

Unsecured lending categories drive consumer credit growth

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The rate of consumer lending in India is still significantly higher than other major economies in the world

Consumer durable loans, credit cards and personal loans grew 31% in the last quarter of 2018: TransUnion CIBIL

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Consumer credit continues to be the key driver of the Indian economy on the back of strong growth in unsecured lending categories such as credit cards, personal loans and consumer durable loans.

Between them, at a total balance level, these categories grew 31.3 per cent year-on-year (y-o-y) in the last quarter of calendar year 2018, according to TransUnion CIBIL.

Secured lending categories – loans against property (LAP), auto loans and home loans – experienced more moderate total balance growth by comparison, expanding at the still-robust levels of 21.8 per cent, 17.4 per cent and 17.1 per cent, respectively, over the year ended CYQ4 2018, the credit information company said in its industry insights report.

These healthy growth levels demonstrate that credit demand by Indian consumers remains strong, and lenders have continued to make credit available to borrowers to meet that demand, it added. “Although GDP growth has decelerated in recent quarters, the rate of overall consumer lending growth in India is still significantly higher than for most other major economies in the world,” said Yogendra Singh, Vice-President of Data Science and Analytics, TransUnion CIBIL.

Singh elaborated that as Indian lenders continue to increase in size and complexity, and look to expand the universe of consumers they can prudently extend credit to, they are evolving their underwriting capacity and sophistication accordingly with new data sources and analytic tools.

Potential headwinds

This continued evolution in capabilities is increasingly important in maintaining retail lending growth as external factors such as funding availability and the global economic outlook present potential headwinds, he added.

Referring to data from Oxford Economics, the Trans Union Cibil report said y-o-y GDP growth for India slowed to 6.6 per cent in CYQ4 2018, compared to 7 per cent in the third quarter, and levels above 7 per cent in the first half of 2018.

All major consumer lending products experienced double-digit percentage growth in the total number of accounts in the fourth quarter. The total number of accounts in the case of credit cards increased 28.6 per cent y-o-y to 3.78 crore, with the average balance per borrower nudging up by only 0.3 per cent to Rs. 35,000.

The total number of accounts in the case of personal loan increased 29.3 per y-o-y to 1.60 crore, with the average balance per borrower going up by 5.2 per cent to Rs. 2,61,000. The total number of accounts in the case of home loans rose by 10.5 y-o-y to 1.35 crore, with the average balance per

borrower increasing by 17.9 per cent to Rs. 19,11,000.

Auto loans

The total number of accounts in the case of auto loans climbed 11.1 per y-o-y to 1.11 crore, with the average balance per borrower going up by 8.3 per cent to Rs. 40,900.

In the case of loans against property, while the total number of accounts jumped by 30.4 y-o-y to 19 lakh, the average balance per borrower came down by 13.6 per cent to Rs. 30,85,000.

“It is clear there is still significant demand for credit among Indian consumers, with enquiries increasing 40 per cent y-o-y in CYQ4 2018. However, supply has not quite kept pace and approval rates have displayed a consistent declining trend from Q1 2017 onwards.

“This effect is driven by an increasing percentage of non-prime, higher-risk consumers entering the credit marketplace, and shows lenders are actively managing their risk exposure and thus the profile of their overall portfolio,” said Singh.

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