

Cash-driven informal credit market reaches \$500 billion in India



The cash-driven informal credit and shared spending market among the households in India is now a massive \$500 billion opportunity which has a vast digitisation potential, a new report showed on Thursday.

While India has a highly under-penetrated formal [credit market](#), it has a very large informal [credit market](#).

As per estimates by the Bengaluru-based market research firm RedSeer, more than \$200 billion of loans are given informally to friends and family in India each year.

Moreover, more than \$300 billion of spending is shared with family/dependents.

Together, this creates a massive \$500 billion 'shared spending/credit' market in the country.

"The shared credit and spending market in India is not much talked about but in many ways is the foundation of the economy. Traditionally, this market has been very cash-driven and informal," said Mrigank Gutgutia, Associate Partner at RedSeer.

However, with the rapid rise of tech solutions and growing comfort with digital payments, "we believe that the time is right for a digital sharing solution to emerge in the market," he said in a statement.

New-age apps such as Xare and Fampay, among others, are at the forefront of bringing about this digitisation.

Xare offers features like controlled sharing of un-used credit limit and debit cards, all without the beneficiary needing their own bank account.

This allows for multiple use cases such as family finance management, [lending](#) and free instant remittances to name a few.

Another is Fampay which provides pre-paid parental control cards for online and offline transactions, thus allowing sharing of finances without needing another bank account, the report noted.

"The digital solution which could potential have an end-to-end platform for tracking and managing all shared spends, can unlock massive efficiencies and drive large gains in customer experience," said Gutgutia.

The major growth driver for the shared spending and [credit market](#) is mobile payments.

India has now grown to become the second largest mobile payments market in the world, with more than 250 million mobile payment users.

India's mobile payment growth story is driven by UPI, which grew to have more than \$500 billion in disbursements in CY20, along with over 20 billion processed transactions.

"With this ongoing revolution, India's digitally-savvy user base has a chance to leapfrog the challenges of low financial services penetration," the report noted.

[Credit Market](#)