FACETS

Fintech lending trends from FACE members, Mar 2022

Issue 1

Introduction

We are delighted to present this report, FACETS, presenting trends from FACE members' data for the first time.

The fintech lending industry is fast evolving and growing and comes with ever-increasing diversity in terms of business model, customer segments and products. Our members are no different and amongst them, we see significant variations in terms of scale, segment, ticket sizes and geographical outreach among others.

In this brief report, we have tried to give a flavour of fintech lending done by FACE members. While much of it may look obvious and intuitive, hard data lends authenticity and credibility to what we know.

On the basis of an industry report capturing fintech lending volumes, we estimate that FACE members account for nearly 50% of the retail fintech lending industry and even higher for the personal loan category. And therefore, the data presented here are generally representative of the fintech retail/personal loan lending industry.

This being the first report, we begin with key fundamental data points, which are widely and easily available to our members. In future issues, we will expand the canvas to bring other relevant and fascinating facets to improve our understanding of fintech lending and support business and policy decisions to truly realise the promise of fintech lending for customer empowerment.

Notes

The report has data from 12 FACE members directly lending to customers either as a balance sheet lender and/or as a platform working with balance sheet lenders (mostly NBFCs)

The report presents data and analysis on the basis of disbursement volumes in FY 21-22, unless otherwise specified

All data points are not always universally captured across member companies. We have removed 'not available' data from the data set to present analysis for the sample where data is available. In a couple of cases, where data from specific lenders are skewing the analysis, we have removed their data in the overall analysis to give a more representative picture. Please refer to specific notes for such treatments

The analysis presented here is on the basis of data supplied by members and due care has been taken to ensure the quality/accuracy of the data

We thank our members for their trust in sharing their data and perspectives to prepare this report

Summary

Last financial year (FY 21-22), FACE member companies gave more than 2.66 Cr loans crossing a little over Rs 18,000 Cr. The southern region accounts for 44% of disbursement volume, and the top 7 states account for 71% of the loan volumes

For FACE member companies, nearly three fourth of the loan value disbursed in FY 21-22 were through the own-balance sheet and the remaining in partnership with other regulated entities, usually NBFCs

In terms of products, unsecured (100%), personal loans (98%), small ticket (avg ticket size ~ Rs 14k) and short-term (tenure <3 months: 54%) are the most popular
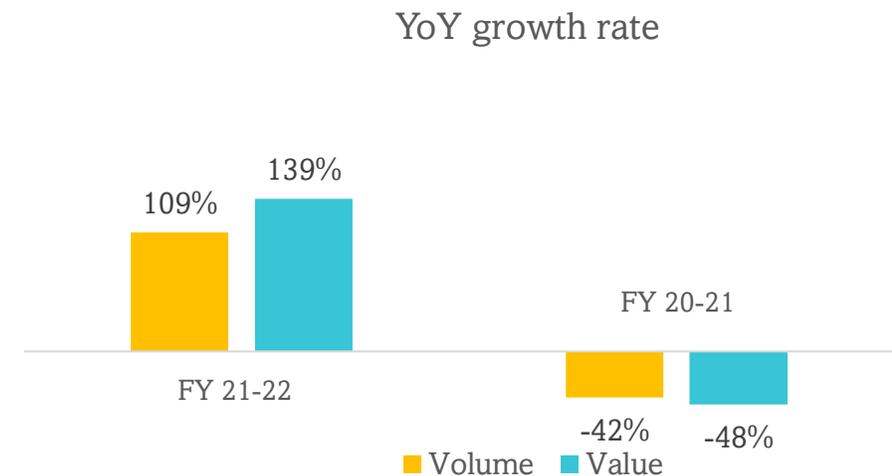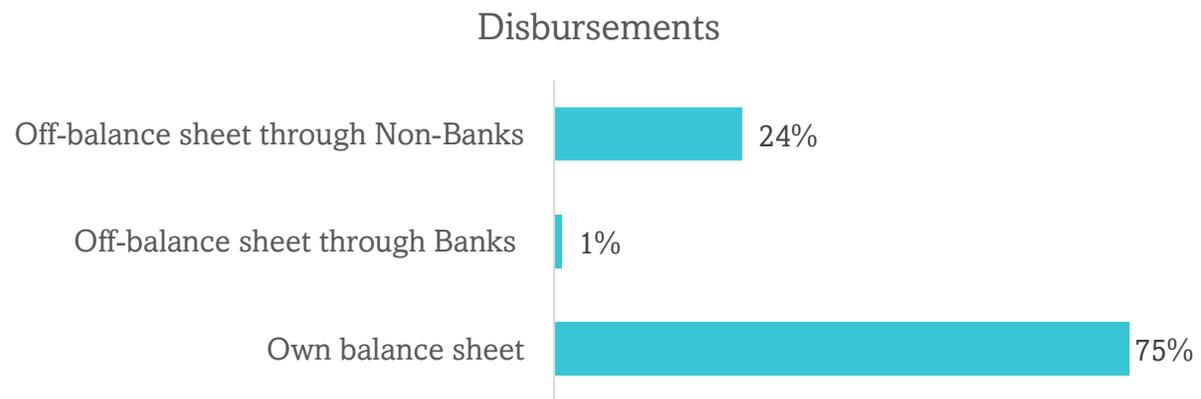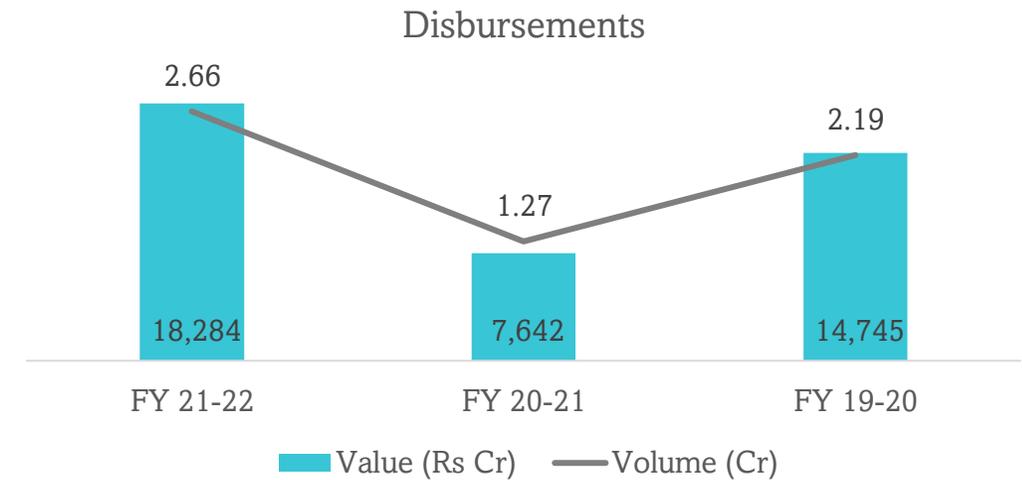
Overall, males (90%), young (<30 years: 58%), educated (graduate+: 79%), and low-income individuals (individual annual income <Rs 3 lakh: 61%) dominate the personal credit market segment, though wide variation amongst lenders in terms of customer segments. Both salaried and non-salaried are fairly represented in disbursements

Key components of pricing vary, ranging (maximum to minimum for the average) from 1.5%-4.9% for the processing fee and 13.5%-35.5% for the interest rate, with differences within the lenders

Last year (FY 20-21), personal loan origination was nearly 240 lakh with small ticket loans (<Rs 1 Lakh) accounting for half of the volumes. NBFCs contributed to 80% of origination volumes. (Source: How India Lends, CRIF)
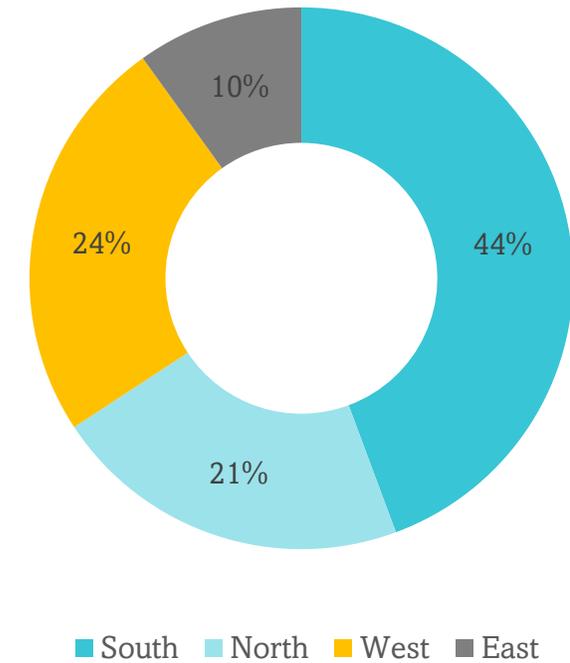
Disbursements gear up

On an aggregated basis, member companies reported disbursing 2.66 Cr loans totalling over Rs 18,000 Cr, a YoY growth of over 100% in FY 21-22 compared with significant degrowth in the previous year due to covid induced challenges. Importantly, both small and large lenders showed growth trends. This is obvious considering the impact of covid in the previous year and the subsequent economic recovery last year. Due to factors unique to each lender, there is a significant variation in growth rate with some lenders (having a low base last year) multiplying the business by 10X and more. Therefore, benchmarking the growth rate is not quite meaningful here but the underlying trend is back to growth. For FACE members, three fourth of disbursements were done through their own balance sheet.

Disbursements

Legend: Value (Rs Cr) — Volume (Cr)

FY 21-22: 2.66 / 18,284
FY 20-21: 1.27 / 7,642
FY 19-20: 2.19 / 14,745

Disbursements

- Off-balance sheet through Non-Banks: 24%
- Off-balance sheet through Banks: 1%
- Own balance sheet: 75%

Balance sheet share for the value of loans disbursed in FY 21-22

YoY growth rate

FY 21-22: Volume 109%, Value 139%
FY 20-21: Volume -42%, Value -48%
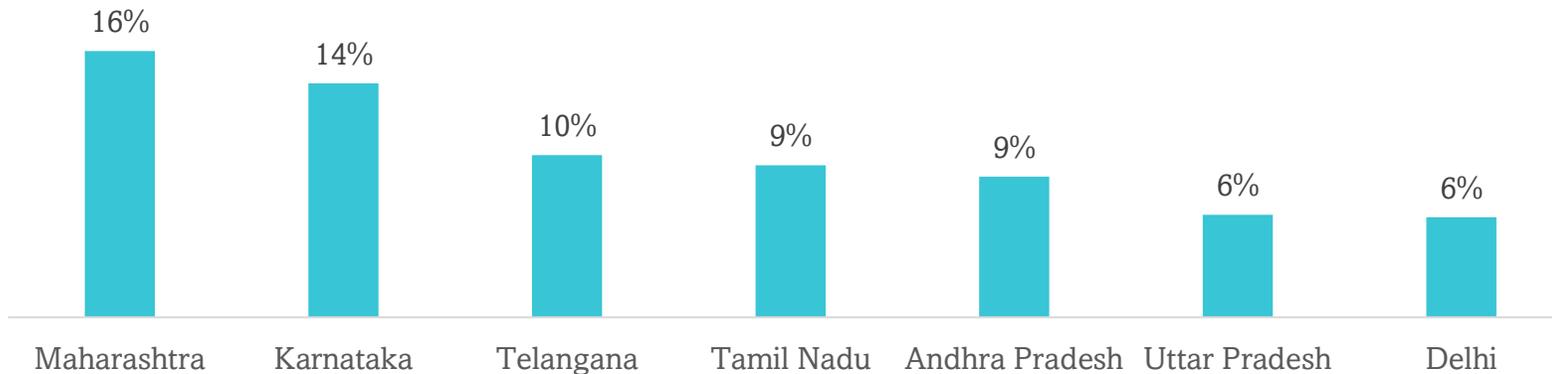
Legend: Volume — Value

Lending everywhere but more in south

The fintech model is unique to allow lending in geographies otherwise hard to reach. FACE member companies reported lending volumes in all states and union territories except one. However, like other retail credit markets, the southern and west regions lead in overall volume. The top seven states in terms of digital lending business (value of loans) together account for more than 70% of the aggregated business.
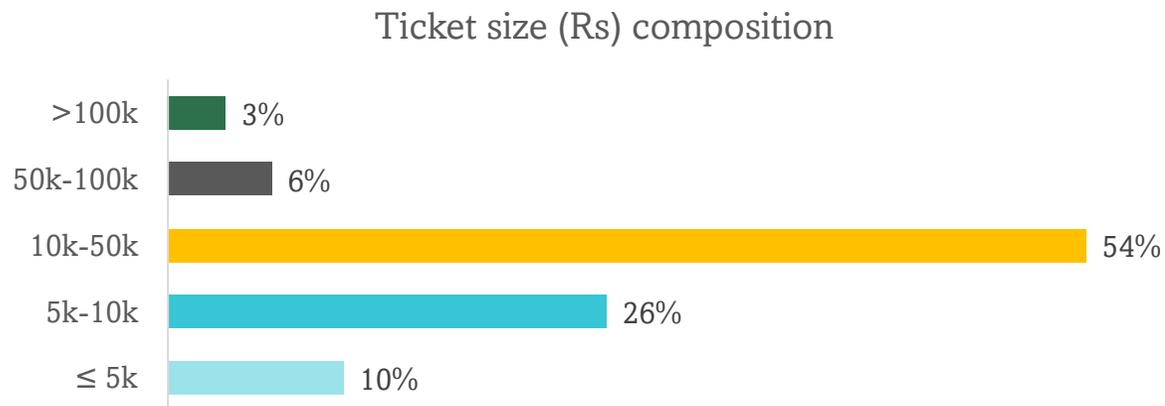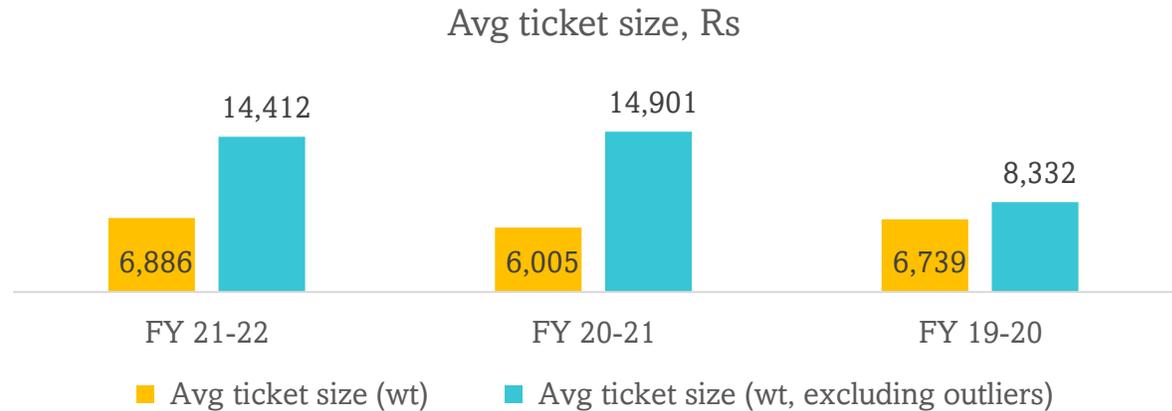
Regional spread

Top states (share in loans >5%)

Maharashtra	16%
Karnataka	14%
Telangana	10%
Tamil Nadu	9%
Andhra Pradesh	9%
Uttar Pradesh	6%
Delhi	6%

Regional spread: South 44%, North 21%, West 24%, East 10%

■ South   ■ North   ■ West   ■ East

Percentages here are based on the value of loans disbursed in FY 21-22

Unsecured, personal, small-ticket loans

As it is well known, fintech lending is unsecured lending for small ticket and short-term personal loans. Data from FACE members confirm 100% unsecured lending and 98% categorised as personal loans. However, beneath this generalisation, lies much diversity. The wholesale labelling as personal loans masks the diverse use case - business, emergencies, consumption, and education for customers (mostly low-mid income individuals). In terms of ticket size, while the aggregated average is about Rs 7k, avg ticket size varies across lenders. Still, for most lenders, the majority of loans are in the range of Rs 10k-50k.

Avg ticket size, Rs

FY 21-22: 6,886 / 14,412
FY 20-21: 6,005 / 14,901
FY 19-20: 6,739 / 8,332

■ Avg ticket size (wt)   ■ Avg ticket size (wt, excluding outliers)

Ticket size (Rs) composition

>100k — 3%
50k-100k — 6%
10k-50k — 54%
5k-10k — 26%
≤ 5k — 10%

## Avg ticket size across lenders (excluding outliers)

Avg ticket size is the weighted average for aggregated data, including all lenders but excluding outliers. The chart on ticket size composition and avg ticket size across lenders excludes outlying data skewing the overall picture.

Loans are usually short-term

In the current business model and customer segment, loan tenors are usually short, with 80% of the aggregated volumes concentrated in <6 months loans. However, amongst lenders, the composition of loan tenures varies from the entire volume in less than a 3-month tenure to all in 12-month tenure and mixed compositions for some.
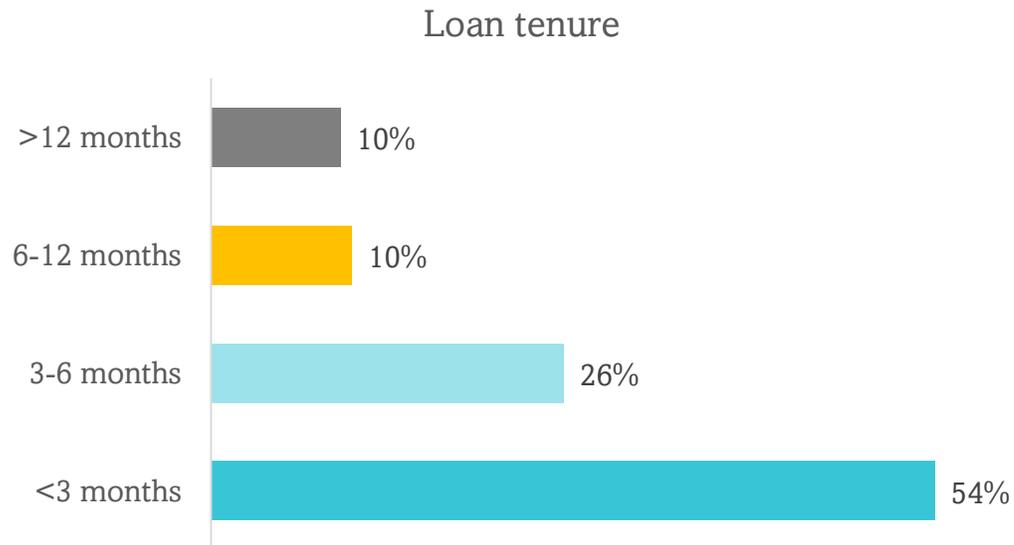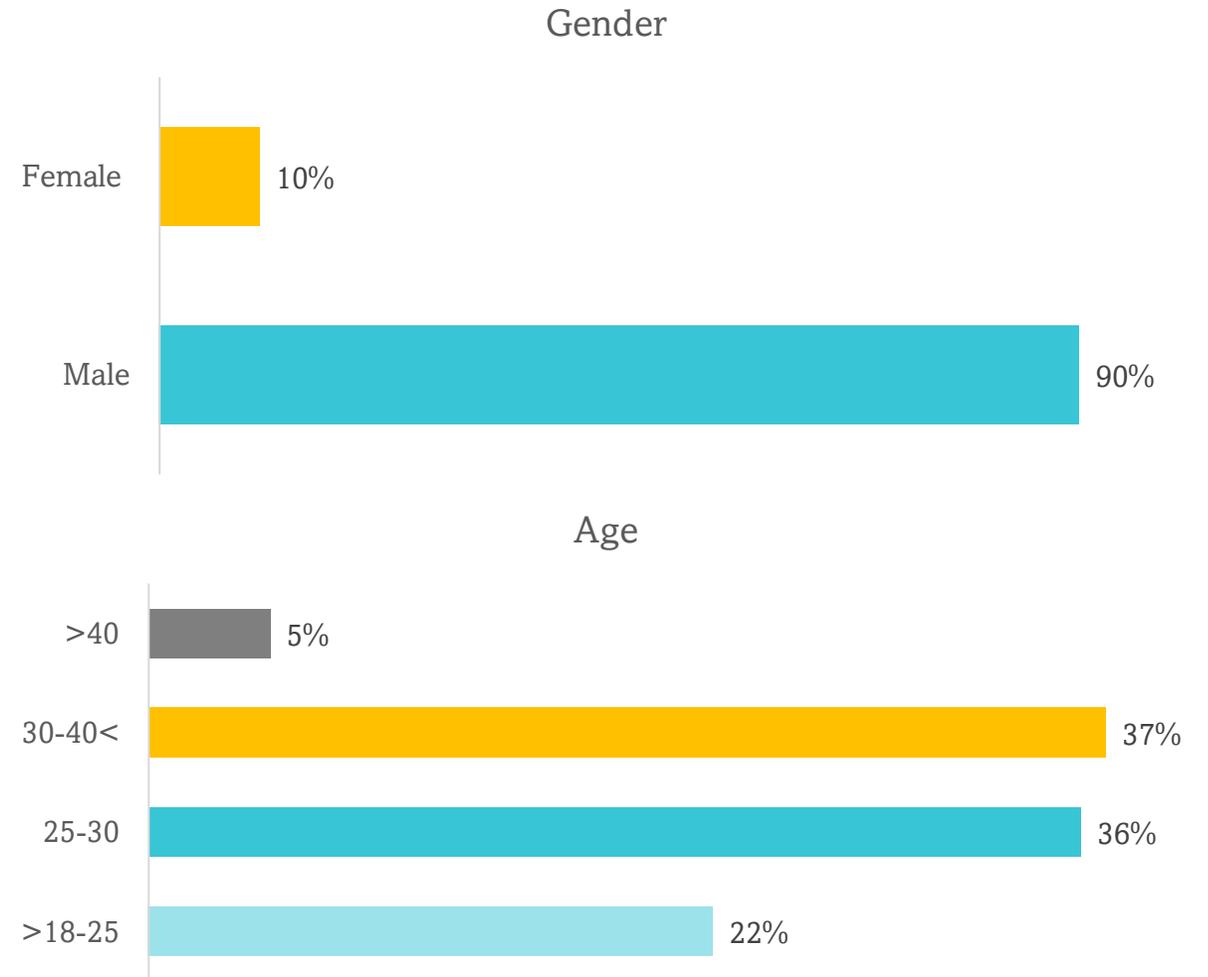

Loan tenure

Loan tenure composition across lenders
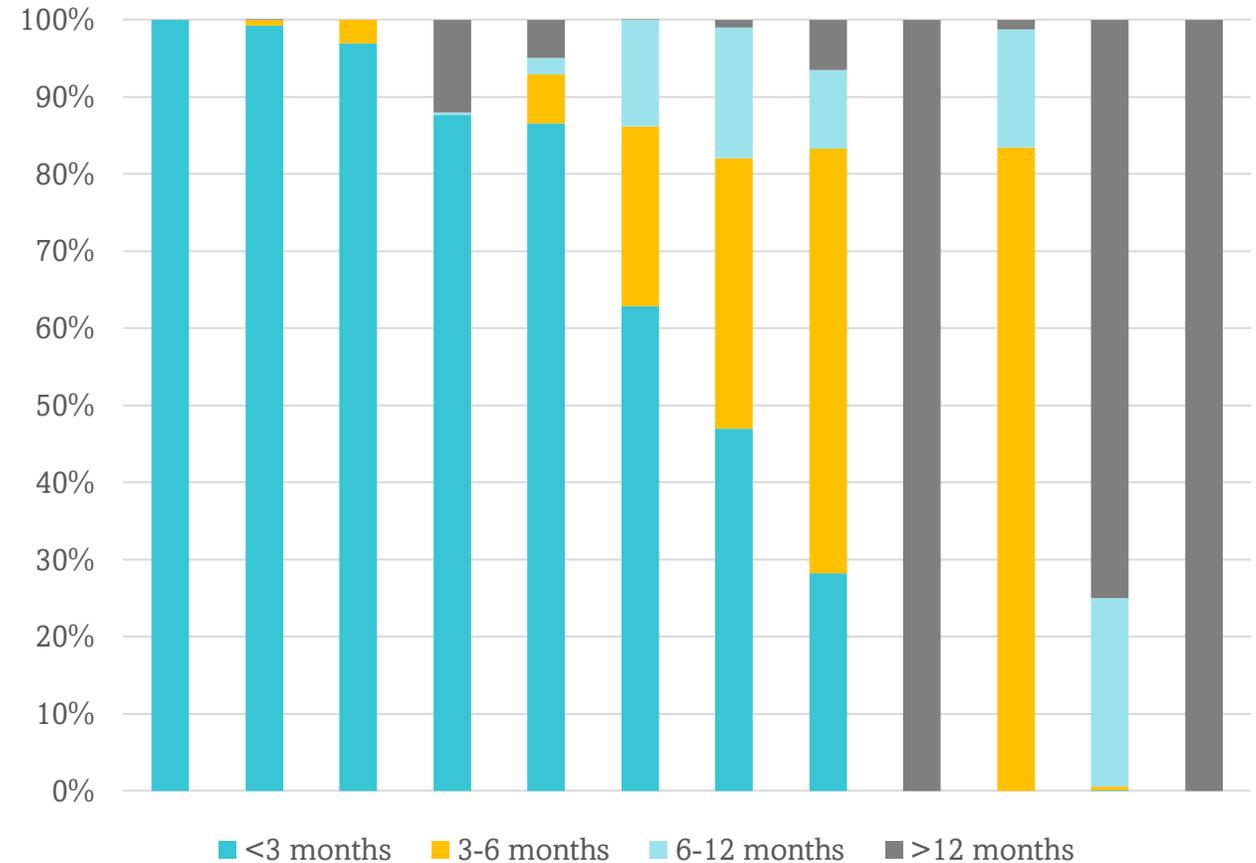
For analysis on tenure, data of a lender with predominantly <3 months loans are removed to give a representative position. Each bar in the chart (loan tenure composition across lenders) represents a lender and mix of loans in different tenures.

Young men dominate the market segment

Men are overly represented in the loan volumes. The gender gap is the only consistent factor across the lenders, without much differentiation, ranging between 83% to 92%. This is intriguing and perhaps many factors influence the outcome including much talked about social-cultural norms, employment, access to smartphones and preference for financial products.

Working adults between the age group 18-30 years account for over half of the loans last year and the age group 18-25 years account for over one-fifth of loans. It is known all too well that young adults, particularly in low-income segments, face peculiar barriers in accessing credit from the traditional formal market. Fintech lenders have been able to serve this customer base, using alternate data underwriting tools and providing small unsecured digital credit fast and conveniently. Access to fintech lending also enables young and often new to credit customers to build their credit history and access other types of credit.

Gender

Female	10%
Male	90%

Age

>40	5%
30-40<	37%
25-30	36%
>18-25	22%

Data from a high volume lender concentrated in the age group 18-25 removed to give representative pictures across lenders

# An educated but low individual income customer base

Available data on education points to 8 in 10 customers being graduates and more. Such a profile of the customer is explained by the fact that apps require a level of understanding of English and high comfort with the digital interface app. On the income segment side, low-mid income individuals (annual individual income < Rs 3 Lakh) account for 61% volumed clearly reflecting the role and promise of digital lending for financial inclusion.

Education

0.3%
11%
20%
68%
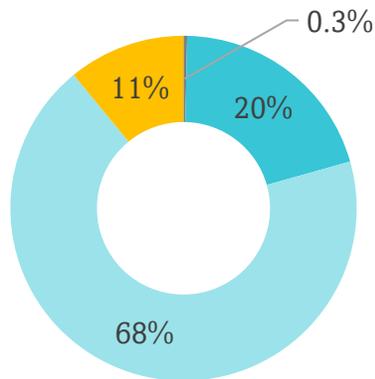
■ ≤12th ■ Undergrad ■ Graduate ■ Post graduate

## Annual individual income (Rs Lakhs)

2%
10%
28%
61%
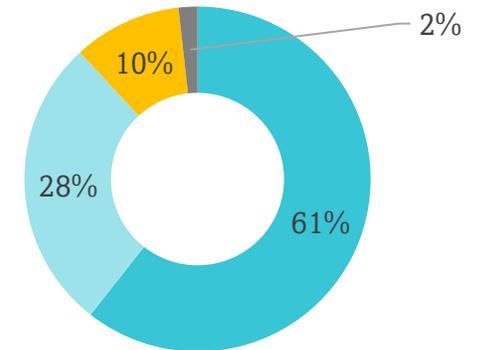
■ ≤3 ■ 3-5 ■ 5-10 ■ >10

Income is for individual and not the household
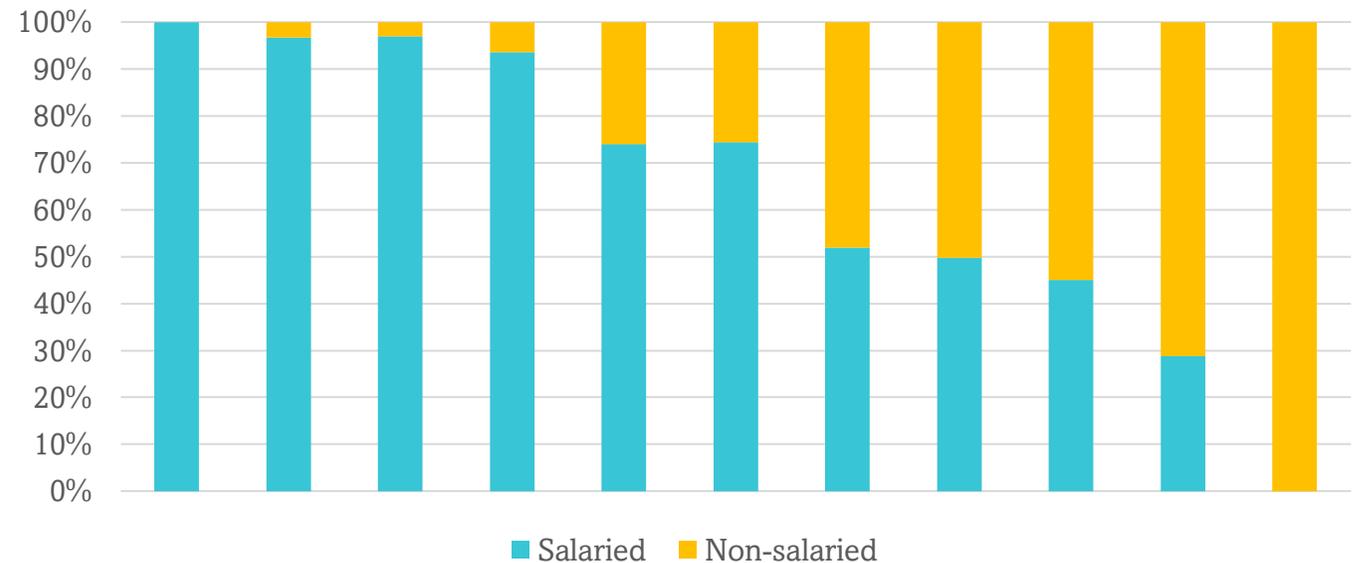
Salaried and non-salaried are fairly represented

Both salaried and non-salaried are fairly presented in the disbursements volumes, with an overall higher share of loans to the salaried customers. But there are significant variations across lenders with the share of salaried and non-salaried ranging from nil to full and vice-versa – based on the business model and customer segment focus.

Customer employment
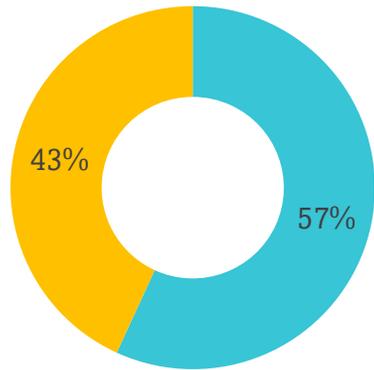
- Salaried
- Non-salaried

## Customer employment categories across lenders

- Salaried
- Non-salaried

Data from a high volume lender concentrated in the non-salaried category was removed to depict a more representative picture spread between salaried and non-salaried. Each bar in the chart (customer employment categories across lenders) represents a lender and mix of loans disbursed to salaried and non-salaried.

The pricing range varies across lenders

The chart below shows the spread of pricing, processing fee and interest rate amongst lenders. Clearly, there are significant spreads within a lender and across lenders. In simple average terms, the processing fee spread (range between min and max) is 1.5% to 4.9% and the interest rate spread is 15.6% to 37.7%. A number of factors, including the cost of funds and operation and risk profile of customers, influence the pricing for the customers and the range is perhaps reflective of the same.

Processing fee, min/max as % of loan amount disbursed
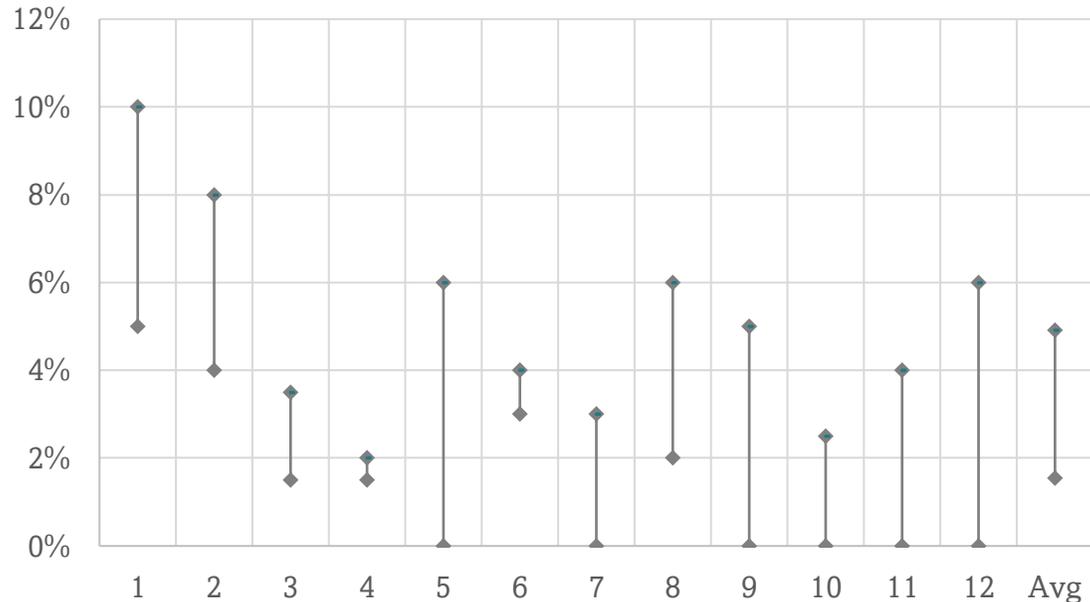
Interest rate, min/max, % (annualised)
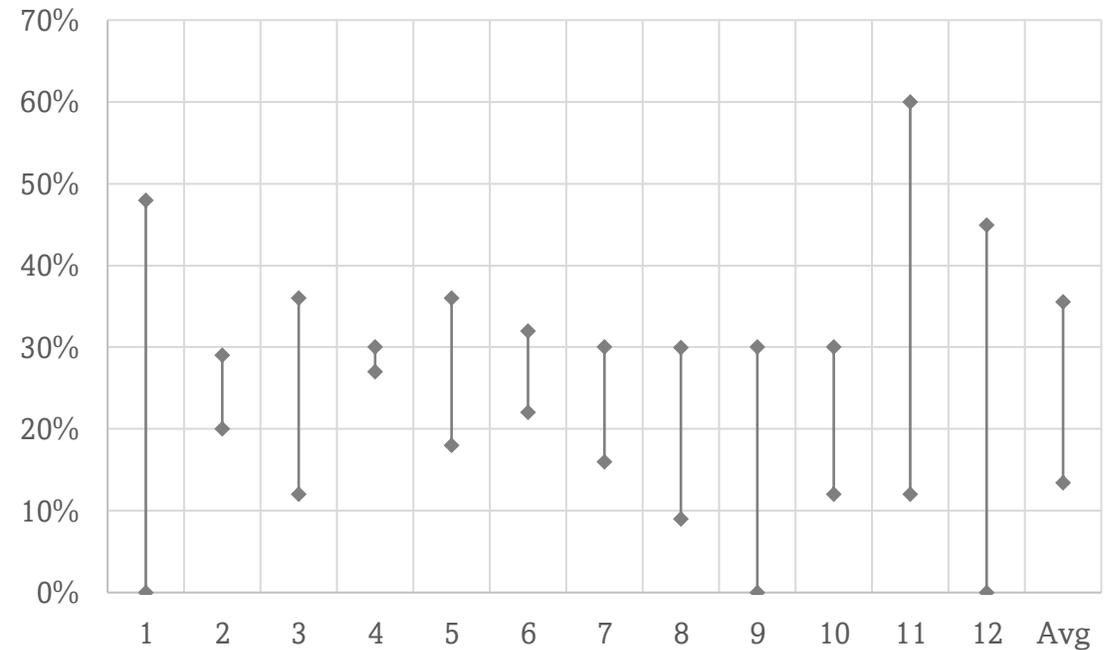
Each number on the x-axis depicts the lender and the y-axis gives the range of pricing. Average is a simple average here.

Annex: FACE members who contributed data for this report

Report has data from 12 FACE member companies and we had consent from 9 companies to publish the names.

For clarification/suggestion please reach us at team@faceofindia.org