

# MicroLend

## QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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### State of the Sector

The microfinance sector grew by 28% Y-o-Y, as observed at the end of Q2 FY 2019-20. The gross loan portfolio (GLP) of the sector stood at ₹196.2K crores, up by 1.35% from the previous quarter. The outreach of the sector increased to 6 crore live customers, with 10 crore active loans. As of Sep 2019, banks have the largest market share of the national portfolio, having surpassed NBFC MFIs by over 2%. The average ticket size of microfinance loans stood at ₹32.5K in Sep 2019, a 12% Y-o-Y growth. Disbursements, both in terms of value and volume, which saw a dip in the previous quarter, have grown by 0.7% and 0.2% respectively over the previous quarter.

### Sectoral Snapshot

	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019
GLP (INR Cr)	153.7K	168.3K	188.5K	193.6K	196.2K
%GLP Growth		9.49%	12.00%	2.69%	1.35%
Average Ticket Size	29.0K	30.1K	31.1K	31.7K	32.5K
Average Exposure	32.8K	34.2K	35.1K	35.5K	34.3K
PAR 31-180 %	1.0%	1.0%	1.0%	0.9%	1.1%
Write-Off (Amount) %	1.1%	1.1%	1.1%	1.3%	1.3%

The Months indicate the book closing periods. GLP Growth % Indicates change over previous period.

### Synopsis

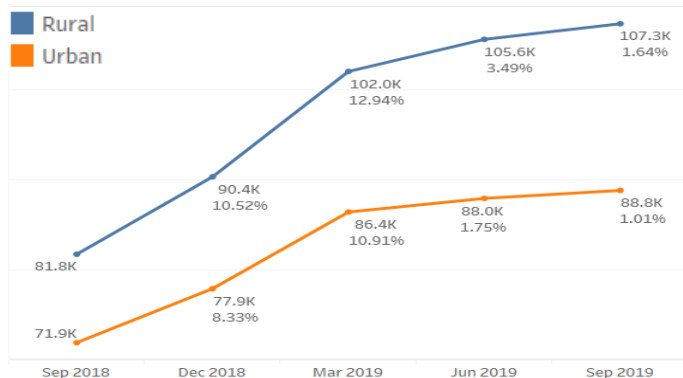
- GLP as of Sep 2019 grew at a pace of 1.35% Q-o-Q, slower than the previous quarter (2.7%) and same period last year (6.8%).
- The Borrower Base (6Cr) has grown by 5% Q-o-Q and 22% Y-o-Y.
- The volume of disbursements in Q2 FY 2019-20 grew by 0.2% from Q1 FY 2019-20 and by 0.77% in terms of value.
- Delinquencies have increased as of Sep 2019. PAR 1-30 and 31-180 have once again increased to more than 1% level. PAR 180+ stands high at 4.5%.
- Banks continue to be least exposed to risk compared to its peers, but PAR 180+ has increased from the previous quarter.

## Industry Growth & Market Share

The GLP of the microfinance sector has continued its growth trajectory in Q2 FY 2019-20, however at a slower pace of 1.35% Q-o-Q in Sep 2019, compared to 6.9% in the same period last year. The sector registered a Y-o-Y growth of 28% standing at ₹196.2 crores in Sep 2019. Both rural and urban geographies witnessed sluggish growth as compared to Q1 FY 2019-20, with rural sector growing at 1.64% as against 3.49% in the previous quarter and urban sector at 1.01% against 1.75% in the previous quarter. The share of rural sector in the national GLP increased by 2% Y-o-Y.

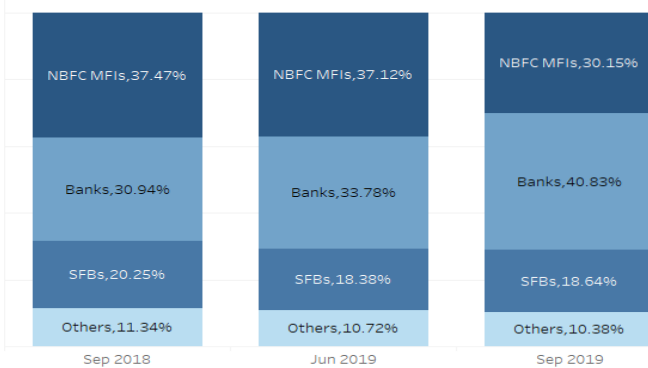
In Sep 2019, the share of GLP for banks has increased to 40.8%, while that of NBFC MFIs (30.1%) has decreased<sup>1</sup>. Banks have witnessed high Y-o-Y growth of 68%, as of Sep 2019<sup>1</sup>. Banks dominate both urban and rural geographies both in terms of volume and value as of Q2 FY 2019-20.

GLP & Quarterly Growth



The Months indicate the book closing periods. % indicates change over previous period.

Overall Market Share Y-o-Y



The Months indicate book closing periods. % indicates the Market Share by the Lender Type.

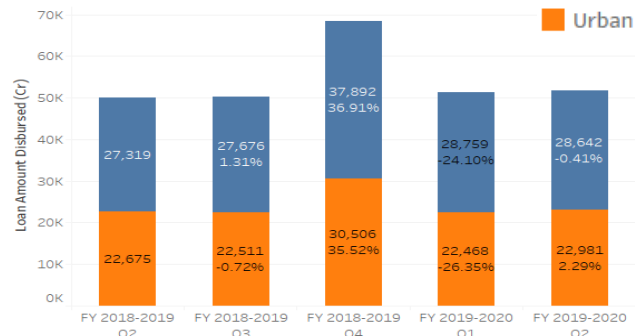
## Sourcing Growth & Market Share

Disbursements in the second quarter of FY 2019-20 stood at ₹51,623 crores, up by 0.7% from the previous quarter and a 3.3% Y-o-Y. Disbursements also saw a jump of 0.2% in terms of volume from the previous quarter. These growth rates, however, are comparatively much lower than growth rates in the same period in the previous year, which stood at 14.5% (in value) and 11% (in volume).

The eastern region continues to dominate the market in terms of disbursements value with a share of 35%, followed by South (25%), West (14%), North (11%), North East and Central at 7.5% each. Continuing its trend from the previous quarter, the rural sector had a greater bearing in the east, north, central and north eastern regions while the south and west regions witnessed a reverse trend with greater penetration in urban geographies.

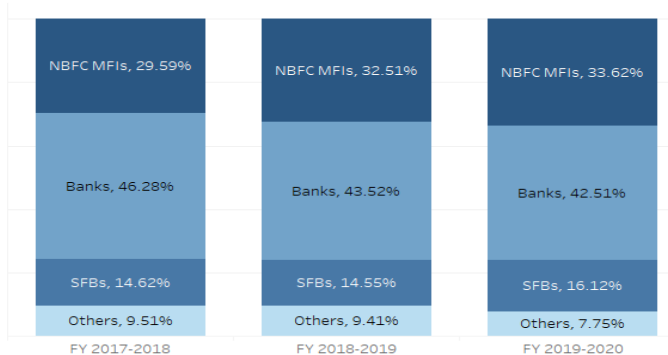
Disbursements in urban geographies increased by 2.3% over Q1. Rural disbursements decreased by 0.4% Q-o-Q as of Sep 2019. Market share of NBFC MFIs and banks in sourcing (value) increased marginally (less than 1%) in Q2 FY 2019-20 over the previous quarter. Share of SFBs increased by 1.2% over Q1 FY 2019-20. Loans of ticket size of <10K have seen a spike in disbursement volumes, which indicates growth in first time borrowers (NTC) or a deliberate move by lenders to reduce their minimum ticket size to face the slow down and delinquencies in the sector.

Disbursements Growth



The time periods indicate the Financial Year Quarters by Loan Origination Period. % indicates change over previous period.

Market Share in Disbursements Y-o-Y



The Financial Years indicate the Loan Origination Periods. % indicates the Market Share.

Note: Lender category NBFC MFIs includes all RBI registered NBFC MFIs. Banks includes all Banks (except SFBs) reporting microfinance lending. SFBs includes all awardees of Small Finance Bank License. Others includes generic NBFCs operating microfinance portfolio.

<sup>1</sup>The shift in market share of GLP, Disbursements & Q-o-Q/Y-o-Y growth for Banks is due to the recent merger of a leading NBFC MFI and a large Private Sector Bank.

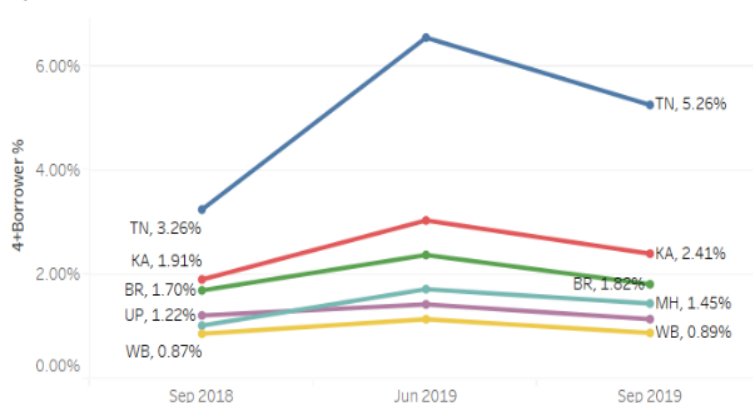
## Borrower Leverage & Compliance

### National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Sep 2018	Jun 2019	Sep 2019	Sep 2018	Jun 2019	Sep 2019
WB	37.7K	41.8K	43.0K	38.5K	43.0K	41.4K
TN	27.2K	30.2K	31.1K	32.3K	37.6K	36.5K
BR	29.3K	31.8K	32.5K	34.1K	36.5K	34.2K
KA	25.5K	28.5K	28.7K	34.8K	36.3K	35.9K
MH	26.6K	28.5K	29.2K	29.5K	31.5K	31.2K
UP	27.9K	29.8K	30.5K	27.0K	29.0K	27.8K
National	29.0K	31.7K	32.5K	32.8K	35.5K	34.3K

The Months indicate book closing periods. Average Ticket Size is basis per Loan Account & Average Exposure is basis per Borrower.

### Top States - Borrower Associated With 4 or More Lenders



The Months indicate book closing periods. Borrowers with only Active Lender Associations are considered.

The national average ticket size for microfinance loans has increased by 12% Y-o-Y to reach ₹32.5K in Q2 FY 2019-20. The average exposure per borrower has reduced by 3.3% Q-o-Q but witnessed a Y-o-Y growth of 5.7%, standing at ₹34.3K as of Sep 2019<sup>2</sup>.

Banks have been dominant in large ticket sizes of >40K, with more than 60% share in the national GLP as of Sep 2019. Loans of small ticket size (up to 15K) are predominantly lent by NBFC MFIs in Q2 FY 2019-20.

25K-30K ticket size occupies the largest pie in the national portfolio at 27%. However its share has declined from the previous quarter, while that of the larger ticket sizes 60K+ is increasing.

5.26% of borrowers in Tamil Nadu have loans running with 4 or more lenders, as of Sep 2019. This number has sharply reduced from June 2019. During the same period, the active borrower base has increased by 13.5%. The written off loans in Tamil Nadu increased by 10% Q-o-Q. Compliance level across other top states and at the national level has gone up as observed over the previous quarter.

<sup>2</sup> The average ticket size in some geographies is visibly higher than the average exposure as observed in the report. This is due to the observations made in the report inclusive of the 180+ DPD portfolio as well as borrower base. Exclusion of such data leads to average exposure being higher than the average ticket size.

The microfinance sector continues to contribute towards furthering the agenda of financial inclusion by expanding its customer outreach far and wide across the country with a 22% Y-o-Y growth in its live customer base.

Despite concerns over rural slowdown, the sector has remained strong, with continued growth in the rural portfolio.

NBFC-MFIs' portfolio growth across the country has been explosive, tending towards big ticket lending of 40K+, with a Y-o-Y growth of 97% in this segment.

## Industry Risk Profile

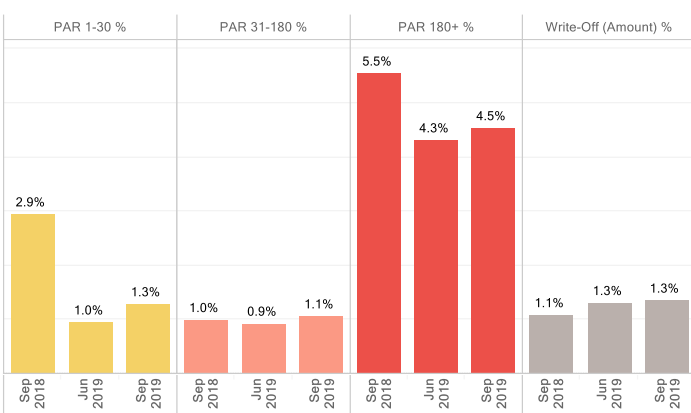
The microfinance sector in Q2 FY 2019-20 has overall witnessed higher delinquency levels compared to June 2019. Early delinquency levels increased from 1.0% to 1.3% although stood significantly lower than Sep 2018 (2.9%). PAR 31-180% although increased slightly (1.1%) over the previous quarter (0.9%), rose higher than the level in Sep 2018 (1%). PAR 180+ delinquency increased to 4.5% as of Sep 2019, 0.2% higher than the previous quarter and 1% lower than same period last year.

Across all delinquency levels, banks continue to be at least risk, with PAR 1-30 and 31-180 levels curtailed below 1% as of Sep 2019. PAR 180+ level for NBFC MFIs has improved, whereas for banks, delinquency has increased compared to the previous quarter.

SFBs continue to indicate high PAR 180+ levels due to bad pre-demonetization book, while the FY 2017-18 onwards book has a much lower PAR 180+ at 0.9%. North east and central regions (15% of the GLP) indicate higher early repayment stress in both regions compared to other regions.

Other Lenders (incl. of NBFCs) indicate deterioration in the book coming into Sep 2019 with PAR 31-180 at 2.2% (20% increase Q-o-Q) and PAR 180+ at 1.8% (50% increase Q-o-Q).

Portfolio Risk Levels



The Risk Levels are based on the Delinquent Portfolio (excluding Write-off) & Overall Portfolio reported at the respective book closing period.

PAR 1-30 Levels

	Rural			Urban		
	Sep 2018	Jun 2019	Sep 2019	Sep 2018	Jun 2019	Sep 2019
NBFC MFIs	1.16%	0.85%	1.28%	1.63%	0.98%	1.49%
Banks	1.31%	1.00%	0.91%	1.55%	0.75%	0.78%
Others	1.35%	1.10%	1.28%	1.99%	1.46%	1.70%
SFBs	9.76%	1.20%	1.99%	8.18%	0.83%	1.87%
Grand Total	2.65%	0.98%	1.24%	3.25%	0.91%	1.31%

The Risk Level is based on the 1-30 days past due Portfolio & Overall Portfolio reported at the respective book closing period.

PAR 31-180 Levels

	Rural			Urban		
	Sep 2018	Jun 2019	Sep 2019	Sep 2018	Jun 2019	Sep 2019
NBFC MFIs	0.87%	0.94%	1.11%	0.97%	0.99%	1.18%
Banks	0.62%	0.59%	0.78%	0.69%	0.49%	0.73%
Others	0.88%	1.95%	2.10%	1.07%	2.00%	2.62%
SFBs	1.53%	0.92%	0.83%	1.73%	0.85%	0.88%
Grand Total	0.90%	0.94%	1.05%	1.08%	0.88%	1.05%

The Risk Level is based on the 31-180 days past due Portfolio & Overall Portfolio reported at the respective book closing period.

PAR 180+ Levels

	Rural			Urban		
	Sep 2018	Jun 2019	Sep 2019	Sep 2018	Jun 2019	Sep 2019
NBFC MFIs	2.78%	2.34%	2.27%	4.81%	4.12%	3.91%
Banks	1.75%	1.59%	2.20%	2.23%	2.04%	3.00%
Others	3.79%	2.69%	3.41%	5.51%	4.63%	5.25%
SFBs	11.41%	8.68%	8.46%	17.77%	14.46%	14.14%
Grand Total	4.02%	3.08%	3.31%	7.25%	5.78%	6.00%

The Risk Level is based on the 180 days or more past due Portfolio & Overall Portfolio reported at the respective book closing period.

## Dive into Geography

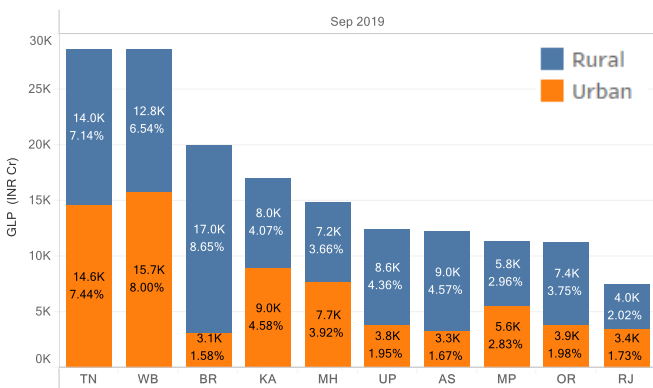
Top 10 states account for 83% of the national GLP. The eastern region continues to dominate (32.6%) the market in Q2 FY 2019-20, followed by south (27.1%), west (14.4%), north (10.4%), north east (7.8) and central (7.6%). The eastern region has also witnessed highest Y-o-Y growth (31.6%) in loan book, followed by north east at 29.7% Y-o-Y. West (27.1%), south (25.8%), central (23.4%) and north region (22.7%) witnessed slower growth rates than the national portfolio (27.6%).

NBFC MFIs dominate the market in central, north and south regions as of Sep 2019, banks have a greater presence in East, west and North East regions. In terms of ticket size, for loans of size 60K+, more than 50% of the market was occupied by the east region (56%), followed by north east (24%). Loans of size 40K-60K had the maximum market share in south region (32%).

Tamil Nadu has regained its position at the top as the largest market for microfinance with a share of 14.6% of the national GLP, having surpassed West Bengal by 0.1%. While WB is more focused on big ticket loans of size >60K (45%), 40% of TN's portfolio comprises mid sized loans of 25K-30K. Rajasthan, with a 45% Y-o-Y growth in portfolio and a 62% Y-o-Y growth in its rural portfolio entered the top 10 rank, outpacing Kerala. Bihar remained the fastest growing state with Y-o-Y growth rate of 46% in the portfolio.

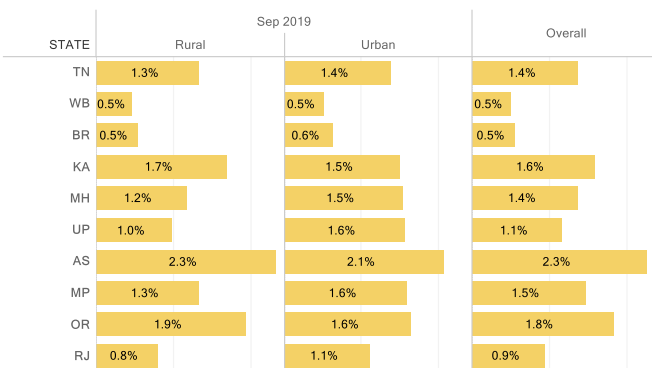
Among the top 10 states, Assam recorded the highest percentage of early delinquency at 2.3%, followed by Odisha (1.8%). Tamil Nadu showed improvement in PAR 31-180 level delinquency from the previous quarter, but a decrease as compared to Sep 2018. Maharashtra (12.3%), Karnataka (7.0%), Uttar Pradesh (6.8%) and Madhya Pradesh (6.7%), continue to suffer from high 180+ delinquencies as of Sep 2019. Compared to the previous year, Uttar Pradesh, Madhya Pradesh and Odisha's loan books have also witnessed higher 180+ delinquency.

Portfolio Distribution at State Level



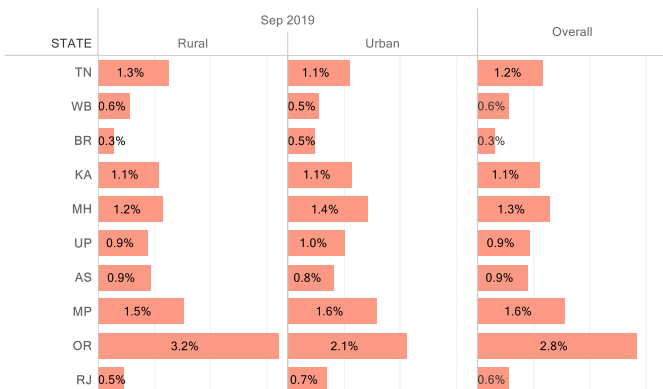
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



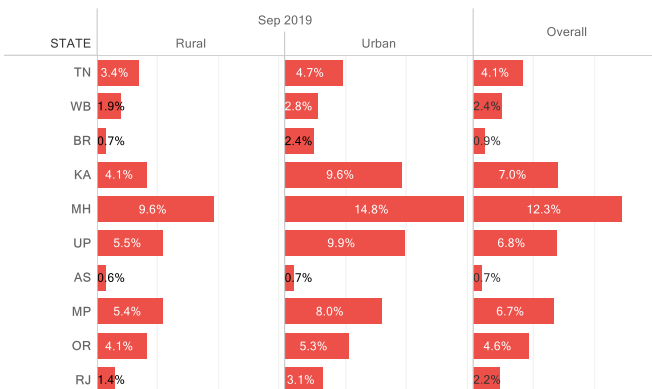
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

State Level PAR 31-180



The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

State Level PAR 180+



The Risk Level is basis the 180 or more days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

## Our Views

Q2 of FY 2019-20 witnessed sluggish growth in the microfinance sector as compared to the previous quarter. The sector grew at only 1.35% Q-o-Q as against 6.9% in the same period last year. Loans of ticket size 10K-30K have experienced degrowth in consecutive quarters (2.6% & 7.3%). Within this ticket size segment, all peer groups other than banks have recorded negative growth in Sep 2019.

Overall delinquencies have increased as of Sep 2019, with small ticket sizes contributing to the maximum stress. Banks are least exposed to risk compared to peers, although banks suffer from highest increase in PAR 180+ rates over June 2019. Maharashtra (12.3%), Karnataka (7.0%), Uttar Pradesh (6.8%) and Madhya Pradesh (6.7%), continue to suffer from high 180+ delinquencies as of Sep 2019, largely because of bad pre-demonetization loan book. Tamil Nadu, although witnessed slight improvement in delinquency levels over the previous quarter, witnessed greater stress compared to Sep 2018.

The sector continues to flourish in the eastern region, with three states in the region (WB, BR, OR) alone forming 31% of the national portfolio. Bihar has witnessed highest Y-o-Y growth of 46% in Sep 2019 across India. North east, forming the smallest share in the loan book, faces higher delinquency than the national portfolio.

## MicroLend

MicroLend is a quarterly publication from CRIF High Mark on Microfinance lending in India. The publication presents trends & analysis of key parameters such as Gross Loan Portfolio, Growth, Market Share, Borrower Leverage, Compliance and Portfolio Risks. The report also slices the data for major states and Urban/Rural geographies. Semi-urban portfolio is reported as part of urban split in the report.

Note: The CRIF Microfinance Credit Bureau has undergone data corrections (updates, closure, etc.) by institutions as part of the year end book closing and reconciliation activity. This report accommodates these corrections to the historical trends presented in the report for the previous quarters.

CRIF High Mark strives to keep its data accurate and up to date. The Analysis in this report is based on the trade line as submitted to the Bureau by the member institutions and the customer base enquired with the Bureau as part of the portfolio review. The results are NOT to be construed or used as a "legal description". CRIF High Mark does not assume any liability for any errors, omissions, or inaccuracies in the data provided regardless of the cause of such or for any decision made, action taken, or action not taken by the user in reliance upon any data provided herein. The contents of the report shall not be reproduced in part or whole without permission from CRIF High Mark Credit Information Services Pvt. Ltd. The opinions therein expressed are those of the author. Its contents, therefore, do not represent any commitment between the company and the recipient(s) and no liability or responsibility is accepted by the company for the above mentioned content.

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**We bring together best of both worlds – comprehensive data and sophisticated dedupe technology for India along with global best practices, expertise in scoring and top-rated credit management software solutions – to add most value to our clients.**

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