

MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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State of the Sector

The microfinance sector witnessed high growth of 23% Y-o-Y as of Mar 2020. The sector's gross loan portfolio (GLP) stood at ₹232.2K crores as of Mar 2020, having grown at 9% over the previous quarter. The live customer base of the sector as of Mar 2020 stood at 6.3 crores with nearly 10.9 crore active loans. Banks continue to hold the largest share of the microfinance portfolio in Q4 FY 2019-20, at 40.1%, followed by NBFC MFIs at 31.2%. The average ticket size of microfinance loans accelerated by another ₹900 as the FY 2019-20 came to a close. PAR 31-180% increased by 30bps, with the write-offs having increased by 20 bps coming into Mar 2020.

Sectoral Snapshot

	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020
GLP (INR Cr)	188.5K	193.6K	196.2K	212.9K	232.2K
%GLP Growth		2.69%	1.35%	8.54%	9.03%
Average Ticket Size	31.1K	31.7K	32.5K	33.2K	34.1K
Average Exposure	36.40K	36.61K	35.29K	35.97K	39.33K
PAR 31-180 %	1.0%	0.9%	1.1%	1.5%	1.8%
Write-Off (Amount) %	1.1%	1.3%	1.3%	1.4%	1.6%

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

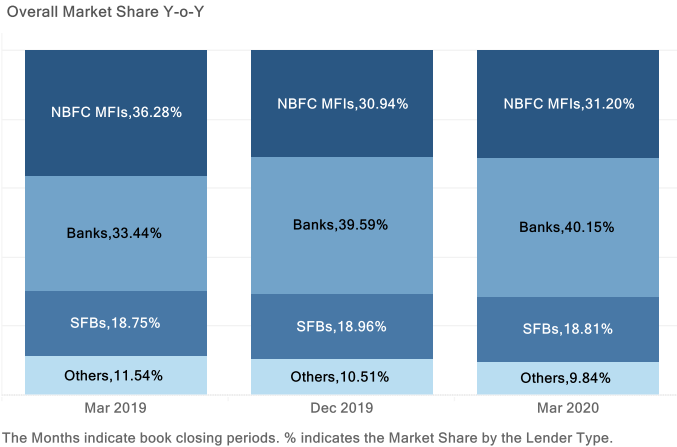
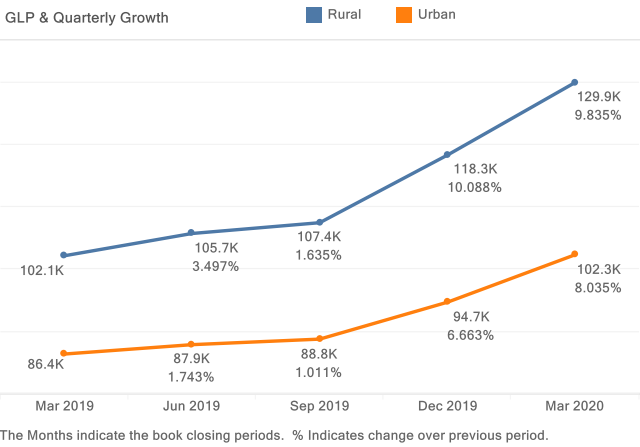
Synopsis

- The GLP of the microfinance sector stands at ₹232.2K crores in Q4 FY 2019-20, growth of 9% Q-o-Q and 23% Y-o-Y
- ₹ 65,610 crores disbursed in Q4 FY2019-20 with a 3.5% growth over the previous quarter.
- Impacted by COVID-19 and the lockdown, disbursements (volume) in the last week of March 2020 (standing at <1L), were a meagre 1.75% of the total disbursements in the month, as against 45% in the same period in March 2019, which stood at ~25L.
- Overall PAR 31-180% at 1.8% against 1.5% in Dec 2019. Deterioration in book across all lenders as against the previous quarter.
- Nearly 13% spike in active loans, 10% increase in average ticket size and 15% jump in active customer base in one year, at the close of FY 2019-20.
- While the portfolio for banks is nearly 1.2X that of NBFC MFIs, banks (at 10.6%) and NBFC MFIs (at 10%) have grown at almost the same pace as of Mar 2020, over the previous quarter.

Industry Growth & Market Share

The microfinance sector witnessed a Y-o-Y growth of 23%, standing at ₹232.2K crores as of March 2020. The quarterly growth has also been highest in the last 4 quarters at 9%. GLP in the urban geographies grew at a pace higher than Q3 FY 2019-20, at 8% as of Mar 2020 and the rural geographies grew at 9.8%, slower than the growth in Dec 2019. The rural-urban share in Q4 FY 2019-20 remained at same levels as the previous quarter.

Banks continue to dominate the market (40.1%) in Mar 2020, having grown by 10.6% Q-o-Q. NBFC MFIs (31.2%) have also grown at 10% Q-o-Q. Banks dominate both urban and rural geographies by value as of Q4 FY 2019-20. By volume, NBFC MFIs have the highest share in rural areas, and banks in urban areas as of Mar 2020. 25K-30K ticket size continues to retain the largest share in volume, while ticket size 30K-40K has the largest share in the portfolio by value as of Mar 2020.



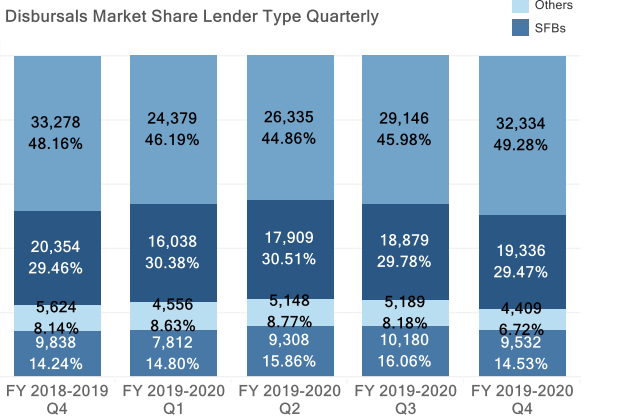
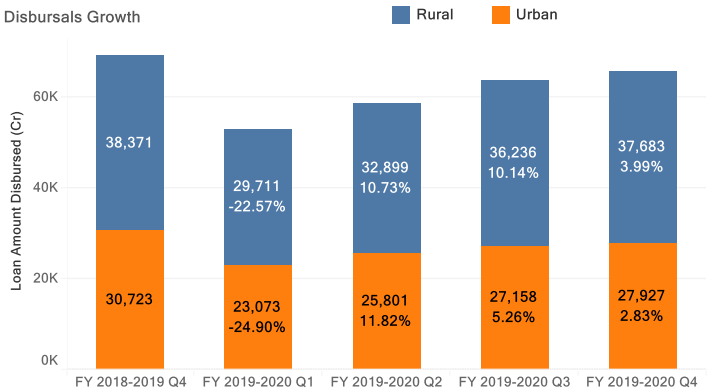
Sourcing Growth & Market Share

₹ 65,610 crores were disbursed in the last quarter of the financial year 2019-20, with a 3.5% growth over the third quarter. In terms of volume, there has been a degrowth with 176 lakh loans being disbursed in Q4 FY 2019-20, as against 182 lakh in the previous quarter and 205 in Q4 FY 2018-19. Disbursements by volume and value, in the month of Mar 2020 were 26% and 18% lower than those in Mar 2019 respectively, impacted due to COVID-19 and the resultant lockdown.

The Eastern region saw the largest share of disbursements (36%) in the FY 2019-20, mainly driven by West Bengal and Jharkhand, followed by the southern region (24.3%), largely driven by Tamil Nadu and Karnataka.

Disbursements by value in Q4 FY 2019-20 in rural geographies grew by 4% while those in urban geographies grew by 2.8% over Dec 2019. In Q4 FY 2019-20, similar to the trend in the previous, lenders have focused on higher ticket lending with loans of ticket size 40K+ seeing a 19% jump, while loans of ticket size <20K seeing a dip of 9% over Dec 2019.

In Q4 FY 2019-20, nearly 50% of microfinance loans (by value) were disbursed by banks, followed by NBFC MFIs at 29.4%. During the same quarter in the previous year, while the share of NBFC MFIs was nearly the same, the share of banks was 48%. Share of SFBs in disbursements value saw a dip of 1.5% over the previous quarter.



Borrower Leverage & Compliance

National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Mar 2019	Dec 2019	Mar 2020	Mar 2019	Dec 2019	Mar 2020
TN	29.3K	32.0K	32.9K	38.19K	38.36K	41.46K
WB	41.1K	43.5K	44.5K	44.60K	42.02K	46.74K
BR	31.4K	33.4K	34.4K	36.59K	35.49K	39.21K
KA	27.9K	29.3K	30.4K	37.03K	38.21K	41.31K
MH	28.0K	29.8K	30.7K	33.08K	34.15K	37.69K
UP	29.4K	31.2K	31.9K	28.67K	29.25K	32.22K
Grand Total	31.1K	33.2K	34.1K	36.40K	35.97K	39.33K

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

The average ticket size in some geographies is visibly higher than the average exposure as observed in the report. This is local to geographies with higher levels of bad pre-demonetization book and address data quality.

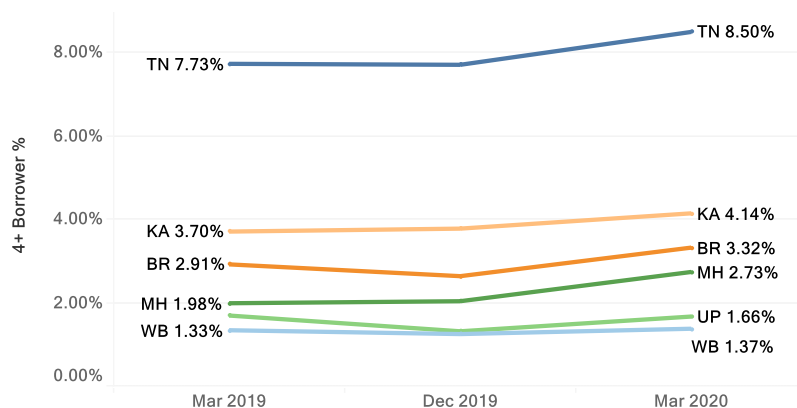
The average ticket size of the microfinance loan book stood at ₹34.1K as of Mar 2020, having increased by 9.6% Y-o-Y and 2.7% over the previous quarter. The average microfinance exposure per borrower has grown by 9.3% Y-o-Y, standing at ₹39.3K as of Mar 2020.

Eastern states of West Bengal and Bihar, and Maharashtra witnessed higher growth in exposure over the previous quarter, compared to other states. Karnataka recorded the highest growth in average ticket size of microfinance loans Q-o-Q as of Mar 2020.

Proportion of borrowers with loans running with 4 or more lenders has continued to be the highest in Tamil Nadu standing at 8.5% as of Mar 2020, as against 7.73% in Mar 2019. Among the top states, after Tamil Nadu, Karnataka recorded 4.14% borrowers with 4+ lenders, Bihar at 3.32%.

While the active borrower base in Tamil Nadu and Karnataka saw a Y-o-Y growth of 13% and 12% respectively, Bihar saw a growth of 32% Y-o-Y in its live customer base.

Top States - Borrowers associated with 4 or more Lenders



The COVID-19 pandemic and the resultant lockdown on Mar 25, 2020, severely impacted disbursements at the close of the FY 2019-20 across all lenders.

Disbursements by volume in the last week of Mar 2020 were a meagre 1.75% of the total disbursements in the month, as against 45% in the same period in Mar 2019.

Disbursements by volume across all ticket sizes have reduced by more than 95% in the last week of Mar 2020, compared to the same period in Mar 2019.

Industry Risk Profile

Delinquencies witnessed by the microfinance sector in Q4 FY 2019-20 were higher than the previous quarter. Early delinquency increased by more than 2X coming into Mar 2020, standing at as high as 4%. PAR 31-180% increased by 30bps over the previous quarter and by 80bps in a span of 1 year as of Mar 2020. PAR 180+% improved by 30bps over the previous quarter and by 50bps over Mar 2019.

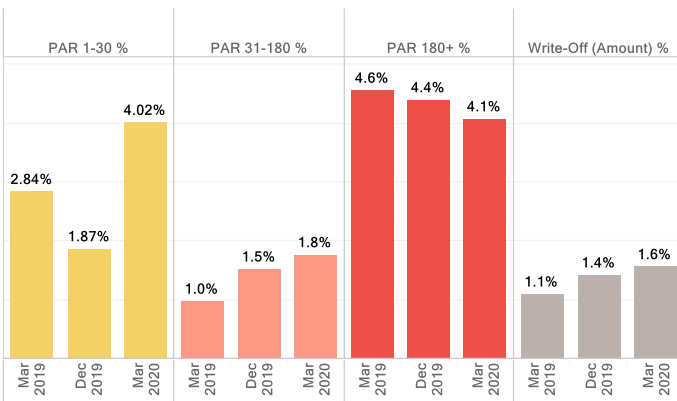
Banks, as in the previous quarter have continued to face high early repayment stress, with urban portfolio having deteriorated to 6.5% as of Mar 2020, and the rural portfolio only slightly lower at 5.4%. PAR 1-30% and 31-180% have increased across all lenders in both rural and urban geographies as of Mar 2020, over the previous quarter.

Banks have overall seen a deteriorating asset quality, with PAR 1-30% having increased by more than 5% and PAR 31-180% having increased by 1.1% in a span of one year as of Mar 2020. Both PAR 1-30% and PAR 31-180% for NBFC MFIs have also increased by 2X over the course of FY 2019-20, as observed in the last quarter of the FY.

As of Mar 2020, for loans of ticket size 20K and below, PAR 31-180% for NBFC MFI stood at 2.3% as against 1.9% for banks. PAR 180+ for banks as of Mar 2020 stood at nearly 2X that of NBFC MFIs.

The overall write-offs as of Mar 2020 stood at 1.6% of the portfolio, 20 bps higher than the previous quarter. Write-offs for NBFC MFIs and SFBs stood at 1.6%, while that for banks stood at 0.3%.

Portfolio Risk Levels



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

PAR 31-180 Levels

	Rural			Urban		
	Mar 2019	Dec 2019	Mar 2020	Mar 2019	Dec 2019	Mar 2020
NBFC MFIs	0.9%	1.7%	1.8%	1.0%	1.8%	1.8%
Banks	0.4%	1.2%	1.8%	0.5%	1.1%	1.4%
Others	2.7%	2.6%	2.7%	2.1%	3.3%	3.4%
SFBs	1.0%	1.2%	1.5%	1.1%	1.1%	1.2%
Grand Total	1.0%	1.6%	1.9%	0.9%	1.5%	1.6%

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

PAR 1-30 Levels

	Rural			Urban		
	Mar 2019	Dec 2019	Mar 2020	Mar 2019	Dec 2019	Mar 2020
NBFC MFIs	0.73%	1.48%	2.45%	0.97%	1.59%	3.49%
Banks	0.78%	2.65%	5.40%	0.81%	1.74%	6.53%
Others	1.00%	1.44%	2.28%	1.33%	2.03%	2.68%
SFBs	12.11%	1.98%	2.35%	10.95%	1.59%	3.09%
Grand Total	2.50%	2.02%	3.59%	3.25%	1.69%	4.55%

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

PAR 180+ Levels

	Rural			Urban		
	Mar 2019	Dec 2019	Mar 2020	Mar 2019	Dec 2019	Mar 2020
NBFC MFIs	2.4%	2.1%	2.2%	4.1%	3.7%	3.7%
Banks	1.5%	2.2%	2.2%	2.0%	3.1%	3.0%
Others	3.5%	3.6%	2.7%	5.1%	5.5%	5.2%
SFBs	9.6%	7.9%	6.7%	15.0%	13.3%	12.3%
Grand Total	3.3%	3.2%	3.0%	6.0%	5.8%	5.5%

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

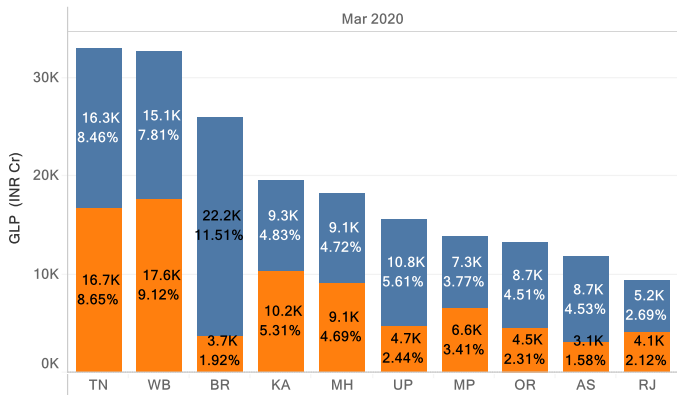
As of Mar 2020, the top 10 states account for 83% of the national GLP. In terms of regional distribution of GLP, the eastern region continues to dominate the market with a share of (33.1%) at the end of FY 2019-20, mainly due to West Bengal and Bihar, followed by South (26.8%), West (14.9%), North (11%), Central (7.8%) and North East (6.4%). The highest Q-o-Q growth of 13% in the loan book is observed in the North, with Himachal Pradesh and Punjab witnessing high Q-o-Q growth of 17% and 14% respectively.

Banks continue to dominate the Eastern geographies at 41.1% share, with their share having increased slightly in the South standing at 18.1%, followed by West at 15.3%. NBFC MFIs have a larger play in Southern geographies at 30.2%, followed closely by East at 27.9%.

Tamil Nadu has retained its position at the top as the largest microfinance market with a share of 14.2% of the national GLP as of Mar 2020. West Bengal (14% share) and Bihar (11.16%) have also retained their positions as the top 3 states by GLP. Bihar recorded the highest Q-o-Q growth at 13.4%. Among these 3 states, while Bihar has focused more on disbursing loans of ticket size 25K-30K, Tamil Nadu has focused on loans of ticket size 30K-40K, and West Bengal has continued to focus on loans of large ticket size of 60K+.

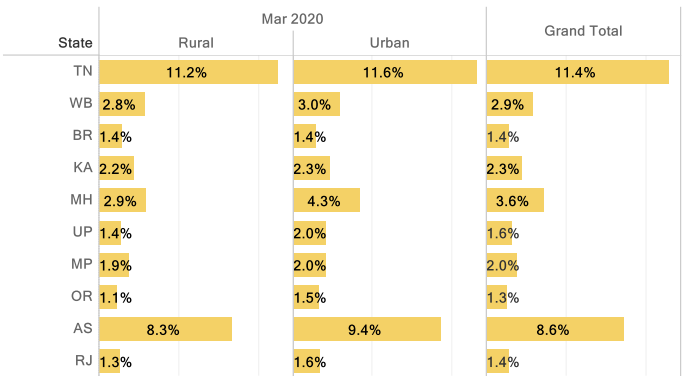
Among the top 10 states, early delinquencies have stood high for Assam at 8.6% and Tamil Nadu at 11.4% as of Mar 2020. In both states, the urban geographies have faced higher stress than rural. Tamil Nadu has seen a jump of 10.3% in early delinquency over the previous quarter. While, early delinquencies in Assam have reduced to almost half coming into Mar 2020, the state continues to face high repayment stress with PAR 31-180 having increased to nearly 14% as of Q4 FY 2019-20. PAR 180+ for most states among the top 10 has reduced over the previous quarter, highest for Odisha by 1.4%, followed by Maharashtra by 1.3% as of Mar 2020.

Portfolio Distribution at State Level



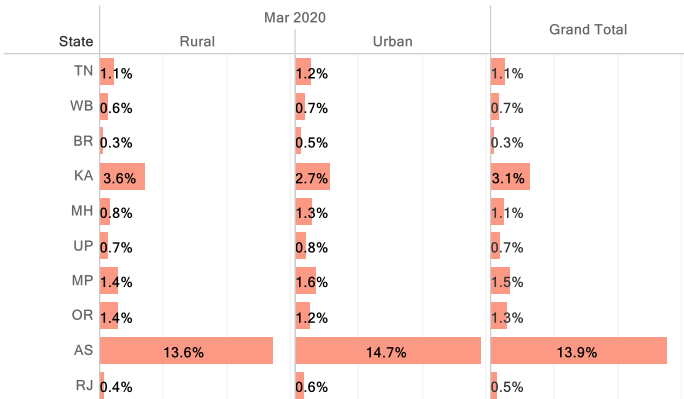
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



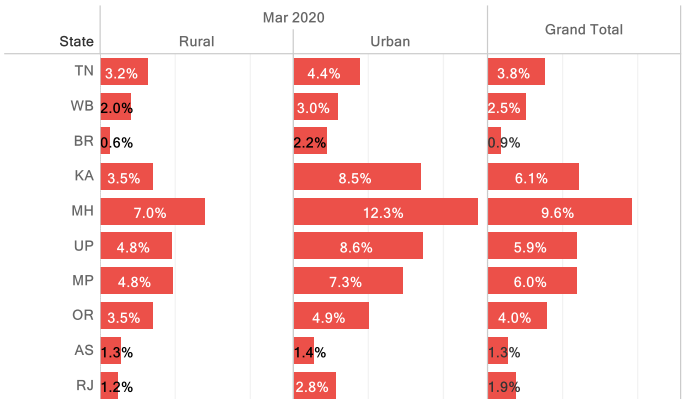
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

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

For the microfinance sector, the FY 2019-20, ended on a high with the portfolio reaching ₹232.2K crores at a growth rate of 23% over the previous year. The sector albeit grew at a sluggish pace in the first half of the FY, picked up momentum in the 3rd quarter and attained maximum Q-o-Q growth in Q4 FY 2019-20 at 9%. Disbursements by value have grown by 3.5%, slower than the previous quarter. However disbursements in terms of volume have seen a dip in Q4 FY 2019-20, even though loans of ticket size 60K+ saw a 33% increase over the previous quarter.

Delinquencies in the sector have remained high at the end of the FY 2019-20, with PAR 1-30% and 31-180% witnessing increase. Asset quality across lenders has deteriorated compared to the previous quarter. Banks have been impacted significantly by early defaults, while the stress for other lenders is relatively low. Largest amount of disbursements in Q4 FY 2019-20 has been in the loans of ticket size 40K-60K, with the least PAR 180+ at 1.5% as of Mar 2020.

The impact of the Coronavirus pandemic and the resultant nation-wide lockdown on Mar 25, 2020 can be observed on fresh disbursements in the microfinance sector, in the last week of Mar 2020 itself. Post April 2020 as well, due to the continued lockdown and the moratorium announced by RBI as a relief to loan payers, disbursements and collections have been known to get drastically impacted and will be studied through bureau data in the next volume.

About 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 analysis in this Edition of MicroLend is based on data which is ~90% representative of the Industry as of March 2020 as received by the bureau. Due to COVID-19 disruptions, there has been delay in submission of March 2020 data to the bureau.

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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.

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