

# MONEYMOOD



## RETAIL CREDIT GROWS 18% PG3

## LOWER CPI POINTS AT RATE CUTS PG4

# FROM THE FOUNDERS' DESK

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Dear reader,

We're pleased to bring to you the sixth edition of BankBazaar MoneyMood.

This report carries a summary of retail credit trends in the year gone by and our forecast for 2024. Our focus is on credit cards, personal loans, and home loans.

Retail lending saw another year of tremendous growth, albeit slightly slower than 2022, as AUMs grew 18% to ₹4.51 trillion. It was another year of high inflation and interest rates, which nevertheless did little to deter India's demand for credit.

Some segments continued to grow faster than others. Home finance, 47% of the retail pie, grew 14% to ₹2.71 trillion, while vehicle loans capped another year of 20% growth to ₹5.55 trillion. India chased its aspirations undeterred by global economic uncertainties and geopolitical volatility.

This was the year of small loans. Personal loans surpassed the ₹10 trillion mark. Credit card dues grew to ₹2.4 trillion powered by 94 million cards as the momentous 100 million milestone appears on the horizon at the dawn of a new year.

Elevated interest rates remained a sore point this year. The Reserve Bank of India balanced its deflation program with India's growth needs beautifully by pausing the repo rate early in 2023. But a rate cut eluded us and

remains one of the big moments to look out for in 2024.

One of the key developments in 2023 was the RBI applying the brakes on unsecured and small-ticket loans. This has been seen as the central bank proactively managing the proliferation of small loans before asset quality worsens in this category.

Therefore, early in 2024, we'll see the effects of this capital tightening. Credit will continue to be easily accessible for the prime borrower with a credit score over 750, a stable income, and a track record for timely payments. But for the sub-prime, borrowing may be trickier as banks adjust to the new risk weights.

We close 2023 on a note of cautious optimism. The new year holds immense promise—for India, and for us at BankBazaar.

RATI, ADHIL  
& ARJUN



# ANOTHER YEAR OF RAPID GROWTH STAGE SET FOR LOWER RATES



**2023 Trends:** It was another year of high credit demand despite elevated interest rates. The share of home and vehicle loans slipped 127 BPS to 59.27% of the retail credit pie, while the share of personal loans and credit card dues grew 137 BPS to 32.95%. These top four categories grew robustly by 18% to ₹41.97 trillion even as we saw a slowdown in consumer durable loans.

**2024 Expectations:** Hopes are high of inflation easing from its current levels, which will cool down interest rates, too. When that happens, loans will be cheaper. But with RBI's risk weight tweak, high-risk, small-ticket lending will draw back. Prime borrowers will continue to get the best loan offers, but it will be harder for the sub-prime, as lending to the risky segment tightens.

## OUTSTANDING PERSONAL LOANS (IN CRORES)

CATEGORY	2021	GROWTH	2022	GROWTH	2023
TOTAL	₹3,199,948	20.5%	₹3,855,873	18.04%	₹4,551,584
HOUSING LOANS	₹1,605,562	16.7%	₹1,873,413	14.46%	🔥 ₹2,144,376
OTHER PERSONAL LOANS	₹824,085	25.0%	₹1,029,723	22.28%	🔥 ₹1,259,170
VEHICLE LOANS	₹378,026	21.9%	₹460,871	20.02%	🔥 ₹553,154
CREDIT CARD DEBT	₹145,353	29.4%	₹188,033	27.99%	🔥 ₹240,656
LOANS AGAINST FDS	₹72,004	35.9%	₹97,857	16.47%	₹113,973
STUDY LOANS	₹81,078	13.2%	₹91,790	20.62%	🔥 ₹110,715
LOANS AGAINST GOLD	₹73,023	16.8%	₹85,288	17.25%	₹100,004
CONSUMER DURABLE LOANS	₹14,581	41.4%	₹20,624	7.66%	❄️ ₹22,205
LOANS AGAINST SECURITIES	₹6,235	32.7%	₹8,273	-4.85%	❄️ ₹7,872

DATA: PERSONAL LOANS, DEPLOYMENT OF GROSS BANK CREDIT BY MAJOR SECTORS, NOVEMBER 30, 2023, RESERVE BANK OF INDIA.

# LIGHT AT THE END OF THE TUNNEL

## INTEREST RATE TRENDS

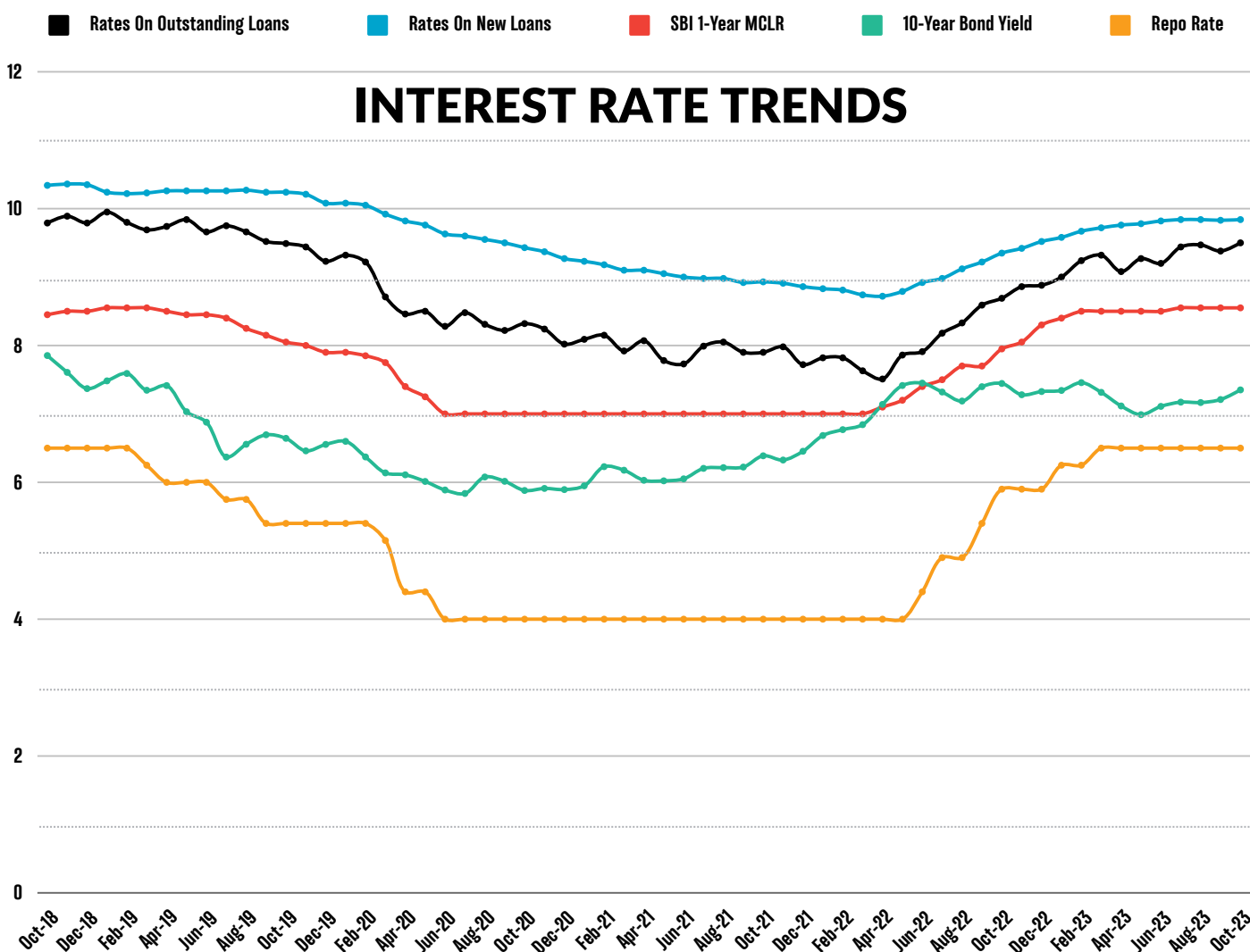
**2023 Trends:** In 2023, the RBI paused the repo rate at 6.50, reflecting its focus on managing inflation while supporting growth. Inflation showed a gradual decline, with the Consumer Price Index headline inflation seeing a broad-based fall from 7.4% in July to 4.9% in October. Still, inflation spikes persisted due to supply chain shocks. This notwithstanding, the economy exhibited resilience, with strong domestic demand and robust growth.

**2024 Expectations:** The RBI projects CPI inflation of 5.4% with a gradual fall in the coming quarters. The inflation outlook remains cautious due to volatile food prices and commodity trends. Interest rates may remain stable or slightly higher as the RBI commits to bringing it to 4% while supporting growth. The RBI's vigilance suggests that future rate decisions will be contingent on evolving inflation dynamics.



"Core inflation continues to be sticky, impeding the last mile of disinflation. Major central banks have kept rates on hold while refraining from forward guidance in view of the prevailing uncertainties. Financial markets remain volatile in their quest for definitive signals about the future path of interest rates."

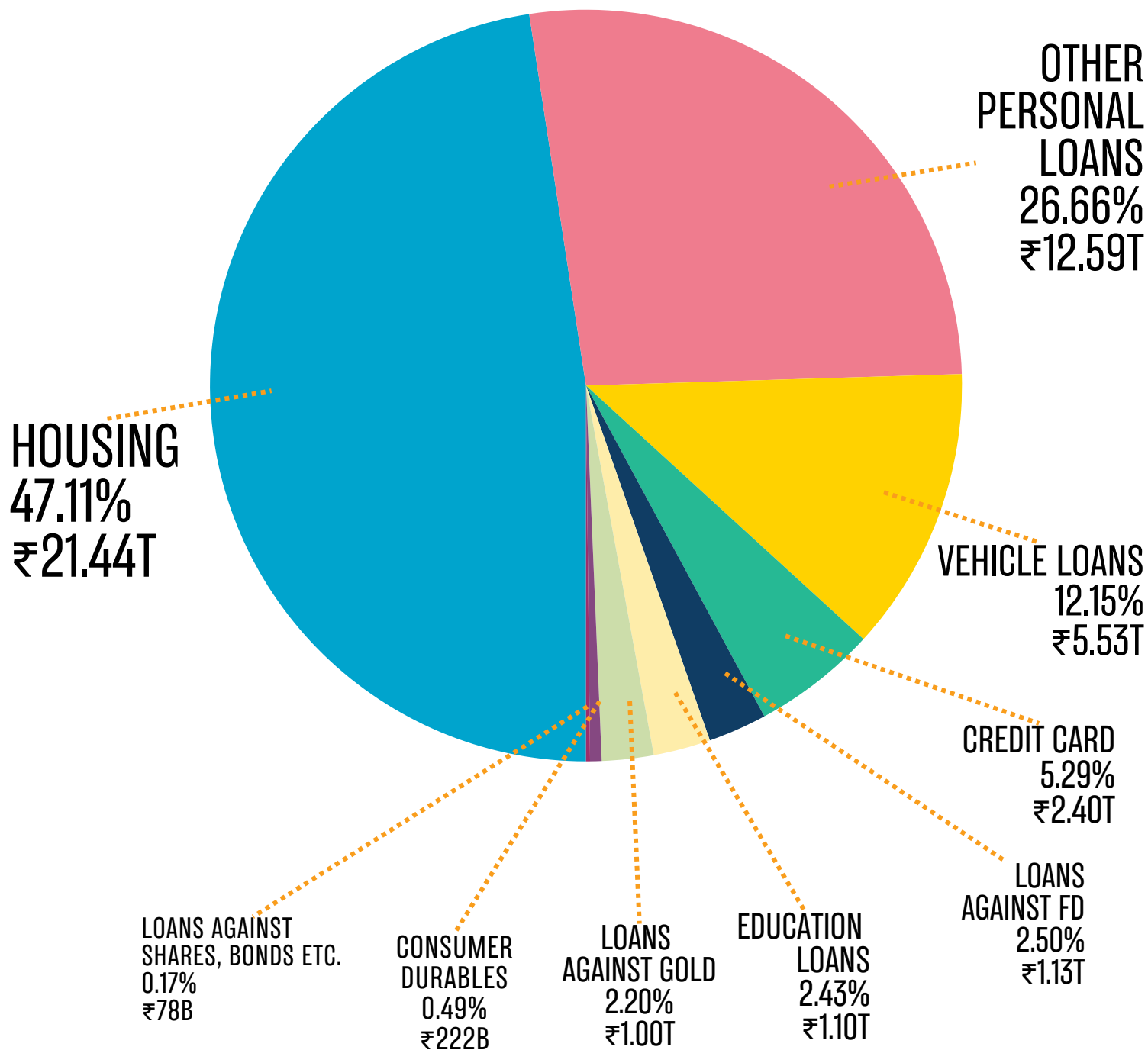
— Shaktikanta Das, RBI Governor



# CREDIT DEPLOYMENT WHERE BANK CREDIT GOES

## THE PERSONAL CREDIT PIE

OUTSTANDING PERSONAL LOANS AS OF OCTOBER 2023: ₹45.51 TRILLION



DATA: PERSONAL LOANS, DEPLOYMENT OF GROSS BANK CREDIT BY MAJOR SECTORS, NOVEMBER 30, 2023, RBI.

# CO-BRANDS, COLLABORATIONS THE WAY AHEAD

## CREDIT CARDS



# 19.3%

INCREASE IN CREDIT CARDS  
OUTSTANDING IN INDIA IN  
2023

# 94.7

MILLION CREDIT CARDS  
OUTSTANDING IN  
INDIA TODAY

# ₹5577

THE AVERAGE CREDIT  
CARD TRANSACTION IN  
THE DIWALI MONTH

**2023 Trends:** In a year dominated by high inflation, credit cards continue to be the bright spot in the unsecured credit space. Co-branded cards continued to be the flavour, as banks and fintechs increasingly partnered to come up with innovative products in a time of shrinking rewards.

These trends were amply supported by RBI policies that allowed customers to choose their network provider and saw credit cards expand to UPI.

The number of credit cards outstanding crossed 94.7 million in October 2023. In tandem, credit card spending surged to record levels, hitting ₹1.79 trillion. Average spends per card grew to ₹5577 from ₹5052 last year – an increase of 10.4% year on year. Online spends per card grew 11.6% over the last one year to hit ₹7532, up from ₹6,750.

**2024 Expectations:** The increase in risk weights are expected to put breaks on the brisk growth credit cards have been seeing over the last few years. However, it remains to be seen how deeply this would affect the demand and supply in credit card space in 2024.

With Rupay cards now available on UPI, it is only a matter of time before other networks also get to leverage UPI. Credit cards will continue to remain the preferred instrument for larger spends, and the average spends are set to rise, with economic growth projections being revised upwards.

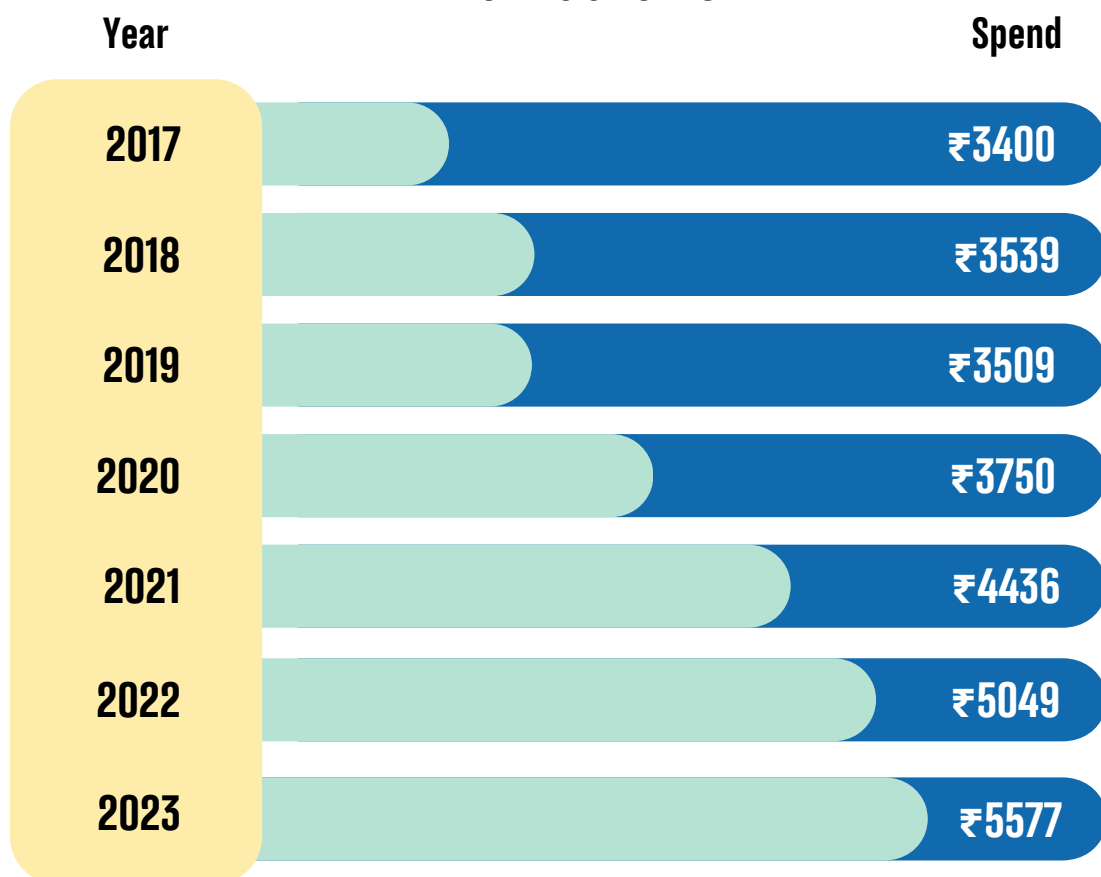
Rewards and convenience will remain the buzzword, and cards that are conveniently available digitally will be the most sought after. Collaborations between fintechs and banks will continue to draw a larger segment of new users with tailor-made rewards and benefits.

# CARD SALES AND SPENDS SOAR

## CREDIT CARDS

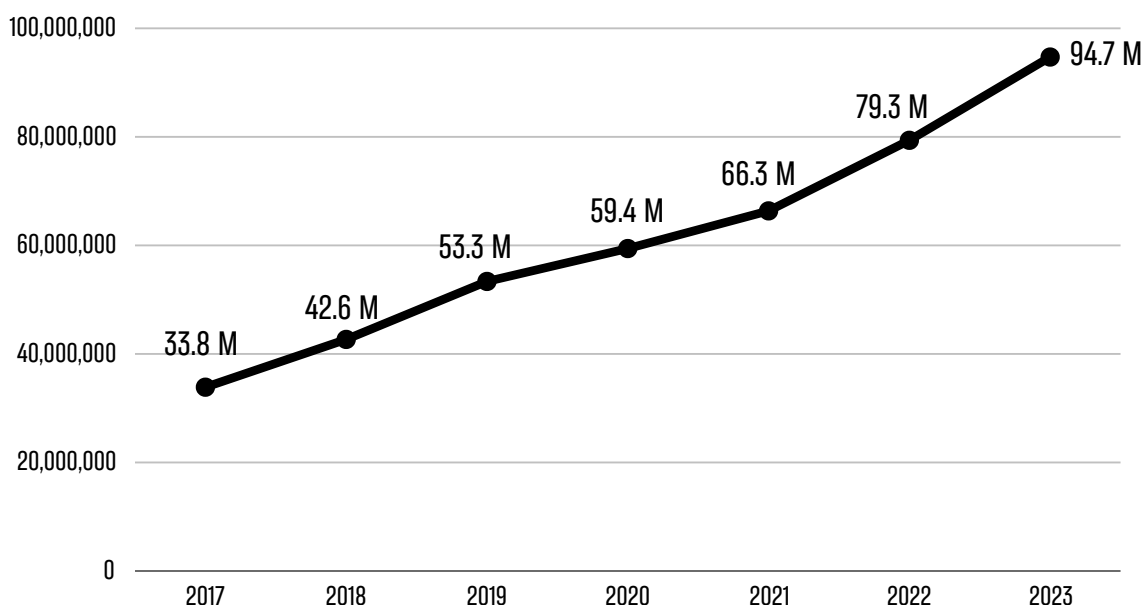
### THE AVERAGE CREDIT CARD TRANSACTION

DIWALI MONTHS SINCE 2017



### CREDIT CARDS IN INDIA

OUTSTANDING CREDIT CARDS ROSE 17.4% Y-O-Y AS OF NOVEMBER 2023.



DATA: RBI'S BANK-WISE ATM/POS/CARD STATISTICS. GRAPH NOT TO SCALE.

# RATE HIKES MAY FUEL NEW DEMAND HOME LOANS



**2023 Trends:** Despite reduced aspirations, home ownership continued to be one of the top three goals in the 2023 BankBazaar Aspiration Index. This mood is reflected in home loans as well. Home loans continued their upward trajectory despite rising interest rates and the loan book grew to ₹21+ trillion. While growth was slower compared to last year, loan ticket sizes continued to rise. However, the wide gap between the metro and non-metro ticket sizes remains unchanged.

**2024 Expectations:** As real estate continues its post-pandemic upswing, demand for home finance remains high. With inflation easing, an interest rate reversal could take the housing market to new heights. The increase in risk weights means banks will prefer to lend to prime borrowers, but falling rates will help all borrowers. Nevertheless, India wants housing, and the new year will see plenty of first-time buyers. There won't be a shortage of those looking to upgrade either.

## 28.19L

THE AVERAGE HOME LOAN  
TICKET SIZE DISBURSED ON  
BANKBAZAAR IN 2023

## 33.10L

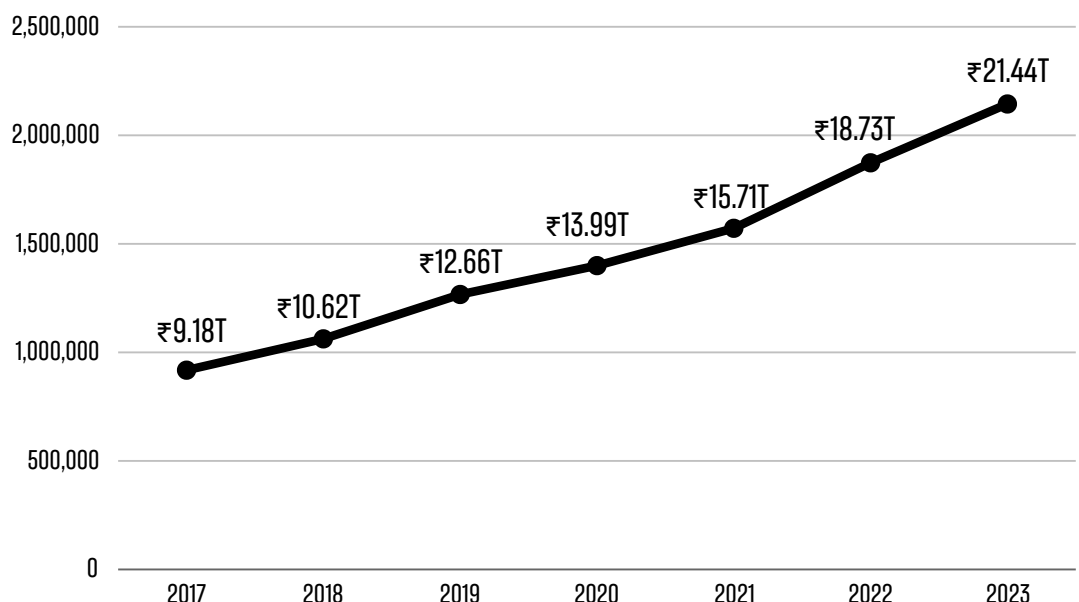
AVERAGE HOME LOAN  
TICKET SIZE FOR METROS  
ON BANKBAZAAR IN 2023

## 22.81L

AVERAGE HOME LOAN SIZE  
FOR NON-METROS ON  
BANKBAZAAR IN 2023

## THE HOME LOAN MARKET

OUTSTANDING  
LOANS GREW 14.5%  
Y-O-Y TO ₹21.44  
TRILLION BY THE  
END OF 2023.  
(RBI DATA.)



# NOW A ₹10 TRILLION CATEGORY

## PERSONAL LOANS



# 1.71L

THE AVERAGE PERSONAL  
LOAN TICKET SIZE ON  
BANKBAZAAR IN 2023

# 1.70L

AVERAGE PERSONAL LOAN  
TAKEN BY MEN ON  
BANKBAZAAR IN 2023

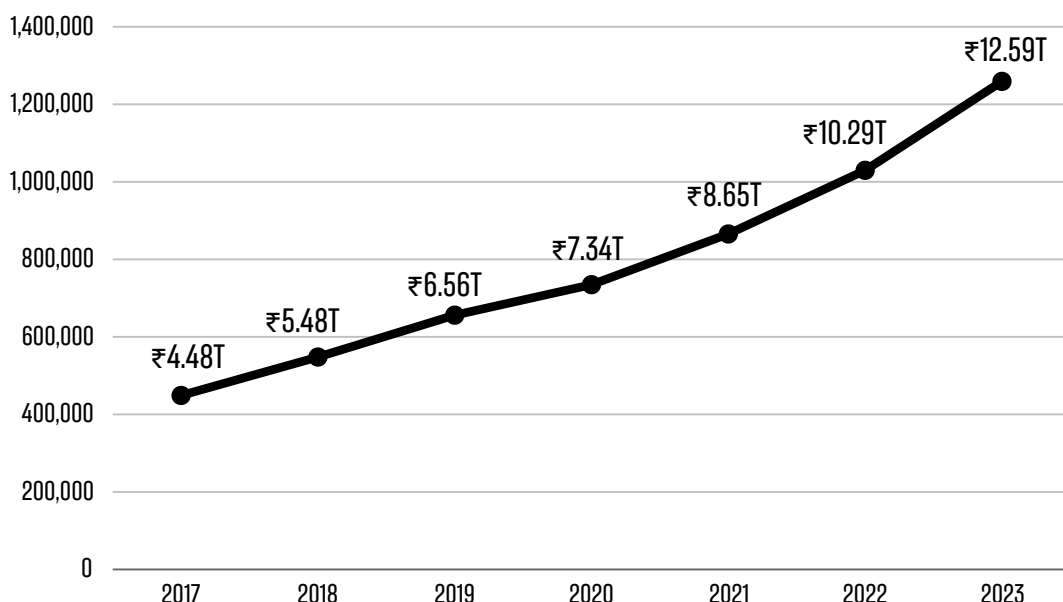
# 1.75L

AVERAGE PERSONAL LOAN  
TAKEN BY WOMEN ON  
BANKBAZAAR IN 2023

**2023 Trends:** The average personal loan ticket size had been declining since 2019, and this year was a continuation of the same trend. On the one hand, personal loans grew by 22% year on year, buoyed by global and local demand and a steady supply of innovative products that allowed customers to access small-ticket loans. On the other, the recent increase in risk weights for personal loans have made them more expensive and harder to get.

**2024 Expectations:** The coming year will be an interesting one. The unsecured loan landscape will change and adapt to RBI's new rules. Well-capitalised lenders will do well but stressed lenders will struggle. The demand, especially for small-ticket loans, will remain high. At the same time, the higher risk weights are going to have an impact on how fast unsecured loans grow, as small ticket loan providers become more cautious.

**PERSONAL  
LOAN  
MARKET  
OUTSTANDING  
LOANS GREW 22%  
Y-O-Y TO ₹12.59  
TRILLION BY THE  
END OF 2023.  
(RBI DATA.)**



# WHAT TO EXPECT IN 2024

## RISK WEIGHTS



2023 continued to witness a substantial growth in credit products, driven by economic recovery and increased consumer demand. Some of the strongest demand continued to be for unsecured personal loans to support the growing need for immediate, short-term funding by both individuals and small businesses. Consequently, the RBI raised risk weights on categories including credit cards, personal loans, consumer durable loans, and loans to non-banking financiers, to curb excessive lending in these riskier segments.

As a direct consequence, lenders are now required to maintain higher capital reserves for riskier loan categories. Earlier, for every ₹100 in personal loan receivables, the risk-weighted assets would be 100% of ₹100 = ₹100.

After the increase to 125%, the risk-weighted assets become 125% of ₹100 = ₹125. Assuming a 9% CAR, the bank would need to now set aside 9% of ₹125, which comes to ₹11.25 compared with ₹9 at 9% of ₹100 earlier. Therefore, the increase in capital requirement is ₹11.25 - ₹9 = ₹2.25 for every ₹100 in personal loan receivables, or 20%. This means the bank has to put aside more funds, reducing the amount it can lend.

Reports suggest that additional risk weight will lower the Tier-1 capital ratio for the banking industry to 14.3% from 14.9%. There is also a cascading effect involved, especially in the case of fintechs that borrow from NBFCs, and NBFCs that borrow from the banks to lend. The provisioning at each level increases the cost of funds for lenders, and that means higher interest rates for the borrowers.

We are already seeing tightening in the sub-prime segments in the case of both credit cards and unsecured loans. This is likely to get more aggressive in the coming year. The eligibility and interest rates are both set to increase in line with the risk profile. Credit card rewards and benefits have been on a downward slide this year, and this will continue as capital provisioning increases.

However, the much-anticipated rate cuts are a silver lining. With inflation beginning to settle globally and the Federal Reserve hinting at cuts in the coming months, we can expect the RBI also to slash rates by the end of this financial year or early next year. This will bring down the cost of funds and we can expect some easing.

# SIDE NOTES

# SMALL LOANS SURGE

## 7.7%

Y-O-Y INCREASE IN  
CONSUMER DURABLE  
LOANS

## -4.9%

Y-O-Y DIP IN LOANS  
AGAINST SECURITIES

## 22.3%

Y-O-Y RISE IN PERSONAL  
LOANS

(RBI DATA.)

## MAKING SENSE OF 2023 TRENDS

### LOANS AGAINST ASSETS DIP

Loans against FD, gold, shares, and bonds were a small share of the retail credit market albeit the most rapidly growing ones in 2022. However, as FD rates rose and the markets remained volatile, loans against both assets saw a sharp decline. While growth in loans against FDs fell by more than 50% from 36% last year to 16.5% this year, the growth in loans against securities actually shrunk by almost 5%. Gold loans, though, remained one of the few credit products that continued to grow year on year.

### THE SLUMP IN CONSUMER DURABLE LOANS

The biggest slowdown was seen in consumer durable loans, which grew by only 7.7% year on year, compared to a whopping 41.4% last year. Though consumer durable loans are a small segment, they were the fastest growing last year, and the slowest growing this year.

### EDUCATION LOANS BACK ON TRACK

From the slowest-growing category of retail loans last year to the second fastest this year, education loans have come a long way. They were also one of the few products that grew at a pace more than the previous years.

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### About Us

**BankBazaar.com** is India's largest fintech co-branded credit card issuer and online platform for free credit score. It has a captive base of 56 million registered users who use the platform for free credit score tracking and in-depth personal finance content and comparison tools.

Its range of co-branded credit cards with India's leading banks is driving the platform's rapid growth with more than half its customers now opting for BankBazaar's own co-branded products. The company is on track to facilitate one million active BankBazaar co-branded credit cards in force over the next couple of years.

Supported by global investors such as Experian, Eight Roads, Sequoia India, WSV, and Amazon, BankBazaar has been at the forefront of democratising finance in India by providing end users with frictionless access to credit.

The company exited FY2022 with an audited revenue of ₹159.6 crore, growing 66% year-on-year with EBITDA profitability on a monthly basis attributed to its co-brand model.

**Adhil Shetty, CEO, BankBazaar.com,** said:

"BankBazaar has been focussed on three things: great technology, customer focus, and the bottom-line. I am proud to say that we are one of the few fintechs in the world growing rapidly and profitably."

bank**ba:aar**  
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