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Credit lending market continues to see robust growth: Report

BY ET BUREAU | UPDATED: DEC 19, 2018, 05.32 PM IST

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Retail lending continues to see robust growth in volume and transactions across all portfolios, geographies and age-groups as rising aspirations of Indian consumers continues to power [India's consumption growth](#).

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Credit accounts saw 28% growth in origination to reach 107 million accounts and aggregate balance of all retail lending products saw 21% growth to reach Rs.28.9 trillion, in the third quarter of 2018 compared to year ago quarter, according to latest industry report by credit information company CIBIL Trans Union.

The increase was a result of a 28% year-over-year increase in total account volumes accompanied by 5% decline in average balance per account, the report found.

The broad trend of volume expansion accompanied with a decline in average account balance is due to the increasing proportion of short-term, low ticket size consumption lending such as credit cards and [personal loans](#). The share of consumption lending products as a percentage of total origination account volumes increased from 71% in Q2 2016 to 75% in Q2 2017 and further on to 78% in Q2 2018.

As of June 2018, approximately 79 million consumers had access to a live retail lending facility – an increase of 25% over the previous year signifying an increasing base of retail lending consumer base.

“We are in the midst of a robust Indian consumer credit market expansion where we are seeing immense growth in both the number of accounts and balances for most major credit products, including credit cards and personal loans,” said Yogendra Singh, Vice President of Research and Consulting for [TransUnion CIBIL](#).

According to the report, the industry continues to be driven primarily by urban demographic, with Tier 1 cities accounting for 49% and 38% in aggregate origination balances and origination volumes respectively in Q2 2018. Tier 1 cities also accounted for half of the average retail financing in the current quarter, primarily due to significantly higher share in high value products like mortgages and loans against property.

Credit cards were also found to be the most concentrated product with the Tier-1 cities accounting for around three-fourths of the aggregate balance sheet, the report said.

“As we’ve observed in the past, the growth has been primarily driven by those consumers living in major Indian states. This quarter, we also noted that millennials and [Generation X consumers](#) are driving much of this growth and comprise well over half of all accounts and balances,” Singh added.

Consumers in the 30-49 years age group continued to be a mainstay of the market with 56% of the total number of credit-active consumers and 60% percentage of total balances. The youngest borrowers -- between the age group of 20 and 29 -- are making gradual inroads into the consumer credit market with a balance growth from 17.5% in Q3 2015 to 19.7% in Q3 2018.

Delinquency rates for most major retail lending products declined or remained relatively stable over the year ended Q3 2018, with an exception of loans against property, which saw a year-over-year delinquency increase of 73 bps.

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