

# MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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### State of the Sector

Microfinance industry saw another good quarter with 9.2% Q-o-Q growth. With 5.3 crore active borrowers, the industry stands at Rs. 175.5K Cr gross loan portfolio as of December 2018. Rural portfolio is around 53% of the overall gross loan portfolio (GLP) of microfinance industry as against urban portfolio (47%). NBFC-MFIs have the largest market share (36%), while the market share of SFBs continues to decrease. The disbursement is 26% higher in value in Q3 FY 2018-19 as compared to Q3 FY 2017-18. The average ticket size of microfinance loan has accelerated by 11.5% Y-o-Y to nearly Rs. 30,000 by December 2018.

### Sectoral Snapshot

	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
GLP (INR Cr)	121.1K	137.3K	150.6K	160.7K	175.5K
GLP Growth		13.39%	9.72%	6.70%	9.19%
Average Ticket Size	26.9K	27.6K	28.3K	29.0K	30.0K
Average Exposure	27.9K	29.6K	30.8K	32.8K	34.2K
PAR 31-180 %	2.7%	1.6%	1.3%	1.1%	1.1%
Write-Off (Amount) %	0.8%	0.9%	1.1%	1.1%	1.1%

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

### Synopsis

- Gross Loan Portfolio (GLP) has increased by 9.2%, as of December 2018 over the last quarter, while the quarterly amount disbursed is similar in Q2 FY 2018-19 and Q3 FY 2018-19.
- Disbursed amount in Q3 FY 2018-19 is 26% higher Y-o-Y.
- Industry PAR 1-30 is higher in urban portfolio (2.2%) as compared to rural portfolio (1.9%).
- The Microfinance Outreach is nearly 5.3 Cr active microfinance borrowers with 19% Y-o-Y growth by December 2018.
- National average ticket size has increased by 11.5% Y-o-Y by December 2018, while national average exposure has increased by 22.6% during the same period.

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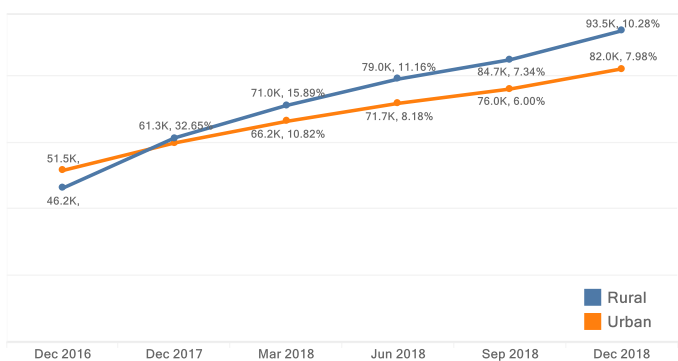
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## GLP &amp; Quarterly Growth



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

## Industry Growth &amp; Market Share

The GLP stands at Rs 175.5K Cr in December 2018. Rural portfolio is 53% of the total portfolio, registering a Y-o-Y growth of 53%. The Y-o-Y growth in Rural portfolio is 16% more than the Y-o-Y growth in the urban portfolio, as of December 2018. The industry experienced a comparatively lower Q-o-Q growth in Q3 FY 2018-19 (9.2%) as against Q3 FY 2017-18 (9.3%).

In December 2018, NBFC-MFIs had the largest market share (36%), closely followed by Banks (32%), SFBs (19%) and others (14%). Market share of SFBs has shrunk by (4.5%) over the year, as of December 2018. Urban geographies constitute 58% of SFBs portfolio, while that of Banks, NBFC MFIs and Others ranges between 41%-47%, as of December 2018.

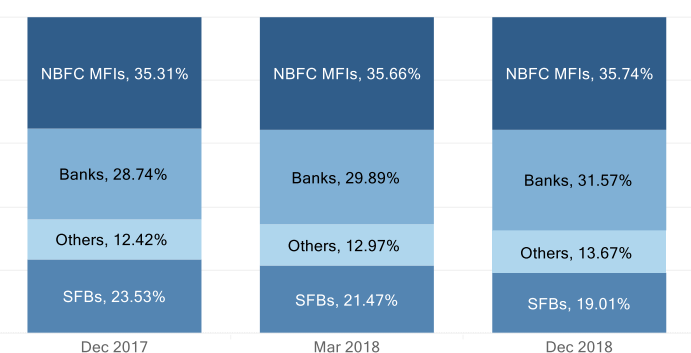
## Sourcing Growth &amp; Market Share

Rs. 48,865 Cr was disbursed in the third quarter of the financial year 2018-19. Loans disbursed in value terms in Q3 FY 2018-19 is 26% higher as compared to Q3 FY 2017-18. Disbursal volume in Q3 FY 2018-19 is 1.55 Cr which is 12.7% lower than the volume in Q3 FY 2017-18.

Around 36% of the disbursed amount is in Eastern regions of India, followed by South (26%), West (13%) and then North (10%), as of December 2018. In East, North and North-eastern regions around 60% of the total disbursed amount is from rural geographies, while the western region has about 48% of the total amount disbursed from rural geographies. A similar trend is followed in case of total loans disbursed (volume). Barring Southern and Western regions, disbursal value and volume of other regions are dominated by rural geographies.

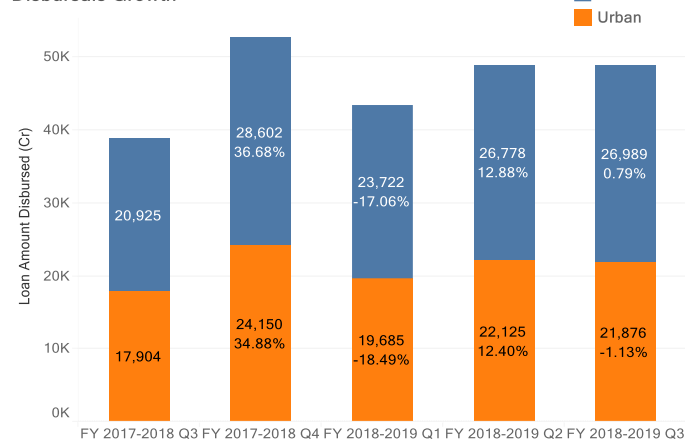
Banks had the maximum market share of 37.52% in the financial year 2016-2017, followed by NBFC-MFIs with 33.36%. However, in the financial year 2017-2018, NBFC-MFIs took the pole position with a market share of 39.73%, followed by banks with 33.14%. Banks had the second largest share (34.95%) in December 2018 quarter which is 1.81% higher than in the previous year. Banks and NBFC-MFIs continue to have majority share of their portfolio from rural geographies, SFBs continue to play majorly in the urban markets with 56% share of their volumes, as of December 2018.

## Overall Market Share Y-o-Y



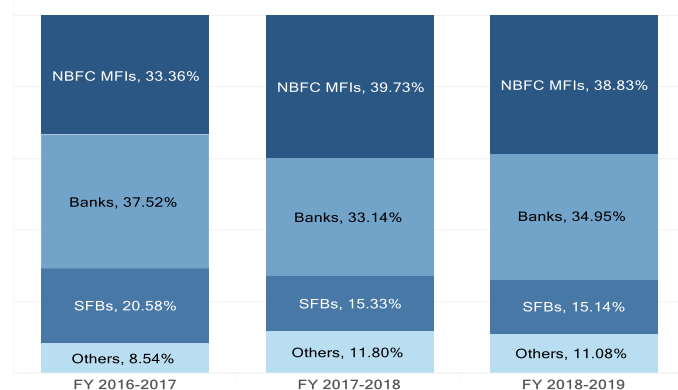
The Months indicate book closing periods. % indicates the Market Share by the Lender Type.

## Disbursals Growth



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

## Market Share in Disbursals Y-o-Y



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

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

	Average Ticket Size			Average Exposure		
	Dec 2017	Mar 2018	Dec 2018	Dec 2017	Mar 2018	Dec 2018
TN	24.8K	25.5K	27.7K	27.6K	28.6K	35.8K
WB	33.0K	34.5K	39.6K	30.4K	34.1K	40.4K
KA	25.2K	25.5K	26.4K	29.7K	30.8K	35.9K
BR	27.4K	28.0K	30.8K	28.9K	31.4K	35.4K
MH	25.5K	25.8K	27.3K	25.9K	26.8K	30.9K
UP	26.4K	27.2K	28.6K	23.7K	25.4K	27.5K
National	26.9K	27.6K	30.0K	27.9K	29.6K	34.2K

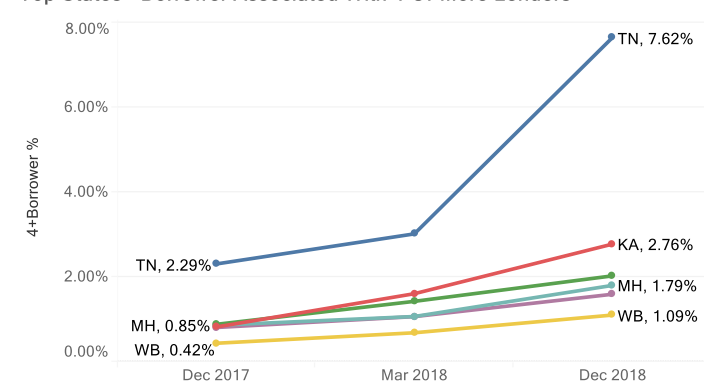
The Months indicate book closing periods. Average Ticket Size is basis per Loan Account & Average Exposure is basis per Borrower.

### Borrower Leverage

The average ticket size per loan has increased by 11.5% Y-o-Y to reach Rs 30.0K. The average exposure per borrower is Rs 34.2K as of December 2018, up by 22.6% Y-o-Y. West Bengal, Tamil Nadu, Karnataka and Bihar recorded higher average exposure, as compared to the national average. Amongst the top states, West Bengal also records the highest average ticket size.

Amongst the top states, Tamil Nadu has 41% of the portfolio in the 25K-30K range whereas West Bengal has only 18% of the portfolio in this ticket size segment. West Bengal continues to have around 41% of its portfolio in the 60K + ticket segment while the rest of the states show a decent distribution of the portfolio across ticket size segments, with around 1/3<sup>rd</sup> of the national portfolio in the 25K-30K range.

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

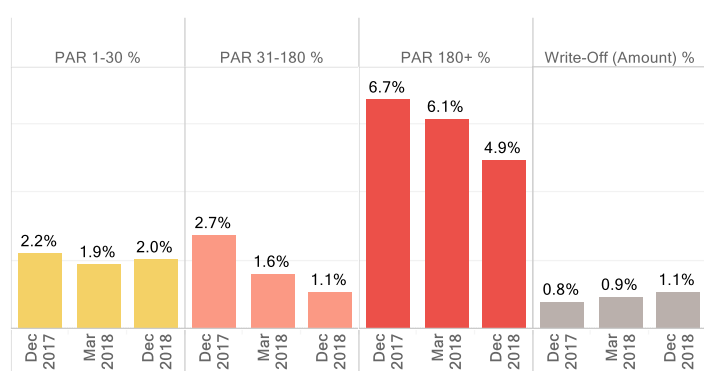


The Months indicate book closing periods. Borrowers with only Active Lender Associations are considered.

### Compliance

7.62% of borrowers in Tamil Nadu have loans running with 4 or more lenders, as of December 2018. This number has sharply risen from 2.29% in December 2017. During the same period, the Active Borrower Base has increased by only 10%, which is the lowest growth amongst the top states. The gross loan portfolio for Tamil Nadu has grown by 41%, Y-o-Y. The Active Borrower Base in the other top states has grown by ~16% Y-o-Y, while the portfolio has grown by 54% Y-o-Y by December 2018.

### Portfolio Risk Levels



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

### Industry Risk Profile

PAR 1-30, which indicates the early delinquency rates, has reduced from 2.2% in December 2017 to 2.0% in December 2018, indicating improved collections. The risk level for PAR 31-180, has reduced from 2.7% in December 2017 to 1.1% in December 2018. A similar trend has been observed in case of PAR 180+ level, which has improved substantially on a Y-o-Y basis in % terms from 6.7% to 4.9%.

**From the recent Madhya Pradesh assembly elections, it is observed that the incumbent lost 1.4X more constituencies where the PAR 30+ level was 5X\* as compared to constituencies which had comparatively lower PAR 30+ level**

\*PAR 30+ level computed as of Sep 2018 compared to Sep 2016

## PAR 1-30 Levels

	Rural			Urban		
	Dec 2017	Mar 2018	Dec 2018	Dec 2017	Mar 2018	Dec 2018
NBFC MFIs	1.3%	0.9%	1.1%	1.6%	1.1%	1.5%
Banks	2.4%	1.8%	1.6%	2.0%	1.6%	1.7%
Others	1.9%	2.5%	1.9%	2.5%	2.3%	1.9%
SFBs	3.4%	3.1%	4.4%	3.4%	3.3%	4.0%
Grand Total	2.1%	1.8%	1.9%	2.3%	2.0%	2.2%

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

## PAR 31-180 Levels

	Rural			Urban		
	Dec 2017	Mar 2018	Dec 2018	Dec 2017	Mar 2018	Dec 2018
NBFC MFIs	1.8%	1.1%	0.8%	1.8%	1.2%	0.9%
Banks	1.5%	0.9%	0.6%	1.9%	1.0%	0.7%
Others	1.7%	1.1%	1.6%	1.9%	1.5%	1.7%
SFBs	5.3%	2.9%	1.5%	6.3%	3.8%	1.9%
Grand Total	2.3%	1.3%	1.0%	3.1%	1.8%	1.2%

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

## PAR 180+ Levels

	Rural			Urban		
	Dec 2017	Mar 2018	Dec 2018	Dec 2017	Mar 2018	Dec 2018
NBFC MFIs	4.5%	3.6%	2.6%	6.5%	5.5%	4.5%
Banks	1.6%	1.7%	1.6%	2.1%	2.3%	2.0%
Others	4.7%	4.1%	3.3%	6.6%	5.9%	4.8%
SFBs	12.6%	12.3%	10.7%	17.0%	17.7%	15.8%
Grand Total	5.1%	4.6%	3.6%	8.3%	7.8%	6.4%

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

## Risk Segments

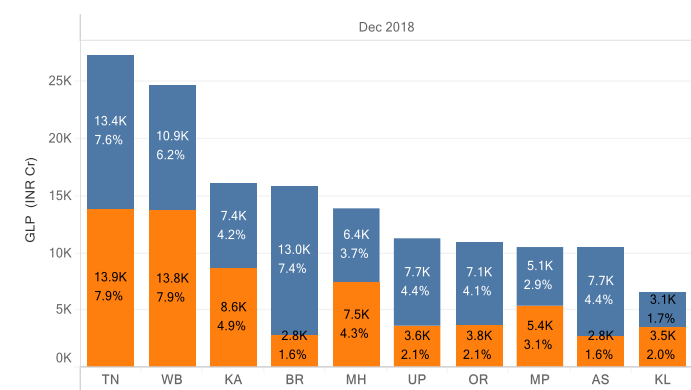
PAR 1-30 for SFBs has increased from 3.4% to 4.4% for rural geographies and from 3.4% to 4.0% for urban geographies, while for Banks it has reduced from 2.4% to 1.6% for rural and from 2.0% to 1.7% for urban geographies respectively from December 2017 to December 2018.

Overall level for PAR 31-180 has reduced from 2.3% to 1.0% for rural and from 3.1% to 1.2% for urban geographies from December 2017 to December 2018. PAR 31-180 for SFBs has improved significantly, for both rural and urban geographies. It has continued to stay below 1% level for NBFC -MFIs and Banks, thereby continuing the positive trend from the last quarter.

The overall risk level for PAR 180+ was 6.1% in March 2018 and stands at 4.9% in December 2018. Risk level of urban portfolio for PAR 180+ is 2.8% more as compared to rural geographies. 58% of the total written-off amount is from urban portfolio.

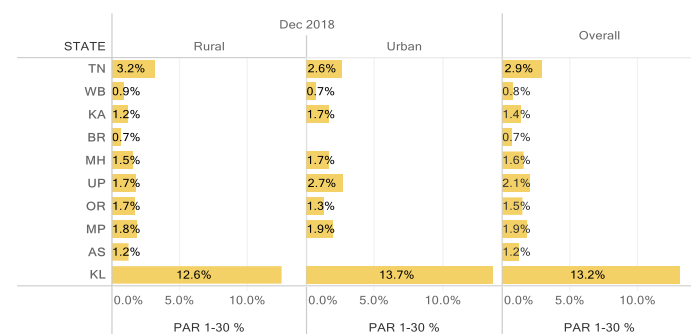
SFBs have a very large part of their portfolio in the PAR 180+ when compared to NBFC-MFIs and Banks, but it has shown marginal improvement when compared to the previous quarter.

Portfolio Distribution at State Level



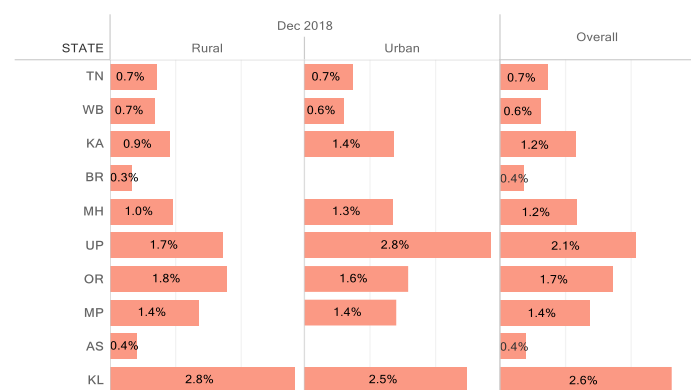
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



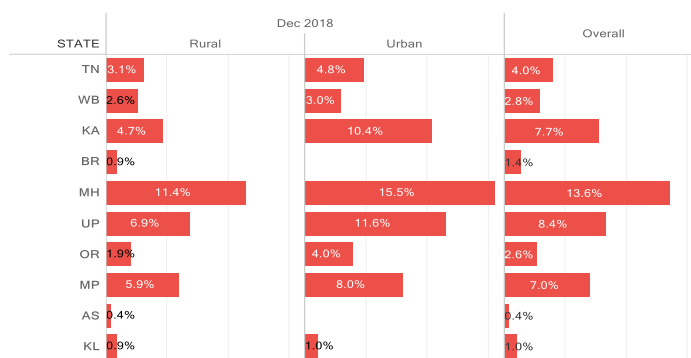
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

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.

## Dive into Geography

Top 10 states account for 84% of the microfinance industry’s gross loan portfolio. Overall, eastern region dominates the market share with 31% of the total GLP share, followed by southern region, western region and northern region. Tamil Nadu continues to be the largest market with 15.5% share.

Tamil Nadu has recorded high level of early delinquency on a Q-o-Q basis (from 0.9% in September 2018 to 2.9% in December 2018 quarter), possibly due to cyclone Gaja impacting the operations of microfinance lenders. PAR 1-30 level for Kerala, though still high, has shown significant improvements from the previous quarter (reduced by 31.1%, down to 13.2% in the December 2018 quarter).

For Kerala, though the early delinquency level has been contained, the risk level for PAR 31-180 has increased from the previous quarter (2.6% in December 2018 from 1.9% in September 2018). Odisha witnessed a significant increase in the delinquency level in this segment in the rural portfolio (up from 0.4% in September 2018 to 1.7% in December 2018).

The overall PAR180+ for the Industry is at 4.9%. Maharashtra, Uttar Pradesh, Karnataka and Madhya Pradesh continue to have bad assets, i.e., high PAR 180+. Maharashtra and UP, though recorded high PAR 180+, but have also shown improvement from the previous quarter, both in terms of rural as well as urban portfolios. These states have also recorded higher written-off portfolios as compared to other states.

## Our Views

Microfinance sector has grown by 45% YoY by December 2018, while the growth was muted during the same period previous year (24%). The industry was tilted towards urban geographies until Jun 2017 (54%), but since then the rural portfolio has grown by 53% YoY by December 2018 as compared to 37% growth in urban portfolio. Increasing penetration from market players in Eastern states (BR, UP, OR) & North East (AS) has also helped further financial inclusion with 53% of the Gross loan portfolio from rural geographies.

The portfolio Y-o-Y growth is high in North East (72%), Eastern regions (57%) while growth in mature markets in South (38%), West (41%) and Central regions (39%) is below the national portfolio growth (45%).

There has been recovery in the lending operations from the impact of Kerala floods (August 2018), which is evident from the fact that Kerala PAR 1-30 which was at 44% in September 2018 quarter is now down to 13.2%.

Tamil Nadu and Bihar have shown fastest growth rates with around 14% change in GLP on a Q-o-Q basis. While in Tamil Nadu, the major contribution in terms of market growth has come from banks (52%), in Bihar the major contribution has come from other players (43%).

PAR 1-30 level in Tamil Nadu and Odisha has risen sharply (by 2% and 0.8% respectively on a Q-o-Q basis), which could possibly be an after-effect of occurrence of natural calamities in these areas (cyclone Gaja in Tamil Nadu and cyclone Titli in Odisha).

## 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.

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.

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