

EIGHT TOP TIER-I CITIES TOGETHER ACCOUNT FOR ALMOST HALF OF RETAIL LOANS

Relevant for: Indian Economy | Topic: Inclusive growth, Inclusion and Poverty

Retail [loans](#) extended by Indian lenders- Banks and [NBFCs](#) are very urban centric with eight top cities accounting for nearly half of the loans extended by them in the first quarter of 2018, said a report..

The contribution of eight biggest urban agglomerations in the country – Mumbai, National Capital Region (NCR), Chennai, Kolkata, Hyderabad, Bengaluru, Pune and Ahmedabad – collectively referred to as the Tier-1 cities, had a share of 46.5% and 39.3% in aggregate origination balances and origination volumes respectively in Q1 2018, a report by credit bureau Transunion [Cibil](#) said.

This was one of the ways to measure urban concentration of loans, it said.

An analysis of the balance sheet from this perspective clearly reveals the overwhelming dominance of the Tier-1 cities. These eight cities together accounted for half of the aggregate retail financing balance sheet in Q2 2018, primarily due to significantly higher share in high value products like mortgages and [loans against property](#) (LAP), Transunion Cibil said.

[Credit cards](#) are the most concentrated product with the Tier-1 cities accounting for around three-fourths of the aggregate balance sheet. Two -wheeler loans are probably the most mature product in terms of geographic diversification as the Tier-1 cities' share is less than one-fourth of the aggregate industry.

At the industry level, retail lending continued to grow across all lending products as the number of live accounts grew by 26.2% in Q2 2018 compared to a year earlier in Q2 2017. It is noteworthy that the number of live retail lending accounts crossed the 100 million mark in this quarter. In parallel, new account originations increased by 30.1% in Q1 2018 compared to the same quarter a year earlier

The report noted that India is currently in the midst of a structural transformation from a savings-focused and debt-averse country to a consumption-focused leveraged economy. This transformation is due to multiple factors: demographics, urbanization, rising digitalization and consequent rise of e-commerce, improved access to retail lending.

Retail [loans](#) extended by Indian lenders- Banks and [NBFCs](#) are very urban centric with eight top cities accounting for nearly half of the loans extended by them in the first quarter of 2018, said a report..

The contribution of eight biggest urban agglomerations in the country – Mumbai, National Capital Region (NCR), Chennai, Kolkata, Hyderabad, Bengaluru, Pune and Ahmedabad – collectively referred to as the Tier-1 cities, had a share of 46.5% and 39.3% in aggregate origination balances and origination volumes respectively in Q1 2018, a report by credit bureau Transunion [Cibil](#) said.

This was one of the ways to measure urban concentration of loans, it said.

An analysis of the balance sheet from this perspective clearly reveals the overwhelming dominance of the Tier-1 cities. These eight cities together accounted for half of the aggregate

retail financing balance sheet in Q2 2018, primarily due to significantly higher share in high value products like mortgages and [loans against property](#) (LAP), Transunion Cibil said.

[Credit cards](#) are the most concentrated product with the Tier-1 cities accounting for around three-fourths of the aggregate balance sheet. Two-wheeler loans are probably the most mature product in terms of geographic diversification as the Tier-1 cities' share is less than one-fourth of the aggregate industry.

At the industry level, retail lending continued to grow across all lending products as the number of live accounts grew by 26.2% in Q2 2018 compared to a year earlier in Q2 2017. It is noteworthy that the number of live retail lending accounts crossed the 100 million mark in this quarter. In parallel, new account originations increased by 30.1% in Q1 2018 compared to the same quarter a year earlier.

The report noted that India is currently in the midst of a structural transformation from a savings-focused and debt-averse country to a consumption-focused leveraged economy. This transformation is due to multiple factors: demographics, urbanization, rising digitalization and consequent rise of e-commerce, improved access to retail lending.

END

Downloaded from [crackIAS.com](#)

© **Zuccess App** by [crackIAS.com](#)

CrackIAS