

Consumer Durables: A product for Fintech Industry futures

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Abstract:- Today every household need is Television, Refrigerator, Washing machine, etc., which are durables that are required for a day to day household activities to be completed by a person for the completion of the tasks that are done manually or the ones which ruin the food. Also, with increasing work from home culture many durables which are required to be used by the end user the increase in sales is also observed. Consumer durables loans are also the 2nd largest lending product across India in terms of both volume and value.

I. INTRODUCTION

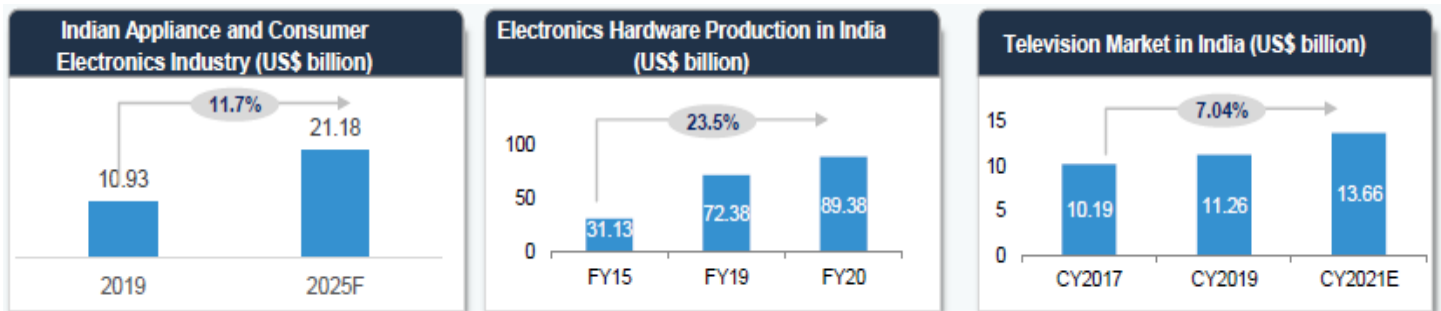
CD (Consumer Durable) loans between FY17 to FY20 grew by 2.5x in loans and 3x in volume. However, in FY21 there is a drop in sales due to COVID 19 pandemic situation. Maximum share of the CD loans are contributed by NBFC currently. (CRIF, 2021)

The average age of less than 35 years old contributed to 54% of the CD loans in India and new CD loans were given to 34.5% customers. An interesting observation is that the lending opportunity from the average ticket size has reduced from Rs. 21,000 to Rs. 17,000 in FY21.

II. LITERATURE REVIEW

➤ Consumer Durables

(IBEF, 2021) India CD needs overall 400\$ billion by FY 24.. However, market for consumer and appliance in 2019 was 10.93\$ billion with an increase in sales by 23.5% in the third quarter of FY21. (FICCI-EY, 2019) For example Television Indian industry to be at Rs. 1227 Billion in FY 22.



CD Image 1: Source: (IBEF, 2021)

- Indian appliance and consumer electronics industry is expected to grow to 21.18\$ billion by FY 25 with 11.7% CAGR
- Electronics hardware production increased by 23.5% from FY 15 to FY 20 with 89.38\$ Billion
- Television market in India has increased by 7.04% CAGR from CY 2017 10.19\$ Billion till CY 2021 (expected) to 13.66\$ Billion

Consumer Electronics are categorized into 2 variants White and Brown goods.

White Goods: Consumer Appliances are called white goods

- Air conditioners
- Washing Machines
- Electric Fans
- Refrigerators
- Microwave ovens
- Sewing Machine
- Cleaning Equipment

Brown Goods: Consumer Electronics are called Brown Goods

- Televisions
- CD and DVD Players
- Laptops
- Electronic Accessories (headset, headphones, etc.,)
- Audio and video systems
- Personal Computers
- Digital Cameras
- Camcorders

Some of the risk factors that are impacting this process are:

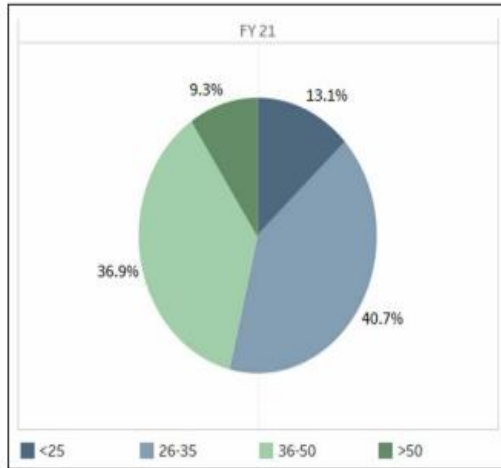
- Data for Financial analysis
- Product configurations
- TAT
- Rate of Interests
- POI (proof of Identity) and POA (Proof of address) document, etc.,

➤ *Demographics and Loan Size:*

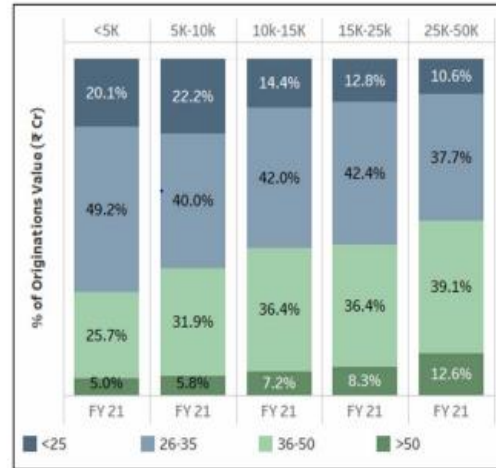
- 35 years old and lesser age group consumers in FY 21 contribute to 54% of CD Loan borrowers
- 25 years and lower age group consumers have contributed to 20.1% of loans with ticket size < ₹ 5k and 22.2% of loans with ticket size ₹ 5-10K\

- ₹ 25-50K loans in CD are highly consumed by the age group greater than 35 years
- Age between 26-35 years age group has 49.2% of loans with ticket size < ₹ 5k

Originations (FY21) – Borrower Age (Years)



Originations (FY21) – Borrower Age & Ticket size (₹)



CD Figure 2: (CRIF, 2021)

Top players in Consumer Durables in India are:

➤ *Lenders*

- IDFC First Bank
- Bajaj Finserv
- Fullerton India
- Tata Capital
- EarlySalary
- Home Credit
- Canara Bank
- HDFC Bank
- Andhra Bank

- TTK Prestige Ltd
- Voltas Ltd
- Whirlpool of India Ltd

➤ *Dealers*

- Reliance Digital
- Croma
- Vijay Sales
- Lotus Electronics (MP, CG, MH)
- Viveks
- Girias

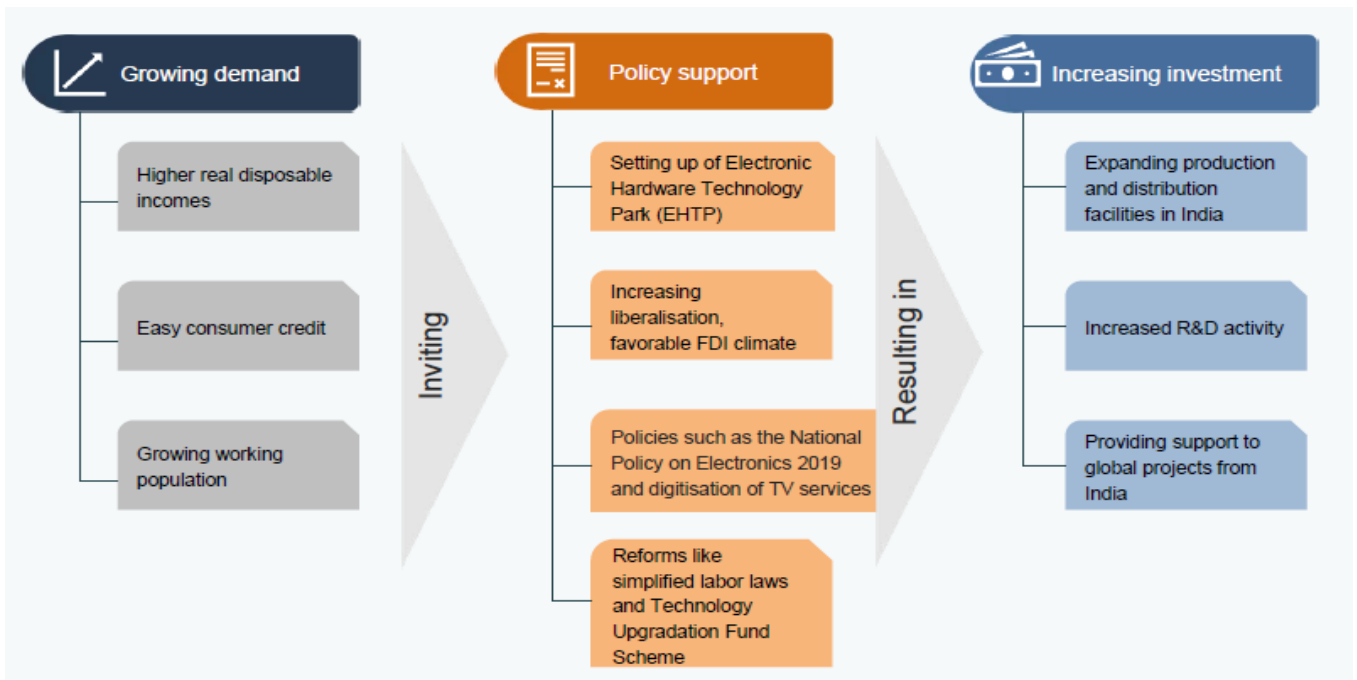
➤ *Manufacturers*

- Bajaj Electricals Ltd
- Blue Star Ltd
- Crompton Greaves Consumer Electricals Ltd
- Godrej & Boyce Manufacturing Company Ltd
- IFB Industries Ltd
- Johnson Controls-Hitachi Air Conditioning India Ltd
- Philips India Ltd

Futuristic trends that are driving Consumer Durables industry are as follows:

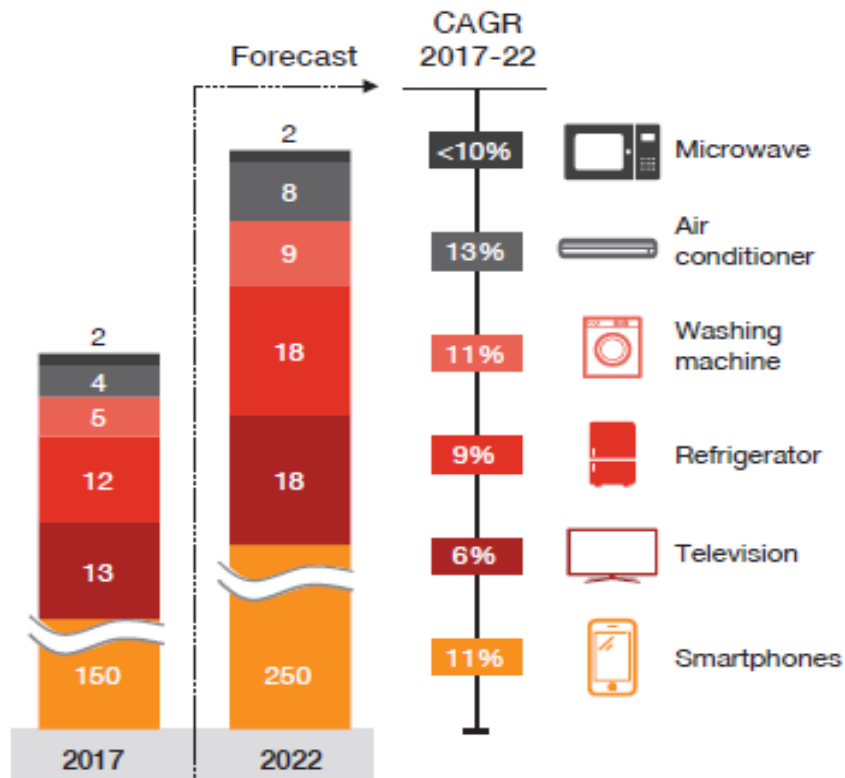
➤ *Infrastructure and Ecosystem:*

- Policy Initiatives by Govt.
- GST Implementation
- Infrastructure developments

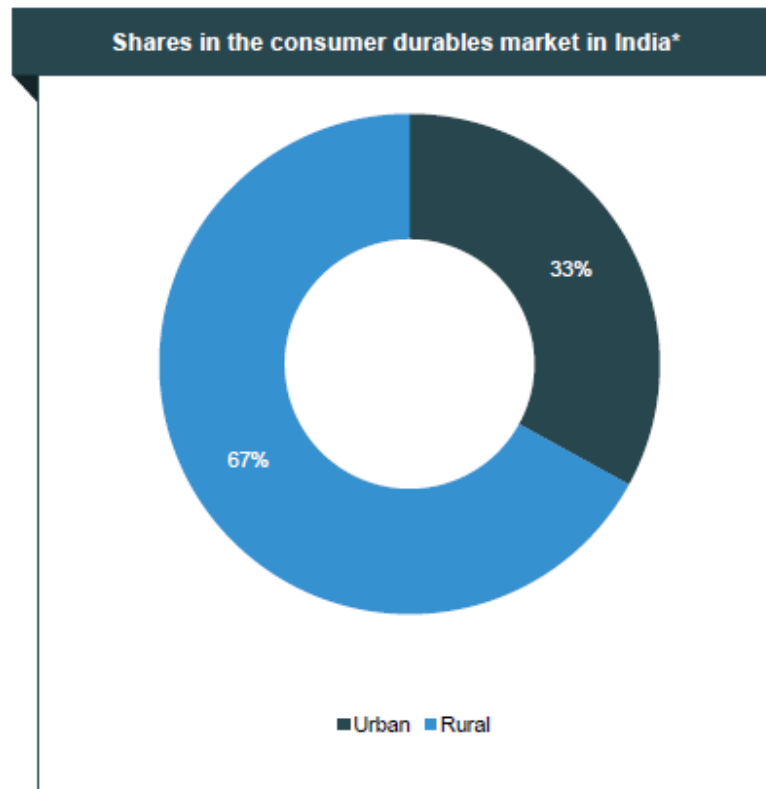


CD Figure 3: TechSci (Research)

- *Multi-Channel Strategy:*
 - Creating omni-channel strategy
 - Developing requirement level products
- *Connected Supply Chain Management:*
 - Linkage between multiple stakeholders
 - Creating an eco-system of supply chain
- *Automation and Technology:*
 - Introducing IoTs', GPS, ASRS
 - WH Automations
 - Analytical support



CD Figure 4: PWC 2018



CD Figure 5: IBEF Apr 2018

Indian appliance and consumer electronics (ACE) market reached ₹ 76,400 crore (US\$ 10.93 billion) in 2019. Appliances and consumer electronics industry is expected to double to reach ₹ 1.48 lakh crore (US\$ 21.18 billion) by 2025. (IBEF, 2021)

III. RESEARCH METHODOLOGY

Qualitative research method is adopted to research key objective by analyzing already present information. It constitutes of previous research and other associated works which explained the impact of Consumer Durables on Indian Business via lending. Also, categories like growth, strategies and supporting information which drives these underlying business opportunities has been considered for the research steps.

IV. DISCUSSION

Even the government is supporting and giving away the incentives for improving business both the Urban and Rural. Many NBFC and Banks are concentrating on credit worthy customers only, and trying a very minimal on new to credit worth. Now since the many solutions would need testing, government should be able to even more incentivize the banks and NBFCs' and relax some rules with the new technologies for the similar kind of growth that is expected in the future. With overall trend of lending and support to industries increasing the funds inflow and gathering of funds should also increase. This includes Lifestyle also where currently lifestyle being the one of the primary things for many people (ANI, 2020).

Many organizations are conducting different types of credit models and trying to understand the situations of the Consumer Durables in the new era. Post COVID the learnings of all the organizations also has increased and are coming up with the better management models in which they are conducting the solutions in such a way that the models don't wear off later during the pandemic type situations. (RBI, 2021)

With the opportunity of Trillion of dollars in India and with the BFSI sector growing with the opportunity of over years for the next recent 5 to 10 years from 2021. For this opportunity Indian NBFC and Banks' for the next 10 years, the number of people hiring and the technology that is required will be immense.

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