



# Fintech Pulse Vol - II



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# Executive Summary

**2020** has been an unprecedented year for the world. Financial institutions across the world and in India are grappling with uncertainty and effects of the COVID-19 pandemic. India has taken stringent measures to curtail the impact of the corona virus outbreak through a series of lockdowns. While this has had adverse effects on the economy and on credit growth as a whole during the peak period, the Unlock India initiatives have gained momentum as the economy slowly limps back to normal.

The data in this report showcases the trends in lending through data submitted by NBFC Fintech lenders. As expected, the year that began on a bullish note, in the first quarter saw retail credit growth tanking in the next two quarters. However, credit demand is surging once again as financial institutions cautiously loosen purse strings to lend again.

Loan originations went down significantly in the first two quarters of FY 2021 as compared to the previous year. Personal loans saw a significant fall in fresh loan disbursements with a negative growth rate of 71% in JAS '20 as compared to JFM'20.

Fintechs continue to focus on low-ticket short-tenure Personal and Consumer loans with 87% of the loans disbursed falls under these product categories, with MSMEs being hit hard by the pandemic, business loans plummeted in the first quarter but has seen a 15% growth in number of loans disbursed in second quarter. While the market share of Fintechs catering to business loans is less than 3%, Fintechs have been better able to manage delinquencies than the rest of the lenders.

While uncertainty will continue to loom large in face of the crisis, lenders who are able to adapt to the new normal will continue to grow. The inherently agile Fintechs that have adopted more advanced lending business models as compared to traditional lenders, will reap the benefits of their highly digitized offerings, ability to leverage new data using latest analytical tools, and using innovative ways of assessing risk.

# COVID-19 Impact On Fintech

The adverse effects of COVID-19 have been seen in most of 2020 across the globe. The multiple lockdowns severely curtailed economic activity and led to an adverse impact on the retail credit growth across the country.

While originations plummeted and most lenders focused on collections, the rules of lending were steadily changed with a cautious approach adopted by most lenders as they slowly recovered in the third quarter. Managing delinquencies was of paramount importance during 1st & 2nd quarter of FY 2021 even as payment pattern shifted and moratorium extended to borrowers.

The government on its part to build an 'Atmanirbhar Bharat' (self reliant India) amidst the COVID-19 crisis launched various stimulus initiatives to help the industry. Key measures adopted by the government included a comprehensive financial package to infuse liquidity in the industry to provide the MSME industry with necessary capital by way of collateral free loans of ₹300,000 crore, ₹20,000 crore of subordinated debt and ₹50,000 crore equity infusion.

While it has been a tough period, there have been glimmers of positivity. Despite the global slowdown, India's Fintechs raised almost \$1.7billion, more than twice that of last year's 726.6Mn\*. Spurred by availability of smartphones and data, Lending continues to attract Fintechs to its 300 million + underserved consumer category where demand continues to be high.

The rough year faced by many Fintech lenders, including aggregators of lenders has also brought about several key lessons on the basics of underwriting as well as collection practices. While new Fintechs have been able to attain scale rapidly, it is important that they calibrate their risk processes using appropriate models and scorecards, regularly monitor portfolio and segment customers appropriately. Fintechs also have the power to leverage new initiatives such as Account aggregators and protocols for democratization of data such as Open Credit Enablement Network (OCEN) which could be game-changing for lending. Further the digital India story continues to gain traction with new technologies to digitize processes being adopted by Fintechs and consumers in not just digital payments, but across consumer journeys using technologies such as Aadhaar based e-sign, video KYC etc. Fintechs are well placed to adopt these new technologies and data sources to further spur on financial inclusion.

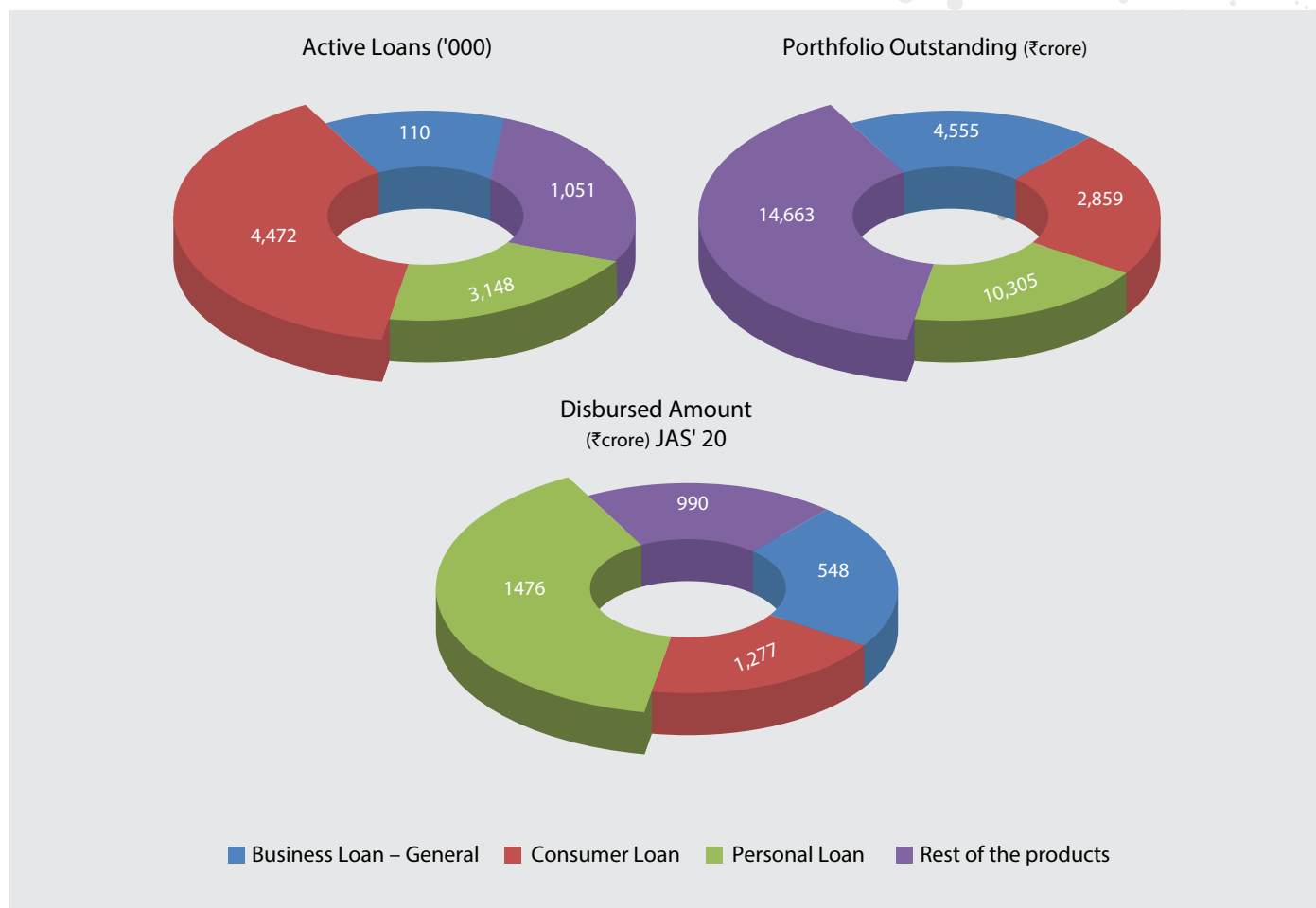
\*Data Source : [www.businessinsider.in](http://www.businessinsider.in)



# FINTECH OVERVIEW



# Fintech Overview – As on 30th September 2020

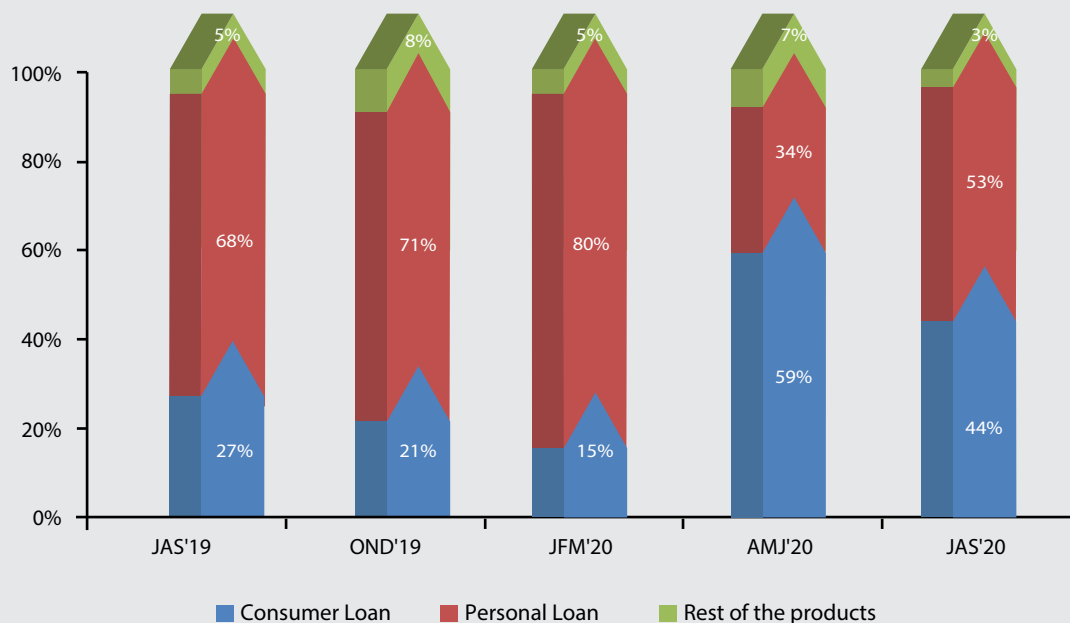


Fintech Snapshot as of Sep' 20	Business Loan – General	Consumer Loan	Personal Loan	Rest of the products	All Products
Active Loans ('000)	110	4,472	3,148	1,051	8,781
Portfolio Outstanding (₹ crore)	4,555	2,859	10,305	14,633	32,382
Disbursed Amount (₹ crore) JAS' 20	548	1,277	1,476	990	4,291
Average Ticket Size (₹)	622,412	8,744	8,164	183,717	12,880

- ▶ The data gives the snapshot of credit extended to individuals/ businesses via Fintechs as of September 2020.
- ▶ Consumer Loans and Personal loans continue to remain as the major focus for Fintechs with a share of 87% in terms of Active Loans.

# Fintech Disbursement Trends

Quarterly Sourcing Share of Top Fintech Products by No. of loans



Quarterly Sourcing Share and ATS of Top Fintech Products

Top Products (Disbursed Amount) (₹ crore)	JAS'19	OND'19	JFM'20	AMJ'20	JAS'20
Business Loan- General	1,175	1,224	1,012	280	548
Personal Loan	4,957	5,158	5,786	314	1,476
Rest of the products	5,119	5,644	4,935	1,156	2,267

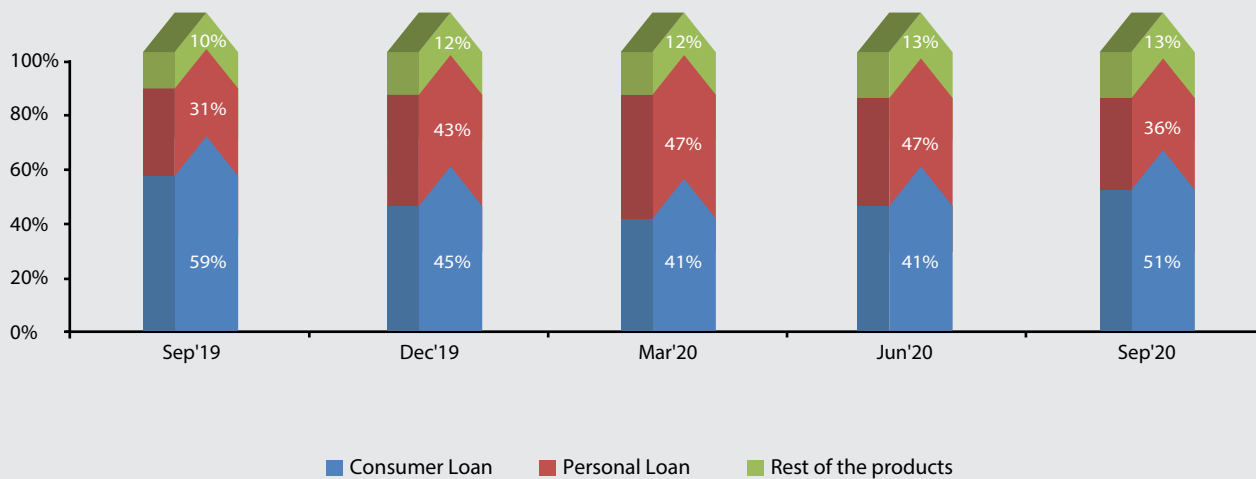
Top Products (ATS, ₹)	JAS'19	OND'19	JFM'20	AMJ'20	JAS'20
Business Loan- General	626,101	521,443	645,094	954,510	622,412
Consumer Loan	15,376	12,969	12,869	8,512	8,744
Personal Loan	14,307	10,039	9,158	7,690	8,164
Rest of the products	115,044	97,884	109,451	68,670	183,717

- ▶ There is a significant dip in the disbursed amount during AMJ'20 quarter across all products when the lockdown was imposed in India.
- ▶ The Personal Loan segment saw the biggest dip with 95% decline in disbursements. However things seem to be looking up with JAS'20 seeing recovery from the AMJ'20 quarter.
- ▶ There is a sharp decrease in the average ticket size for both personal and consumer loans from last year both of which now are under ₹9,000.



# Quarterly Fintech Growth

Quarterly Market Share of Top Fintech Products (No. of Loans)



Quarterly Market Share of Top Fintech Products (POS)

Top Products (₹crore)	Sep'19	Dec'19	Mar'20	Jun'20	Sep'20	Y-o-Y Growth Rate %
Business Loan - General	5,653	6,269	4,187	4,498	4,555	-19%
Personal Loan	7,951	10,078	11,750	10,697	10,305	30%
Rest of the products	9,850	14,528	18,504	17,568	17,522	78%
All Products	23,455	30,875	34,441	32,763	32,382	38%
Q-o-Q growth rate %	-	32%	12%	-5%	-1%	-

- ▶ At a growth rate of 38% there is a increase in portfolio outstanding this year, which is at ₹32,382 crore in Sep'20 compared to Sep'19.

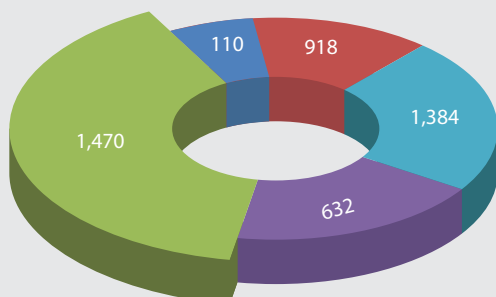


# PRODUCT SPOTLIGHT BUSINESS LOAN - GENERAL

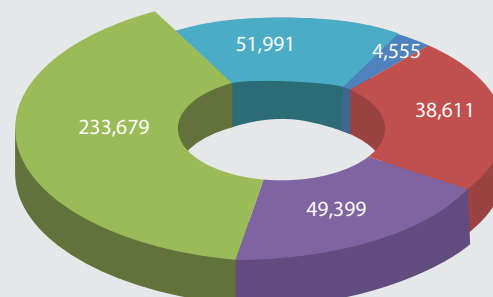


# Business Loan - General Industry Snapshot as on 30<sup>th</sup> September 2020

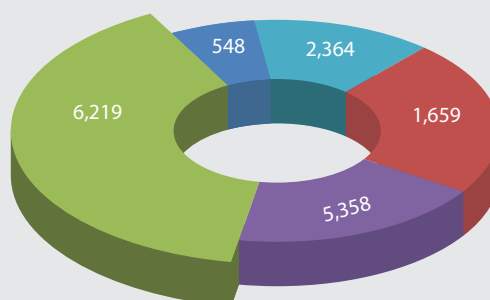
Active Loans ('000)



Portfolio Outstanding (₹ crore)



Disbursed Amount (₹ crore) - JAS'20



■ Fintech ■ NBFC ■ PSU Bank ■ Pvt. Bank ■ ROI

Business Loan General Snapshot as of Sep'20	Fintech	NBFC	PSU Bank	Pvt. Bank	ROI	Total Industry
Active Loans ('000)	110	918	1,470	632	1,384	4,514
Portfolio Outstanding (₹ crore)	4,555	38,611	233,679	49,399	51,991	378,235
Disbursed Amount (₹ crore) JAS'20	548	1,659	6,219	5,358	2,364	16,148
90+ Delinquency	3.25%	5.75%	6.33%	1.18%	3.53%	5.18%

- ▶ Fintechs continue to lag behind for market share for business loans with an overall share of just 2.44%. However Fintechs have been able to manage the delinquency level at below the industry average.

# Business Loan - General Disbursement Trends

Market Share Trends by Lender type (Disbursed Amount)



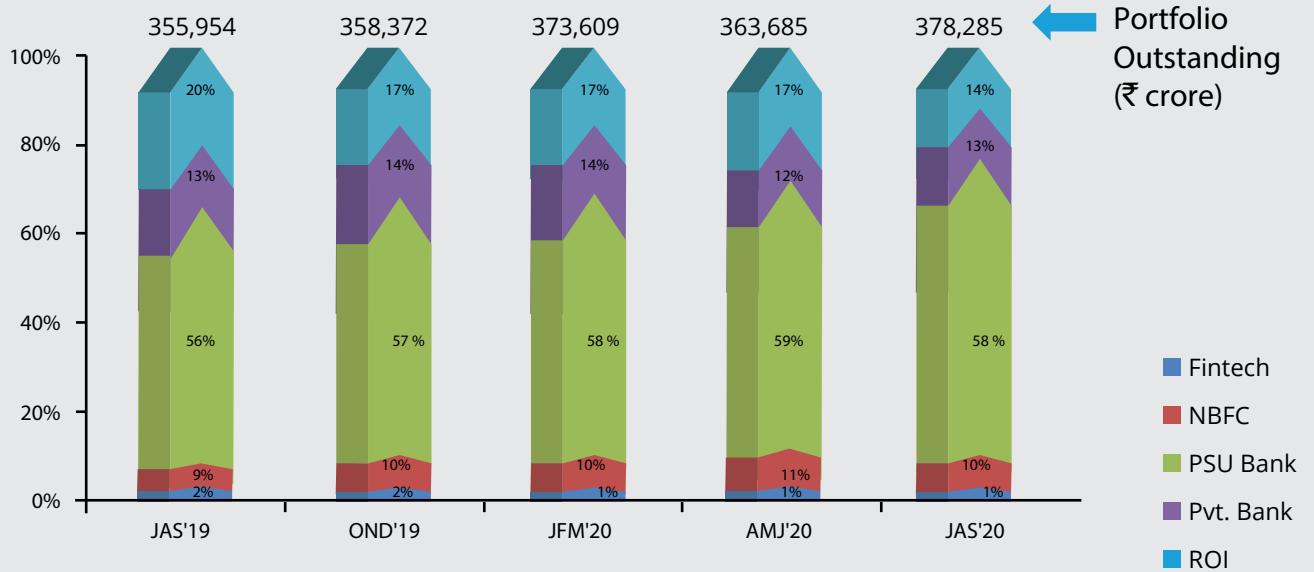
Disbursed no of loans ('000)

Lender Category	JAS'19	OND' 19	JFM' 20	AMJ' 20	JAS' 20
Fintech	19	24	16	3	9
NBFC	81	82	75	41	20
PSU Bank	57	45	36	89	51
Pvt. Bank	61	79	67	28	56
ROI	73	84	79	38	93
Industry Total	291	314	273	199	229

- ▶ There is a significant dip in terms of the number of business loans disbursed due to the pandemic in the AMJ quarter. However the number of loans have shown signs of recovery in JAS'20.
- ▶ NBFCs and Fintechs have barely a 13% market share of business loans disbursed during JAS 20.

# Business Loan - General Portfolio Outstanding Trends

Market Share Trends by Lender type

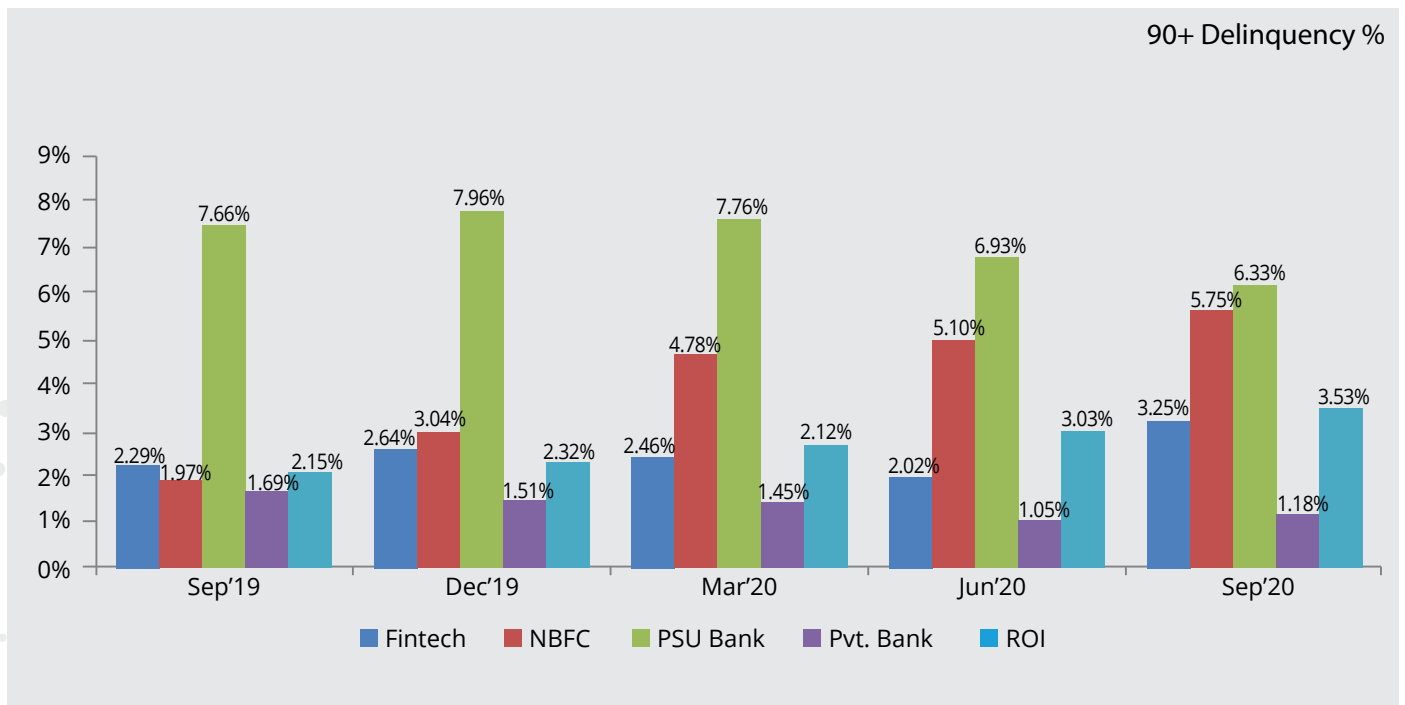


Active Loans ('000)

Lender Category	Sep' 19	Dec' 19	Mar' 20	Jun' 20	Sep' 20	Y-o-Y Growth Rate %
Fintech	99	120	103	108	110	11%
NBFC	736	908	931	900	918	25%
PSU Bank	995	1,212	1,386	1,440	1,470	48%
Pvt. Bank	728	681	720	499	632	-13%
ROI	1,194	1,240	1,303	1,315	1,384	16%
Total Industry	3,752	4,161	4,443	4,262	4,514	20%
Q-o-Q growth rate %	-	11%	7%	-4%	6%	-

► Y-o-Y growth rate of 11% is seen for Fintechs compared to the industry average of 20%.

# Business Loan - General Risk Profile



- ▶ We see an increase in 90+ delinquency for Fintechs and NBFC whereas for PSU Bank and Pvt. Bank 90+ delinquency rates fall on y-o-y basis.
- ▶ Fintechs' 90+ Delinquency rates has gone up from 2.29% in Sep' 19 to 3.25% in Sep'20.

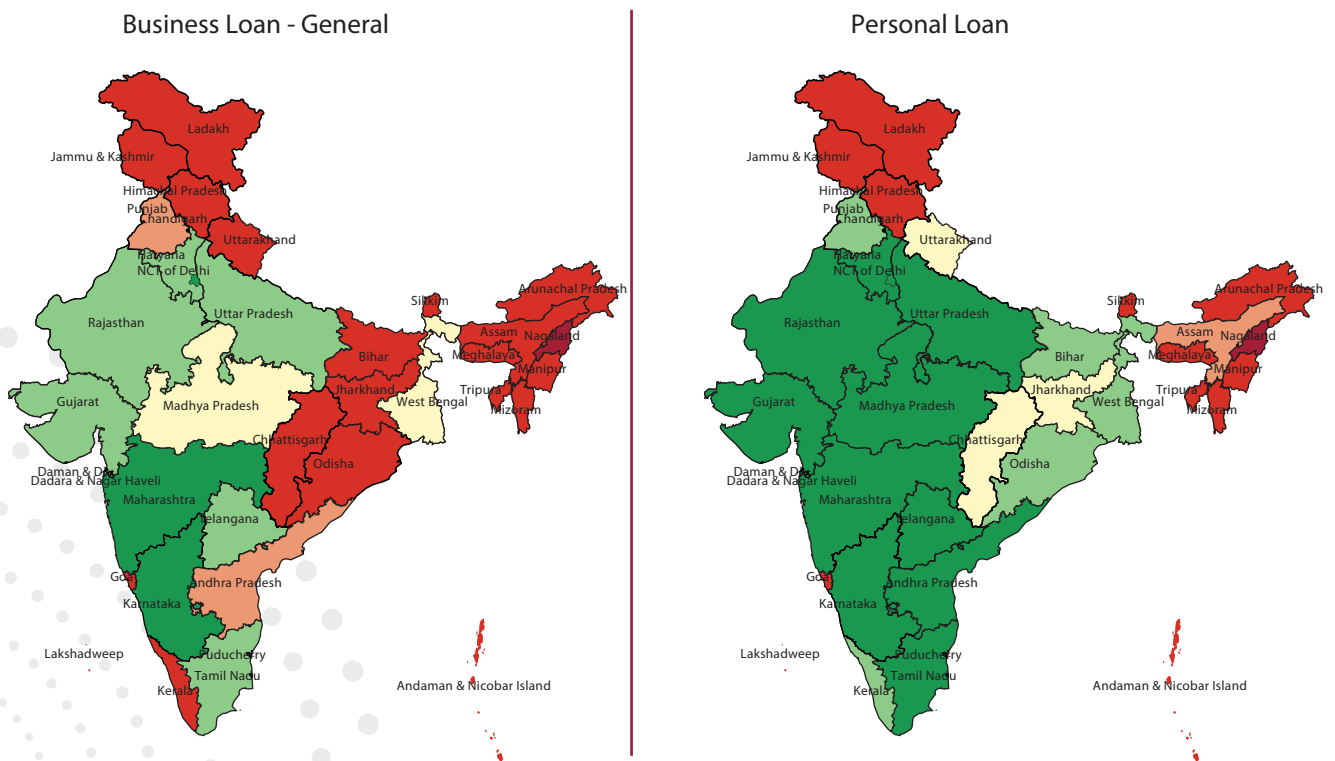
Delinquencies calculated basis POS



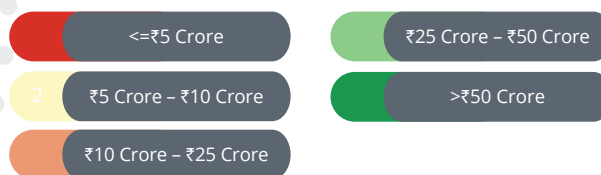
# PRODUCT & GEOGRAPHICAL OVERVIEW



# Fintech State wise Exposure – By Disbursement Amount – JAS'20



Distribution by disbursement amount



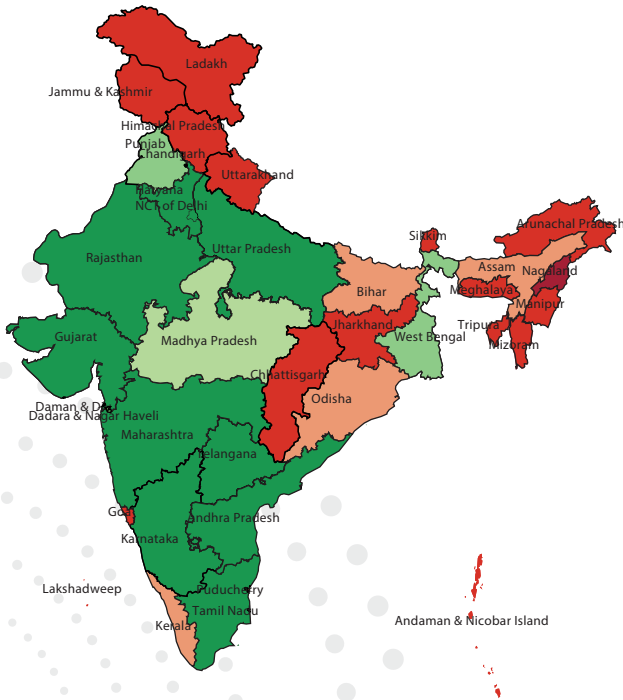
- ▶ Fintechs are able to reach the vast Indian population utilising digital means, most of the states in personal loan segment saw a disbursement of more than ₹50 crores in JAS'20.
- ▶ Disbursement of business loans continues to lag behind personal loans especially in the eastern part of India.

Sourcing Period : July 2020 to September 2020

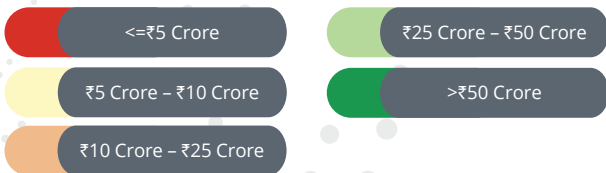


# Fintech State wise Exposure – Portfolio Outstanding as on 30<sup>th</sup> September 2020

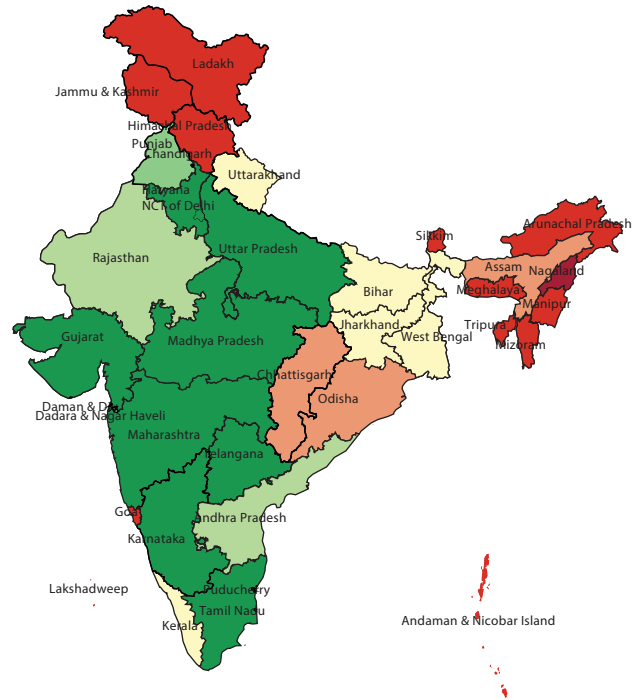
Business Loan - General



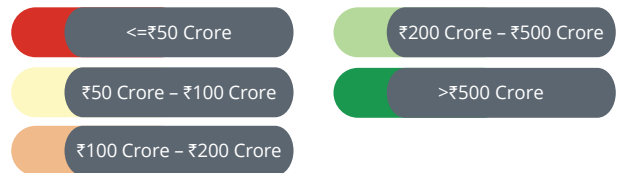
Distribution by POS buckets



Personal Loan



Distribution by POS buckets



- ▶ In terms of geographical exposure, states having portfolio outstanding for business loans more than ₹50 crore is at par with states having personal loans portfolio outstanding more than ₹500 crore

Sourcing Period : July 2020 to September 2020

# Fintech Exposure Trends - Top States and Top Products

Number of loans disbursed (in '000)

Consumer Loan	JAS' 19	OND' 19	JFM' 20	AMJ' 20	JAS' 20
Uttar Pradesh	196	264	250	100	255
Maharashtra	238	246	173	90	210
Delhi	172	168	121	51	123
Gujarat	109	112	79	46	97
Rajasthan	87	102	76	42	92
Top 5 States - % contribution	58%	59%	58%	47%	53%
Others - % Contribution	42%	41%	42%	53%	47%
Total	1,380	1,522	1,197	700	1,461

Number of loans disbursed (in '000)

Personal Loan	JAS' 19	OND' 19	JFM' 20	AMJ' 20	JAS' 20
Maharashtra	506	772	922	30	218
Karnataka	384	569	670	40	202
Telangana	318	494	575	36	181
Andhra Pradesh	300	444	548	38	157
Tamil Nadu	316	472	603	25	141
Top 5 States - % contribution	53%	54%	53%	41%	50%
Others - % Contribution	47%	46%	47%	59%	50%
Total	3,465	5,138	6,318	409	1,808

- ▶ Personal loans and consumer loans continue to see maximum demand from Fintechs. The differentiated loan products for travel, weddings, electronic gadgets, personal loans have fuelled discretionary spending by millennials, due to convenient loan options by Fintechs.
- ▶ Top 5 states contributed more than 50% of the total loans disbursed in India by Fintechs.
- ▶ In personal loans while there was a sharp decline in the number of loans disbursed during AMJ'20 due to the ongoing pandemic, JAS'20 has shown signs of recovery and pre-covid levels are yet to be attained.

# Geographical 90+ Delinquency

## Business Loan - General

Top States	90+ Delinquency % (No. of Loans)		90+ Delinquency % (POS)	
	Fintech	State Delinquency	Fintech	State Delinquency
Maharashtra	4.21%	6.58%	4.10%	6.85%
Karnataka	2.48%	16.57%	2.47%	5.73%
Tamil Nadu	4.38%	6.91%	3.86%	4.86%
Rajasthan	1.32%	2.15%	1.62%	0.94%
Telangana	2.67%	5.33%	2.67%	5.32%

## Consumer Loan

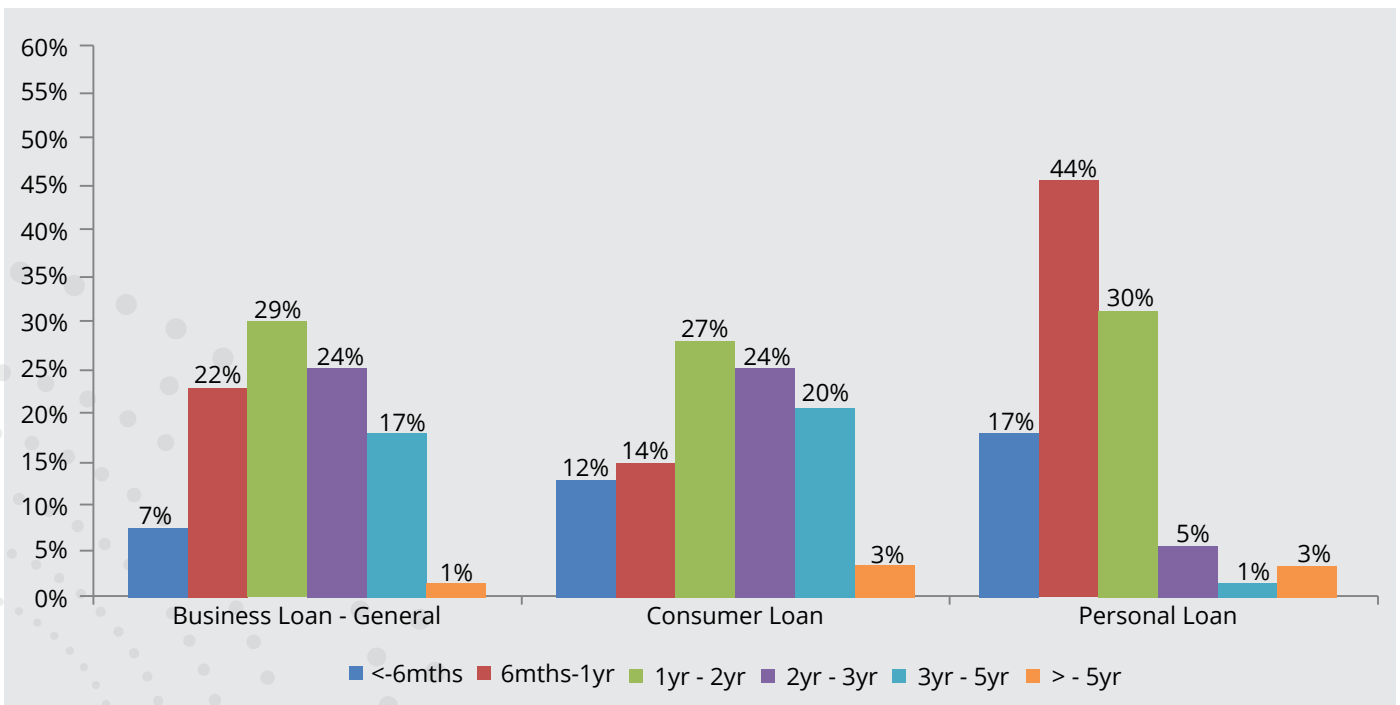
Top States	90+ Delinquency % (No. of Loans)		90+ Delinquency % (POS)	
	Fintech	State Delinquency	Fintech	State Delinquency
Maharashtra	5.80%	1.64%	15.95%	3.81%
Uttar Pradesh	0.66%	1.34%	1.26%	1.87%
Delhi	1.13%	1.33%	3.01%	2.65%
Karnataka	1.91%	1.49%	5.29%	3.22%
Gujarat	0.89%	0.97%	1.91%	2.86%

## Personal Loan

Top States	90+ Delinquency % (No. of Loans)		90+ Delinquency % (POS)	
	Fintech	State Delinquency	Fintech	State Delinquency
Maharashtra	4.45%	3.60%	2.25%	1.44%
Delhi	3.46%	3.72%	1.39%	1.11%
Karnataka	5.10%	2.45%	3.17%	0.91%
Gujarat	3.21%	2.86%	1.09%	1.06%
Uttar Pradesh	4.55%	2.47%	1.28%	0.67%

- ▶ Fintechs' are maintaining a 90+ delinquency rate of less than 5% in the business loan category for both number loans and portfolio outstanding.
- ▶ In the consumer loan category, Maharashtra has one of the highest delinquency rates on the loans disbursed by Fintechs.
- ▶ 90+ Delinquency for consumer loans in Maharashtra is 15.95% which is much higher than the state average of 3.81%.
- ▶ In the personal loan segment, the average delinquency is higher for Fintechs compared to rest of the industry.

# Tenure of Fintech Loans



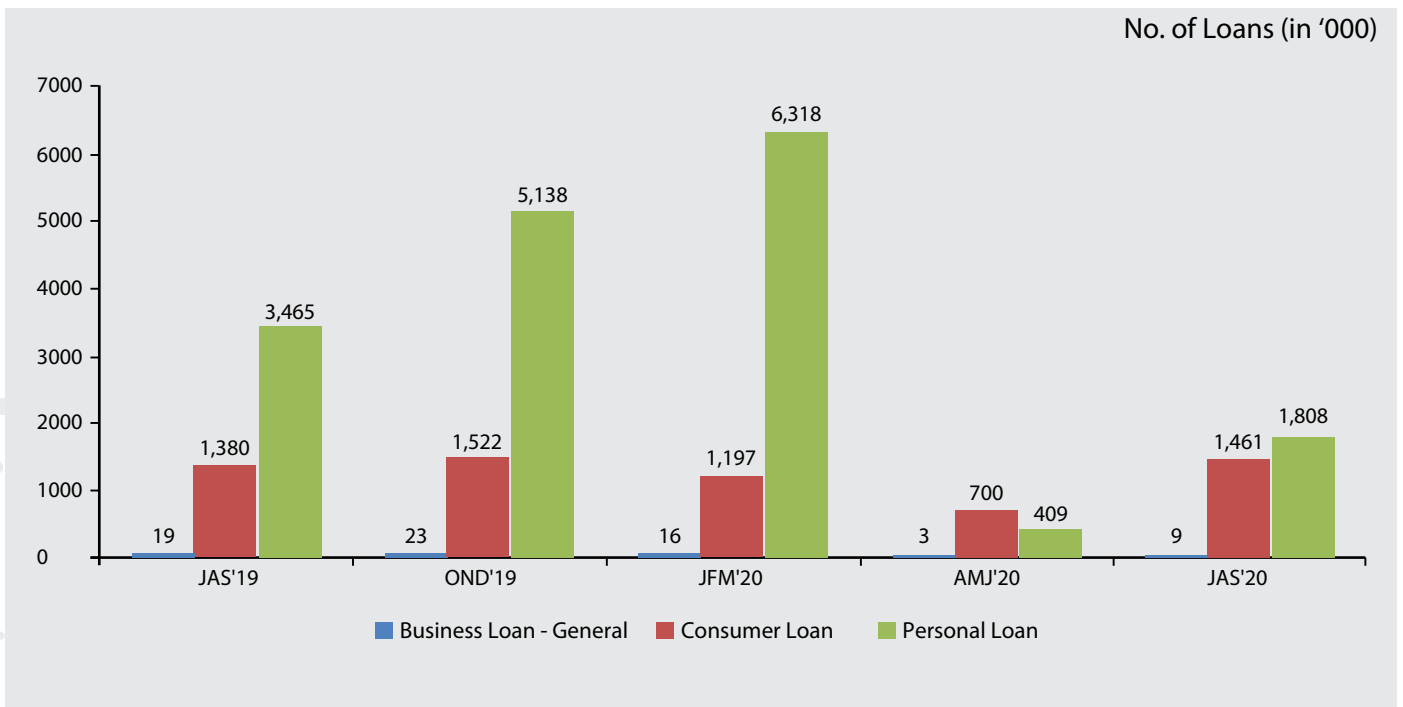
- ▶ Tenure for personal loans are mostly skewed towards short term loans with a tenure of 1 day to 2 years, 91% of loans falling into this tenure.
- ▶ 71% of the consumer loans tenure are between 1 year and 5 years.
- ▶ 75% of the business loans tenure fall between 6 months and 3 years.



# COVID-19 IMPACT ON FINTECH

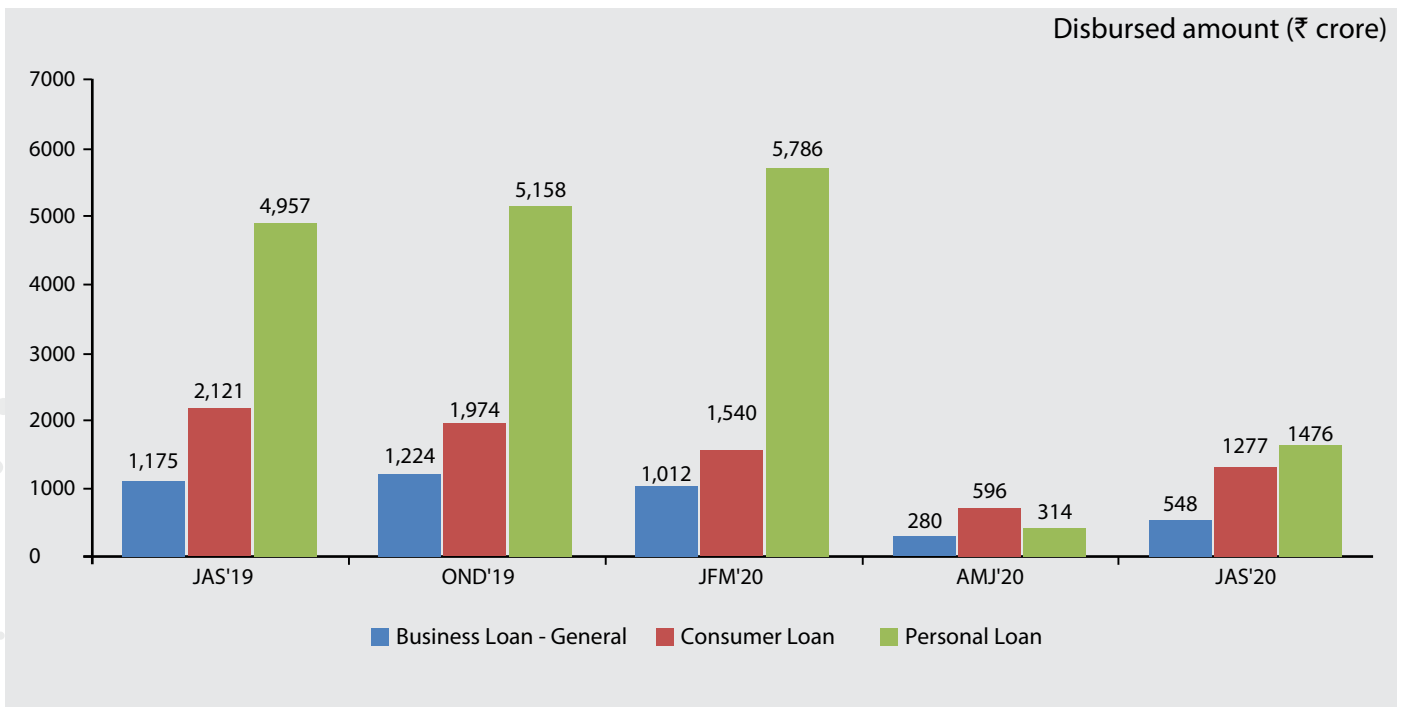


# Fintech Fresh Loans



- ▶ While, consumer loans saw an increase in the number of fresh loans disbursed compared to JAS'19, personal loans saw a significant fall in fresh loan disbursements with 71% decline in JAS'20 as compared to JFM'20.
- ▶ Number of business loans disbursed to Fintechs also decreased significantly from 19,000 in JAS'19 to 9,000 in JFM'20.

# Fintech Disbursement Amounts



- ▶ Total disbursement has fallen by 60% in JAS'20 compared to JAS'19.
- ▶ Overall share of consumer loans has gone up significantly in the disbursed amount with a decline in personal loan disbursements. While the lockdown months of AMJ has seen a colossal fall in the disbursed amounts, recovery is seen in the JAS'20 months although it is still much lower than pre-covid levels.

# Personal Loan - Top 10 States

## Quarterly Market Share of Top Fintech Products (POS)

Personal Loan	JAS' 19 No. of loans (in '000)	JAS' 20 No. of Loans (in '000)	% Growth	COVID-19 Total Cases as on 30 <sup>th</sup> September 2020
Maharashtra	506	218	-57%	1,224,380
Karnataka	384	202	-47%	526,876
Telangana	318	181	-43%	174,774
Andhra Pradesh	300	157	-48%	631,749
Tamil Nadu	316	141	-55%	552,674
Uttar Pradesh	242	135	-44%	358,893
Gujarat	168	109	-35%	124,767
Rajasthan	188	105	-44%	116,881
Madhya Pradesh	162	83	-49%	108,167
Delhi	151	71	-53%	249,259

- ▶ COVID-19 had a significant impact on the fintech lending industry. All the top 10 states saw a double digit decline, of which 3 states have more than 50% decline in number of loans disbursed.

Data source - [www.covid19india.org](http://www.covid19india.org)



## Consumer Loan General - Top 10 States

Consumer Loan	JAS' 19 No. of loans (in '000)	JAS' 20 No. of Loans (in '000)	% Growth	COVID-19 Total Cases as on 30 <sup>th</sup> September 2020
Uttar Pradesh	196	255	30%	358,893
Maharashtra	238	210	-12%	1,224,380
Delhi	172	123	-28%	249,259
Gujarat	109	97	-11%	124,767
Rajasthan	87	92	5%	116,881
Haryana	87	85	-2%	114,870
Bihar	26	83	220%	171,465
Madhya Pradesh	88	71	-19%	108,167
Karnataka	70	64	-8%	526,876
Punjab	65	62	-5%	99,930

- ▶ Consumer loans displayed a very erratic behavior in terms of growth rate
- ▶ While states like UP, Bihar and Rajasthan saw positive growth, rest of the other top 10 states saw a decrease in the number of loans disbursed

Data source - [www.covid19india.org](http://www.covid19india.org)

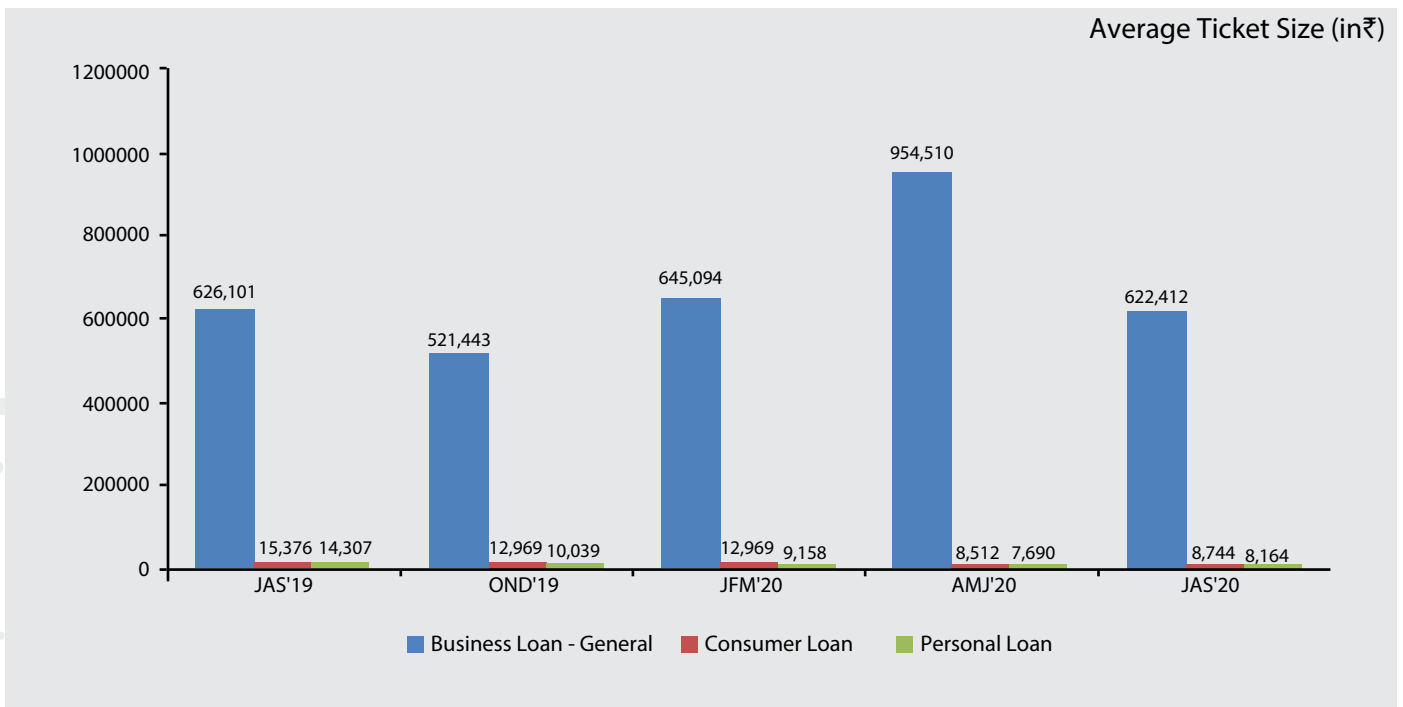
## Business Loan General - Top 10 States

Business Loan General	JAS' 19 No. of loans (in '000)	JAS' 20 No. of Loans (in '000)	% Growth	COVID-19 Total Cases as on 30 <sup>th</sup> September 2020
Maharashtra	2.3	1.5	-37%	1,224,380
Karnataka	2.3	1.0	-57%	526,876
Rajasthan	2.1	1.0	-52%	116,881
Delhi	2.1	0.8	-61%	249,259
Tamil Nadu	1.3	0.7	-50%	552,674
Telangana	1.2	0.6	-48%	174,774
Uttar Pradesh	1.5	0.6	-61%	358,893
Madhya Pradesh	0.8	0.5	-44%	108,167
Gujarat	0.9	0.5	-42%	124,767
Andhra Pradesh	0.6	0.3	-48%	631,749

- ▶ Number of loans across India have dropped down significantly although no clear co-relation is seen in the number of covid cases and credit growth. It is likely that differing measures taken up by different state government have affected economic growth thereby affecting credit growth rather than the number of covid cases.

Data source - [www.covid19india.org](http://www.covid19india.org)

# Fintech Average Ticket Size



- ▶ The average ticket size for personal loans and consumer loans has fallen significantly to under ₹9000 in the 2nd quarter. This could be because of the increased number of loans for consumer durables that have seen a spike during covid months as people splurged on home appliances and other durables. Short term low ticket loans have done better than higher ticket loans leading to a drop in average ticket sizes.

# Abbreviations & Glossary

- ▶ **ATS (Average Ticket Size)** = Disbursed Amount / Number of Loans
- ▶ **DPD** = Days Past Due
- ▶ **Live POS or Active loans** = 0 to 179 DPD + New Accounts + Current Accounts
- ▶ **POS** = Portfolio Outstanding
- ▶ **90+ Delinquency** = 90-179 DPD/ Live POS
- ▶ **ROI** = Rest of Industry (Co-op Banks, DCCBs, RRBs, Foreign Banks, HFCs & SFBs)
  
- ▶ **JAS'19** = July 2019 to September 2019
- ▶ **OND'19** = October 2019 to December 2019
- ▶ **JFM'20** = January 2020 to March 2020
- ▶ **AMJ'20** = April 2020 to June 2020
- ▶ **JAS'20** = July 2020 to September 2020
  
- ▶ The report is an analysis of 78 NBFC-Fintechs that submit data to Equifax. As on September 2019 basis submission, data covers details on ~78 Fintech institutions. At the end of September 2020 this number is close to ~96 Fintech institutions, as per submission.

## About SIDBI

Small Industries Development Bank of India has been established under an Act of the Parliament in 1990. SIDBI is mandated to serve as the Principal Financial Institution for executing the triple agenda of promotion, financing and development of the Micro, Small and Medium Enterprises (MSME sector) and co-ordination of the functions of the various Institutions engaged in similar activities. Over the years, through its various financial and developmental measures, the Bank has touched the lives of people across various strata of the society, impacted enterprises over the entire MSME spectrum and engaged with many credible institutions in the MSME ecosystem. Under Vision 2.0, SIDBI has spearheaded various Initiatives to address the Information Asymmetry in MSME sector like MSME Pulse, the health tracker of MSMEs and CriSidEx, for gauging the MSE sentiments & aspirations, Industry spotlight, a comprehensive report on industry sectors and Microfinance Pulse, for data insights on Microfinance Industry, apart from Fintech Pulse.

## About Equifax

Equifax is a global information solutions company that uses trusted unique data, innovative analytics, technology and industry expertise to power organizations and individuals around the world by transforming knowledge into insights that help make more informed business and personal decisions.

Headquartered in Atlanta, Ga., Equifax operates or has investments in 24 countries in North America, Central and South America, Europe and the Asia Pacific region. It is a member of Standard & Poor's (S&P) 500® index and its common stock is traded on the New York Stock Exchange (NYSE) under the symbol EFX. Equifax employs 11,000 employees worldwide. With a global legacy of over 120 years in the credit industry, in 2010, Equifax established a presence in India market and was licensed by RBI to operate as a CIC. Over the last 9 years, the credit bureau has grown to 4000+ members including Banks, NBFCs, MFIs and insurers. These members provide data on demographic and repayment information on millions of Indian consumers. In 2014, Equifax further grew its footprint in India through acquisition of an analytics firm. Equifax Analytics Pvt. Ltd is Equifax's fully owned analytics entity in India, which delivers unparalleled customized analytics solutions that enrich both the performance of businesses and the lives of consumers.

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