

MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

CONTENTS

[State of the Sector](#)

[Sectoral Snapshot](#)

[Synopsis](#)

Page 1

[Industry Growth & Market Share](#)

[Sourcing Growth & Market Share](#)

Page 2

[Borrower Leverage & Compliance](#)

Page 3

[Industry Risk Profile](#)

Page 4

[Dive into Geography](#)

Page 5

[Our Views](#)

[MicroLend](#)

[About CRIF India](#)

Page 6

State of the Sector

The microfinance sector witnessed growth of 33% Y-o-Y as of June 2019. The sector's gross loan portfolio (GLP) stood at ₹191.5K crores with the rural geography constituting 54% of the overall portfolio. Microfinance outreach is nearly 5.6 crores live customers with 9.7 crores of active loans. NBFC MFIs have the largest market share (37%), while the market share of SFBs continues to decrease. The disbursements have reduced in value terms by 40% Q-o-Q and by 8% compared to the same quarter in the previous year. The average ticket size of microfinance loans is ₹31,700 by June 2019, with a Y-o-Y increase of 12%. The PAR 31-180 level has reduced to below 1%, settling at 0.9% as of June 2019.

Sectoral Snapshot

	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019
GLP (INR Cr)	143.7K	153.7K	168.3K	188.5K	191.5K
%GLP Growth		6.97%	9.49%	11.99%	1.57%
Average Ticket Size	28.3K	29.0K	30.1K	31.1K	31.7K
Average Exposure	30.2K	32.2K	32.9K	35.1K	35.2K
PAR 31-180 %	1.2%	1.0%	1.0%	1.0%	0.9%
Write-Off (Amount) %	1.1%	1.1%	1.1%	1.1%	1.3%

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

Synopsis

- Gross loan portfolio grew at a slower pace of only 1.6% Q-o-Q by June 2019.
- The volume of disbursements in Q1 FY 2019-20 reduced by 40% to 1.23 crores, from 1.98 crores in Q4 FY 2018-19.
- The overall PAR levels for 1-30 and 31-180 have improved Y-o-Y, stabilizing at less than 1%. The urban portfolio for PAR 180+ is significantly higher than rural geographies.
- National average ticket size and exposure have increased by 12% and 17% Y-o-Y respectively, largely due to big ticket lending in FY 2019-20.
- Written-Off Amount increased 22% over Q4 FY 2018-19 and 61% Y-o-Y by June 2019.

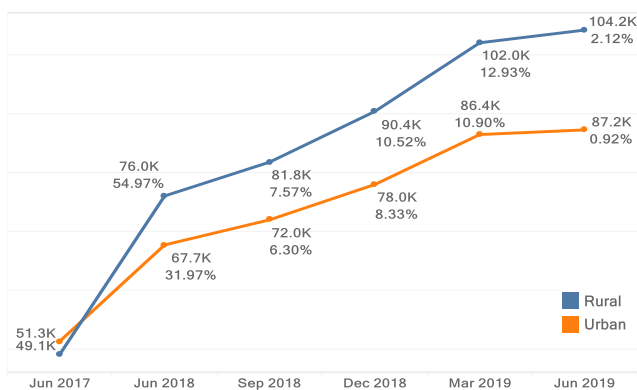
Industry Growth & Market Share

The gross loan portfolio of the microfinance sector has registered a Y-o-Y growth of 33% standing at ₹191.5 crores in June 2019. While the rural portfolio grew by 37% Y-o-Y, urban portfolio registered a Y-o-Y growth of 29%. In the overall GLP, the rural portfolio had a greater share, standing at 54%. The rural portfolio grew Q-o-Q over Q4 of FY 2018-19 at 2.12%, while the urban portfolio grew only by 0.92%. The industry witnessed a sluggish growth of 1.6% Q-o-Q in Q1 FY 2019-20 as against 10% in the same period last year.

In terms of the market share of lenders, NBFC MFIs have the largest market share (37%), followed closely by Banks (34%), SFBs (18%) and others (11%). Market share of SFBs has continued to shrink, Y-o-Y by 1.6% in June 2019. Urban geographies are dominated by banks, while NBFC MFIs constitute the largest portion of rural portfolio.

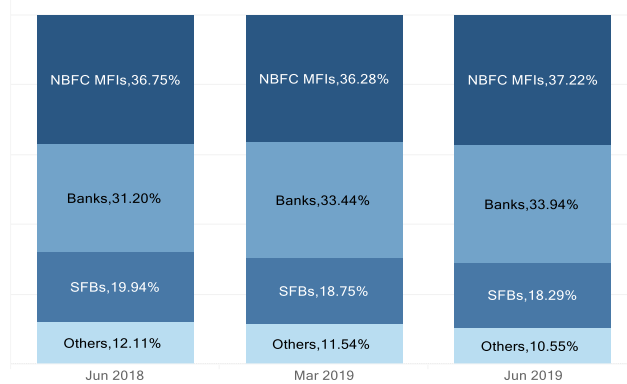
As of June 2019, while banks had comparable presence in both urban and rural microfinance geographies, SFBs had a stronger presence in urban areas (22.5%) as compared to rural locations (15%). NBFC MFIs continue to have a stronger presence in rural areas.

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.

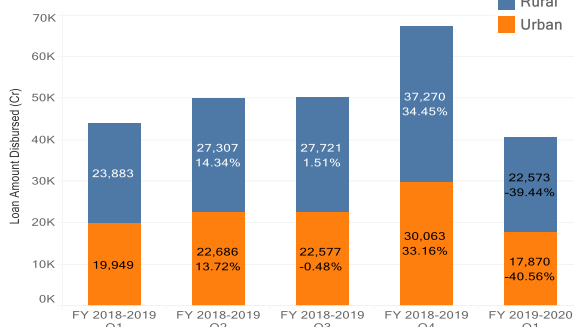
Sourcing Growth & Market Share

₹ 40,443 crores were disbursed in the first quarter of the financial year 2019-20, having reduced in value terms by 40% Q-o-Q and by 8% compared to the same quarter in the previous year. The volume of disbursements in Q1 FY 2019-20 reduced by 38% to 1.23 crores, from 1.98 crores in Q4 FY 2018-19, while this has reduced by 18% for same period last year.

The east, central and southern regions have more than 50% of their disbursements, both in value and volume, from urban geographies. The east, north and north eastern regions have more than 50% of the disbursements from rural geographies. Around 33% of the disbursed amount was in Eastern region, followed by south (27%), west (14%), north (11%), central (8%) and 5% in north eastern regions as of June 2019.

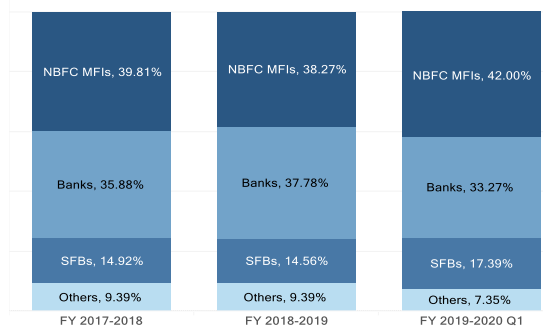
NBFC MFIs' share in sourcing is 42% in Q1 FY1 2019-20, up by 4% from end of FY 2018-19. Share of banks reduced from 38% in FY 2018-19 end to 33% as of June 2019. SFBs which were experiencing a constant decline in share of disbursements as of FY 2017-18 and FY 2018-19 end, saw an upward climb by 2% to reach 17% in Q1 FY 2019-20.

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.

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.

Borrower Leverage & Compliance

The average ticket size per loan has increased by 12% Y-o-Y to reach ₹31.7K in Q1 FY 2019-20. The average microfinance exposure per borrower has grown by 17% Y-o-Y, settling at ₹35.2K as of June 2019. 38% quarterly decline in volume of loans with ticket size above 40K has been observed in the industry over Q4 of FY 2018-19 while Q4 of FY 2018-19 witnessed a 53% increase in volume of disbursements over Q3 FY 2018-19.

Amongst the top states, 45% of West Bengal's portfolio is constituted by large sized loans of ticket size 60K+. In comparison, TN has only 1.8% of its portfolio in this segment. TN has 37% of the portfolio in the 25K-30K range and 36% in the 30K-40K ticket size range. 25K-30K ticket size occupies the largest pie in the national portfolio at 29%.

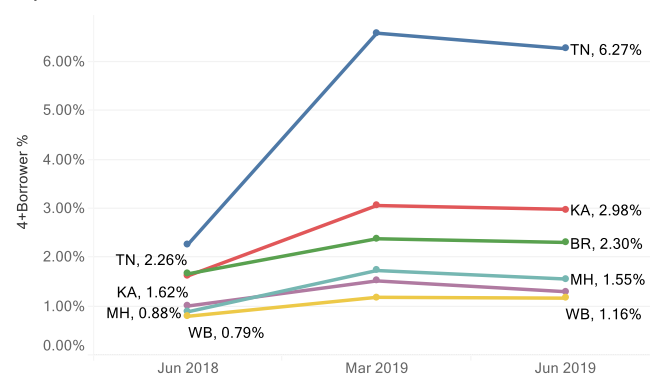
Over the course of the last year, Tamil Nadu has consistently reported the highest percentage of borrowers associated with 4 or more lenders. As of June 2019, 6.27% borrowers from Tamil Nadu have loans running with 4 or more lenders, which is significantly higher than the percentage in June 2018 (2.26%). The active borrower base in Tamil Nadu grew by 8% Y-o-Y and the portfolio witnessed a 33% Y-o-Y growth as of June 2019.

National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Jun 2018	Mar 2019	Jun 2019	Jun 2018	Mar 2019	Jun 2019
WB	36.4K	41.1K	41.9K	36.0K	43.5K	42.9K
TN	26.6K	29.3K	30.2K	29.0K	36.4K	36.4K
BR	28.6K	31.4K	31.8K	31.9K	36.4K	36.3K
KA	25.2K	27.9K	28.5K	31.0K	35.7K	35.8K
MH	26.1K	28.0K	28.6K	26.8K	30.9K	31.2K
UP	27.7K	29.4K	29.9K	25.7K	28.3K	29.0K
National	28.3K	31.1K	31.7K	30.2K	35.1K	35.2K

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 of microfinance loans has been steadily increasing with a Y-o-Y growth of 12% in June 2019. On the other hand, the live customer base, has been growing at a declining pace, each quarter.

While all microfinance players continue to expand their reach by broadening their customer base, in the recent years, especially post-demonetisation period, customer retention has assumed priority by way of offering high value loans while the growth in outreach is sluggish.

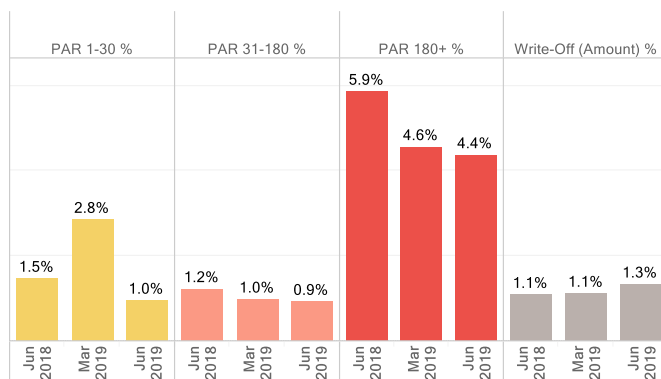
Industry Risk Profile

The 1st quarter of FY 2019-20, witnessed significantly improved PAR 1-30 or early delinquency levels, having decreased from 2.8% to 1% from the previous quarter. The risk level for PAR 31-180 have been relatively much lower compared to PAR 1-30 and 180+ and reduced further to 0.9% by June 2019. A similar trend has been observed in case of PAR 180+ level, which has continued to improve over the course of last year, settling at 4.4% in Q1 of FY 2019-20. At the same time, incremental write-offs have increased from 1.1% in June 2018 to 1.3% in June 2019.

Across all delinquency levels, banks are the least exposed, with an improving credit quality over time, followed by NBFC MFIs. For loans of ticket size 20k and below, NBFC MFIs stand at nearly 2X PAR 180+ level and well as write offs as compared to banks as of June 2019. Whereas in bulk of the lending in the 20K-40K ticket sizes, there is not much differentiation between NBFC MFIs and Banks in terms of the PAR 180+ levels or write-offs.

Overall, PAR 31-180 delinquency level has been curtailed under 1% as of June 2019, while the PAR 180+ level delinquency although continuing to reduce in the last year, remains high largely due to poor pre-demonetization loan portfolio. The PAR 180+ level for loans disbursed in the pre-demonetization period stood at 83% as of June 2019, whereas for the post demonetization period disbursements, the 180+ delinquency stood at 1.4%.

Portfolio Risk Levels



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

PAR 1-30 Levels

	Rural			Urban		
	Jun 2018	Mar 2019	Jun 2019	Jun 2018	Mar 2019	Jun 2019
NBFC MFIs	0.77%	0.73%	0.86%	1.02%	0.97%	0.99%
Banks	1.96%	0.78%	1.01%	1.82%	0.80%	0.75%
Others	0.93%	1.00%	1.13%	1.24%	1.33%	1.48%
SFBs	2.26%	12.11%	1.22%	1.92%	10.95%	0.84%
Grand Total	1.40%	2.50%	0.99%	1.51%	3.25%	0.92%

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		
	Jun 2018	Mar 2019	Jun 2019	Jun 2018	Mar 2019	Jun 2019
NBFC MFIs	0.85%	0.87%	0.94%	0.97%	0.95%	1.00%
Banks	0.61%	0.44%	0.59%	0.70%	0.49%	0.49%
Others	0.75%	2.69%	2.02%	0.96%	2.15%	2.04%
SFBs	2.46%	1.02%	0.94%	3.18%	1.06%	0.86%
Grand Total	1.02%	0.99%	0.96%	1.42%	0.93%	0.88%

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		
	Jun 2018	Mar 2019	Jun 2019	Jun 2018	Mar 2019	Jun 2019
NBFC MFIs	3.16%	2.36%	2.37%	5.26%	4.12%	4.15%
Banks	1.88%	1.54%	1.61%	2.39%	1.99%	2.05%
Others	3.69%	3.47%	2.78%	5.40%	5.13%	4.70%
SFBs	12.27%	9.59%	8.88%	18.59%	15.01%	14.63%
Grand Total	4.31%	3.33%	3.12%	7.60%	6.00%	5.83%

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

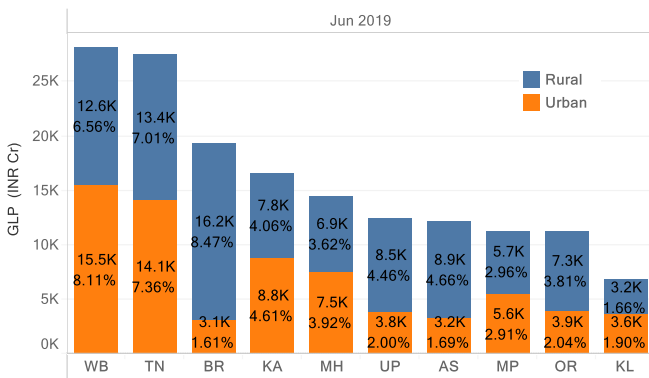
Dive into Geography

Top 10 states account for 84% of the national gross loan portfolio, with 57% in rural and 43% in urban geographies. Eastern region continues to dominate the market in Q1 FY 2019-20 as well, with 33% in June 2019. The loan book in the southern region remained at 27%, followed by west (14%), central and north east each at 8% of GLP. The north eastern region, a typically under-penetrated market has seen expansion of microfinance in the recent years, evidenced by the highest Y-o-Y growth rate of 42%, followed by east (37%), west (35%), while the central (30%), north (29%) and south (29%) lower than the national portfolio growth (33%). Disbursements from rural geographies were the largest from the eastern region (37%), whereas those in urban geographies were dominated by the southern region (30%).

West Bengal has retained its position at the top with largest market share of 14.7% of the national GLP. Tamil Nadu comes close at 14.4% and Bihar at 10.1% of national GLP. In terms of the Y-o-Y growth, Bihar exhibits highest growth rate (50.3%), surpassing Assam (42.3%), which had the highest Y-o-Y growth rate in March 2019. The growth in Bihar is driven by growth in rural lending at the rate of 57% Y-o-Y, as against 43% in Assam.

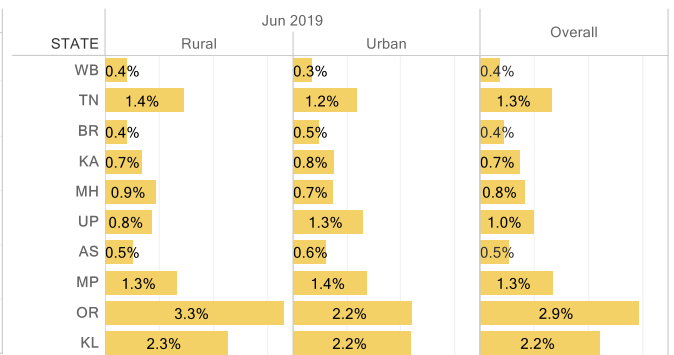
Among the top 10 states, Odisha recorded the highest percentage of early and PAR 31-180 delinquency at 2.9% each, even with a small loan book size of 6% of the national GLP. Tamil Nadu and Madhya Pradesh (1.3% each) had relatively high early and PAR 31-180 level delinquencies as of June 2019, compared to other states. However, in comparison to the previous quarter, most states have recorded relatively lower levels of delinquencies. PAR 180+ level delinquencies for Maharashtra (12.4%), Karnataka (7.1%), Uttar Pradesh (6.6%) and Madhya Pradesh (6.3%), although reduced marginally from the previous quarter, continue to remain high as of June 2019 due to continuity of bad pre-demonetization loan book prior to Q3 of FY 2016-17.

Portfolio Distribution at State Level



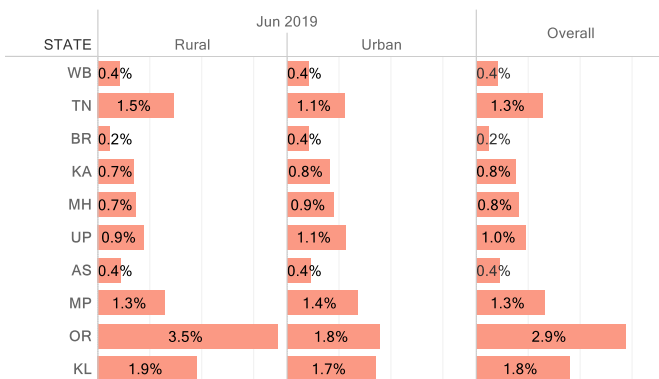
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



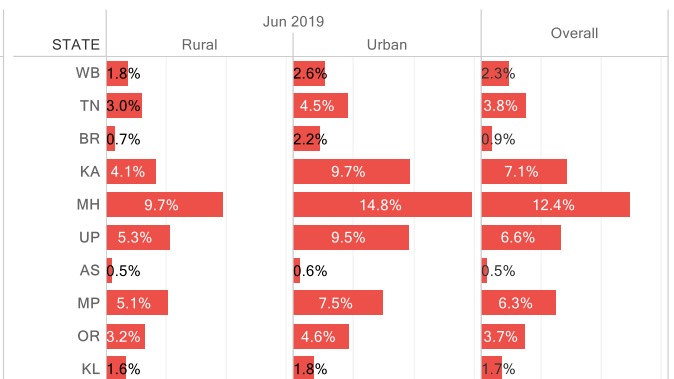
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

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

The microfinance sector in India, has been a strong enabler in including the financially underserved and unserved in the formal financial ecosystem. With government's increasing focus on financial inclusion in the backdrop, the microfinance sector in India has witnessed a continuous growth trajectory in the recent years, with a 33% Y-o-Y growth as of June 2019. As of June 2019, the active customer base is 5.55 crores, a 16% Y-o-Y growth. The average ticket size of microfinance loans also grew by 12% Y-o-Y to ₹31.7K in June 2019.

Eastern Indian economy, which is traditionally driven by agriculture and mining sectors has been fuelled by the growth in the microfinance sector, with Bihar witnessing highest Y-o-Y growth of loan book (50.3%) as of June 2019, supported by West Bengal which occupies the pole position with the microfinance loan book increasing Y-o-Y by 33.5%.

The Y-o-Y rural portfolio grew at a faster pace (37%) than urban portfolio (29%), with the rural-urban mix in the overall portfolio remaining constant in Y-o-Y terms. The overall PAR levels for 1-30 and 31-180 days past due have improved Y-o-Y, stabilizing at less than 1% as of June 2019. PAR 180+ levels, albeit reduced, remain high. Both urban and rural geographies have reached low levels of delinquency for early and 31-180 days, while the urban portfolio for 180+ is at significantly higher risk than rural geographies.

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. 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.

About CRIF India

CRIF in INDIA- partner for all your credit related requirements

CRIF in India, now offers products and services for Credit Information, Business Information, Analytics, Scoring, Credit Management and Decision solutions in India.

CRIF operates **CRIF High Mark**, India's leading credit bureau, which has largest database of individual records and supports millions of lending decision every month. CRIF High Mark is India's first full-service credit bureau covering all borrower segments – MSME/Commercial, Retail and Microfinance. CRIF High Mark works with all leading financial institutions in the country, providing them a comprehensive bureau coverage using its proprietary 'Made in India for India Search Engine', proven to work even with low quality data.

We bring our global expertise in Analytics, Scoring, Credit Management and Decision Solutions to India through our center of excellence at Pune. Our team of expert data scientist and statisticians bring together years of experience in developing bespoke scorecards for Origination, Marketing and Collections for Financial Services, Insurance or Telecom sectors.

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.

Reach us at info@crifhighmark.com

Stay updated with Insights, follow us on



www.crifhighmark.com