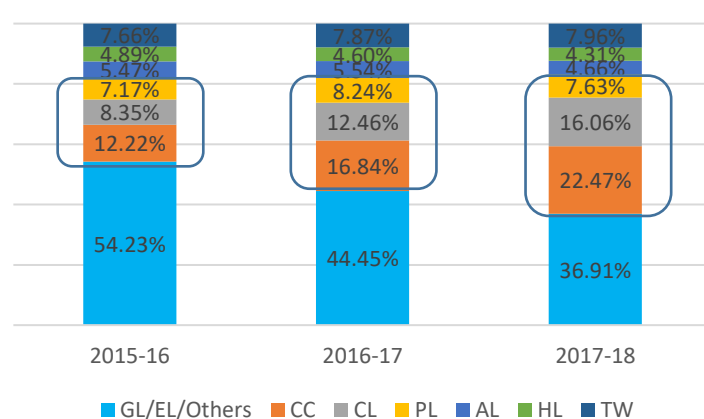


RETAIL FINANCE – NEW TO CREDIT (NTC) TRENDS

Retail - NTC Base & NTC %



Retail NTC - Product Mix



- Retail finance (inclusive of unsecured instalment loans, secured instalment loans, credit cards) accounts for nearly 18% new to credit (NTC) customers in the last three years - borrowers who have taken loans for the first time ever as observed in the Credit Bureau Database
- Unsecured loans (personal loans, consumer loans, credit cards) account for ~46% of the total NTC customer base, which is ~9% higher share than previous year and 19% higher share than what it was two year back

*NTC % is calculated as the ratio of the NTC Base in a specific year & Total Live Retail Customer Base as of that year

*Retail NTC Product Mix indicates the share of the NTC Base by the Type of Retail Finance with which the customer has been observed to enter in retail finance

LIST OF ABBREVIATIONS



| ABBREVIATIONS | DESCRIPTIONS |
|---------------|---------------------------------|
| GDP | Gross Domestic Product |
| CAGR | Compound Annual Growth Rate |
| GLP | Gross Loan Portfolio |
| PSBs | Public Sector Banks |
| PRBs | Private Sector Banks |
| FRBs | Foreign Banks |
| NBFCs | Non-Banking Financial Companies |
| MOB | Month on Book |
| NTC | New to Credit |

*The Y-o-Y comparison are based on December 2018, December 2017 and December 2016.

*The sourcing market share is based on 9 months data from Apr-Dec of respective years while the sourcing growth is based on calendar year comparison.

About CRIF High Mark

**CRIF in INDIA - partner for all your credit related requirements**

CRIF in India, now offers products and services for Credit Information, Business Information, Analytics, Scoring, Credit Management and Decision solutions in India.

CRIF operates CRIF High Mark, India's leading credit bureau, which has largest database of individual records and supports millions of lending decision every month. CRIF High Mark is India's first full-service credit bureau covering all borrower segments – MSME/Commercial, Retail and Microfinance. CRIF High Mark works with all leading financial institutions in the country, providing them a comprehensive bureau coverage using its proprietary 'Made in India for India Search Engine', proven to work even with low quality data.

We bring our global expertise in Analytics, Scoring, Credit Management and Decision Solutions to India through our centre of excellence at Pune. Our team of expert data scientist and statisticians bring together years of experience in developing bespoke scorecards for Origination, Marketing and Collections for Financial Services, Insurance or Telecom sectors.

We bring together best of both worlds – comprehensive data and sophisticated dedupe technology for India along with global best practices, expertise in scoring and top-rated credit management software solutions – to add most value to our clients.

CRIF High Mark strives to keep its data accurate and up to date. The Analysis in this report is based on the trade line as submitted to the Bureau by the member institutions and the customer base enquired with the Bureau as part of the portfolio review. The results are NOT to be construed or used as a "legal description". CRIF High Mark does not assume any liability for any errors, omissions, or inaccuracies in the data provided regardless of the cause of such or for any decision made, action taken, or action not taken by the user in reliance upon any data provided herein. The contents of the report shall not be reproduced in part or whole without permission from CRIF High Mark Credit Information Services Pvt. Ltd.

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