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Retail loans show signs of stress

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Mumbai: The last strong **bastion** of Indian banks is on a shaky ground, with early signs of a stress build-up in retail loans starting to surface, show data compiled by a credit information company.

CRIF High Mark's analysis of a retail loan portfolio of 35,000 crore at the end of the quarter through June showed that consumers were delaying payments, raising worries over a rise in delinquencies in these portfolios.

Of the portfolio it analysed, loans at risk of delinquency in 30-90 days were 3% at the end of June. Segment-wise assessment of the auto loan portfolio showed that at least 4.13% of the 4,500 crore loans disbursed were at risk of default.

"Our assessment has shown that there is a 30 bps (**basis point**) increase in the portfolio-at-risk - 31-90-day payable has increased by 74 bps for two-wheeler loans and 9 bps for auto loan in the June period over March," said Parijat Garg, a senior vice president at CRIF High Mark.

"For the 91-180-day period, the portfolio-at-risk for two-wheeler loans rose by 30 bps and for automobile loans by 20 bps."

Banks which have been pushing retail credit for more than five years because of a surge in defaults in corporate credit have built up risks in that segment by compromising on underwriting standards.

There is a slight uptick in defaults by individuals, as their incomes are stagnating and some are losing jobs due to poor profitability and bankruptcies at many companies.

Developments at infrastructure financier IL&FS last year and the subsequent credit squeeze in the non-bank lending sector have exacerbated the woes.

"There is clearly a cash-flow issue and some liquidity problems for individual borrowers but so far people have been able to manage. Therefore, if you look at the data closely, the delinquencies in the above 90-day period have not spiked that much," said Lalitabh Srivastava, an analyst at Sharekhan, a unit of **BNP Paribas**.

"However, these numbers will have to be watched because alarm bells are ringing though it is not ringing as loudly."

The banking system's exposure to unsecured loans has risen to an all-time high, RBI data showed.

Credit card outstanding grew to 94,000 crore at the end of July versus 74,300 crore a year earlier. Overall personal loans grew to 22.7 lakh crore versus 19 lakh crore last year.

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