

Fintech Pulse

Vol III



Analytical Contacts

Equifax

Kiran Samudrala
VP – Data and Analytics
kiran.samudrala@equifax.com

Shruti Joshi
Head – Insights
shruti.joshi@equifax.com

Khayati Khajuria
Manager – Analytics
khayati.khajuria@equifax.com

Pooja Rodolla
Senior Consultant
pooja.rodolla@equifax.com

SIDBI

Chandra Shekhar Thanvi
CGM - MPIV-ERDA
erdav@sidbi.in

Rangadass Prabhavathi
DGM - ERDAV
erdav@sidbi.in

Ramesh Kumar
Manager - ERDAV
rameshk@sidbi.in

Executive summary



Latest Trends & Technologies in Fintech Industry



Fintech overview



Geographical overview



Moratorium Impact Delinquency and Industry recovery analysis



Abbreviations

Executive summary

3rd edition of Fintech Pulse aims at providing an overview of the Fintech industry. Indian Fintech industry is growing at a faster rate and has registered second¹ highest number of new Fintech start-ups in the last three years after the US (China data not included). This growth is mainly reflected through digital payments, lending, increase internet usage etc. of the Fintech industry with e-commerce, smartphone usage and contactless banking services being key drivers for the growth. The increasing use of Machine Learning, artificial intelligence (AI) and Big Data, latest trends and technologies have helped enhance consumer expectations and growth. The industry witnessed ~32% households using digital² payment modes. Along with banking and financial transactions, e-commerce has also witnessed rapid growth amongst consumers with 36% increase in the e-commerce orders³ in FY 21 Q3.

As on 31st March 2021, Fintech industry contributes ₹35.5 thousand crore towards portfolio outstanding with a decrease in YoY annual growth by 3%. Loan disbursal show decline in annual growth where disbursement by amount decreased by 30% while number of loan disbursed decreased by 51% in JFM'21 as compared to JFM'20. Fintechs value and volume based analysis reflect personal loans and consumers loans as the top favorite product among borrowers.

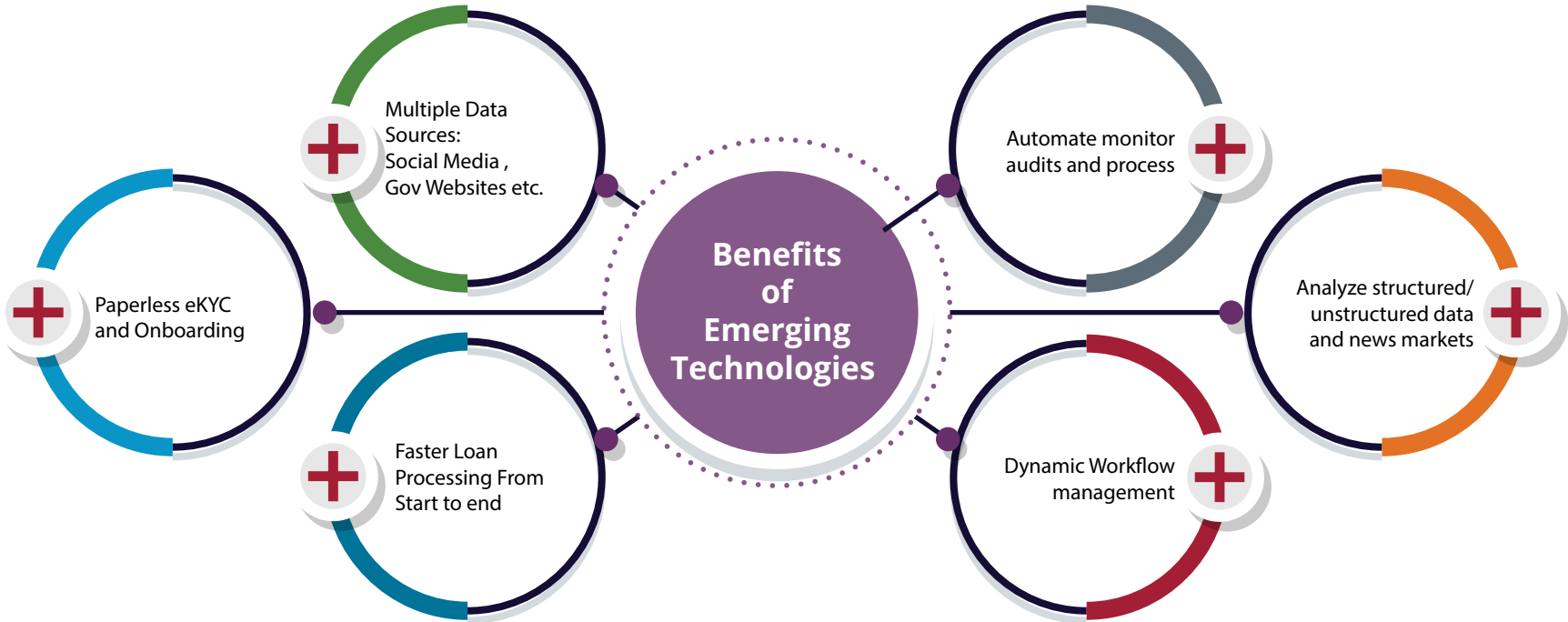
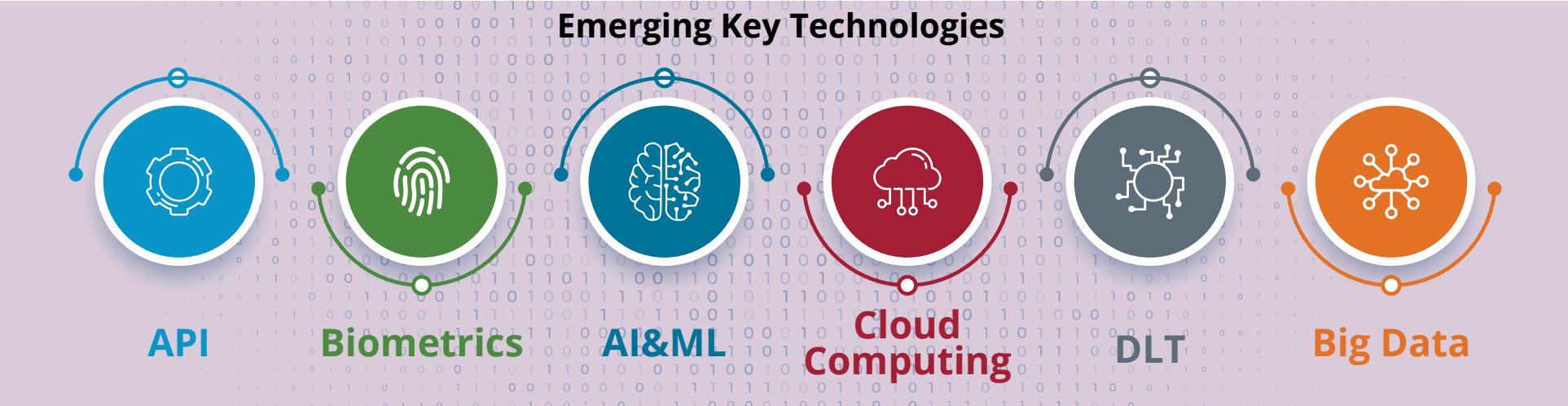
Geographically, rural population experienced more internet user growth than urban during pandemic. This is attributed towards people moving to their hometown, working from home, online schools for children etc. Hence the scope for digitization has widely extended in rural geography.

The current report is an analysis of 105 NBFC-Fintechs (as on March 2021) which submit data to Equifax. Through this report, we aim to answer key questions and hypothesis on the Fintech growth, Regional presence & outreach, Risk profiling and growth trends in Fintech lending space.

Latest Trends⁴ in Fintechs

1. **Emergence of Neo-banks or Digi-only Banks:** Neo-banks have digital as the only or predominant channel for engaging with customers and challenge either the products, user experience or business models of traditional banks and other financial services organizations. With the use of neo-banks, the tech-savvy users can avail diverse range of banking facilities under a fingertip on just one click anywhere at any time, as per their affordability and convenience.
2. **Autonomous Finance:** Autonomous finance seeks to alleviate a significant burden from consumers' shoulders by automating a number of key financial decisions and processes using technology, particularly artificial intelligence (AI) and automation. Various benefits can be utilized from this autonomous finance trend such as favorable interest rates and fees, diverse range of functionalities, smooth registration process, and availability of service 24X7 also compatibility with different smart devices.
3. **Voice Technology:** Using voice technology, voice recognition and voice assistance can be utilized in all sectors of India serving various purposes like providing instant information regarding card balance, personalized questions, recurring payment option etc. The potential of voice payments can be appreciated by the tech-savvy youth to send money to their friends, families or colleagues.
4. **Application of RegTech in Fintech:** RegTech will help companies to automate the more mundane compliance tasks and reduce operational risks associated with meeting compliance and reporting obligations. It will also enable companies to leverage advanced AI machine learning tools to simplify the protocols in identity management, monitoring transactions, consumer security, data security and thereby enhances the speed and agility of the companies against high-end competitors by examining the large set of real-time data efficiently.
5. **Advanced Biometric Security System:** For companies to enable contactless verification to identify consumers, biometric security systems can help Fintechs defend against cyber-attacks on real-time data. AI machine learning algorithms can be leveraged to utilize advanced biometric security system.

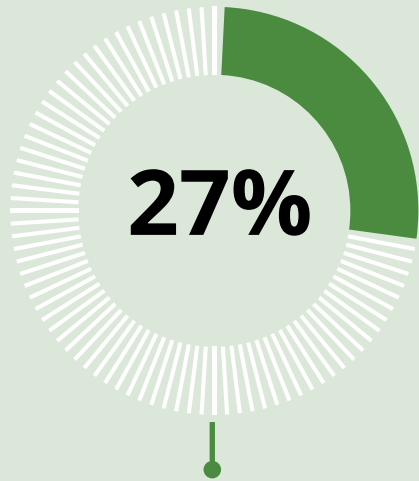
Latest Technologies⁵ in Fintechs



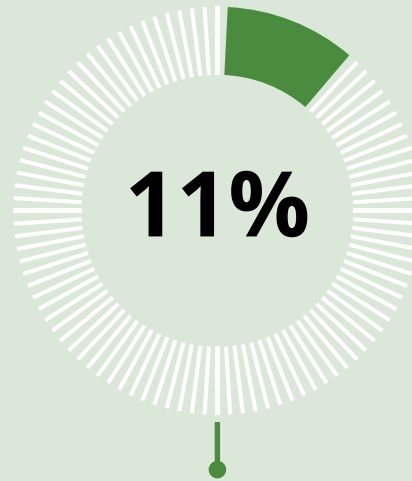
Fintech Overview



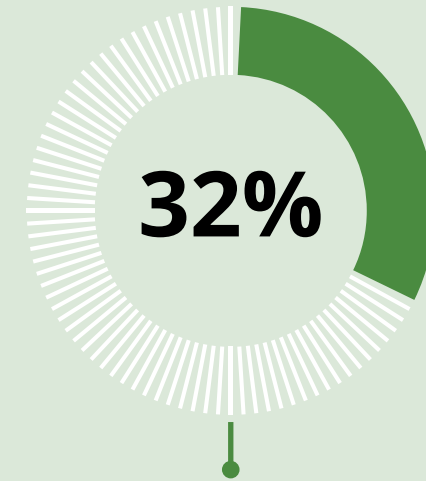
Highlights



Fintech portfolio outstanding reached at ₹35.5 thousand crore in March 2021, **growing at 27% CAGR** from September 2019 to March 2021



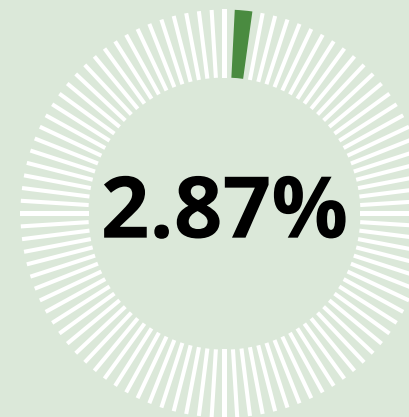
11% increase in the **internet⁶ users** from December 2019 - December 2020



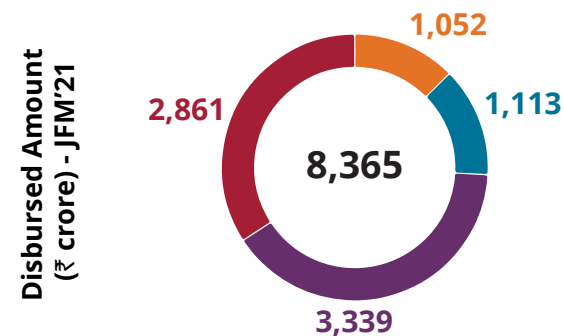
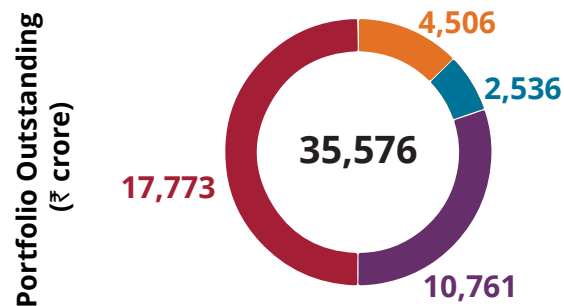
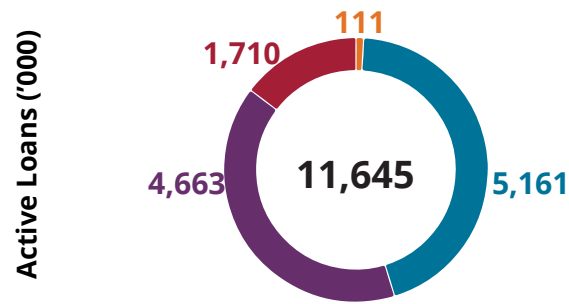
32% households use **digital⁷ mode of payments** as on December 2020



~35% increase in the number of **new Fintechs** from September 2019 - March 2021



2.87% of the retail loan book comprises of **Fintech active loans** (March 2021)

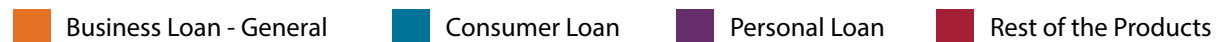


- The Fintech lending contributes ₹35.5 thousand crore to total retail portfolio outstanding that recorded a POS of ₹81.1 lakh crore as on 31st March 2021.

With rise in the internet accessing population⁶ to 11% (December 2019-December 2020) , increased e-commerce orders by 36%⁸ (FY 21 Q3) - market share of Fintech based lending is expected to further rise.

- Fintech Lending mostly comprises of unsecured lending. The top products of Fintech lending are Personal Loans, Consumer Loans to Business Loans (General).

A value and volume based analysis reflects that Personal Loan leads in terms of value whereas Consumer Loan leads in terms of volume.



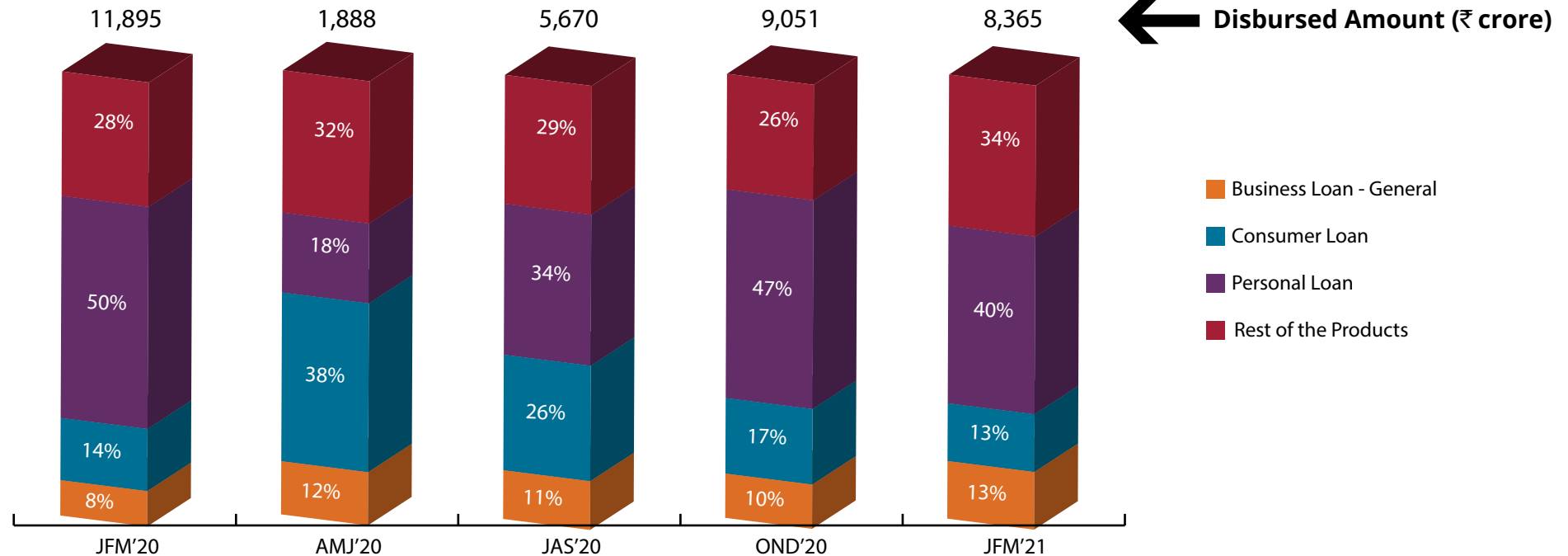
Fintech Snapshot

Fintech Snapshot as of Mar'21	Business Loan (General)	Consumer Loan	Personal Loan	Rest of the Products	All Products
Active Loans ('000)	111	5,161	4,663	1,710	11,645
Portfolio Outstanding (₹ crore)	4,506	2,536	10,761	17,773	35,576
Disbursed Amount JFM'21 (₹ crore)	1,052	1,113	3,339	2,861	8,365
Average Ticket Size (₹)	608,796	8,883	15,571	37,100	19,985

- As on 31st March 2021, **Personal Loan** by POS (value) holds 30% of Fintech market share – **2nd highest by value**; 40% Fintech market share by Active loans (volume) – **2nd highest by volume**.
- Consumer Loans** hold 44% Fintech market share by Active loans (volume) – **highest across the Fintech landscape** as on 31st March 2021.
- Rest of Products (ROP) is constituted of products like Business Loan – Unsecured, Small Business, Secured; Gold loans, Housing Loans, Education loans, etc. – highly value intensive products with longer payment durations. ROP contributes 50% to the Fintech POS and 15% to Active Fintech loans as on March 2021.

Fintech Disbursement Trends

Quarterly Sourcing Distribution by Value



- Disbursement by value and volume declined by 30% and 51% respectively from JFM'20 to JFM'21.
- In terms of market share, annual trend reflects a shift at product level with **Personal Loans and Consumer Loans reflecting drop in their market shares compared to Business Loan (General) and ROPs market shares as on JFM'21 over JFM'20.**
- Business Loan (General) and ROPs showed a 5% & 6% increase in market share by disbursed amount in JFM'21 over JFM'20, respectively.

Fintech Disbursement Trends

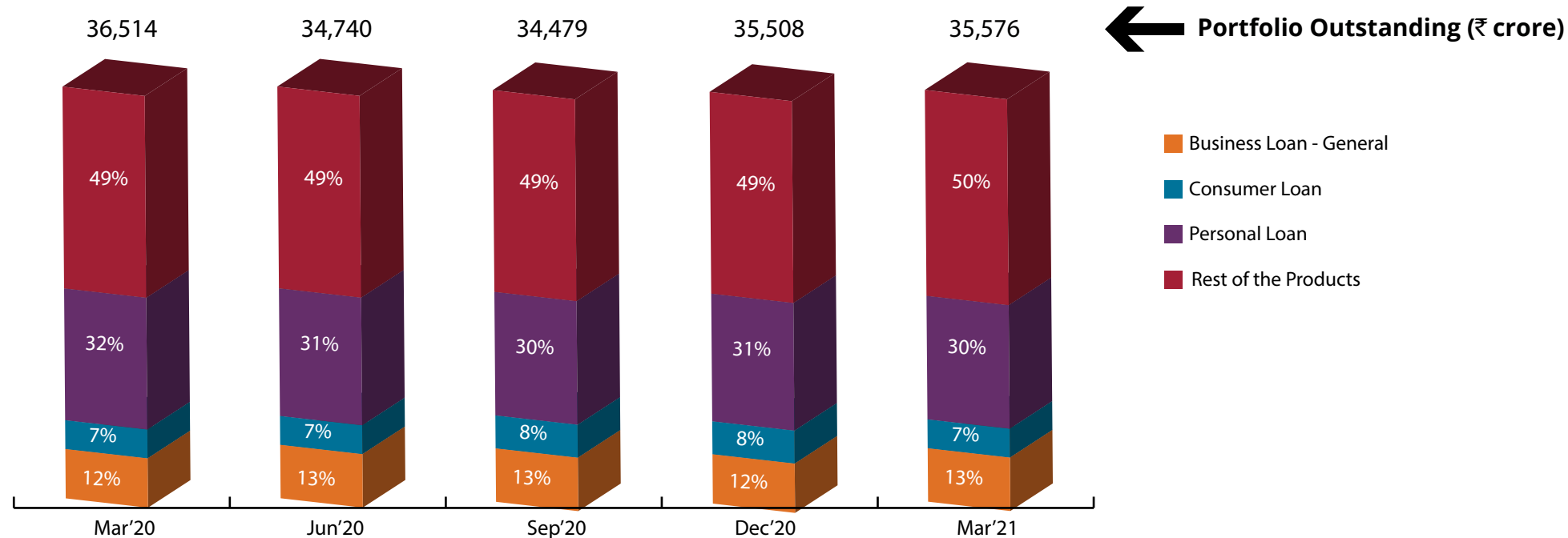
Quarterly Sourcing Distribution by Volume

Top Products (No. of loans, '000)	JFM'20	AMJ'20	JAS'20	OND'20	JFM'21	Y-o-Y Growth Rate%
Business Loan - General	16	3	10	12	17	6%
Consumer Loan	1,213	717	1,507	1,583	1,253	3%
Personal Loan	6,776	470	2,635	4,590	2,145	-68%
Rest of the products	452	78	89	264	771	71%
All Products	8,457	1,268	4,241	6,449	4,186	-51%
Q-o-Q Growth Rate %	-	-85%	234%	52%	-35%	-

Despite the decline of 51% in disbursement by volume, products like Consumer Loan, Business Loan (General) & ROPs clocked positive volume growth at 3%, 6% & 71% respectively from JFM'20 to JFM'21.

Fintech Portfolio Trends

Quarterly POS Distribution



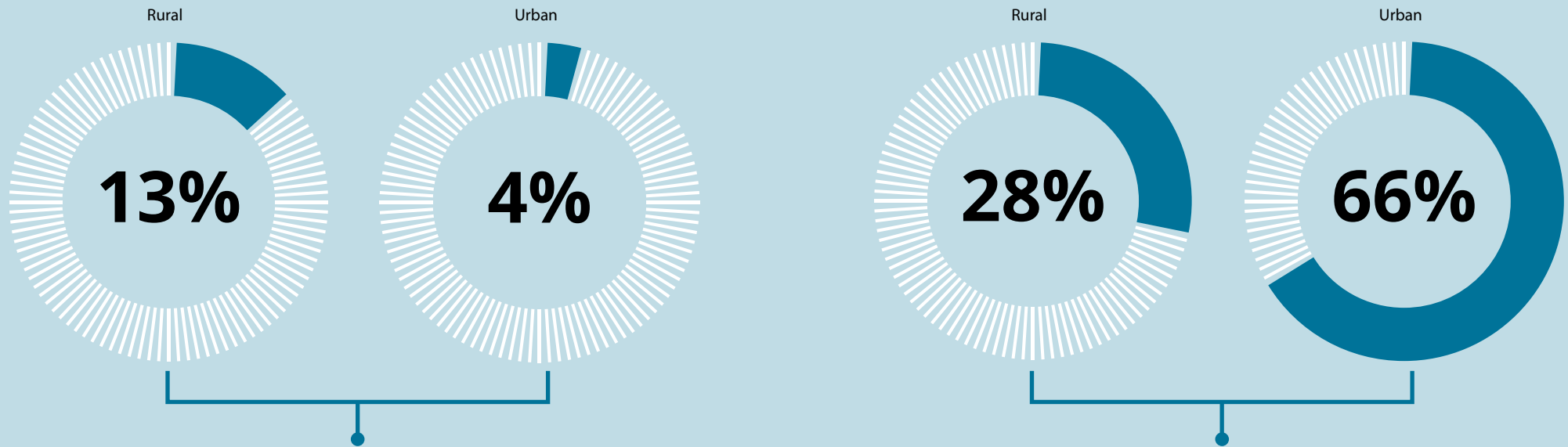
Top Products (₹ crore)	Mar'20	Jun'20	Sep'20	Dec'20	Mar'21	Y-o-Y Growth Rate%
Business Loan - General	4,187	4,498	4,555	4,413	4,506	8%
Consumer Loan	2,541	2,457	2,859	2,957	2,536	0%
Personal Loan	11,761	10,697	10,305	11,051	10,761	-9%
Rest of the products	18,025	17,088	16,760	17,087	17,773	-1%
All Products	36,514	34,740	34,479	35,508	35,576	-3%
Q-o-Q Growth Rate %	-	-5%	-1%	3%	0%	-

- Portfolio outstanding of the Fintech Lending has recorded a Y-o-Y decline of 3% from March 2020 to March 2021.
- Business Loan – General registered Y-o-Y growth of 8% from March 2020 to March 2021.
- Consumer Loan outstanding is stable at March 2020 levels, while Personal Loan and ROP registered a Y-o-Y decline of 9% and 1% respectively.



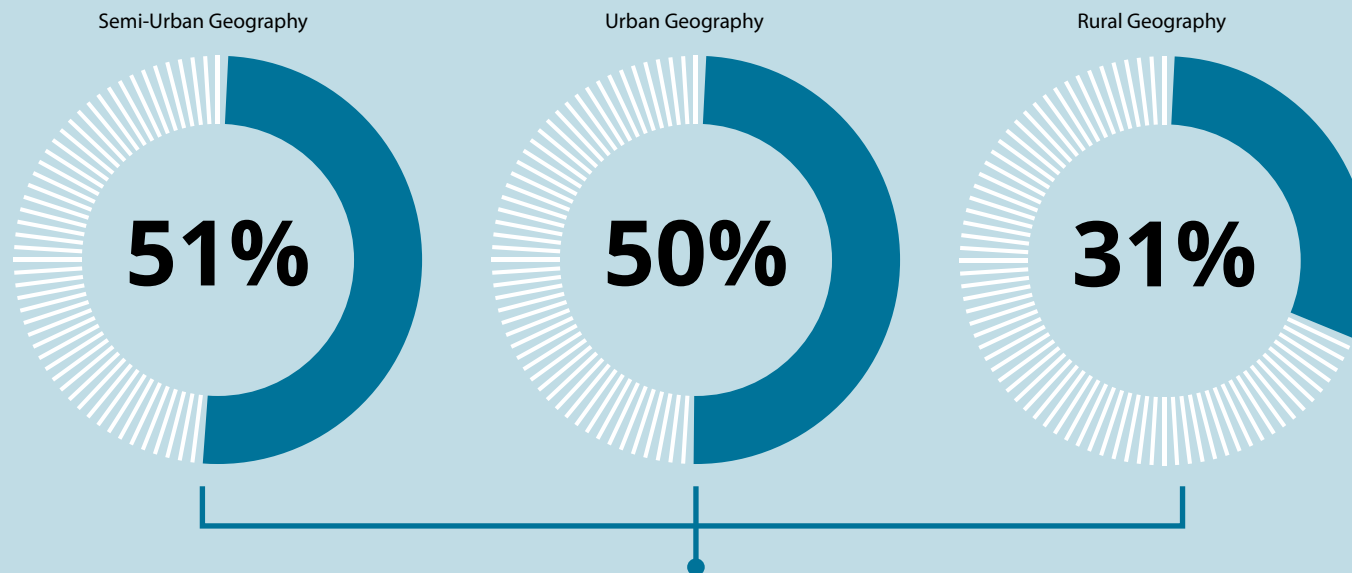
Geographical **Overview**

Highlights



Annual growth in internet users¹ as on December 2020

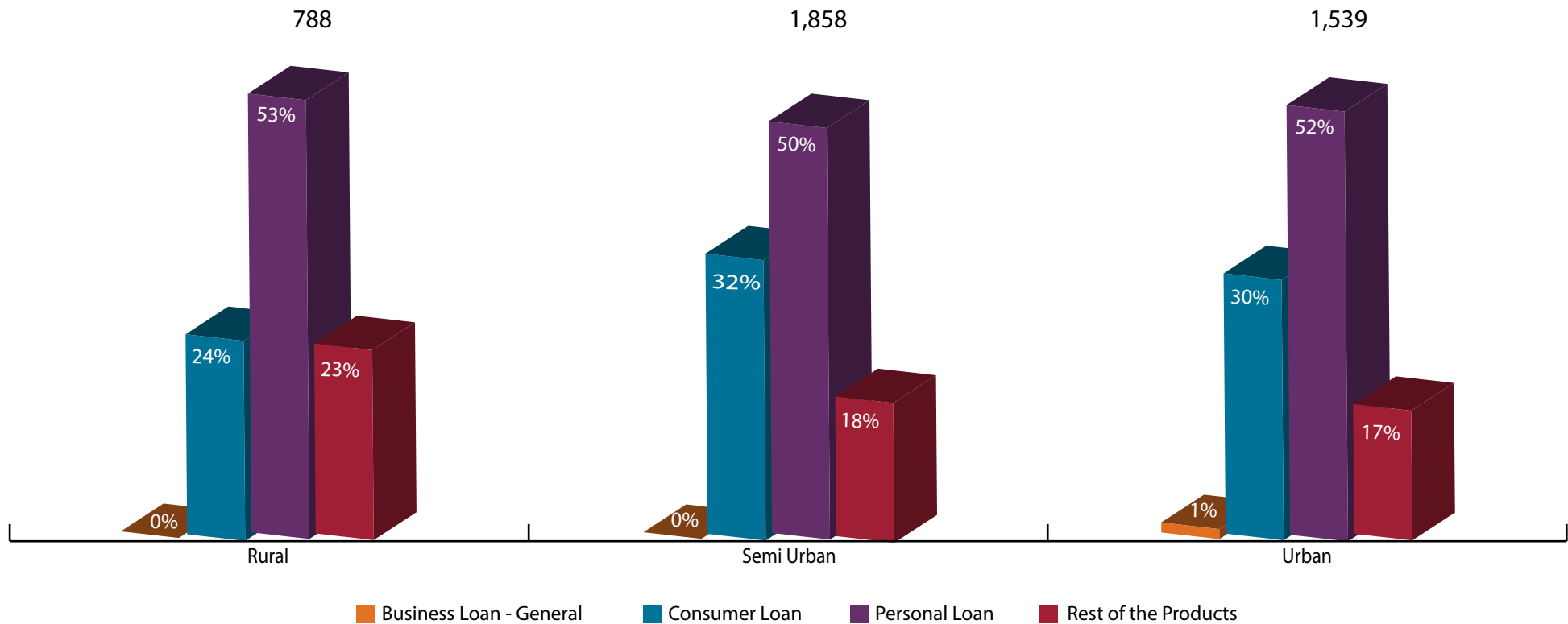
Active internet users¹ before Covid-19 outbreak



Growth in Fintech Disbursement (by value) from JAS20 to JFM21

Urban/Rural Disbursement Trends - JFM'21

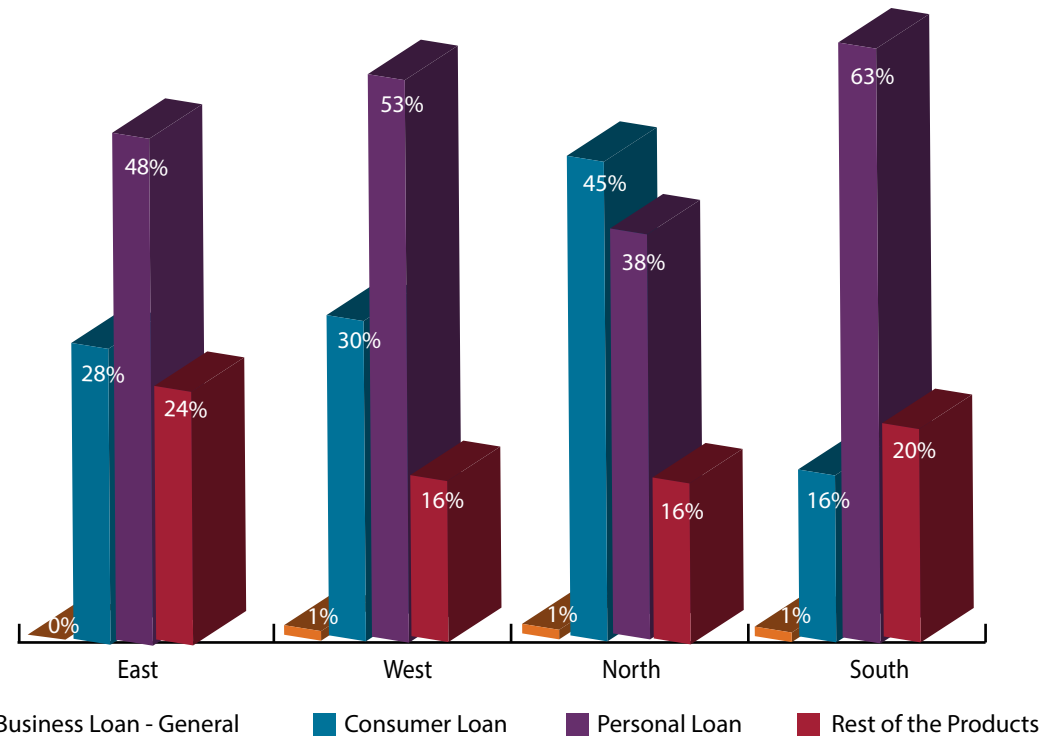
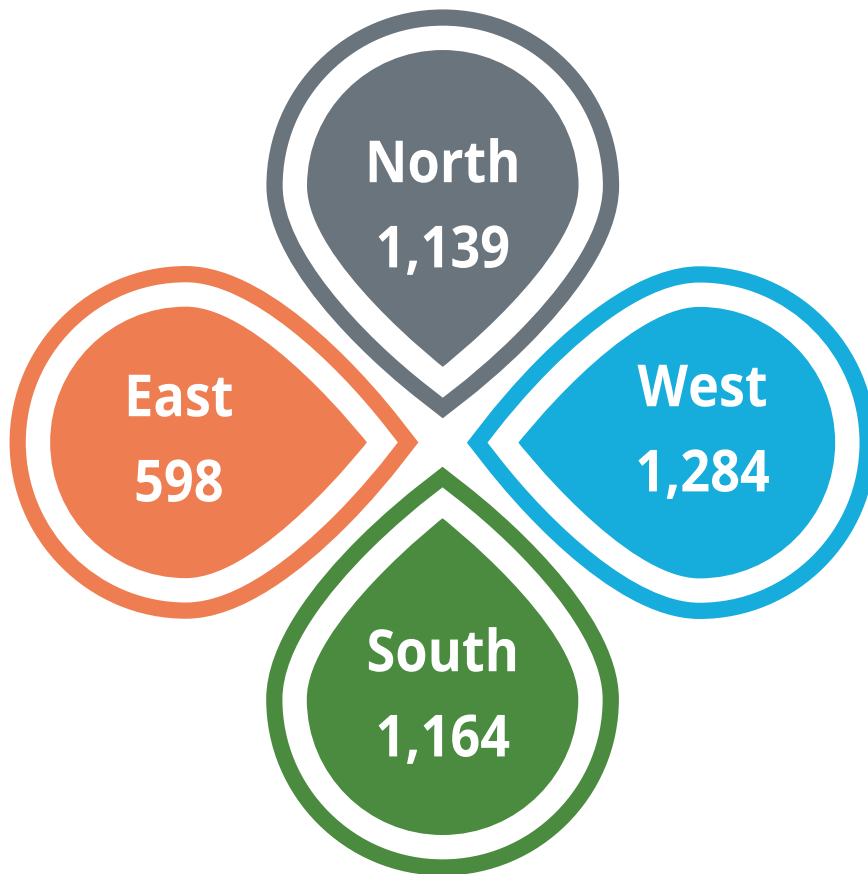
Urban/Rural Sourcing Distribution by No. of Loans - JFM'21('000)



- Across geographies and zones, Personal loan is most popular top product with a market share of more than 50% in 3 geographies (by volume) indicating its wide reach and ultimately contributing to the overall Fintech industry.
- Semi urban geography has highest Fintech market share of 44% in JFM'21 and also has highest Consumer Loans share of 32% across geographies.

Zonal Disbursement Trends - JFM'21

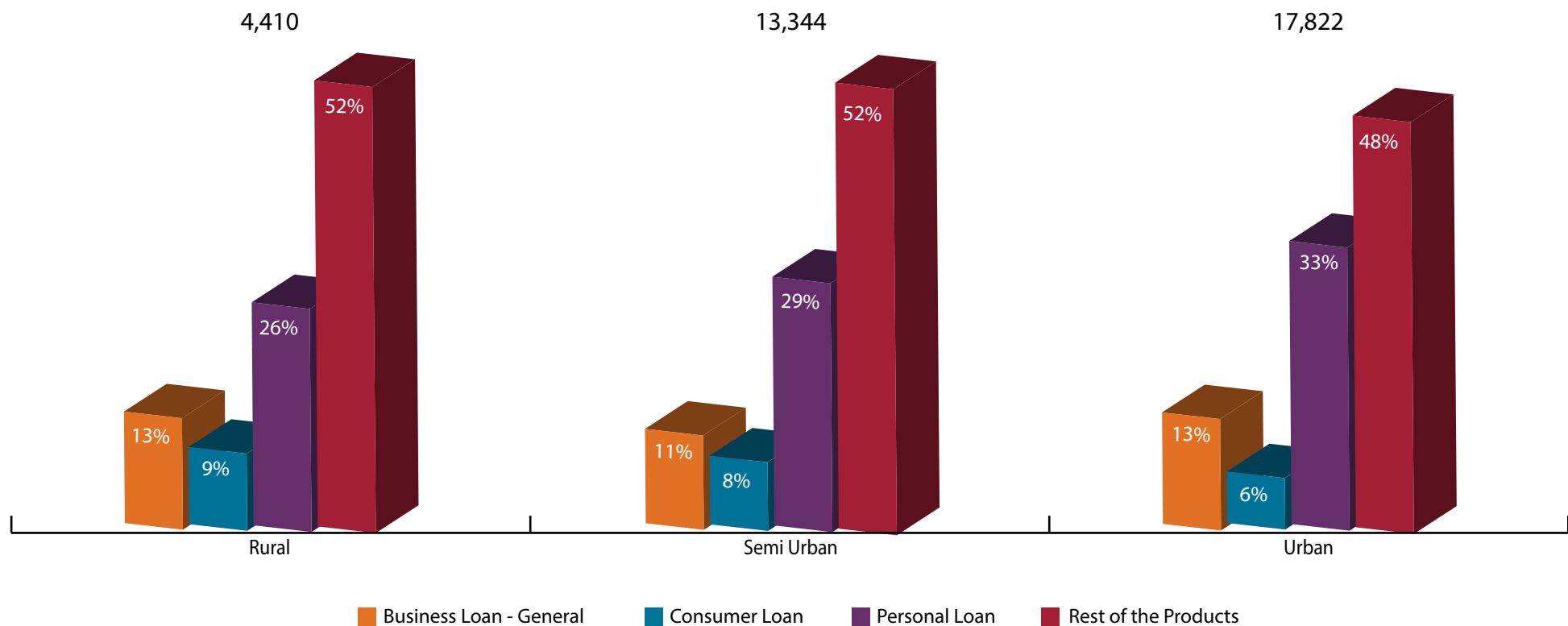
Zonal Sourcing Distribution by No. of Loans – JFM'21 ('000)



- The Northern zone is dominated by Consumer loans in JFM21 attributing to high purchase of consumer durables by Fintechs leveraging digital platforms.
- Personal Loans - top Fintech product, witnessed high concentration among Southern and Western zones.

Urban/Rural Portfolio Trends - 31st March 2021

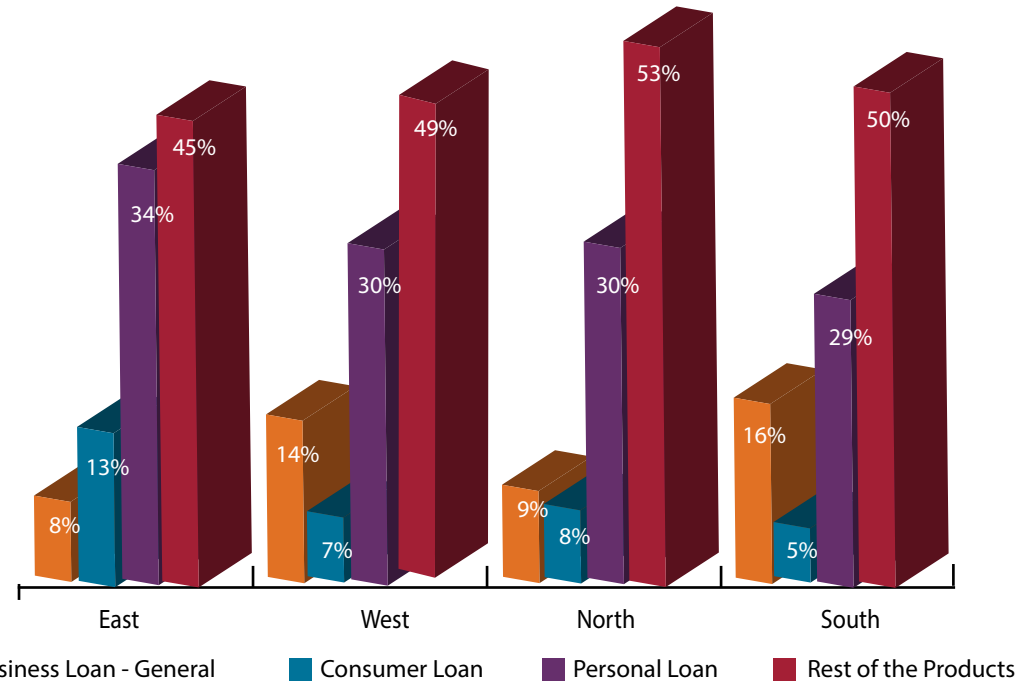
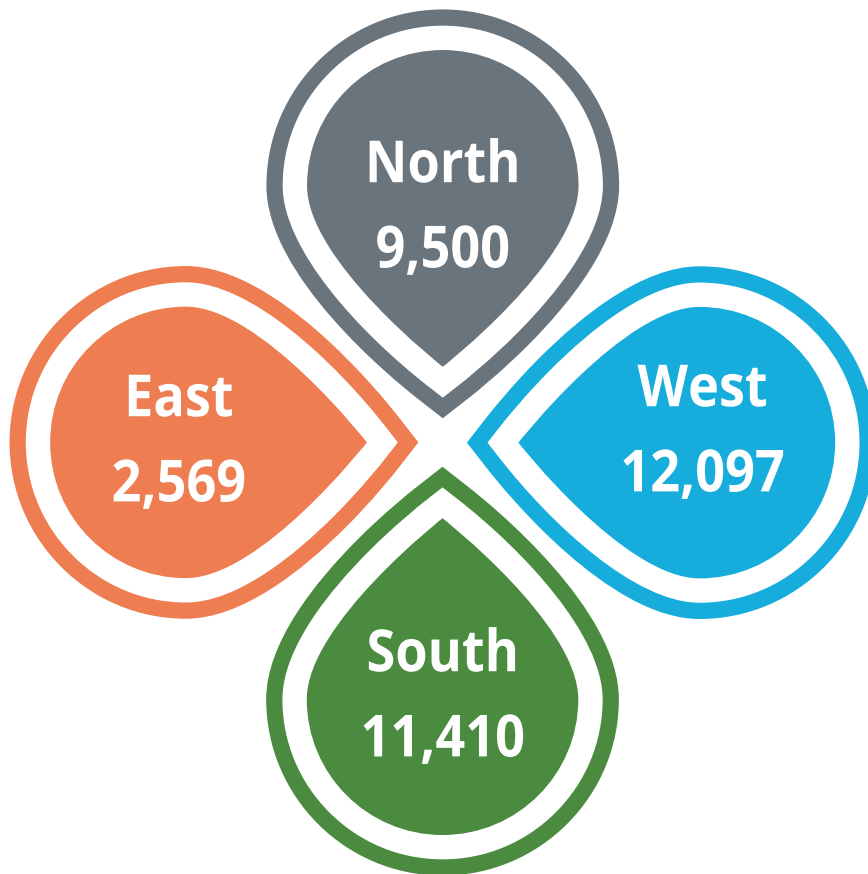
Urban/Rural POS Exposure as on March 2021 (₹ crore)



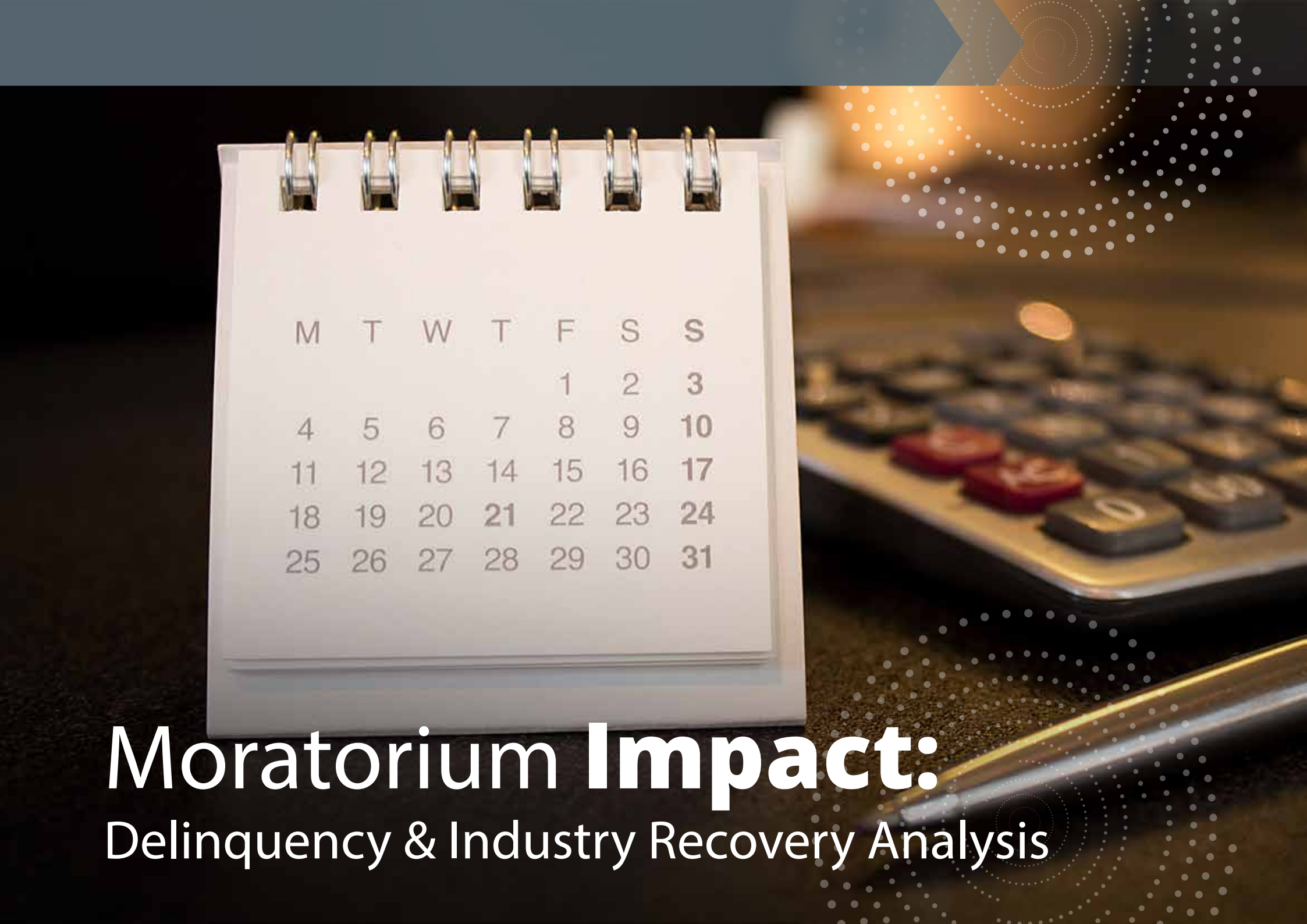
- In terms of portfolio outstanding, Urban geography is leading with 50% market share in POS and also has highest share of Personal Loan of 33% among geographies.
- Semi Urban geography with 38% POS market share and Rural geography with 12% POS market share witnessed Personal Loan as their top POS product.

Zonal Portfolio Trends - 31st March 2021

Zonal POS Exposure as on March 2021 (₹ crore)



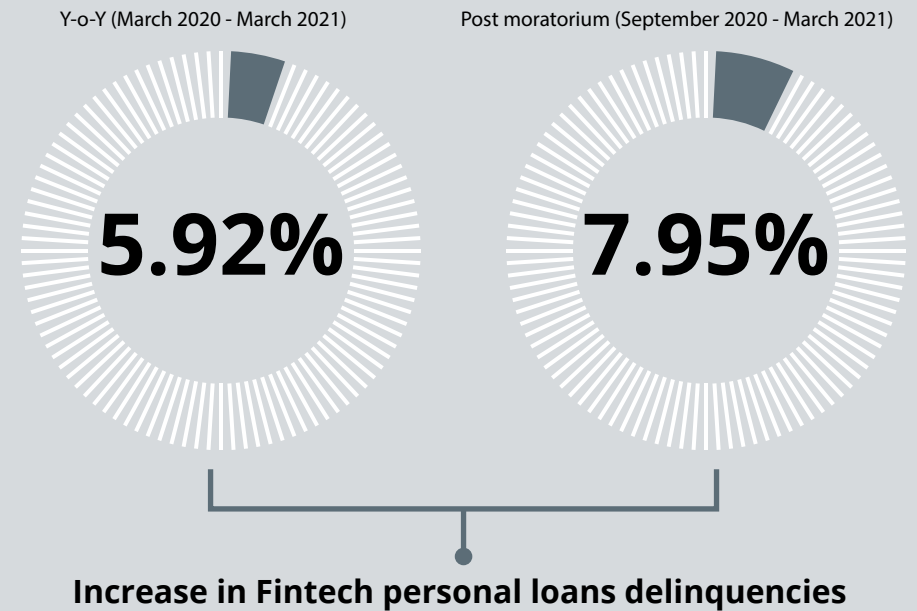
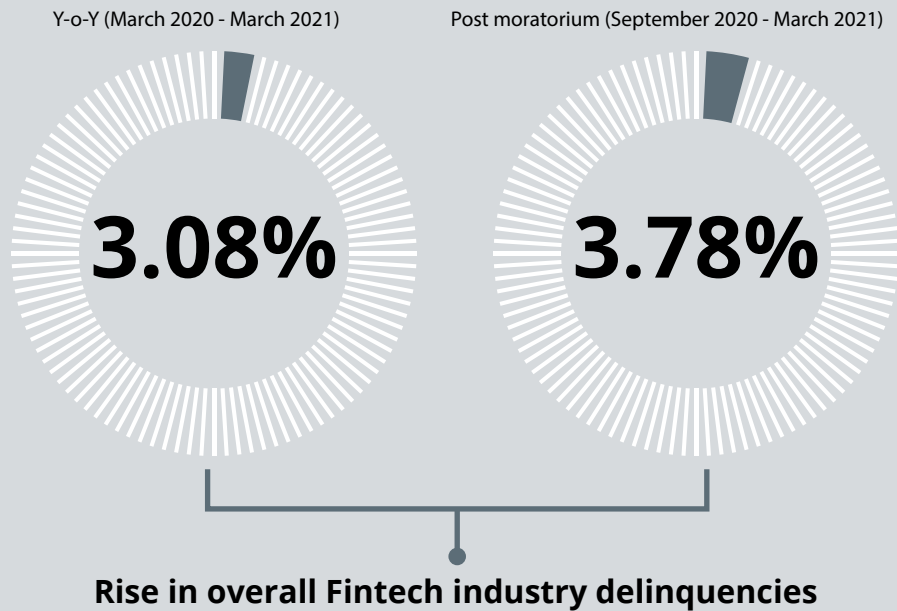
- Across zones, Personal Loan has witnessed a highest market share in March 2021 with East zone having highest share.
- South zone (market share 32%) is leading with highest Business Loan-General POS share.

A spiral-bound calendar is the central focus, showing a grid of days from Monday to Sunday. The calendar is placed on a dark desk. In the background, a calculator and a pen are visible, slightly out of focus. The scene is lit with warm, golden light, and there are decorative dotted circles in the upper right and lower right corners.

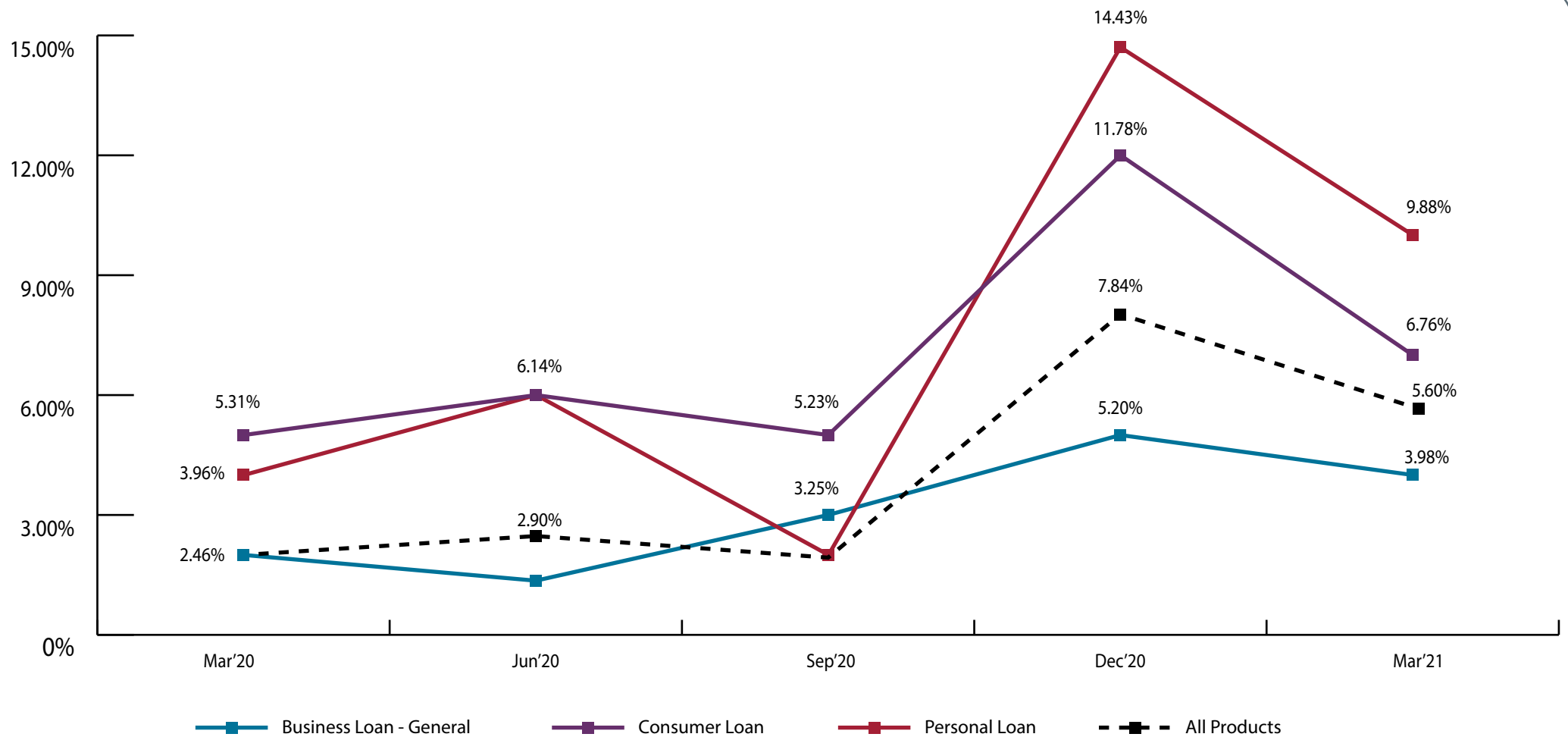
M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Moratorium **Impact:** Delinquency & Industry Recovery Analysis

Highlights



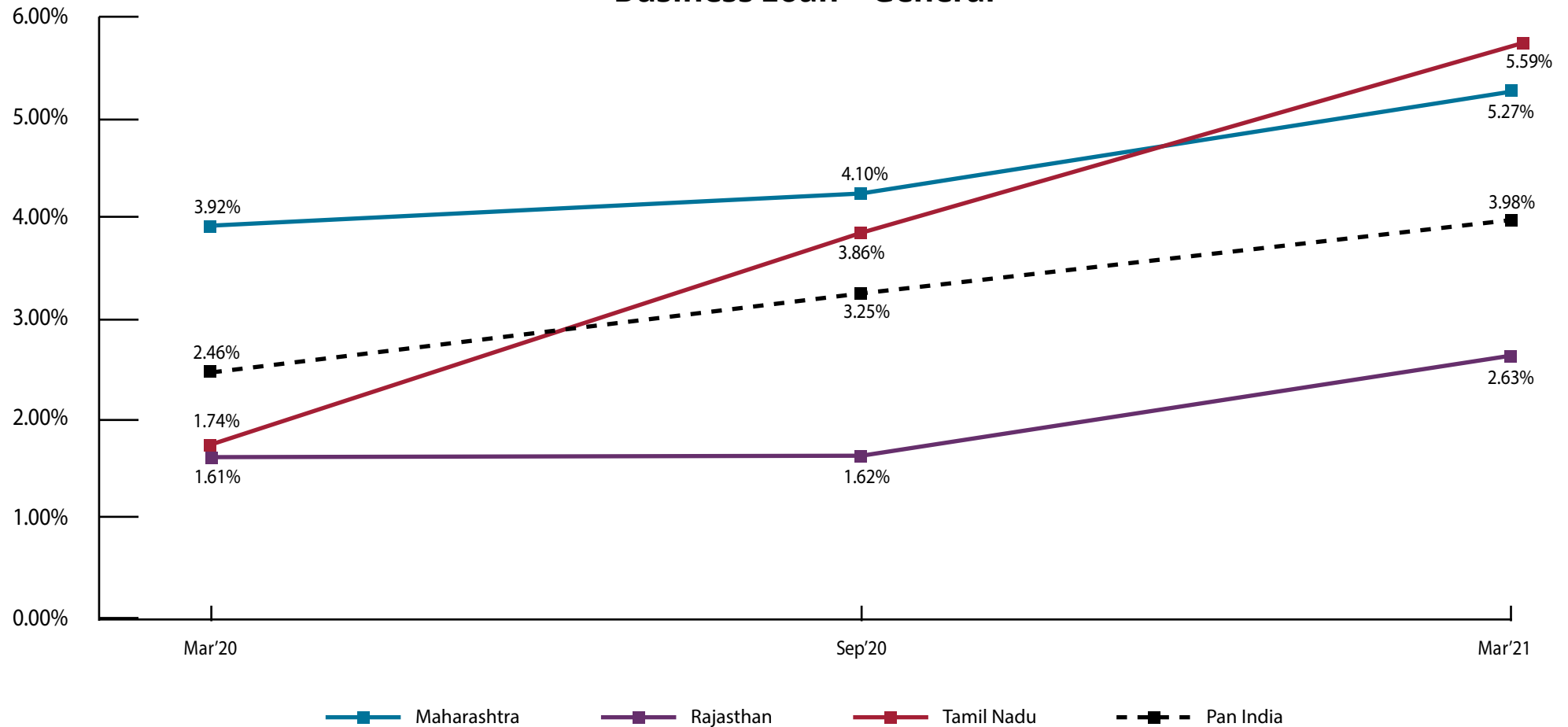
Fintech 90+ Delinquency trends



- The 90+ delinquency for Consumer Loans observed an annual increase of 1.45% from March 2020 to March 2021, and a quarterly decline of 5.02% from December 2020 to March 2021.
- Personal Loan reflected an increase of 5.92% from March 2020 to March 2021 and a quarterly decline of 4.55% from December 2020 to March 2021.
- Business Loan-General showed maintained delinquencies with a Y-o-Y increase of 1.52%.

Fintech Geographical 90+ Delinquency - Business Loan (General)

Business Loan - General

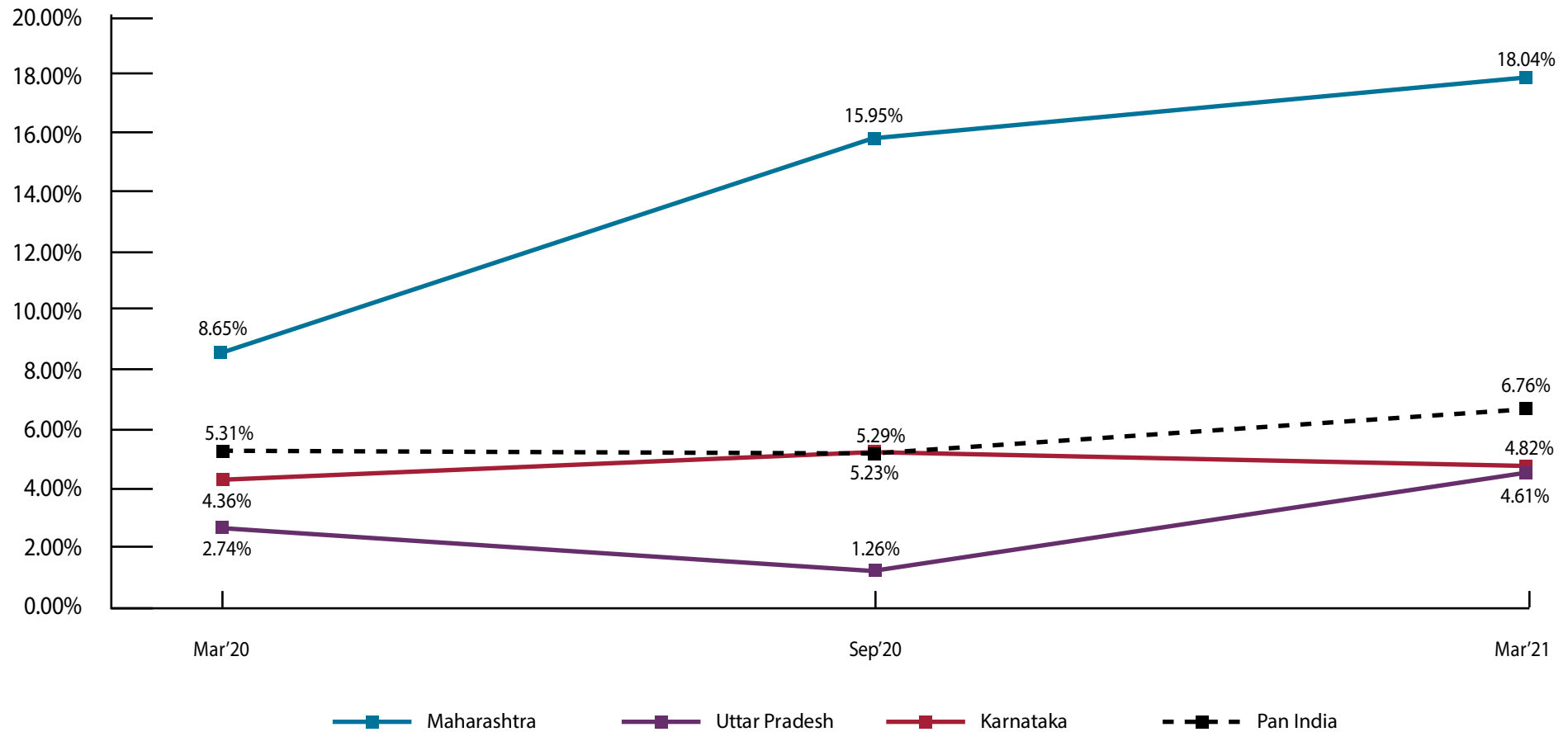


*Ranking of states is basis POS of the corresponding product

- Top states by POS exhibited stable delinquency rates for Business Loan category as compared to Personal Loans and Consumer Loans.
- Among top states of Business Loan, Tamil Nadu delinquency increased by 1.73% showing stress conditions while Maharashtra and Rajasthan delinquencies increased by 1.17% and 1.01% respectively post moratorium period from September 2020 - March 2021
- Pan India delinquencies increased by 1.52% from March 2020 - March 2021 and by 0.73% from September 2020 - March 2021

Fintech Geographical 90+ Delinquency - Consumer Loan

Consumer Loan

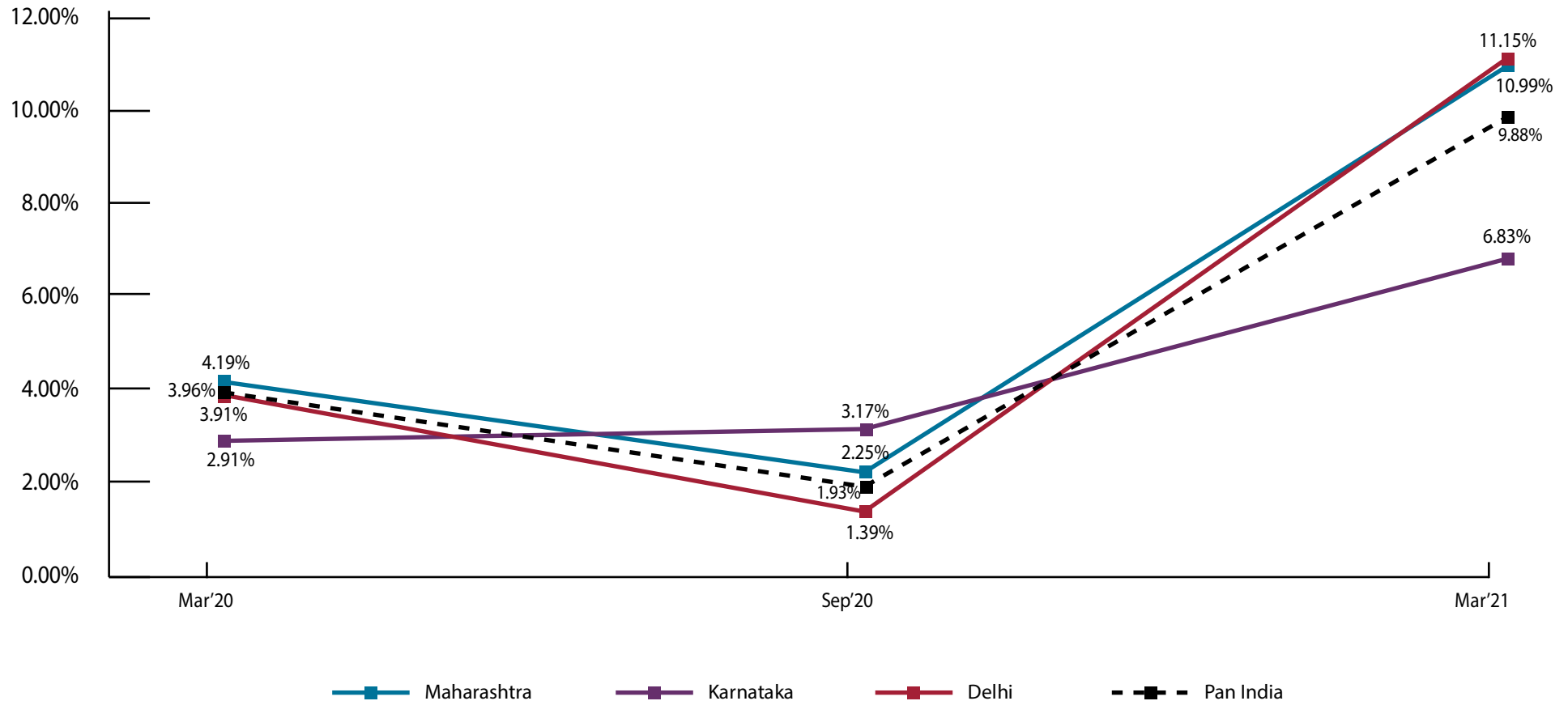


*Ranking of states is basis POS of the corresponding product

- For Consumer Loans among the top states, Maharashtra (↑2.09%) and UP (↑3.35%) are showing stressed conditions post moratorium period from September 2020 to March 2021.

Fintech Geographical 90+ Delinquency - Personal Loan

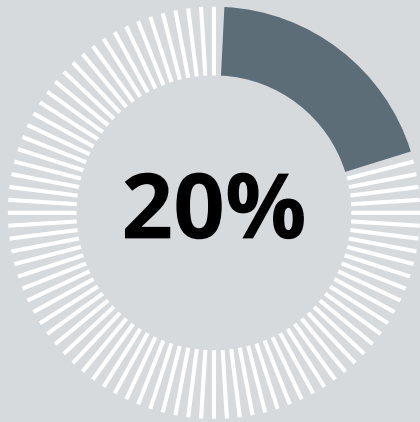
Personal Loan



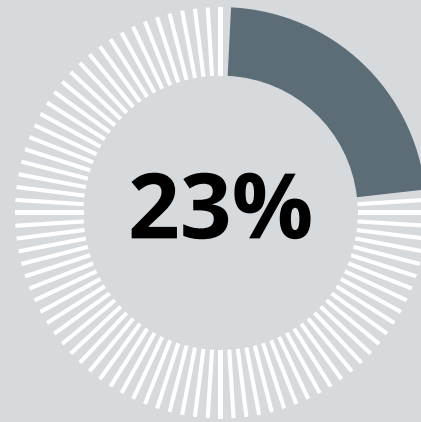
*Ranking of states is basis POS of the corresponding product

- In Personal Loans segment, top states showed higher stress. The delinquencies have increased by 8.74% and 9.76% for Maharashtra and Delhi respectively post the moratorium period from September 2020 - March 2021.

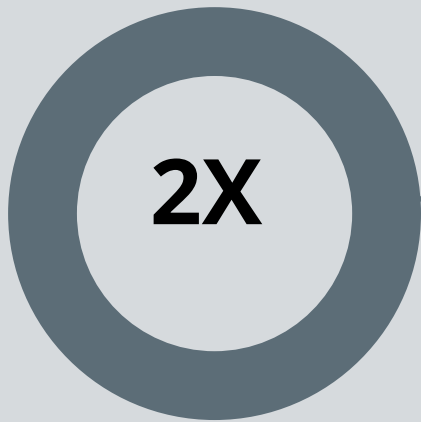
Highlights



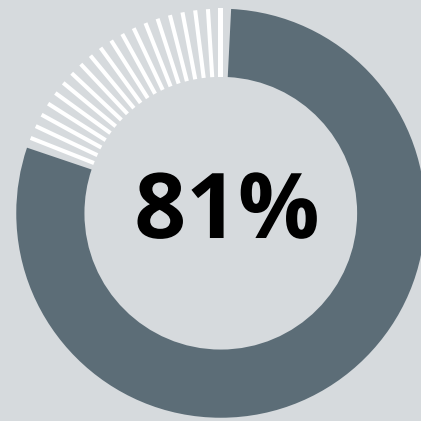
Consumer durable goods production⁶ (volume) **grew by 20%** in March 2021 over last year



Smartphone⁹ shipments in India **increased by ~23%** YoY to reach 38 million units in the first quarter of 2021



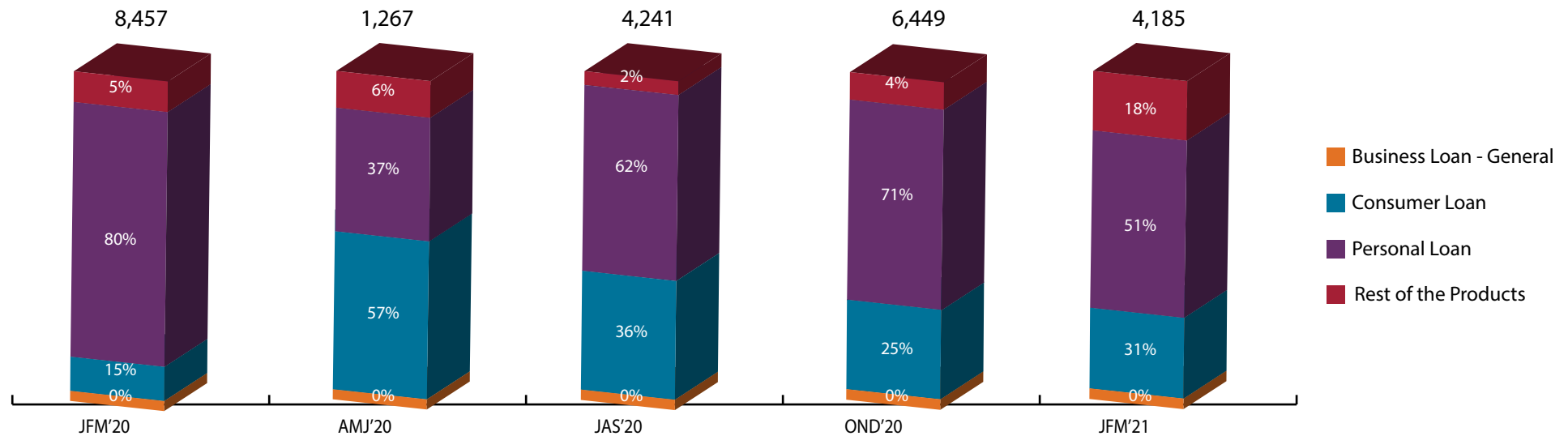
Fintech Consumer Loan Disbursement Market share (volume) **doubled** over last year



Computers and peripherals prices⁶ **grew by 81%** YoY in March 2021

Fresh Loan Disbursals

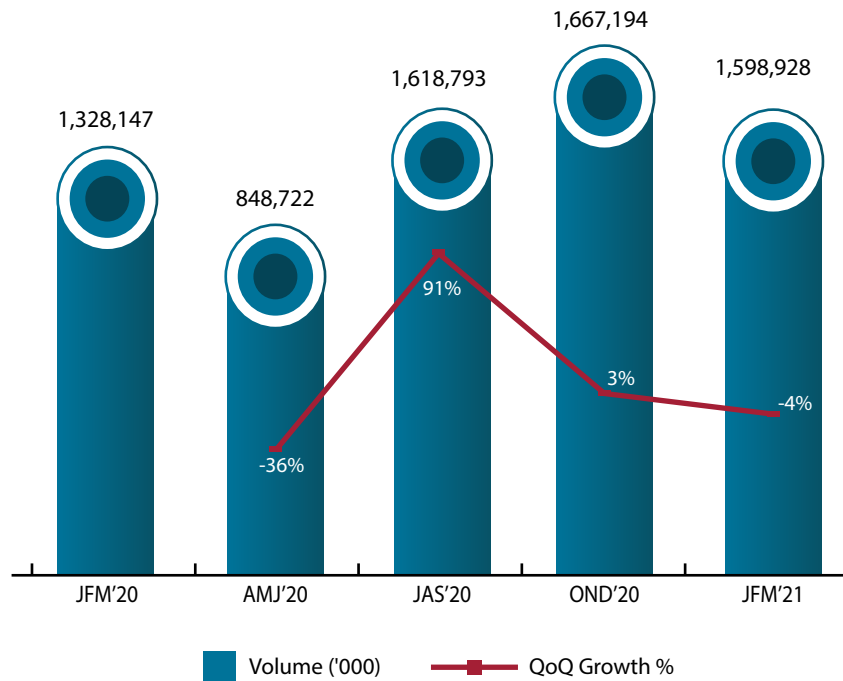
Quarterly Distribution of No. of Loans ('000)



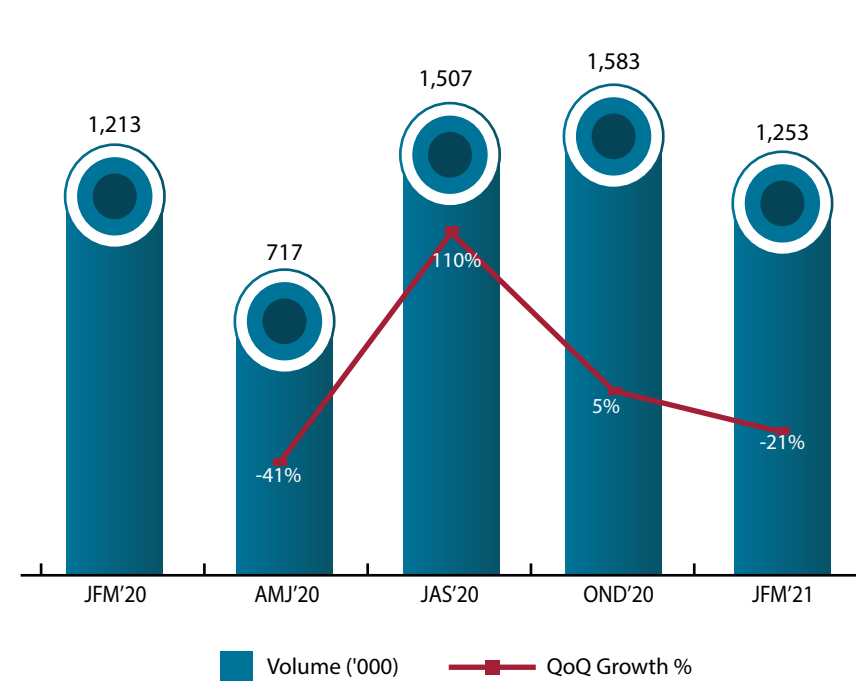
- The Fintech Industry in terms of volume has registered decline of 51% Y-o-Y and **underlying product trends reflect a change in market share and growth trends.**
- Personal Loan volumes have dipped by 68% and corresponding market share dropped to 51% in JFM'21 from 80% in JFM'20. With highest market share (80% by volume) as on JFM'20, **demand for Personal Loans has seen a rise and fall in between quarters.** From JAS'20 to OND'20 quarter Personal Loans witnessed substantial growth of 74% over considerable loan volumes of 26.3 lakh (JAS'20) to 45.9 lakh (OND'20).
- Consumer Loan & ROPs echoed growth with ROPs growing at 71% and Consumer Loan by 3% in JFM'21 over JFM'20. **Demand for Consumer loan saw the slightest drop across the year.** It registered a 41% drop (by volume) from JFM'20 to AMJ'20 in contrast to **other top products that registered drops anywhere between -80% to -90%.** The quarters AMJ'20 to OND'20 registered positive growth for this loan segment.
- The **Market share of Consumer Loans doubled to 31%** in JFM'21 over JFM'20 quarter.

Consumer Durables - Production & Loan trends

Consumer Durable Production¹⁰ trends by Volume



Consumer Loan Disbursement by Fintech- volume



- The Annual production numbers of the Consumer Durables segment are an attestation to the almost consistent Consumer Loan demand trends seen throughout the year.

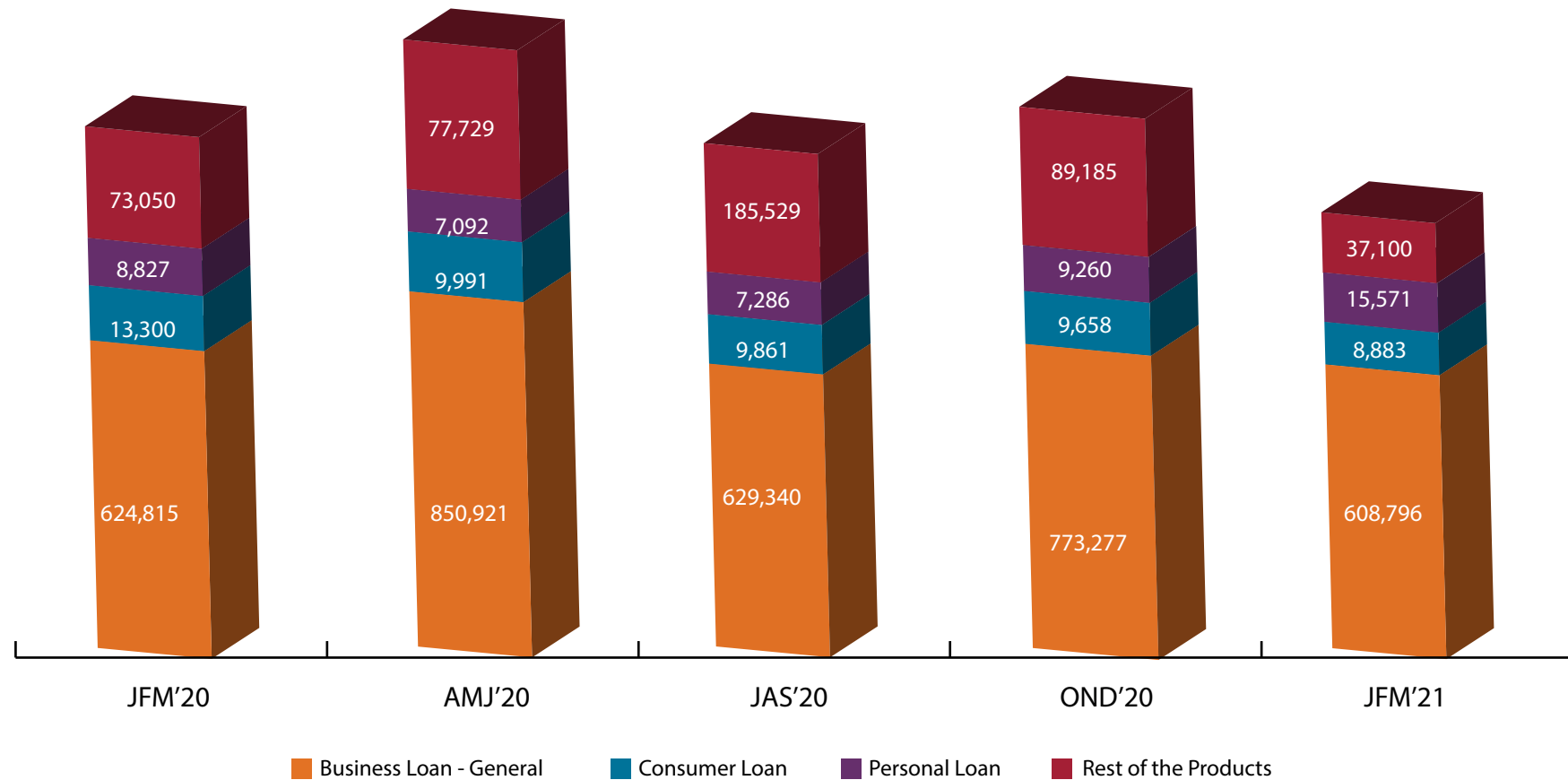
~20% increase in Consumer durable production volumes seen from JFM20 at 133 crores to JFM21 at 160 crores.

- The spike in production volumes in JAS20 are trailed by a pent-up demand, Work From Home sentiment and the festive season ahead.

Computer peripherals production by value saw a growth of 681% from JFM20 quarter at ₹ 4,094 MN to ₹ 7,426 MN at the end of JFM21.

Fintech Average Ticket Size Trends

Quarterly ATS Distribution (₹)



- Fintech ATS for Consumer Loan reflect 33% annual drop in trends in JFM21 over JFM20. Personal Loan ATS on the other hand registered 76% increase at end of JFM21 over JFM20 quarter.



Abbreviations & **Glossary**

Abbreviations & Glossary

Live POS or Active loans = 0 to 179 DPD + New Accounts + Current Accounts

POS = Portfolio Outstanding

90+ Delinquency = 90-179 DPD/ Live POS

ATS (Average Ticket Size) = Disbursed Amount / Number of Loans

JFM'20 = January 2020 to March 2020

AMJ'20 = April 2020 to June 2020

JAS'20 = July 2020 to September 2020

OND'20 = October 2020 to December 2020

JFM' 21 = January 2021 to March 2021

FY 21 Q3 = December 2020

Top Products by Value : Personal Loans | Business Loans (General)

Top Products by Volume : Consumer Loans | Personal Loans

CAGR : Compound Annual Growth Rate

API : Application Programming Interfaces

AI & ML : Artificial intelligence & Machine Learning

DLT : Distributed Ledger Technology

Sources

¹<https://cms.iamai.in/>

²<https://www.npci.org.in/>

³<https://www.ibef.org>

⁴<https://www.analyticsinsight.net>

⁵RBI-Fintech Industry Nov 2020.

⁶CMIE Economic outlook : <https://economicoutlook.cmie.com/>

⁷<https://www.npci.org.in/>

⁸CMIE Economic outlook : <https://economicoutlook.cmie.com/>

⁹<https://www.ibef.org/industry/ecommerce-presentation>

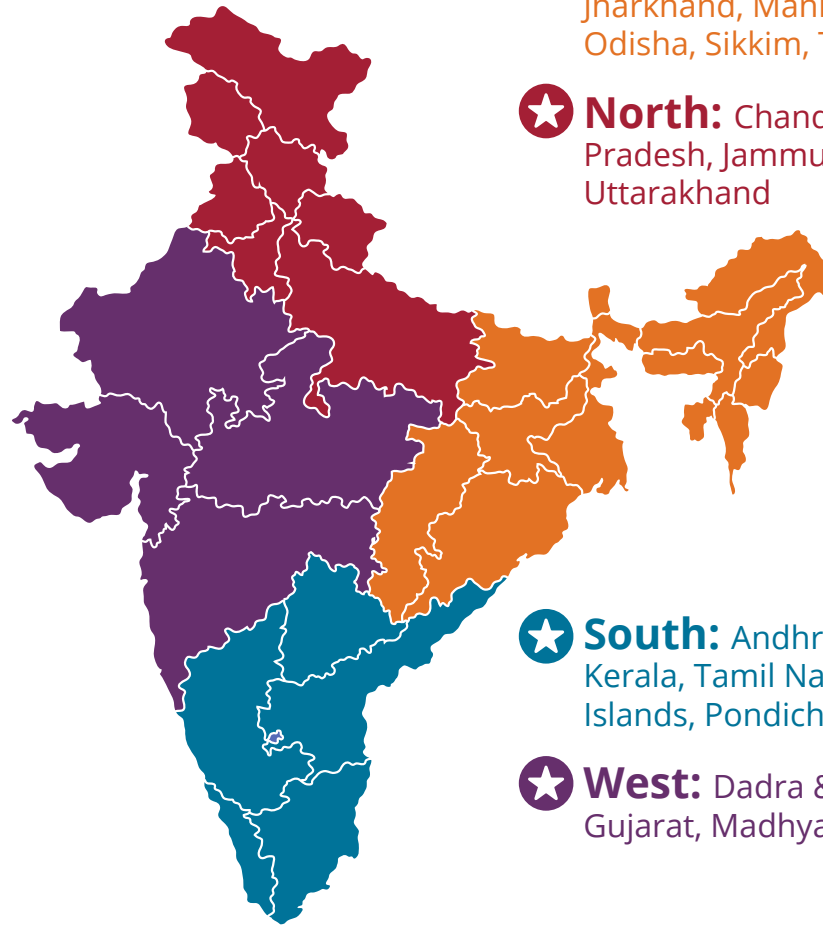
¹⁰CMIE Economic outlook : <https://economicoutlook.cmie.com/>

Abbreviations & Glossary

Rest of the products (ROP) :

Auto Loan, Business Loan Against Bank Deposits, Business Loan - Priority Sector - Agriculture, Business Loan - Priority Sector - Small Business, Business Loan - Secured, Business Loan - Unsecured, Check Credit/Line of Credit, Commercial Vehicle Loan, Credit Card, Education Loan, Gold Loan, Housing Loan, Lease Loan against Shares/Securities, Loan on Credit Card, Loan to Professional, Manufactured Housing, MicroFinance Business Loan, MicroFinance Housing Loan,

MicroFinance Personal Loan, Other, Overdraft, P2P Personal Loan, Pradhan Mantri Awas Yojana - Credit Link Subsidy Scheme MAY CLSS, Property Loan, Tractor Loan, Two-wheeler Loan, Used Car Loan



★ **East:** Arunachal Pradesh, Assam, Bihar, Chattisgarh, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Sikkim, Tripura, West Bengal

★ **North:** Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttar Pradesh, Uttarakhand

★ **South:** Andhra Pradesh, Karnataka, Lakshadweep, Kerala, Tamil Nadu, Telangana, Andaman & Nicobar Islands, Pondicherry

★ **West:** Dadra & Nagar Haveli, Daman & Diu, Goa, Gujarat, Madhya Pradesh, Maharashtra, Rajasthan

Zones:

Disclaimer

The Fintech Pulse (Report) is prepared by Equifax Credit Information Services Pvt Ltd (Equifax). By accessing and using the report, the user acknowledges and accepts that such use is subject to this disclaimer. This Report is based on collation of information submitted by institutions to the bureau as of March 2021 and who are members of Equifax. While Equifax takes reasonable care in preparing the Report, it shall not be responsible for accuracy, errors and/or omissions caused by inaccurate or inadequate information submitted by institutions. Further, Equifax does not guarantee the adequacy or completeness of the information in the Report and/or its suitability for any specific purpose nor is Equifax responsible for any access or reliance on the Report and that Equifax expressly disclaims all such liability. This Report is not a recommendation for rejection/denial or acceptance of any application, product nor any recommendation by Equifax to (i) lend or not to lend and (ii) enter into or not to enter into any financial transaction with the concerned individual/entity. The information contained in the Report does not constitute advice and the user should carry out all necessary analysis that is prudent in its opinion before taking any decision based on the Information contained in this Report. All analysis presented in the Report is based on samples. The use of the Report is governed by the provisions of the Credit Information Companies (Regulation) Act 2005, the Credit Information Companies Regulations, 2006, Credit Information Companies Rules, 2006. No part of the report should be copied, circulated, published without prior approvals.

The current report is an analysis of 105 NBFC-Fintechs (as on March 2021) which submit data to Equifax.