

# Despite Concerns, Online Lending Set to Rise in China

The number of digital credit service users is expected to reach 310 million by 2020

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rowing unease will not lessen demand for internet-based microloans in China in the coming years.

Consumers in the country have gradually accepted loans as an acceptable element of their financial management toolkit. At the same time, the government in China is keen on boosting consumer spending while driving innovation in a moribund industry historically run by traditional—and staid—financial institutions.

According to a recent study by **iResearch Consulting Group**, the number of digital credit service users in China will grow from 200 million at the end of 2017 to 310 million by 2020. The value of outstanding credit provided by online lenders will increase from RMB2.2 trillion (\$331.16 billion) to RMB6.2 trillion (\$933.28 billion) over that same timeframe.

**Digital Financial Service Users in China, by Type, 2013-2020**

*millions and % change*

	<b>Digital wealth management service users</b>	<b>% change</b>	<b>Digital credit service users</b>	<b>% change</b>
2013	50	-	50	-
2014	200	271.8%	80	51.7%
2015	320	76.9%	130	62.4%
2016	440	34.7%	160	23.6%
2017	500	23.1%	200	15.1%
2018	530	19.3%	240	5.6%
2019	580	15.1%	280	8.5%
2020	600	13.2%	310	4.2%

*Source: iResearch Consulting Group as cited in press release, Nov 11, 2017*

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China's BAT companies—Baidu, Alibaba and Tencent—have entered the field by offering their own version of online banks and financial products. According to financial news service Caixin, Tencent's WeBank had extended loans valued at RMB200 billion (\$30.11 billion) with an average loan size of RMB8,000 (\$1,200) through the first half of 2017.

The outstanding loans offered by Alibaba affiliate Ant Financial's MYbank had reached RMB115 billion (\$17.31 billion) in value with the average loan size reaching RMB17,000 (\$2,560) during the same period, Caixin reported.

In August 2017, Baidu was granted approval for a joint venture with China CITIC Bank to offer small loans to consumers and small businesses through a new online service called aiBank.

Even ecommerce platform JD.com has entered the fray. The company has backed microlending platform Lexin, which has 3.3 million active users and generated \$810 million in revenues for the 12 months ended in September 2017.

The BATs have also been joined by a slew of companies focused on online microlending, such as Qudian, PPDAL and Hexindai.

However, internet-based microlending has seen its share of problems in China. The industry has been characterized by fast growth, unqualified lenders, unreasonably high interest rates and government concerns about the rise in household debt.

In November 2017, a federal regulatory body in China, responding to fast growth in the under-regulated sector, instructed state governments to halt regulatory approval for new microlenders, citing concerns that many were unqualified to offer loans.