Printed from
THE TIMES OF INDIA

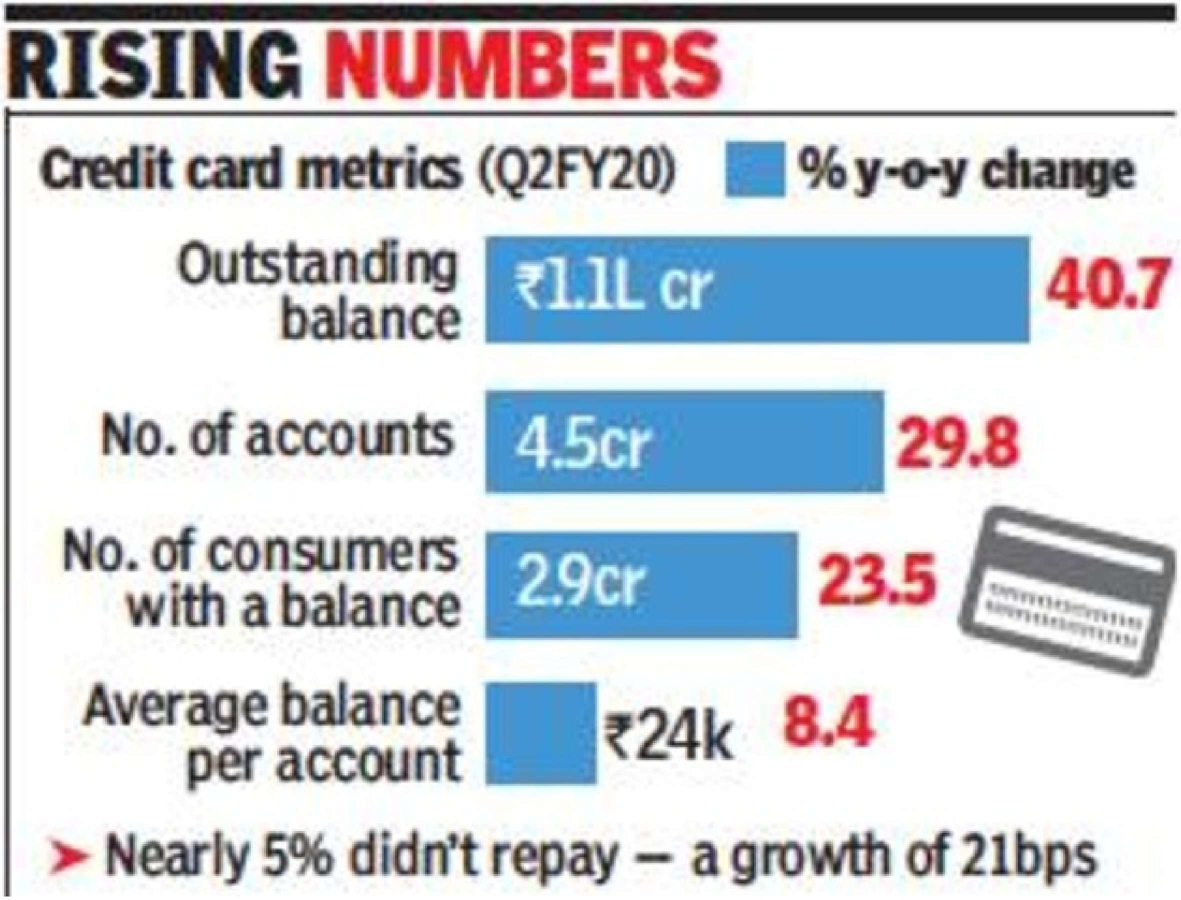
# Unsecured consumer loans grow most, credit card dues at Rs 1 lakh crore

TNN | Jan 16, 2020, 04.00 AM IST

MUMBAI: Credit card balances and personal loans have recorded the highest growth rates as lenders expand the market, providing finance to those who had not borrowed before. Credit cards and personal loans recorded growth rates of 40.7% and 28%, respectively, year-on-year (YoY) in July-September (Q2FY20).

Unsecured loans are growing even as secured retail advances such as auto loans, loans against property (LAP) and home loans saw moderate rates of balance growth at 10.3%, 11.6% and 10.0%, respectively, according to TransUnion CIBIL's Q2FY20 Industry Insights Report.

Credit card balances and number of accounts increased YoY by 40.7% and 29.8% respectively taking total balances to Rs 1,09,000 crore and number of active cards in circulation to 44.5 million (see graphic). Balances of private card issuers increased by 50.7% YoY, while for other card issuers increased by 26.9% YoY.




In the case of personal loans, outstanding grew 28% to Rs 4.3 lakh crore, which is now almost on a par with auto loans which have a base of Rs 4.38 lakh crore (10% growth). Personal loans are still less than a fourth of home loans, which stood at Rs 19 lakh crore (growth of 10% again).

According to bankers, the growth in unsecured loans is driven by an expansion of the market, given that personal loans (excluding mortgages) as a percentage of gross domestic product is much lower than other emerging markets. Lenders like HDFC Bank have been expanding this market using technology in the form of analytics to automate lending. Besides banks, non-banking finance companies (NBFCs) have a large chunk of unsecured finance loans.

“Our findings suggest the shift toward consumption lending categories is becoming more sustained and is supported by a strong demand for these products. Consumer inquiry volumes for personal loans and credit cards increased significantly over the period, whereas we saw inquiries were broadly unchanged or slightly down for loans against property and home loans.” said TransUnion CIBIL vice-president (research and consulting) Abhay Kelkar.

“This change in demand might, in part, be driven by consumer sentiment and wider macroeconomic pressures. Flattening demand for large-ticket asset purchases is causing slower asset finance loan originations, while consumers may be increasingly turning to consumption credit products to help finance day-to-day living expenses. This shift in consumer credit demand warrants ongoing monitoring to understand the impact on lender portfolios.”Also, growth in consumer lending is no longer concentrated in metro locations. Lenders have increased credit penetration to less densely populated geographies as part of their expansion strategies. Consumers in semi-urban and rural areas have also shown increased willingness to seek loans from formal lending institutions.

The increase in delinquency rates was not uniform and was most pronounced for loan against properties, which was up 52 basis points (100 bps = 1 percentage point), 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).