Fintech

Personal Loans

Apr 18 - Sep 23

Read the new report capturing the findings of a FACE pilot consumer survey with Dvara Research and XKDR on "Financial Inclusion and Well-being: Assessing How Retail Digital Lending Has Mattered".

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This report

- This report presents trends for fintech lending by analysing personal loan data of 71 Fintech NBFCs from Apr 18 to Sep 23.
- Based on our market understanding, report groups the Fintech NBFCs as primarily doing digital personal loans through their own/in-house digital lending apps (DLAs). This set does not include NBFCs/Banks who might be doing digital loans (along non-digital loans) directly through their apps and indirectly through partnerships with Fintech NBFCs and LSPs, as there is no way to distinguish loans as digital in the bureau data. In that sense, the report is short on presenting the totality and plurality of digital lending*.
- View of personal digital loans of these Fintech NBFCs over the years gives us a measure of progress in scale, outreach and borrower segments. We also map the distinct and not-so distinct streaks of the fintech loans by placing them in the broader surrounding of the personal loan market.
- We sourced data for this report from Crif High Mark, a credit bureau.
- Please note that our report, Fintech Lending Trends, captured data of all retail loans by Fintech NBFCs, while this report includes analysis only for personal loans, which we reckon to be more than 70% of retail loans by Fintech NBFCs. The group of Fintech NBFCs in the two reports are largely but not entirely the same.

* The RBI WG Report on Digital Lending captured the share of Banks and NBFCs in disbursement value through digital channels in FY 2020, 70% and 30%, respectively, with half under the personal loan category for both Banks and NBFCs.

Summary

- Digital personal loans by Fintech NBFCs, though worth 5% of the personal loan market by outstanding value, continue to expand their outreach by seizing vast underserved markets, starting with small-value loans. Fintech loans are drivers of volumes, contributing to a third of overall active personal loans in Sep 23 and 62% of sanction volumes in H1 FY 23-24.
- Initial spikes in growth for fintech loans rode on lower base and post-pandemic recovery. In the last few quarters, growth has been normalising.
- During H1 FY 23-24, in terms of sanction value, over two-thirds went to youth (< 35 years of age), 86% to males, and more than a third to borrowers belonging to Tier III and beyond. Fintech loans are climbing up in ticket sizes, bureau vintage and risk chain, with nearly half of the sanction value coming from borrowers with ticket sizes > Rs 50k, bureau vintage 5 years+ and mid-low credit risk.
- Portfolio quality is improving, and dpd 90+ on outstanding value stands at 3.6% in Sep 23.
- The top 10 states account for over three-fourths of the outstanding value, and the top 5 states for over half. Borrowers belong to 721 districts representing 35 States/Union Territories. However, 108 districts with outstanding value > Rs 100 Cr account for over two-thirds of the total outstanding portfolio.
- While the average ticket size is slightly under Rs 10,000, there is much diversity. Ticket size is higher for borrowing in metro/ urban areas and increases with age, longer vintage, and better credit scores, as expected.

Definitions/abbreviations

Fintech NBFCs: Report groups the Fintech NBFCs as those who primarily do digital loans through digital lending apps (DLAs) as per our market understanding.

Other NBFCs: NBFCs other than those grouped as Fintech NBFCs.

Banks: All types of banks.

Credit scores: Very High Risk= 300-399, High Risk= 400-577, Medium Risk= 578-644, Low Risk: 645-693, Very Low Risk= 694-900

Sanction value: Total amount of loans sanctioned during a specified period

Sanction volume: Total volumes of loans sanctioned during a specified period

H1 FY 23-24: Apr 23 – Sep 23

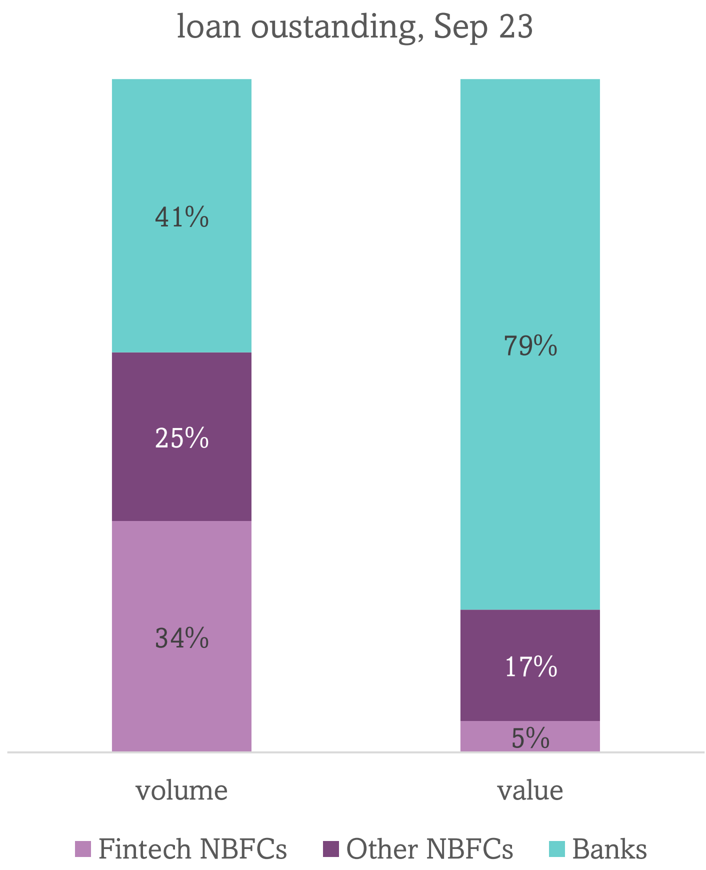
Percentages in the stack charts may not always add up to 100% due to rounding off.

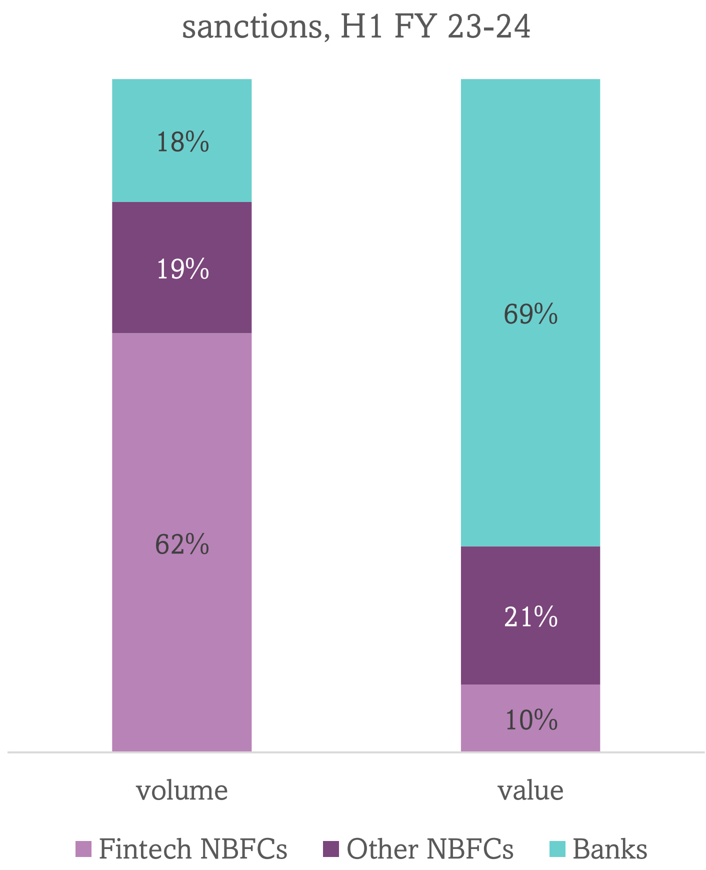
AP	Andhra Pradesh
BR	Bihar
DL	Delhi
GJ	Gujarat
IND	India
KA	Karnataka
MH	Maharashtra
RJ	Rajasthan
TN	Tamil Nadu
TS	Telangana
UP	Uttar Pradesh
WB	West Bengal

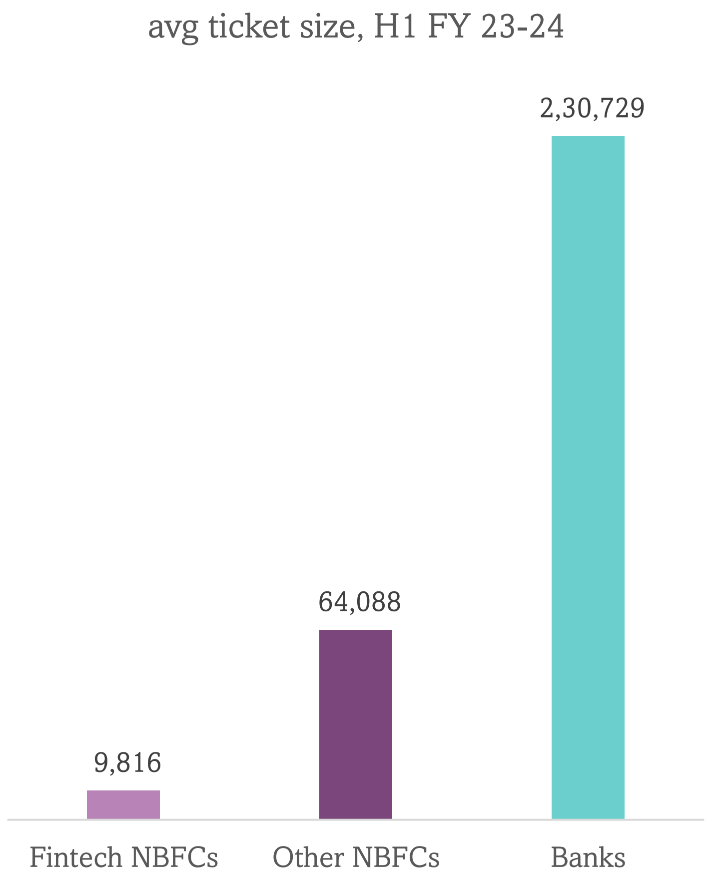
Avg	Average
dpd	Days past due
FY	Financial Year
LSP	Loan Service Provider
PAR	Portfolio at Risk
Pos	Portfolio outstanding
Rs	Rupee

part 1: placing fintech personal loans in overall personal loan market

In H1 FY 23-24, fintech loans accounted for 10% of the sanction value but 62% of the sanction volume, focusing on sizeable underserved segments with small-value loans. In loans outstanding, the share of Fintech NBFCs is just 5% of the total personal loans outstanding as of Sep 23 but account for over a third of active loan volumes. The average ticket size is significantly lower for fintech loans.

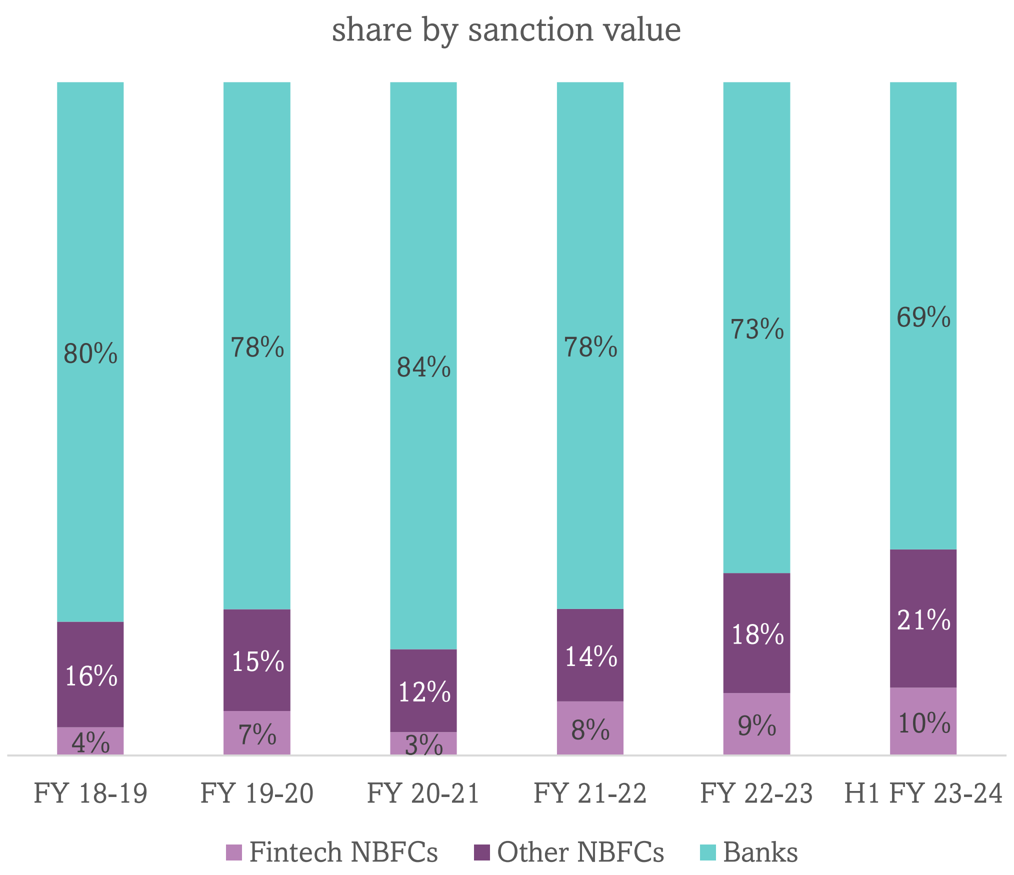


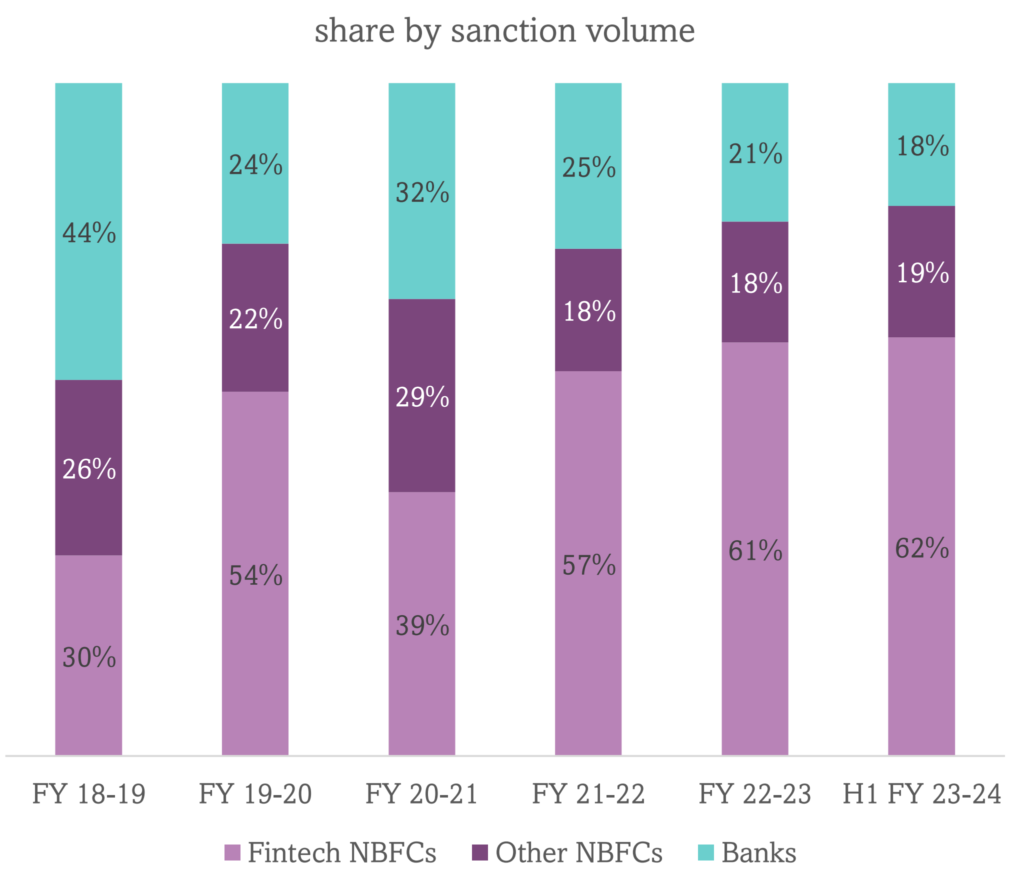




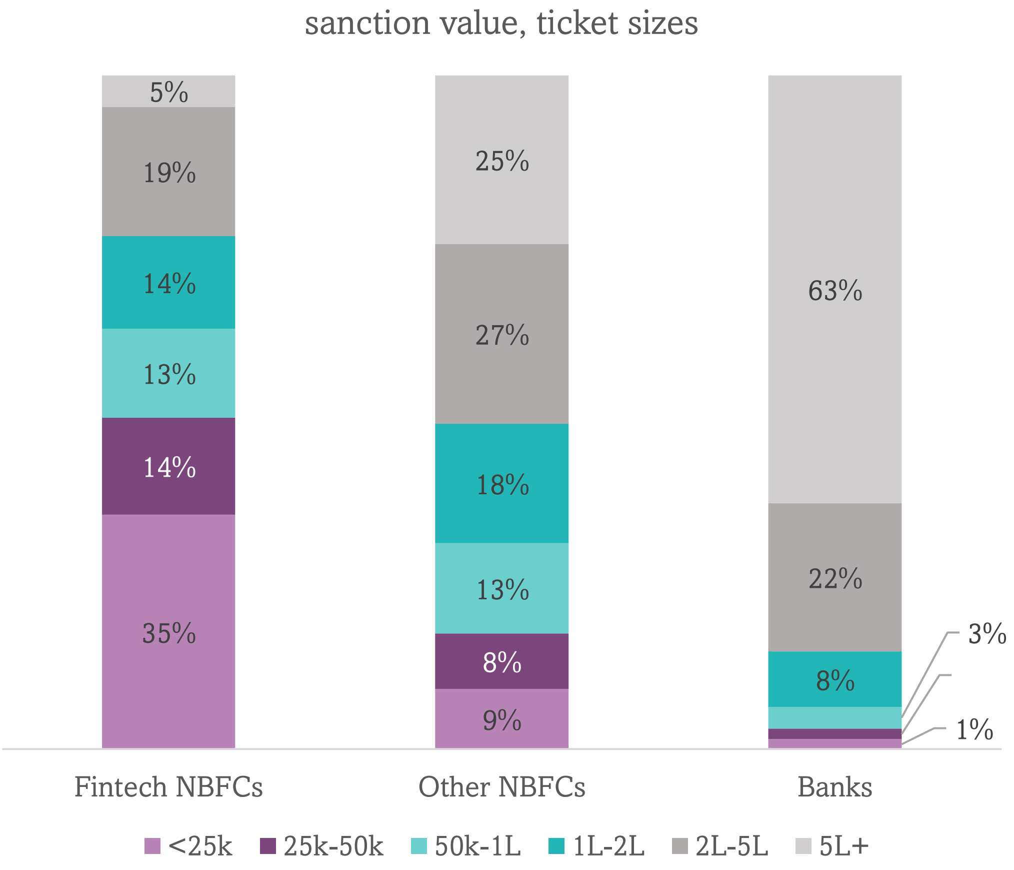
avg ticket size = sanction value/sanction volume for H1 FY 23-24.

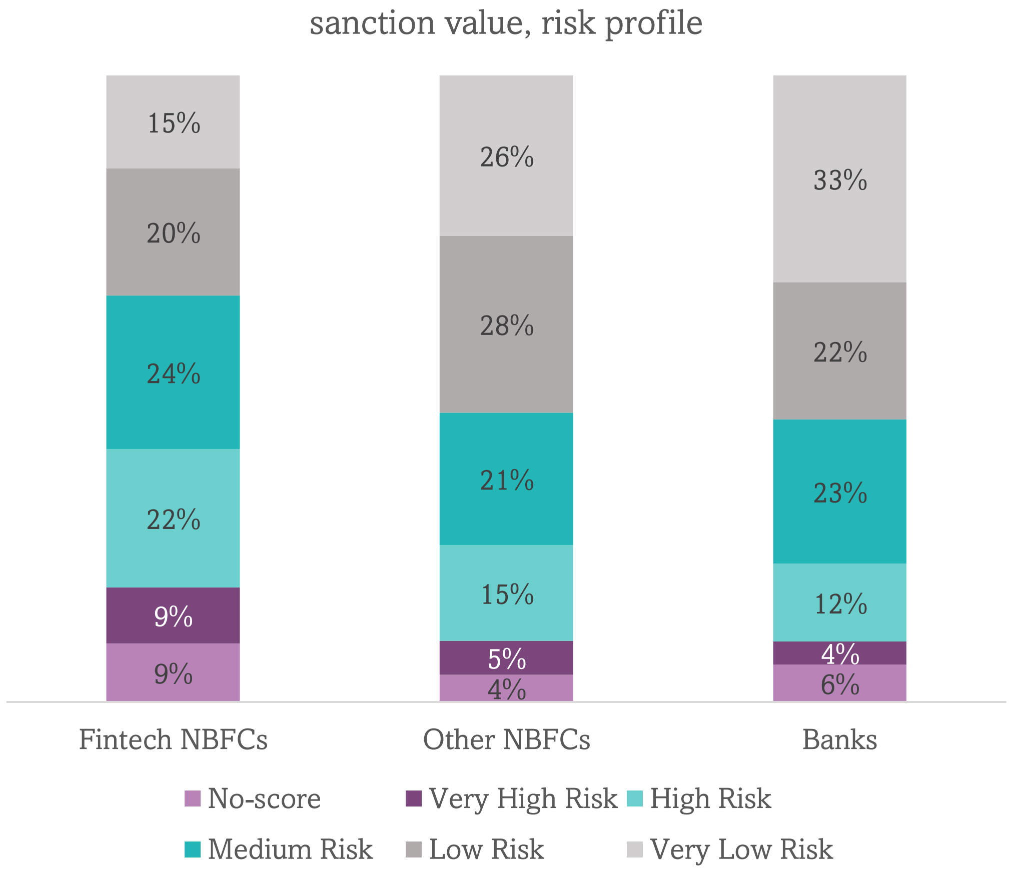
Fintech loans are gradually raising their share in the personal loan market, two-fold rise in share in sanction value and volume since FY 18-19.





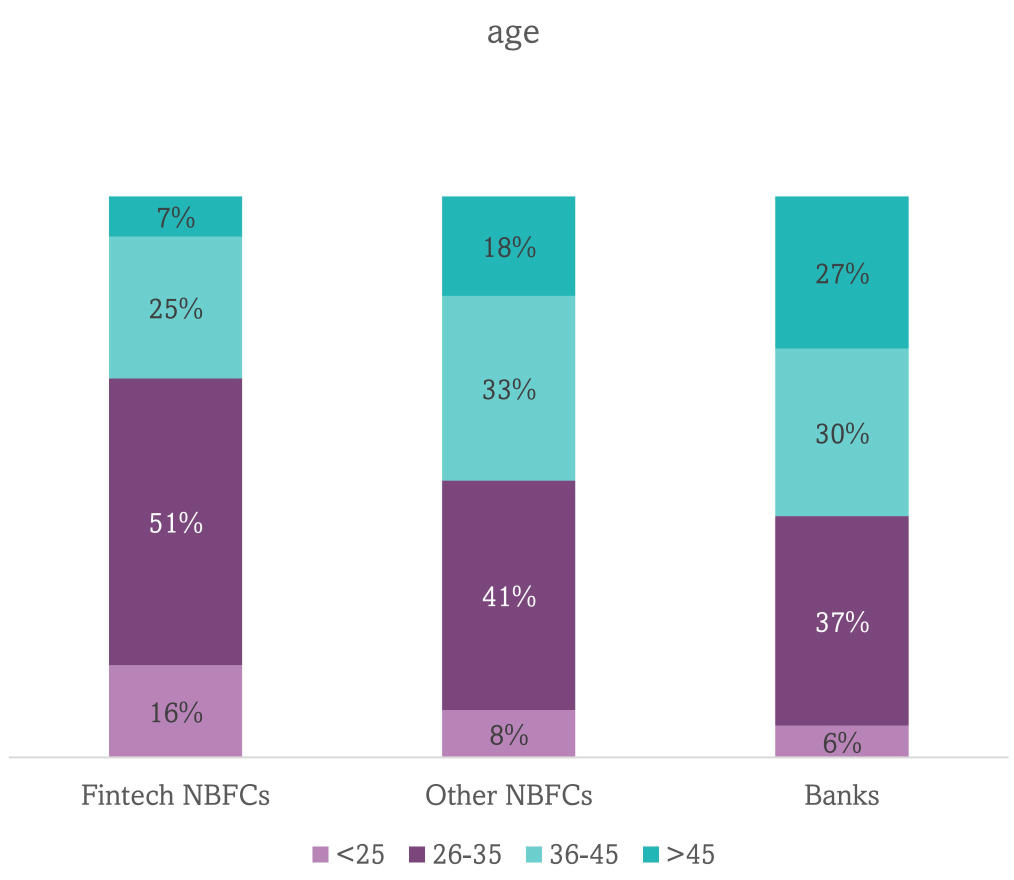
Fintech business models are distinct in their ability to reach the borrower segments lacking in credit scores by beginning with small-value loans.

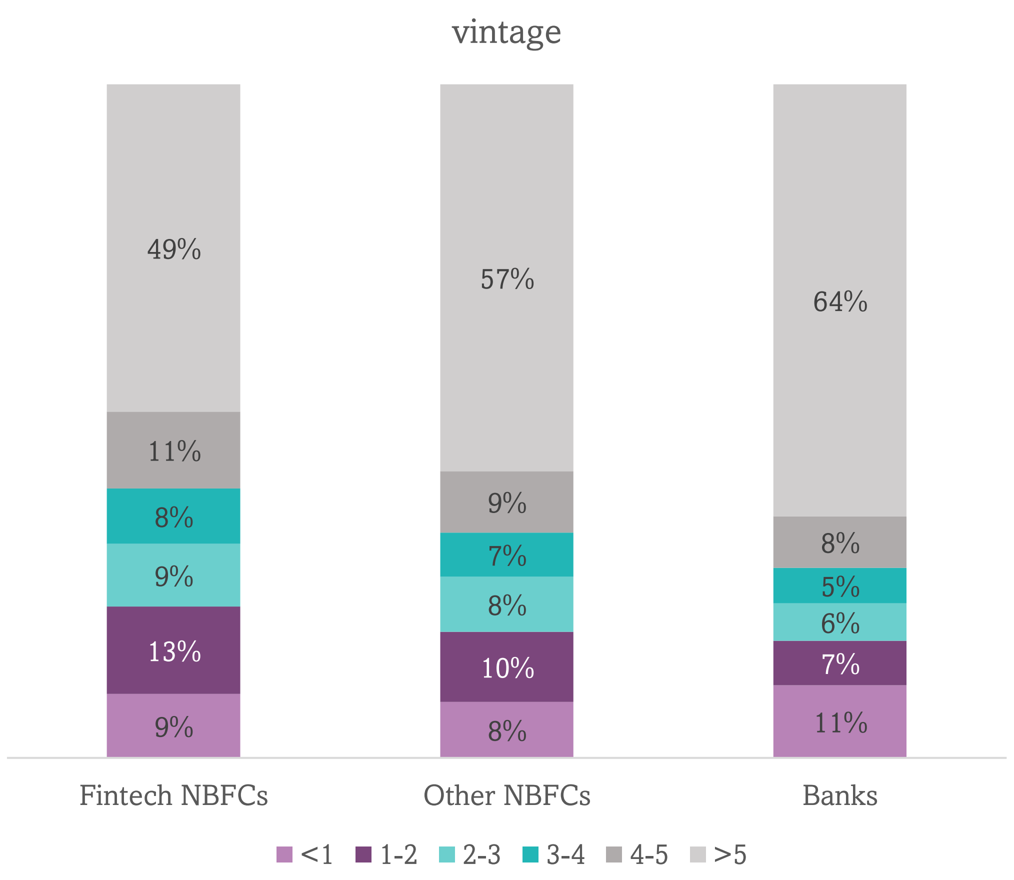




share in sanction value for H1 FY 23-24.

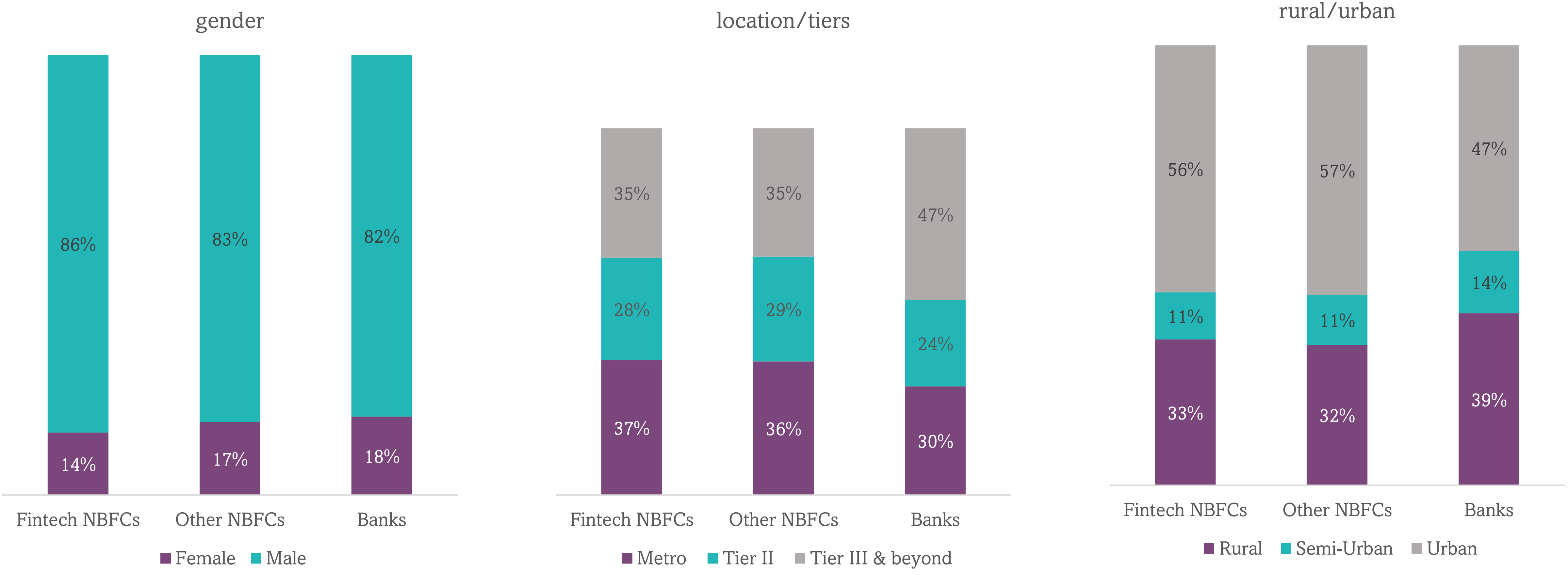
Fintech loan borrowers are younger, with two-thirds coming from the age bracket < 35 years and have less vintage (<3 years account for 32%) on the bureau. Borrower vintage is rising with time, as we capture in the next part (pg 29).





share in sanction value for H1 FY 23-24. age and bureau vintage in years.

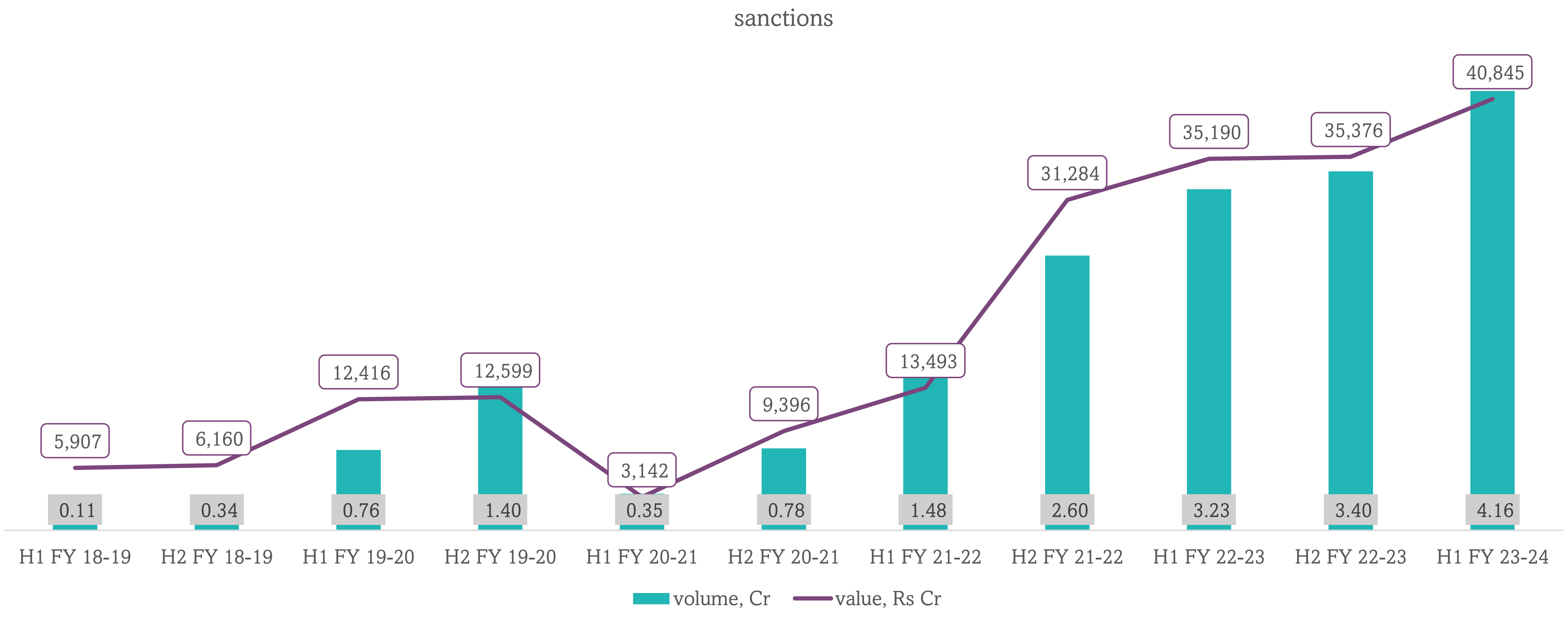
Gender and location composition are not too different for fintech loans vis-a-vis peers.



share in sanctioned value for H1 FY 23-24.

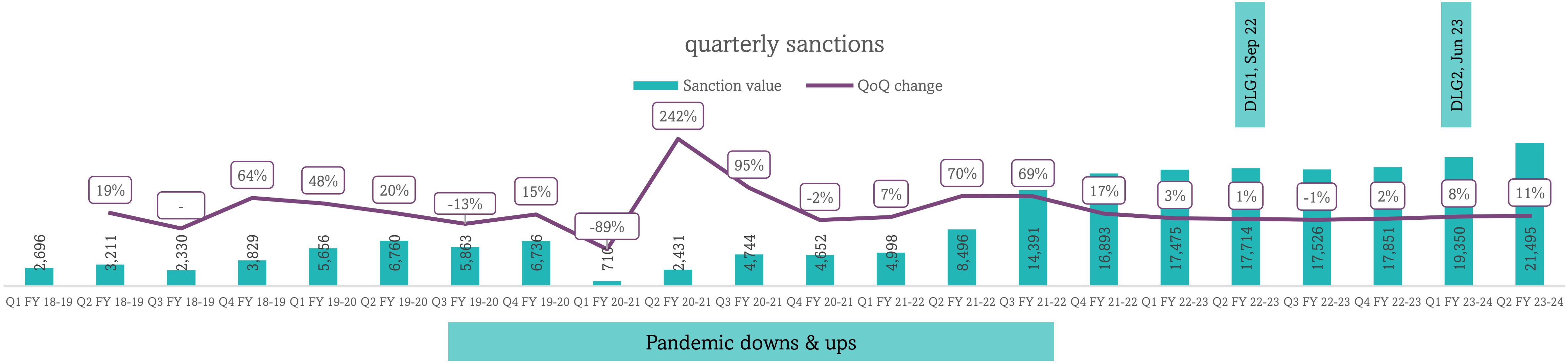
part 2: fintech personal loans

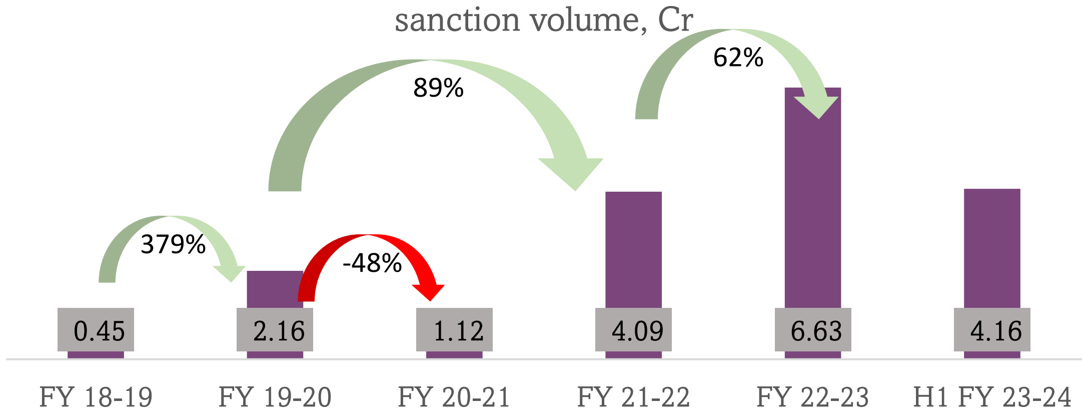
Like the overall personal loan market, fintech personal loans have steadily grown. The emergence of fintech loans has played a transformative role in bringing a new market segment to formal credit by sanctioning over 18 Cr personal loans, crossing 2 Lakh Cr since Apr 18.

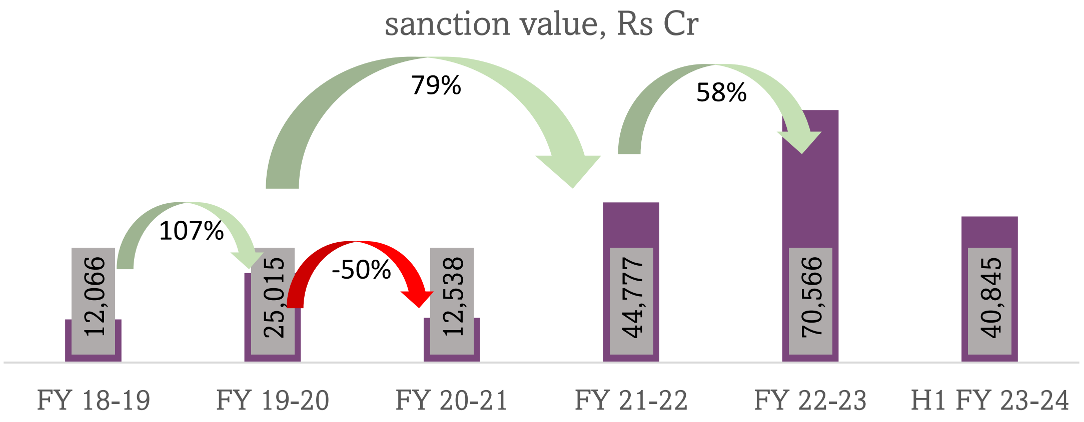


FY 20-21 was worse of pandemic leading to sharp decline in sanctions.

For fintech loans, the initial growth spurt came from low-base and post-pandemic recovery, now giving way to normalising growth rates.

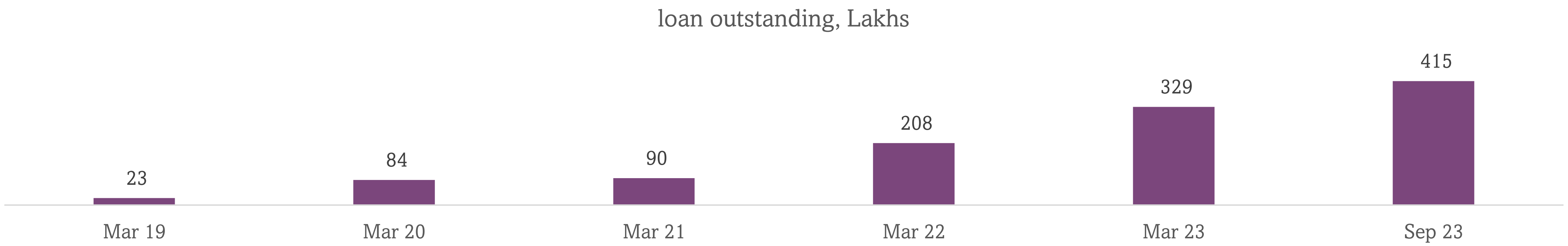


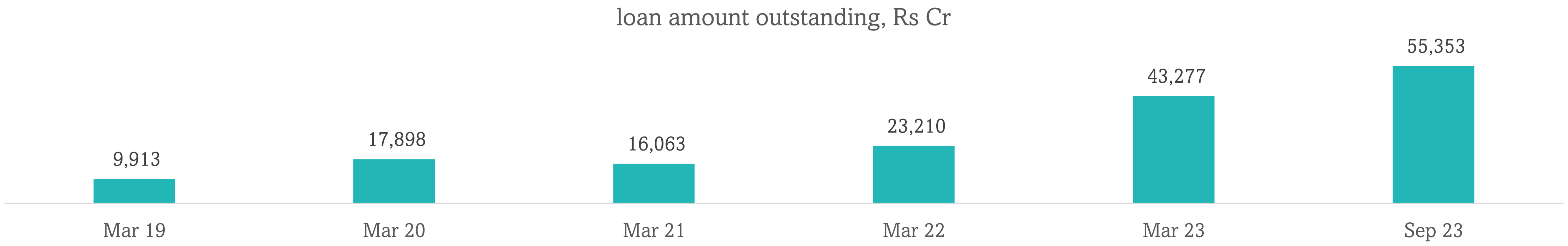




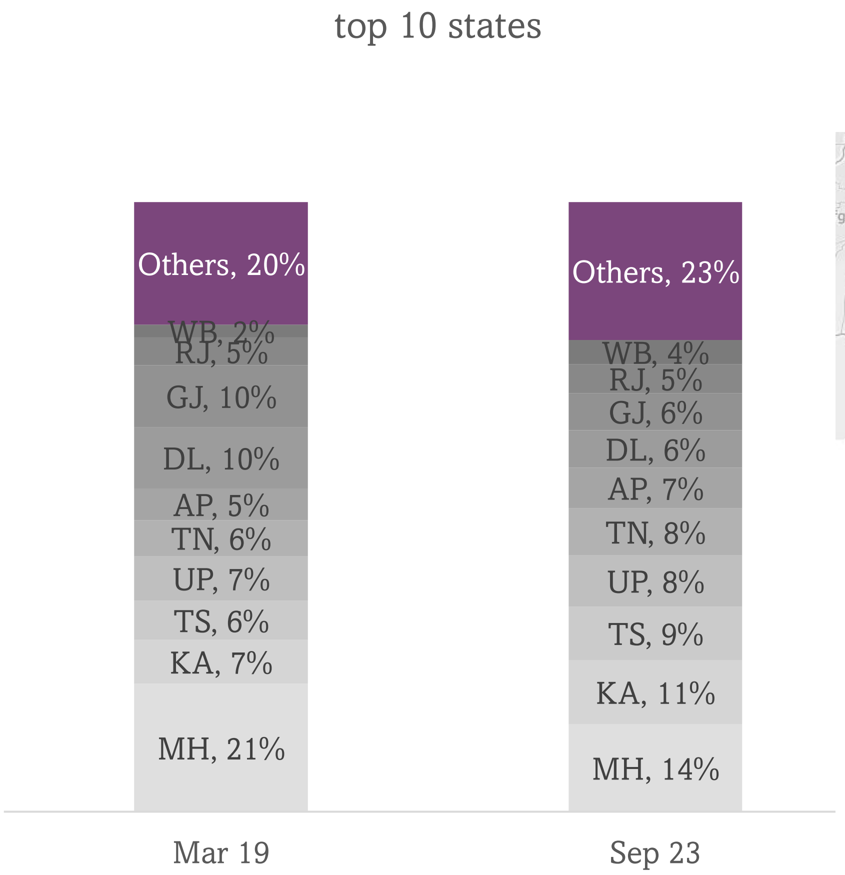
[DLG 1, Sep 22](), [DLG 2, Jun 23]()

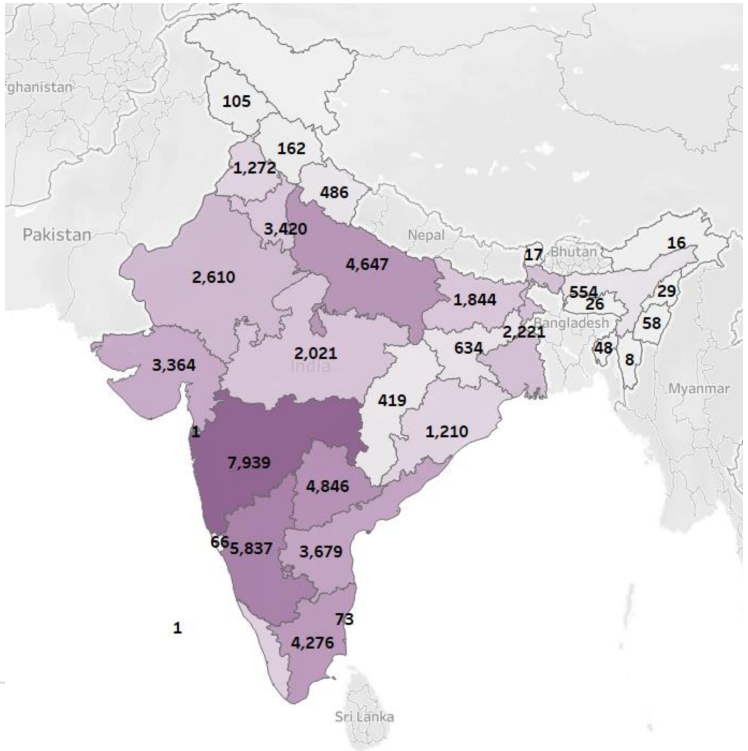
As of Sep 23, the fintech personal loan volume is 4.15 Cr with an outstanding value of Rs 55,353 Cr.

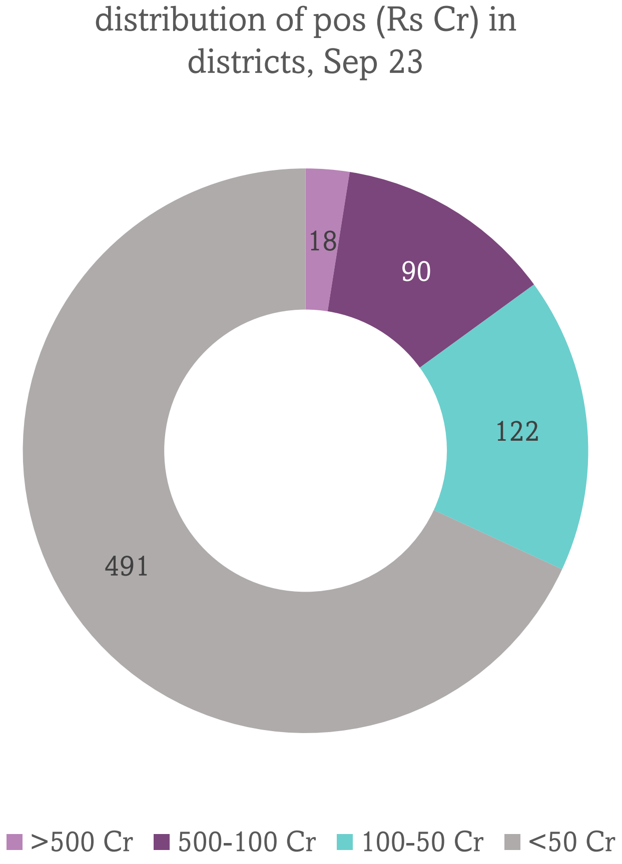




Fintech borrowers come from 721 districts. The share of the top 10 states slightly reduced from 80% to 77%, and the top 5 states still account for half of the outstanding.



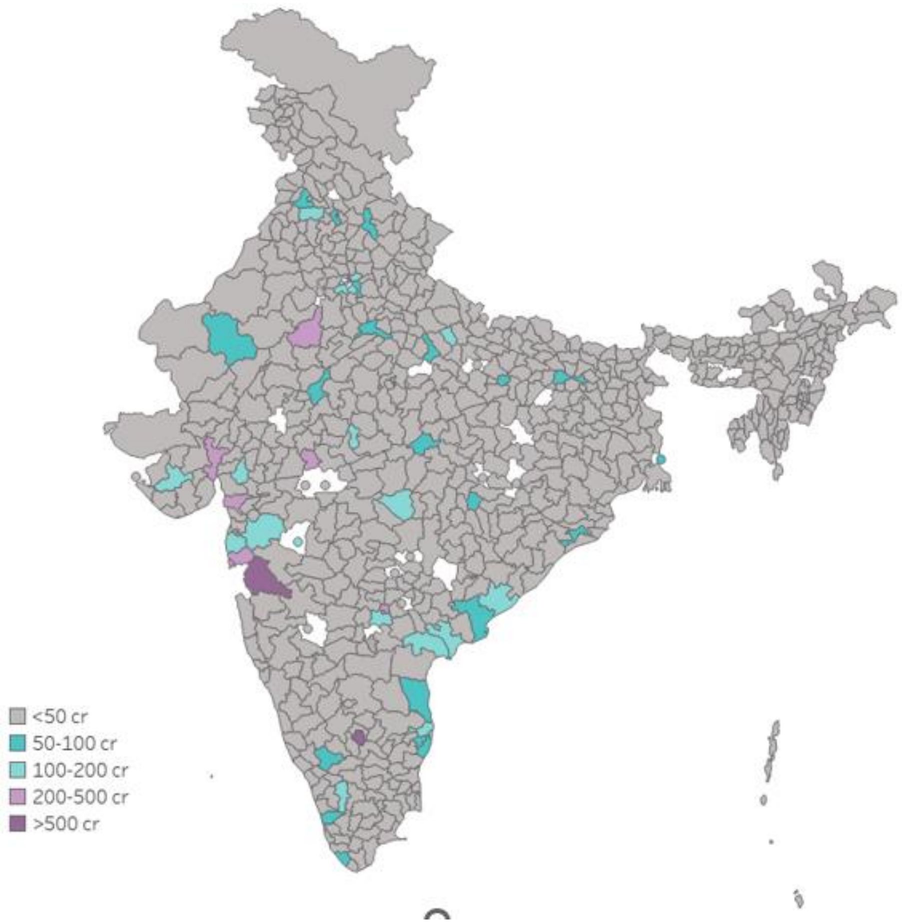




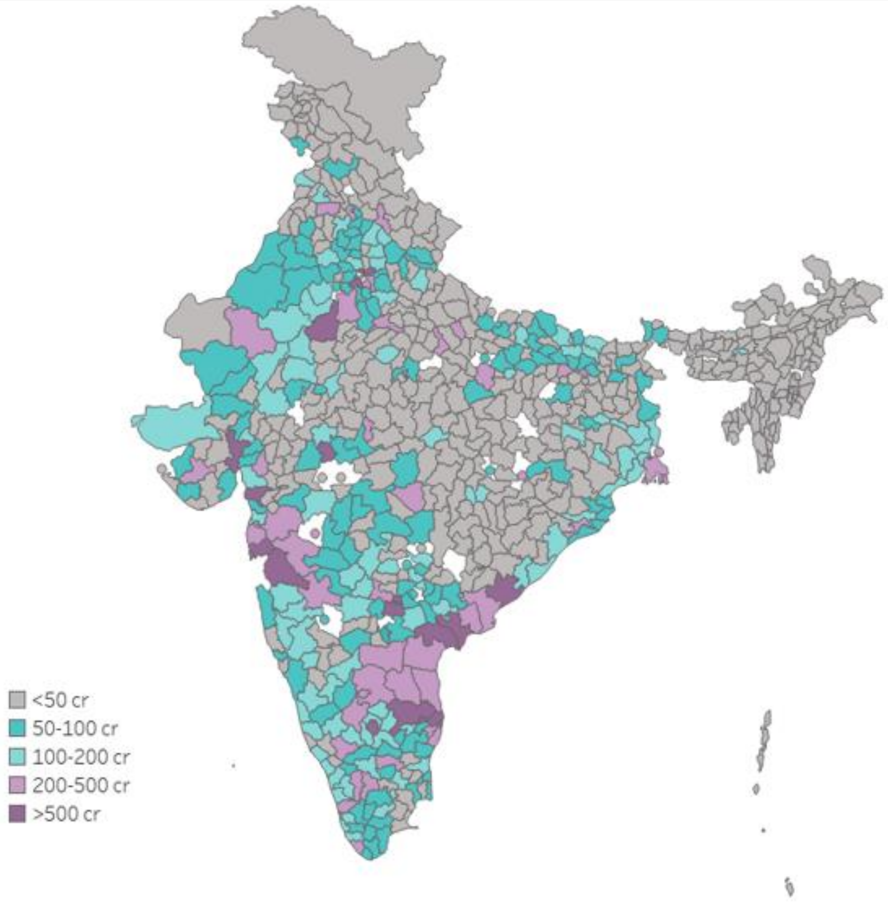
top states based on loan amount outstanding as of Sep 23.

Fintech loans expanding outreach

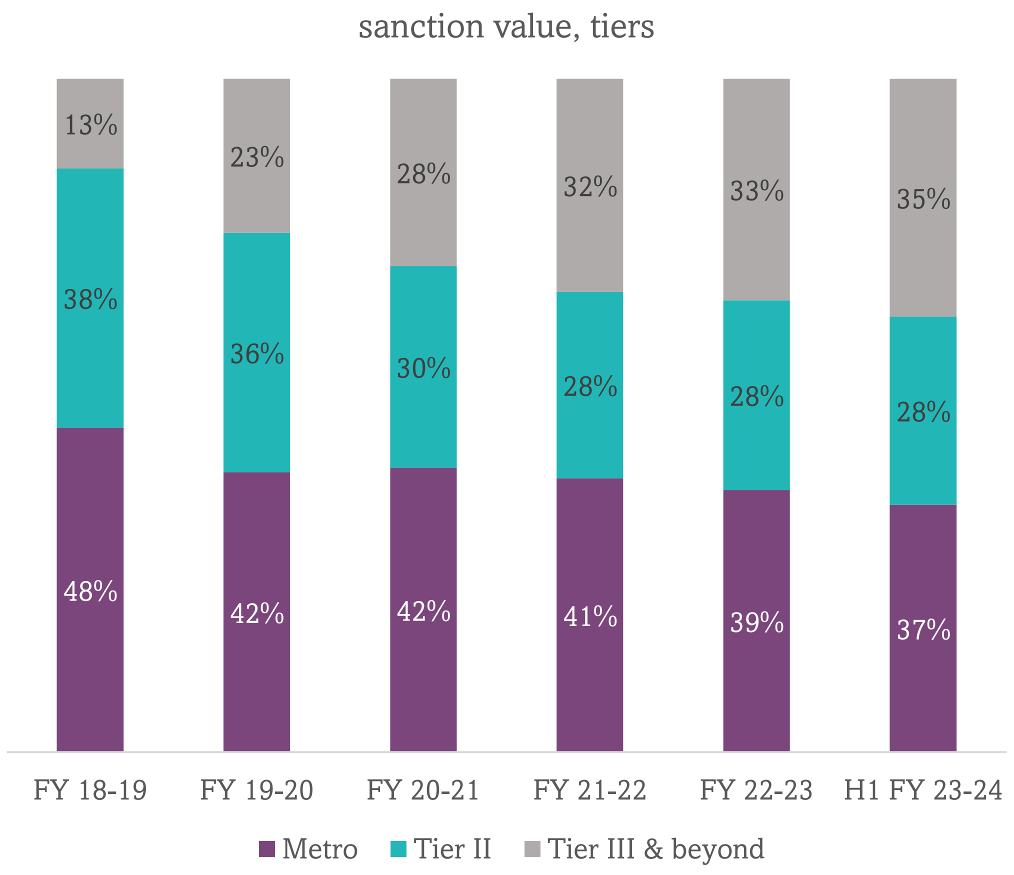
sanction value, Rs Cr, FY 18-19

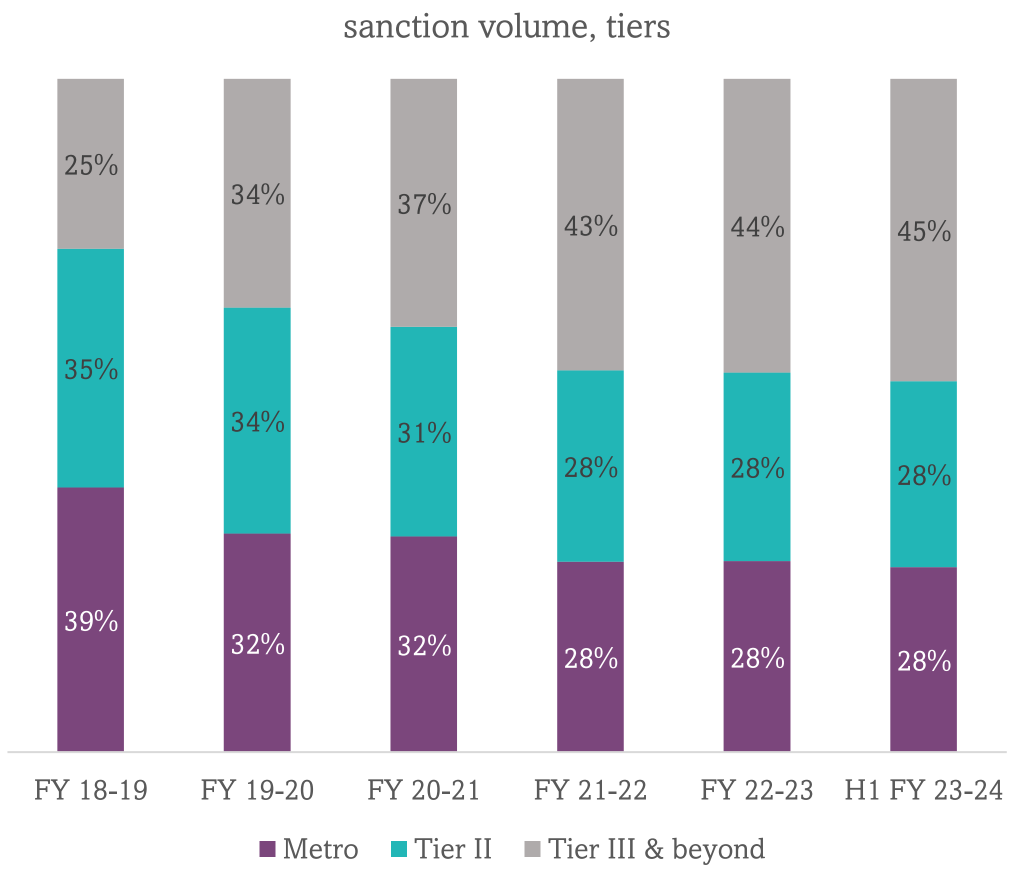


sanction value, Rs Cr, FY 22-23



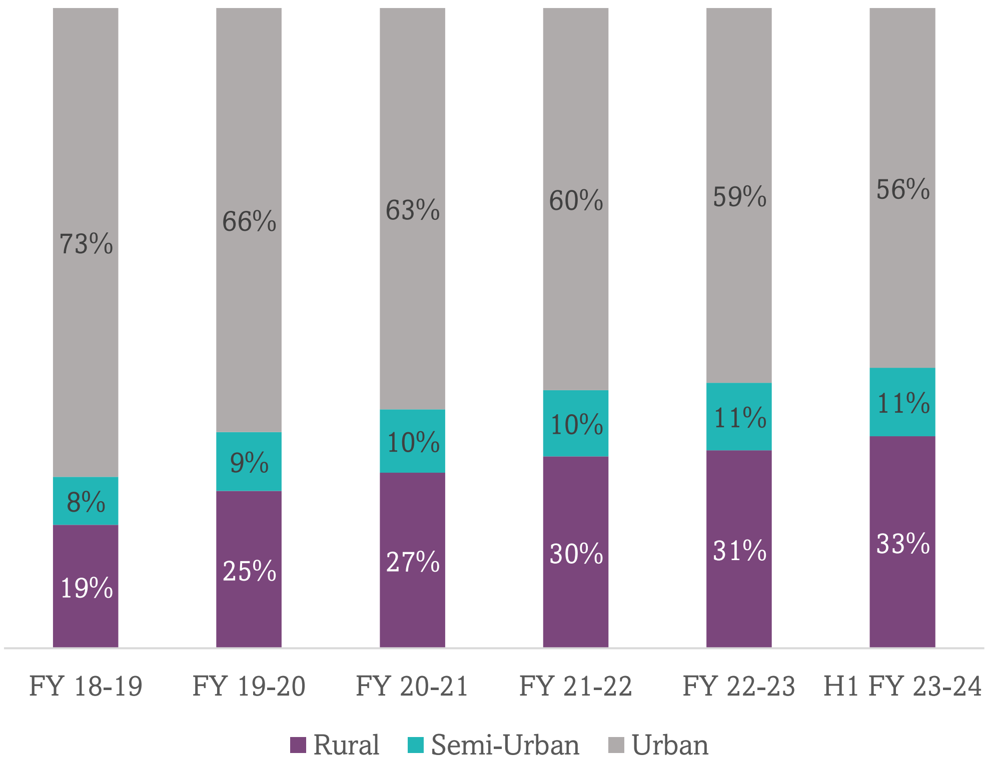
Outreach of fintech personal loans expands to borrowers from tier III cities & beyond. For every 10 loans given in H1 FY 23-24, 4 belong to borrowers from tier III and beyond. Tier III cities & beyond witness a three-fold increase in overall share in sanction value since FY 18-19.



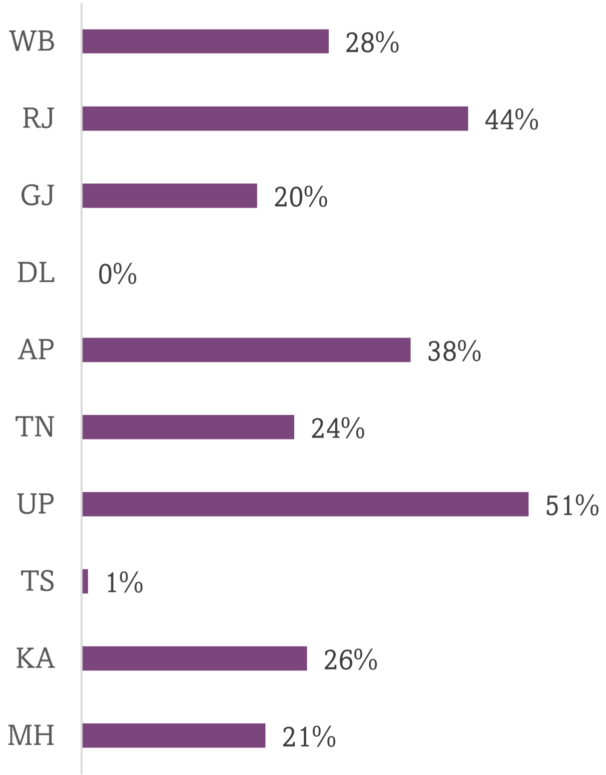


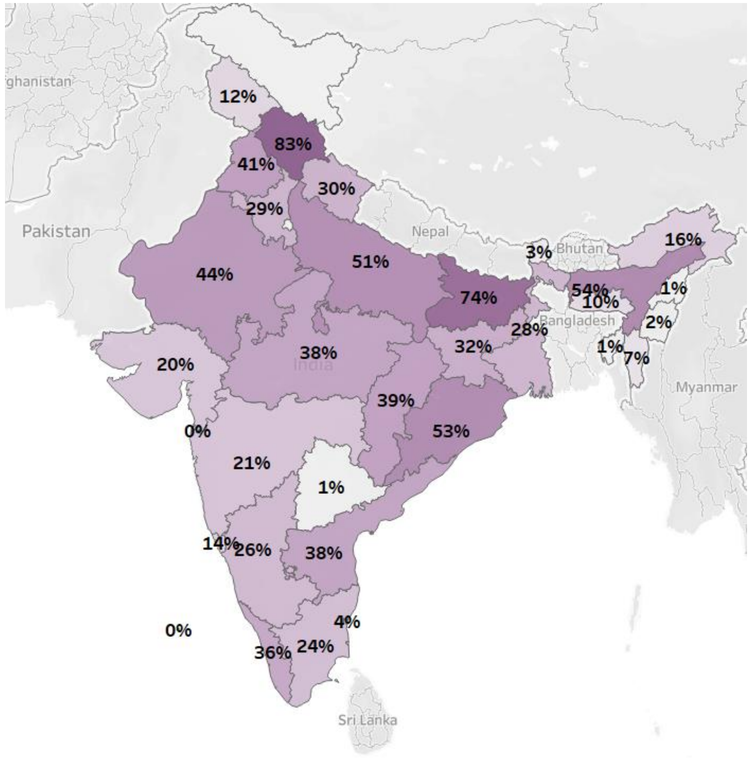
The share of borrowers belonging to rural areas is increasing, though borrowers are less likely to be living there. Two points here. One, the mapping of rural/urban is based on the 2011 census and is not truly reflective of the current reality of urbanisation. Two, many new urban migrants submit permanent home addresses in rural areas. States like Bihar, Himachal and Uttar Pradesh have much higher % of rural, plausibly as migrants from these states in urban areas access fintech loans.

sanction value rural/urban



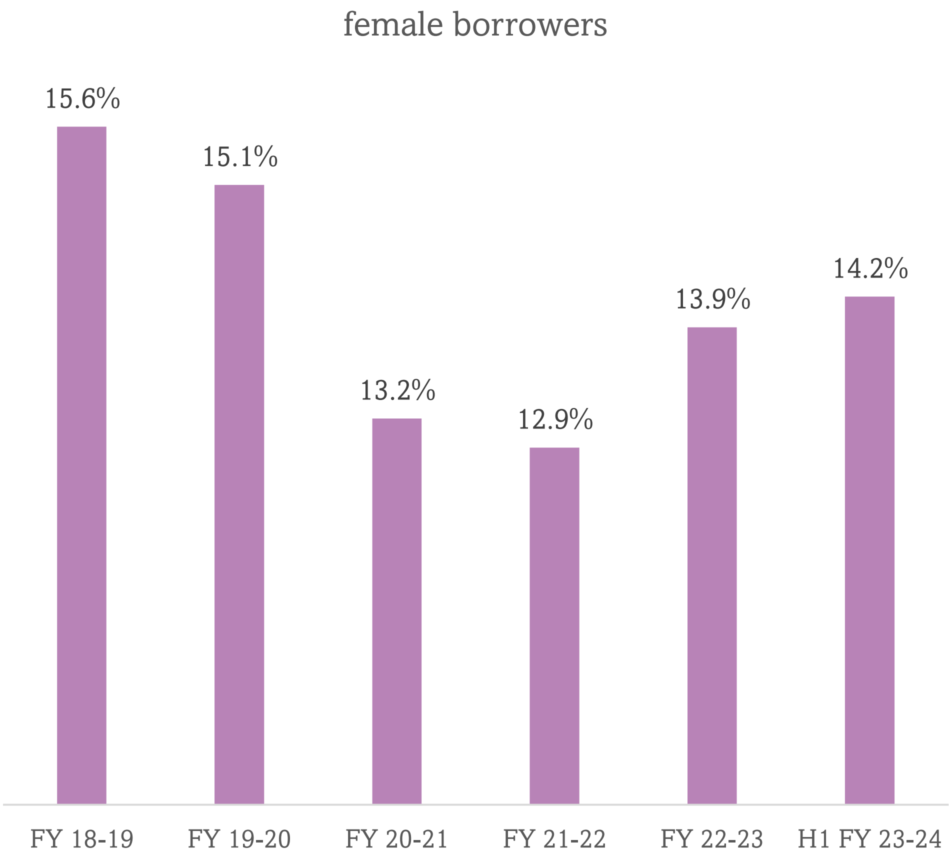
share of rural borrowers in top 10 states, Sep 23

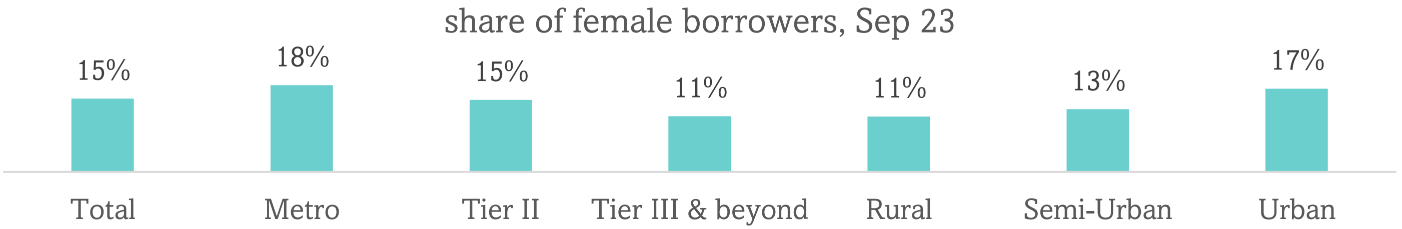


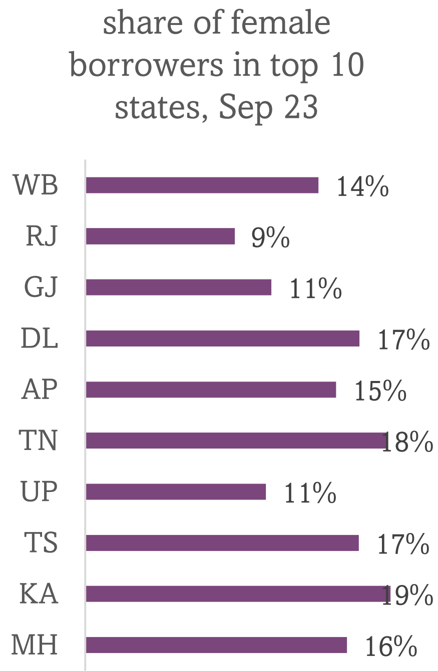


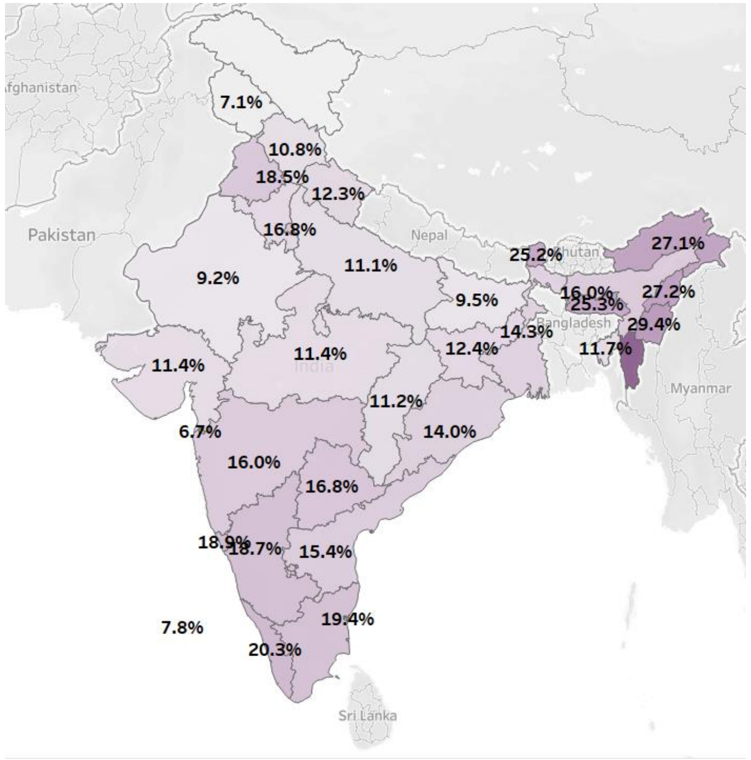
share in states on loan amount outstanding in Sep 23

Participation of female borrowers has remained far less over the years. It declined during the pandemic and accounted for 14% of loans sanctioned in H1 FY 23-24. Consistent with the macro picture, female participation is worse for rural and semi-urban areas and relatively higher (>20%) for north-eastern states and Kerala.



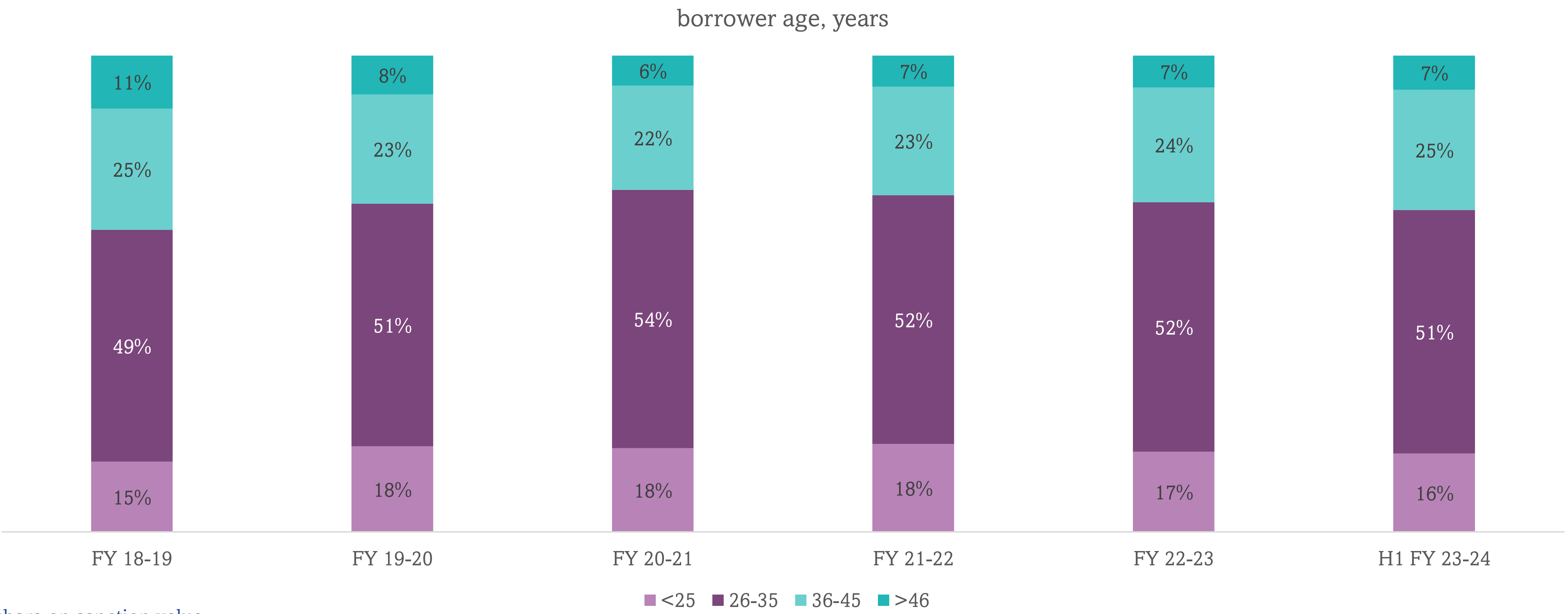






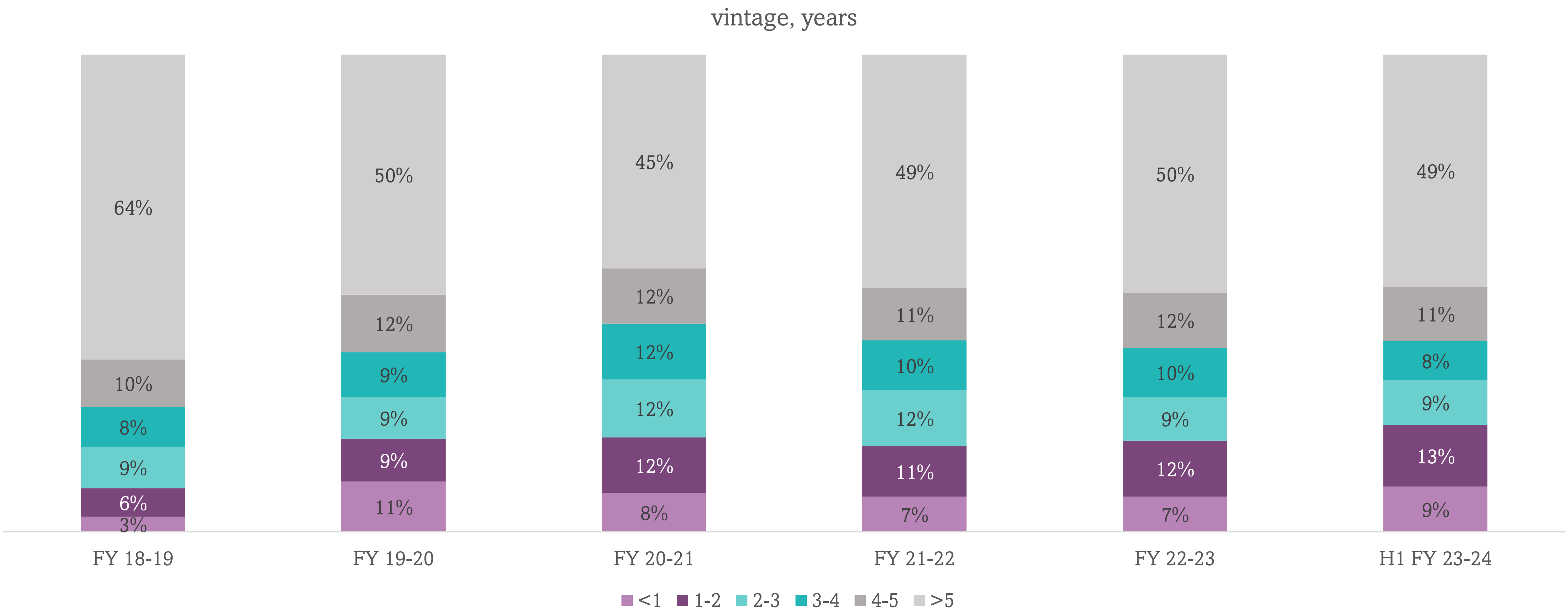
share for years on sanction value and for location/states based on loan amount outstanding as of Sep 23

For young borrowers, fintech lending is the choice, with two-thirds of loan sanction value to borrowers aged <35 years. Fintech lending's ability to seize the opportunities offered by a growing segment for their current and future needs holds enormous promise to grow responsibly and sustainably for many years.



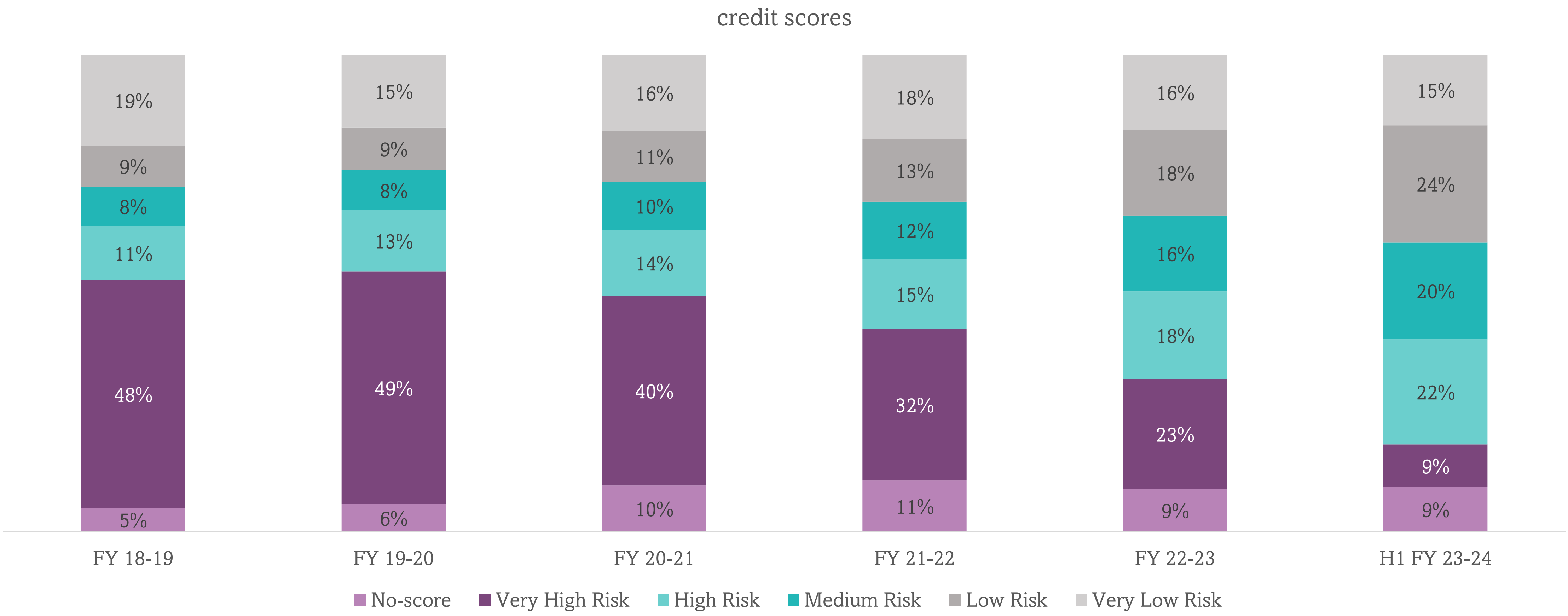
share on sanction value

With time, the share of mature (higher vintage on bureau) borrower base is rising in fintech lending. In H1 FY 23-24, more than two-thirds of sanction value came from the borrowers with a bureau vintage of 3 years+ and half having a vintage of > 5+ years.



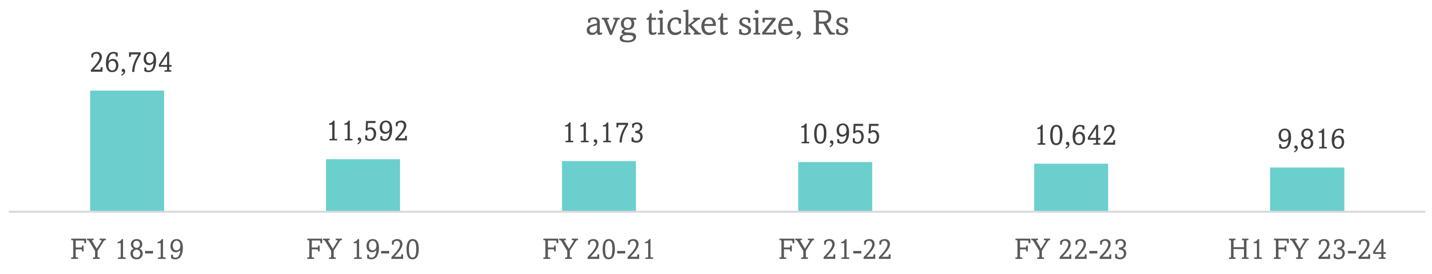
share on sanction value

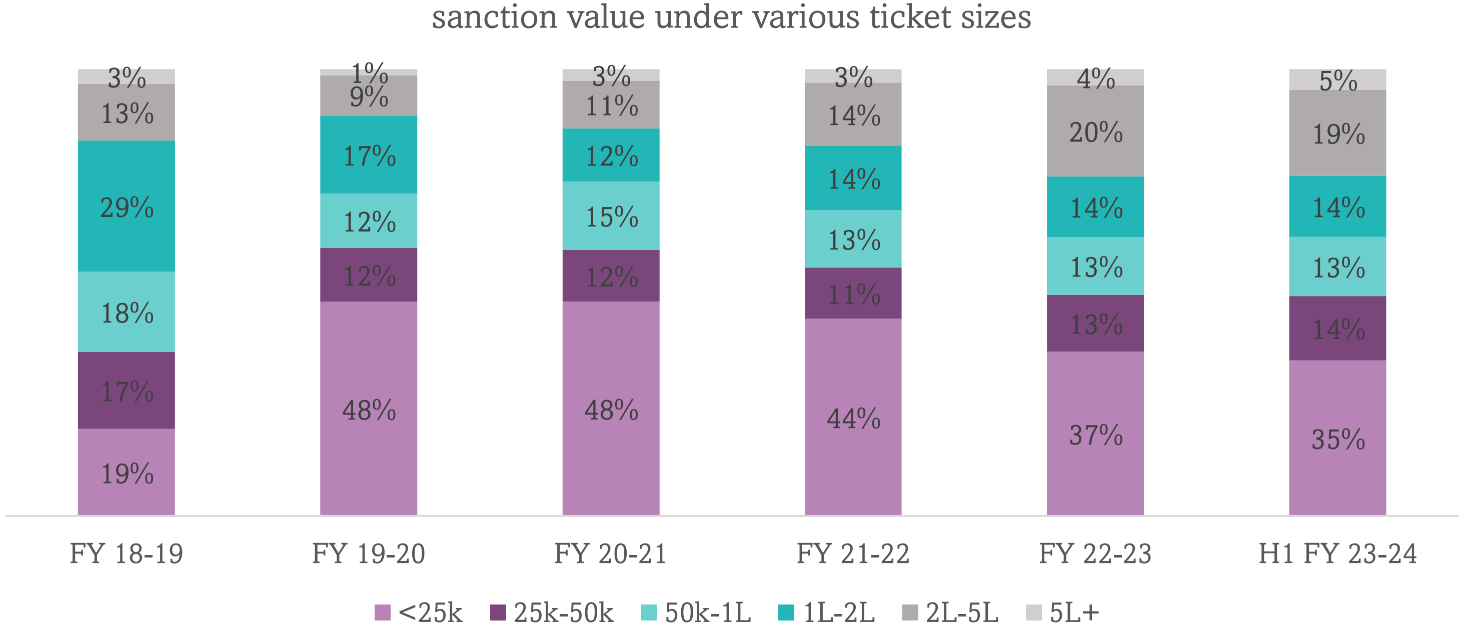
Fintech loans are moving up in the risk chain. Distribution of sanctioned value across credit scores shows that the share of mid-low risk borrowers is increasing, from 36% in FY 18-19 to 59% in H1 FY 23-24.

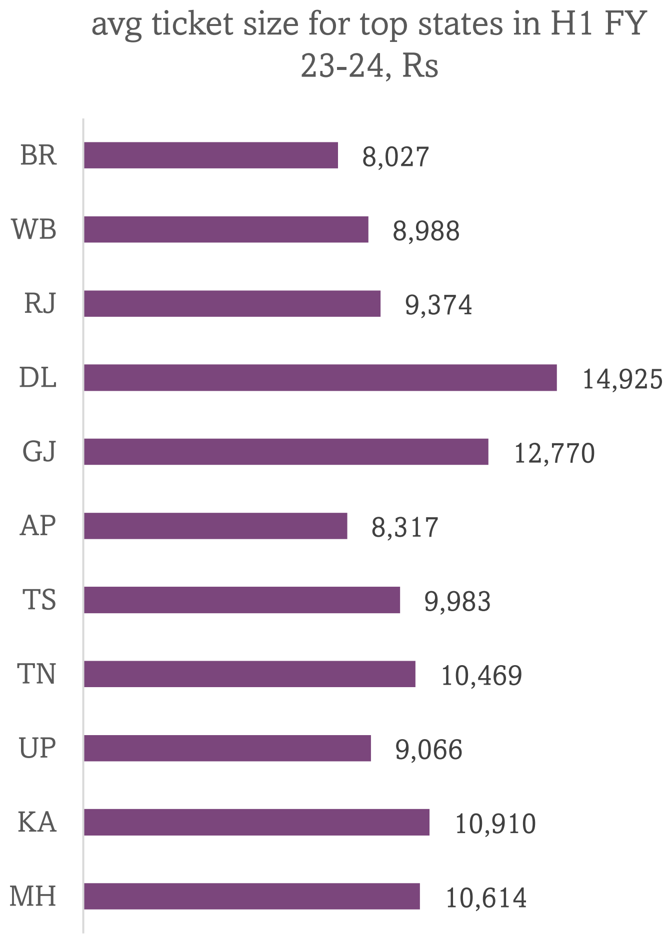


share on sanction value. Very High Risk= 300-399, High Risk= 400-577, Medium Risk= 578-644, Low Risk: 645-693, Very Low Risk= 694-900

At an aggregated level, the average ticket size is gradually decreasing, driven by a higher volume of small-value loans. There is slight variation across top states. However, the overall composition of fintech loans is much more diverse and spread in different ticket sizes.

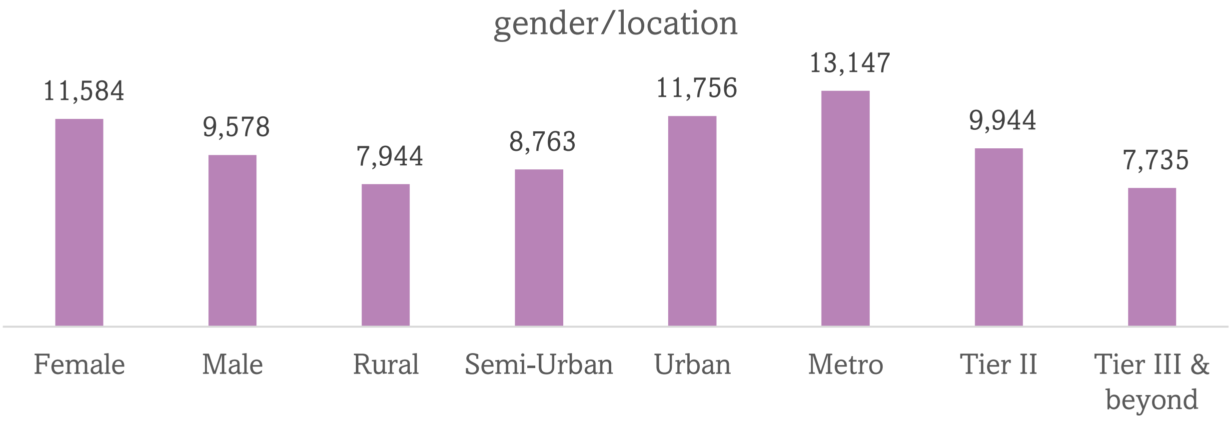


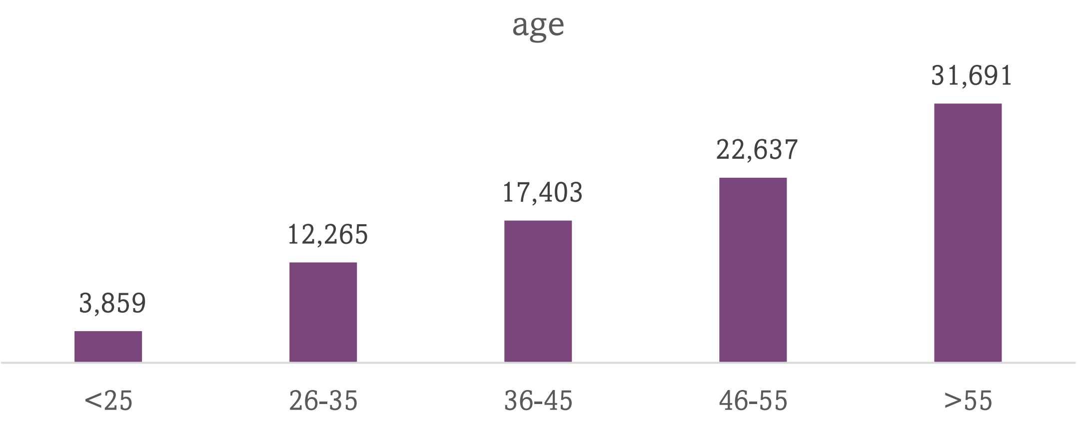


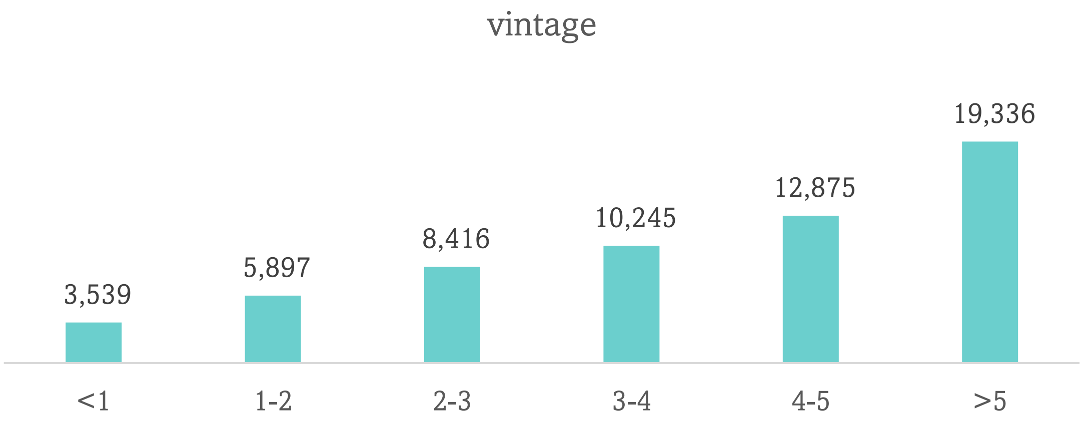


avg ticket size = sanction value/sanction volume

The average ticket size (H1 FY 23-24, Rs) varies across demographics, credit scores, and customer vintage. Higher for female, urban, and metro borrowers and increases linearly with age, vintage and credit score.



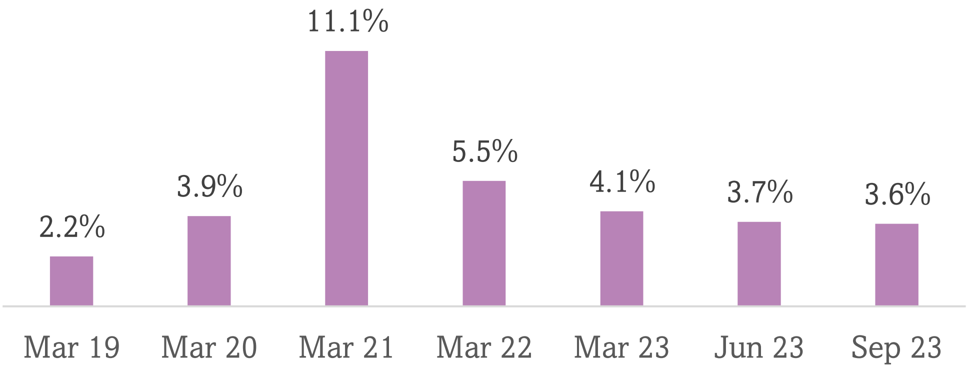




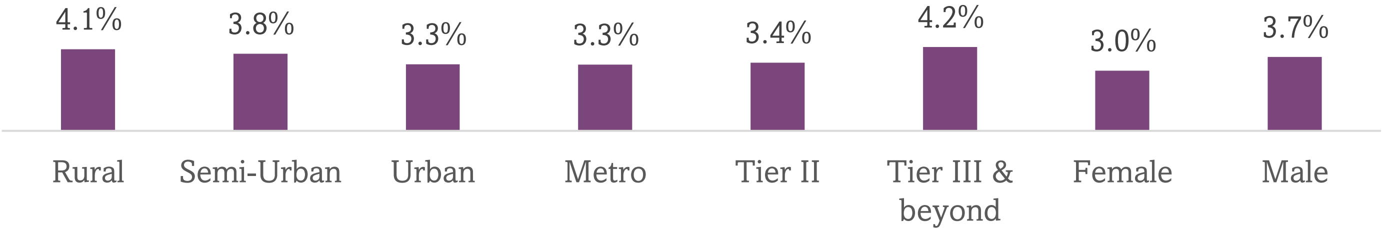
avg ticket size = sanctioned value/sanction volume for H1 FY 23-24 given here.
Very High Risk= 300-399, High Risk= 400-577, Medium Risk= 578-644, Low Risk: 645-693, Very Low Risk= 694-900

Overall portfolio quality is consistently improving. As of Sep 23, portfolio quality is better for metro/urban and female borrowers.

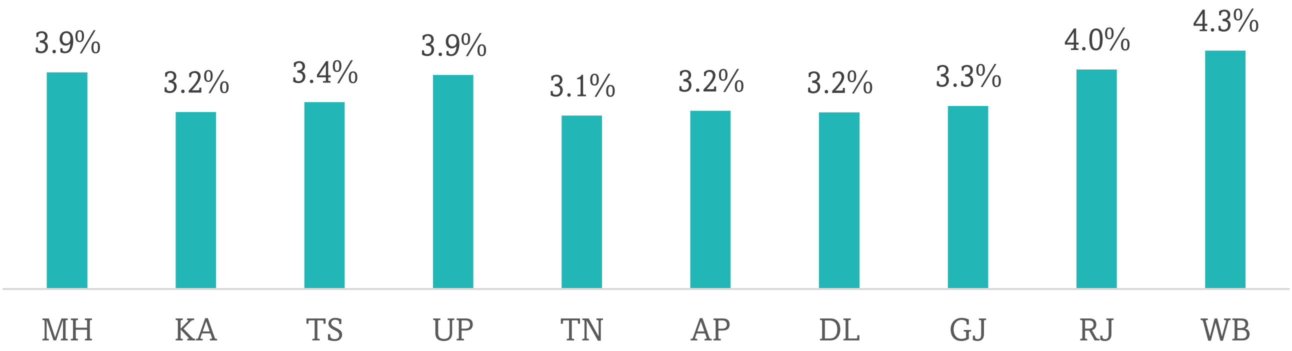
dpd 90+

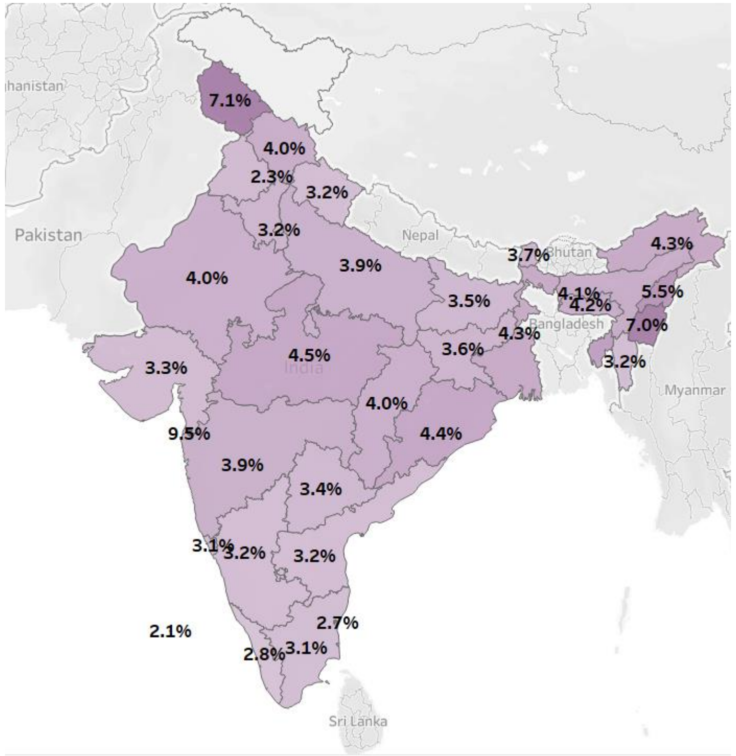


dpd 90+, Sep 2023



dpd 90+ in top 10 states





dpd 90+% = loan outstanding (90 to 180 dpd)/loan outstanding (0 to 180 dpd)

part 3: annexures

1: personal loan market, loan outstanding, Sep 2023

	volume, Cr	value, Rs Cr	avg outstanding per loan, Rs	share in volume	share in value
Fintech NBFCs	4.15	55,353	13,328	34%	5%
Other NBFCs	3.03	1,97,572	65,297	25%	17%
Banks	4.91	9,39,760	1,91,582	41%	79%
Total	12.08	11,92,685	98,699	100%	100%

2: personal loan market, sanctions in H1 FY 23-24

	volume, Cr	value, Rs Cr	avg sanction value per loan, Rs	share in volume	share in value
Fintech NBFCs	4.16	40,845	9,816	62%	10%
Other NBFCs	1.30	83,524	64,088	19%	21%
Banks	1.22	2,81,810	2,30,729	18%	69%
Total	6.69	4,06,179	60,752	100%	100%

3: loan amount outstanding, Rs Cr

	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23	Jun 23	Sep 23
NBFCs Fintech	9,913	17,898	16,063	23,210	43,277	47,377	55,353
NBFCs	58,201	78,274	84,039	1,09,255	1,58,786	1,75,916	1,97,572
Banks	3,57,400	4,64,790	5,61,688	6,90,001	8,68,856	8,93,101	9,39,760
Total	4,25,514	5,60,962	6,61,790	8,22,466	10,70,919	11,16,393	11,92,685

4: loans, lakhs

	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23	Jun 23	Sep 23
Fintech NBFCs	23	84	90	208	329	358	415
NBFCs	47	71	86	113	181	203	303
Banks	161	207	244	336	440	459	491
Total	231	362	420	657	950	1,020	1,208

5: sanctioned value, Rs Cr

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	H1 FY 23-24
Fintech NBFCs	12,066	25,015	12,538	44,777	70,566	40,845
Other NBFCs	45,127	56,926	44,246	76,680	1,35,203	83,524
Banks	2,30,963	2,95,690	3,02,631	4,36,296	5,54,201	2,81,810
Total	2,88,156	3,77,631	3,59,414	5,57,753	7,59,970	4,06,179

6: sanction volume, Cr

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	H1 FY 23-24
Fintech NBFCs	0.45	2.16	1.12	4.09	6.63	4.16
Other NBFCs	0.39	0.88	0.82	1.30	1.94	1.30
Banks	0.67	0.95	0.92	1.76	2.22	1.22
Total	1.51	3.99	2.86	7.14	10.79	6.69

7: share across gender/rsu/tiers, sanctioned value H1 FY 23-24

	Female	Rural	Semi-Urban	Urban	Metro	Tier II	Tier III & beyond
NBFCs Fintech	14%	33%	11%	56%	37%	28%	35%
NBFCs	17%	32%	11%	57%	36%	29%	35%
Banks	18%	39%	14%	47%	30%	24%	47%
Total	17%	37%	13%	50%	32%	25%	43%

8: share across age (years), sanctioned value in H1 FY 23-24

	<25	26-35	36-45	> 46
NBFCs Fintech	16%	51%	25%	7%
NBFCs	8%	41%	33%	18%
Banks	6%	37%	30%	27%
Total	7%	39%	30%	23%

9: share across bureau vintage (years), sanction value in H1 FY23-24

	<1	1-2	2-3	3-4	4-5	>5
Fintech NBFCs	9%	13%	9%	8%	11%	49%
Other NBFCs	8%	10%	8%	7%	9%	57%
Banks	11%	7%	6%	5%	8%	64%
Total	10%	8%	6%	6%	8%	61%

10: share across credit scores, sanction value, H1 FY 23-24

	No-score	Very High Risk	High Risk	Medium Risk	Low Risk	Very Low Risk
NBFCs Fintech	9%	9%	22%	24%	20%	15%
NBFCs	4%	5%	15%	21%	28%	26%
Banks	6%	4%	12%	23%	22%	33%
Total	6%	5%	14%	23%	23%	30%

Very High Risk= 300-399, High Risk= 400-577, Medium Risk= 578-644, Low Risk: 645-693, Very Low Risk= 694-900

11: share across ticket size (Rs) sanction value, H1 FY 23-24

	<25k	25k-50k	50k-1L	1L-2L	2L-5L	5L+
Fintech NBFCs	35%	14%	13%	14%	19%	5%
Other NBFCs	9%	8%	13%	18%	27%	25%
Banks	1%	2%	3%	8%	22%	63%
Total	6%	4%	6%	11%	23%	50%

Fintech Association for Consumer Empowerment (FACE) is a non-profit association representing the fintech/digital lending industry. FACE convenes companies directly involved in fintech lending and other stakeholders to collectively advance fair and responsible digital lending practices through self-regulation and customer protection.

Please access all our reports here and for clarification/suggestions reach us at teamface@faceofindia.org