

MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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State of the Sector

Microfinance industry grew 6.7% Q-o-Q as compared to Q1 FY 2018-19. The disbursements were 8.8% higher in Q2 2018-19 as compared to Q2 FY 2017-18. Rural portfolio is 53% of overall GLP of microfinance industry with a CAGR of 38% as against urban portfolio with a CAGR of 23% during Q2 FY 2016-17 and Q2 FY 2018-19. With nearly 5 crore borrowers, the industry stands at Rs 160.7K Cr gross loan portfolio, as of September 2018. The average ticket size of a microfinance loan has also gone up since last year by 9.4% Y-o-Y to nearly Rs. 29.0 K by September 2018.

Sectoral Snapshot

Sectoral Snapshot

	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
GLP (INR Cr)	110.8K	121.1K	137.3K	150.6K	160.7K
GLP Growth		9.30%	13.39%	9.72%	6.70%
Average Ticket Size	26.5K	26.9K	27.6K	28.3K	29.0K
Average Exposure	24.8K	27.9K	29.6K	30.8K	32.8K
PAR 31-180 %	3.7%	2.7%	1.6%	1.3%	1.1%
Write-Off (Amount) %	0.7%	0.8%	0.9%	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 6.7%, as of September 2018 over the last quarter, while the quarterly amount disbursed dipped 15% between Q1 FY 2018-19 and Q2 FY 2018-19
- Disbursed amount in Q2 FY 2018-19 is 8.8% higher than Q2 FY 2017-18
- Industry PAR 1-30 is higher in urban portfolio (3.8%) as compared to rural portfolio (2.6%)
- The Microfinance Outreach is a little over 5 Cr active microfinance borrowers with an 9.8% Y-o-Y growth by September 2018
- National average ticket size increased by 9.2% Y-o-Y by September 2018, while national average exposure grew by 32% during the same period

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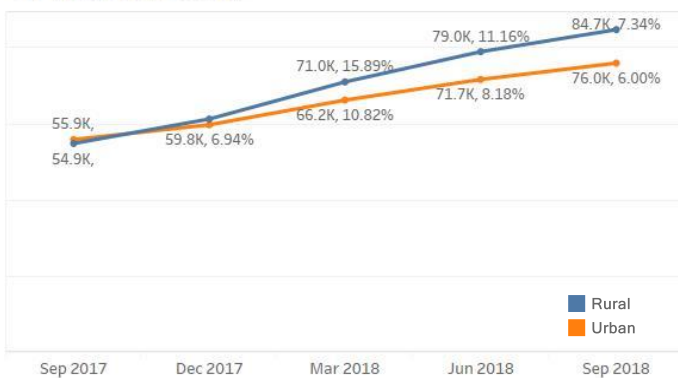
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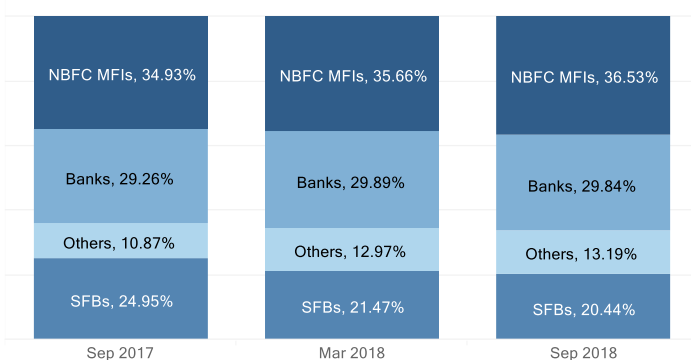


GLP & Quarterly Growth



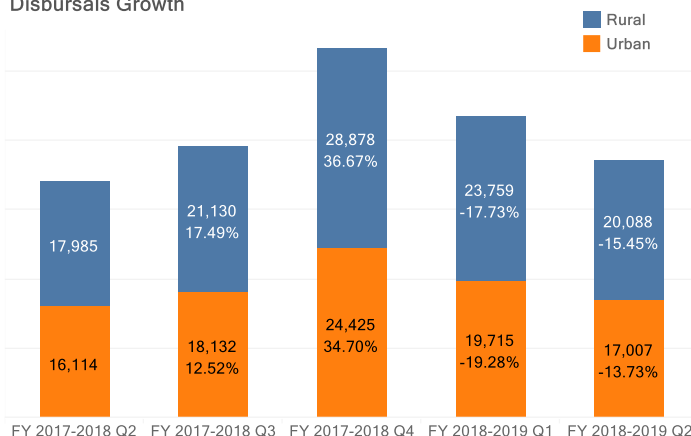
The Months indicate the book closing periods. % Indicates change over previous period.

Overall Market Share Y-o-Y



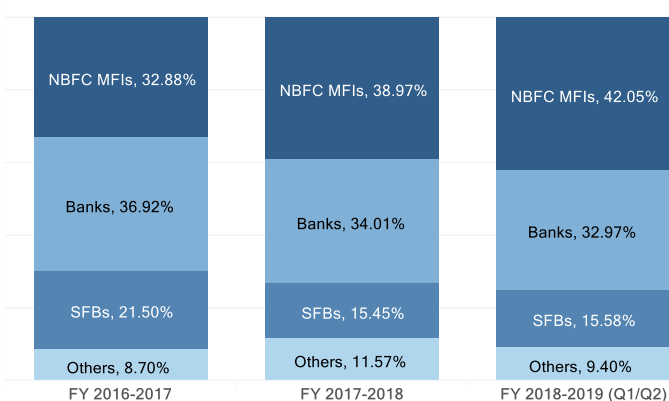
The Months indicate book closing periods. % indicates the Market Share by the Lender Type.

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.

Industry Growth & Market Share

The GLP stands at Rs 160.7K Cr in September 2018. Rural portfolio is 53% of the total portfolio, registering a YoY growth of 51%. The Y-o-Y growth in Rural portfolio is 14% more than the Y-o-Y growth in urban portfolio, as of September 2018. The industry experienced comparatively higher Q-o-Q growth rate in Q2 FY 2018-19 (6.70%) against Q2 FY 2017-18 (3.88%).

In September 2018, NBFC-MFIs had the largest market share (36.53%), closely followed by Banks (29.84%), SFBs (20.44%) and others (13.19%). Market share of SFBs has shrunk by (4.51%) over the year, as of September 2018. Urban geographies cater to 58% of SFBs portfolio, while that of Banks, NBFC MFIs and Others ranges between 41%-48%, as of September 2018.

Sourcing Growth & Market Share

Rs 37,095 Cr was disbursed in the second quarter of financial year 2018-19. Loans disbursed in value terms in Q2 FY 2018-19 is 8.79% higher as compared to Q2 FY 2017-18. Disbursal volume in Q2 FY 2018-19 is 1.27 Cr which is only 0.7% higher than the volume in Q2 FY 2017-18.

32% of the disbursed amount is in Eastern regions of India, closely followed by south (28%), west (15%) and then north (11%), as of September 2018. In east, while 54% of the total disbursed amount is from rural geographies while southern region has 42% of total amount disbursed from rural geographies. Similar trend is followed in case of total loans disbursed (volume), as of September 2018. Barring south, west and central regions, disbursal value and volume of other regions are dominated by rural geographies.

Banks had the maximum market share of 36.92% in financial year 2016-2017, followed by NBFC MFIs with 32.88%. But FY 2017-18 onwards, NBFC MFIs took the pole position with the market share of 38.97%, followed by Banks with 34.01%. Q2FY 2017-18 has witnessed similar trend in market share for loan disbursals. Amongst all the market players, SFBs cater the most to urban geographies with 64% share of the volumes while Banks and NBF-MFIs are more balanced in the sourcing, as of September 2018.

National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Sep 2017	Mar 2018	Sep 2018	Sep 2017	Mar 2018	Sep 2018
TN	24.3K	25.5K	26.7K	24.6K	28.6K	32.3K
WB	32.6K	34.5K	37.5K	27.9K	34.1K	38.5K
KA	24.7K	25.5K	26.1K	27.1K	30.8K	34.8K
BR	26.9K	28.0K	29.2K	25.1K	31.4K	34.1K
MH	25.2K	25.8K	26.8K	23.6K	26.8K	29.5K
UP	26.0K	27.2K	27.8K	21.4K	25.4K	27.0K
National	26.5K	27.6K	29.0K	24.8K	29.6K	32.8K

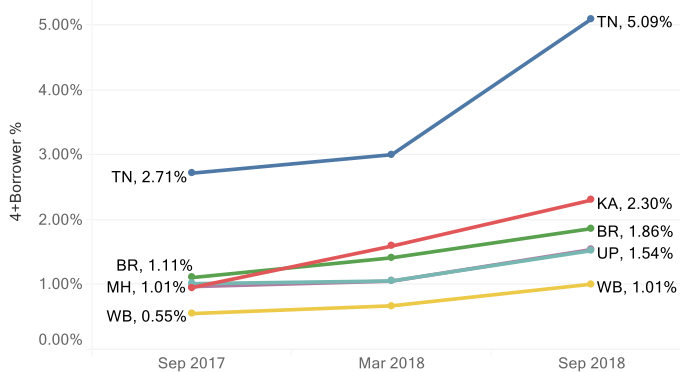
The Months indicate book closing periods. Average Ticket Size is basis per Loan Account & Average Exposure is basis per Borrower.

Borrower Leverage

The average ticket size per loan has increased by 9.4% Y-o-Y to reach Rs 29.0K. The average exposure per borrower is Rs 32.8K as of September 2018, and it has accelerated by 32.3%, between September 2017 and September 2018. West Bengal, Bihar and Karnataka record higher average exposure, as compared to the national average.

Amongst the top states, Tamil Nadu has 42% of the portfolio in the 25K-30K range whereas West Bengal has only 18% of the portfolio in this ticket size segment. West Bengal has a near 40% of its portfolio in the 60K+ ticket size range while the rest of the states show a decent distribution of the portfolio across ticket size segments. With 2/3rd of the portfolio in the 20K-60K range.

Top States - Borrower Associated With 4 Or More Lenders



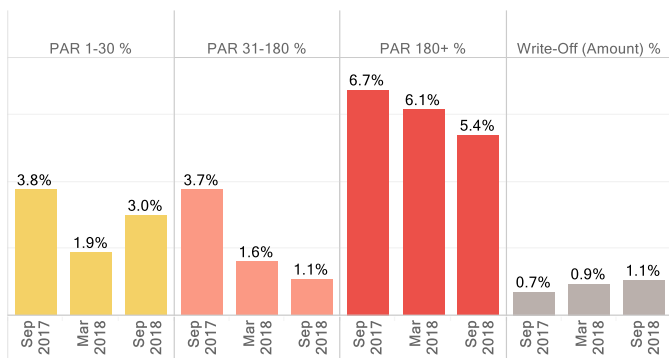
The Months indicate book closing periods. Borrowers with only Active Lender Associations are considered.

Compliance

5.09% of borrowers in Tamil Nadu have loans running with 4 or more lenders, as of September 2018. This number has sharply risen from 2.71% in September 2017.

The Y-o-Y change in Borrowers associated with 4 or more lenders is highest in Tamil Nadu, compared to other states while the borrowers with 3 more lenders has increased from 9% to 11%. The gross loan portfolio Tamil Nadu has grown by 33%, Y-o-Y, while the amount disbursed has grown by 32% during this period.

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

Portfolio at Risk (PAR) 1-30, which indicates the early delinquency rates, has improved from 3.8% in September 2017 to 3.0% in September 2018. 57% deterioration in PAR 1-30 from March 2018 to September 2018 is attributed to floods in Kerala during August 2018. The risk levels for PAR 31-180, has reduced from 3.7% in September 2017 to 1.1% in September 2018, but a substantial part of this portfolio has also shifted to PAR 180+. The drop in the risk level for PAR 180+ from March 2018 to September 2018, is attributed to the increase in the write off amount to the tune of 1691 Cr.

Amongst the worst affected districts in Kerala floods, Ernakulum, Malappuram, Palakkad, and Thrissur, which constitute 39% of Kerala's portfolio, witnessed more than 50% PAR 1-30 in Sep 2018

Risk Segments

PAR 1-30 Levels

	Rural			Urban		
	Sep 2017	Mar 2018	Sep 2018	Sep 2017	Mar 2018	Sep 2018
NBFC MFIs	2.9%	0.9%	1.2%	3.4%	1.1%	1.6%
Banks	5.2%	1.8%	1.3%	3.9%	1.6%	1.5%
Others	2.9%	2.5%	1.3%	3.3%	2.3%	1.8%
SFBs	4.1%	3.1%	9.8%	3.8%	3.3%	8.5%
Grand Total	3.9%	1.8%	2.6%	3.7%	2.0%	3.3%

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

Kerala floods have impacted the early delinquency levels which have gone up from the last quarter in the state as well as impacting the overall levels. SFBs are the worst hit during this natural calamity with early delinquency increase of 7.2% in case of rural portfolio and 6.3% in case of urban portfolio in the last quarter.

PAR 31-180 Levels

	Rural			Urban		
	Sep 2017	Mar 2018	Sep 2018	Sep 2017	Mar 2018	Sep 2018
NBFC MFIs	2.7%	1.1%	0.9%	2.7%	1.2%	1.0%
Banks	1.8%	0.9%	0.6%	2.4%	1.0%	0.7%
Others	2.3%	1.1%	0.9%	2.4%	1.5%	1.1%
SFBs	7.1%	2.9%	1.8%	8.1%	3.8%	2.3%
Grand Total	3.2%	1.3%	0.9%	4.2%	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.

However, PAR 31-180 for rural as well as urban portfolio have reduced by 0.2% and 0.4% respectively, in the last quarter. SFBs have a considerable drop in risk levels for PAR 31-180, but some part of this portfolio has also slipped into PAR 180+, as visible in the increase of PAR 180+ during the same period. The PAR 31-180 levels have marginally deteriorated for NBFC MFIs by (0.1%) for rural portfolio but urban portfolio has remained at the same levels as the quarter ending June 2018.

PAR 180+ Levels

	Rural			Urban		
	Sep 2017	Mar 2018	Sep 2018	Sep 2017	Mar 2018	Sep 2018
NBFC MFIs	5.1%	3.6%	2.7%	7.3%	5.5%	4.7%
Banks	1.4%	1.7%	1.7%	1.8%	2.3%	2.2%
Others	4.4%	4.1%	3.6%	6.9%	5.9%	5.0%
SFBs	11.8%	12.3%	11.1%	15.7%	17.7%	16.7%
Grand Total	5.2%	4.6%	3.9%	8.3%	7.8%	7.0%

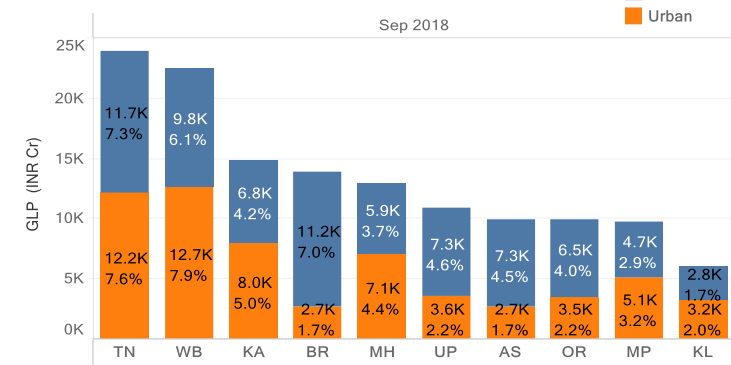
The Risk Level is basis the 180 days or more past due Portfolio & Overall Portfolio reported at the respective book closing period.

As of September 2018, risk level of urban portfolio for PAR 180+ is 80% higher as compared to rural geographies. Overall risk level for PAR 180+ is better for rural portfolio as compared to urban portfolio, in terms of Y-o-Y correction. 60% of the total written off amount is from urban portfolio, as of September 2018.

Although there is improvement in the PAR 180+ levels for the Industry except SFBs, NBFC-MFIs contribute 40% of the total amount written-off, which is nearly twice the share of write-off amount as compared to Sep 2017.

Note: NBFC MFIs includes all RBI registered NBFC MFIs. Banks includes all Banks (Except SFBs) reporting microfinance lending. SFB & Aspirants includes all awardees of Small Finance Bank License. Others includes generic NBFCs operating microfinance portfolio etc.

Portfolio Distribution at State Level

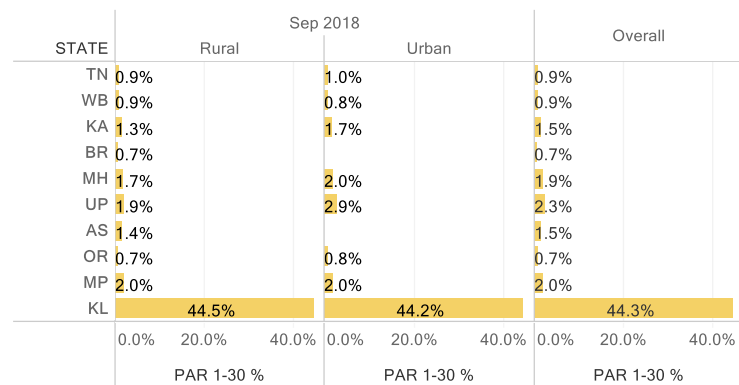


The Portfolio Size & Market Share are basis the last quarterly book closing period.

Dive into Geography

Top 10 states continue to account for 84% of the microfinance Industry’s gross loan portfolio. Overall, eastern region dominates the market share with 31% of total GLP share, followed by southern region (28%), western region (15%) and northern region (11%). Tamil Nadu continues to be the largest market with 15% share. Portfolios of the top 10 states, barring Assam, Bihar, Odisha, and Uttar Pradesh, which together constitutes 56% of the total GLP, is dominated by urban geographies.

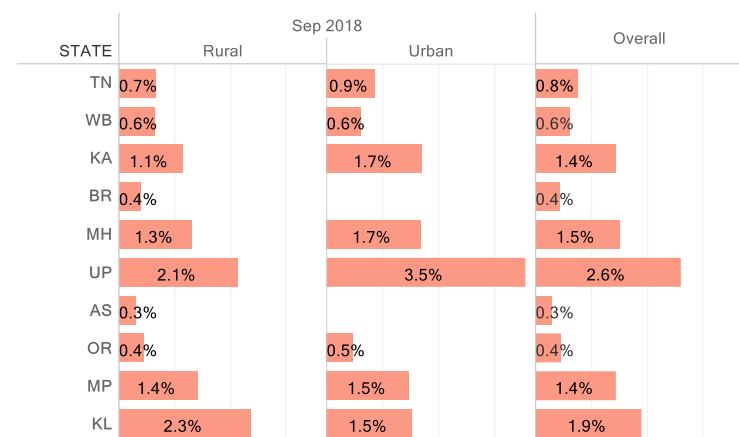
State Level PAR 1-30



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

Kerala recorded high levels of early delinquency at 44.3% due to the Kerala floods impacting operations of microfinance lenders. The very high delinquency levels of SFBs overall (8.5%) as well as in the state of Kerala (81%) are attributed to the Kerala floods. Apart from Kerala, Uttar Pradesh, Madhya Pradesh and Maharashtra also indicate high risk levels for portfolio 1-30 days past due where urban portfolio has higher risk levels compared to the rural portfolio, as of September 2018.

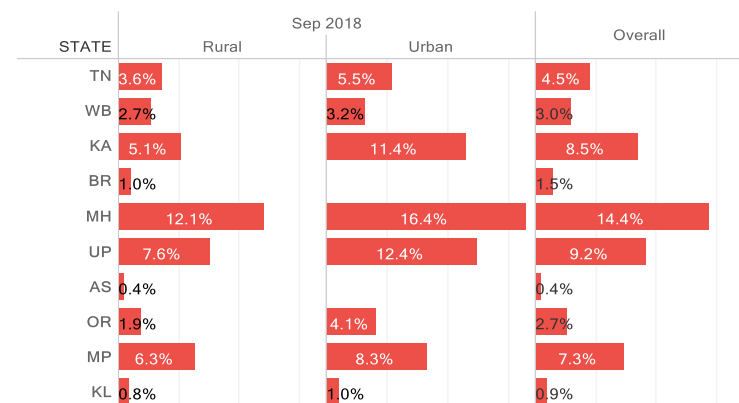
State Level PAR 31-180



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

The overall PAR 31-180 for the Industry is at 1.2%. Uttar Pradesh, Kerala, Maharashtra, Madhya Pradesh and Karnataka have high risk levels for portfolio 31-180 days past due. In these states, Uttar Pradesh, Karnataka and Maharashtra have higher risk levels in the urban portfolio while Maharashtra, Madhya Pradesh and Kerala have high risk levels in the rural portfolio as well.

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.

The overall PAR 180+ for the Industry is at 7%. Maharashtra, Uttar Pradesh, Karnataka and Madhya Pradesh continue to have bad assets i.e. high PAR180+ as of September 2018. These states also indicate the high levels of written-off portfolio. From the written-off portfolio by amount for the Industry (1.1%), urban portfolio stands at 1.3% as compared to rural portfolio at 0.8% as of September 2018.

Our Views

Microfinance sector has grown by 45% Y-o-Y by Sep 2018 while the growth was muted during the same period previous year (17%). The Industry was tilted towards urban geographies until Jun 2017 (54%). However, the rural portfolio has been observed to have grown by 54% Y-o-Y by Sep 2018 as compared to 36% growth in the urban portfolio.

The portfolio growth is high in North East (82%), East (54%) and Central (45%) regions while the growth in mature markets in South (33%), West (43%) is below the national portfolio growth. The rural portfolio growth of 55% in the country is largely due to high to very high growth in rural portfolios, except for South and North regions where the urban portfolio grew more as compared to the rural portfolio.

40% of Kerala microfinance portfolio is with the Top 10% of the players operating in Kerala, thereby implying a highly skewed and vulnerable market structure. The post-flood early delinquency in KL is at 44.5% as compared to 1.6% in June 2018. This early delinquency for the entire industry has deteriorated to 2X levels at 3% by Sep 2018 as compared to June 2018.

The recent liquidity squeeze in the market has led to a slowdown in funding. SFBs share of the urban portfolio has continued to come down from a 36% level to nearly 25% in the last one and a half year. The rural portfolio market share has also shrunk from 22% to 16% during the same period due to shift of focus on small finance banking. NBFC-MFIs have gained the most ground with a 6% increase in market share in Urban portfolio and 6% increase in market share in the rural 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.

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