

MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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State of the Sector

The microfinance sector stood at ₹ 226.6K crores as of Jun 2020, shrinking over Mar 2020 by 2.4%, while witnessing a Y-o-Y growth of 17%. The live customer base of the sector as of Jun 2020 stood at 6.1 crores with nearly 10.7 crore active loans. Banks continue to hold the largest share of the microfinance portfolio in Q1 FY 2020-21, at 41.6%, followed by NBFC MFIs at 30.8%. Coming into Q1 FY 2020-21, the average ticket size of microfinance loans stood at ₹34.2K. PAR 31-180% reduced by 40 bps, with the write-offs having increased by 1.3% coming into Jun 2020.

Sectoral Snapshot

	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020
GLP (INR Cr)	193.6K	196.2K	212.9K	232.2K	226.6K
%GLP Growth		1.35%	8.54%	9.03%	-2.40%
Average Ticket Size	31.7K	32.5K	33.2K	34.1K	34.2K
Average Exposure	36.61K	35.29K	35.97K	39.33K	38.65K
PAR 31-180 %	0.9%	1.1%	1.5%	1.8%	1.4%
Write-Off (Amount) %	1.3%	1.3%	1.4%	1.6%	2.9%

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

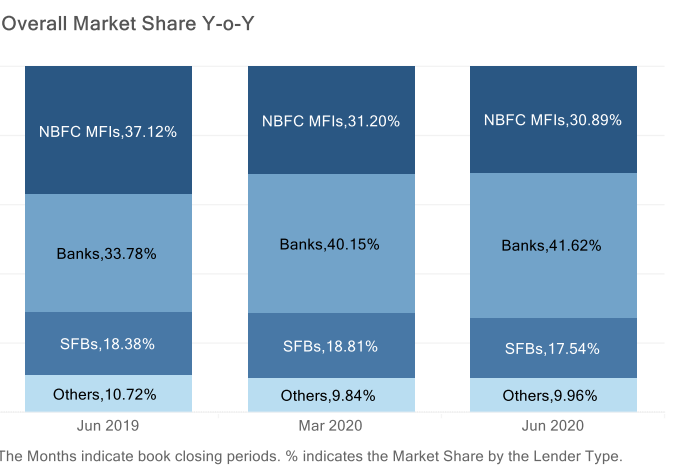
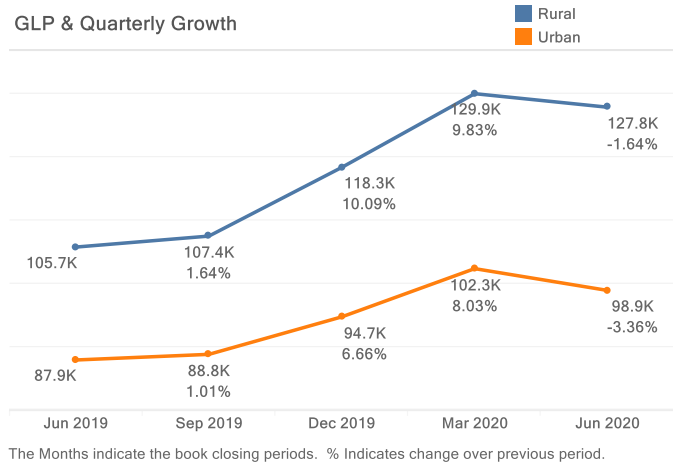
Synopsis

- The GLP of the microfinance sector stands at ₹ 226.6K crores in Q1 FY 2020-21, declining by 2.4% over Q4 FY 2019-20
- ₹6046 crore were disbursed in Q1 FY 2020-21, an 88% decline compared to same quarter last year and a 91% decline over the previous quarter
- As of Jun 2020, overall PAR 31-180% stands at 1.4% improving by 40 bps over Mar 2020. PAR 180+% reduced by 1.1% over Mar 2020
- The nationwide lockdown in Mar 2020 led to a nearly 2X spike in the monthly No Flow rates in delinquent portfolio (1-180 DPD) to 67% in Mar 2020. (No Flow is the proportion of the portfolio which remained at the same delinquency level as the previous month).
- With the easing of the lockdown in May 2020, the no flow delinquent portfolio (1-180 DPD) continues to gradually decline to 40% level by Jun 2020, still 6% to 10% higher than the pre-lockdown trend.

Industry Growth & Market Share

The microfinance sector witnessed a Y-o-Y growth of 17%, standing at ₹226.6K crores as of Jun 2020. The sector witnessed a decline of 2.4% over the previous quarter. The urban microfinance sector witnessed a greater decline in the portfolio by 3.3% as against 1.6% in the rural portfolio over Mar 2020. On a Y-o-Y comparison, the rural portfolio has grown by 21% over Jun 2019, while the urban portfolio has grown by 12% as of Jun 2020.

Banks which continue to dominate the market as of Jun 2020, are the only lenders which have reported an increase in the microfinance loan book, albeit by a mere 1.2%. NBFC MFIs loan book declined by 3.4% over Mar 2020. While >60K is the largest share of the loan book for banks, NBFC MFIs are dominated by relatively lower ticket size of 30K-40K as of Jun 2020.

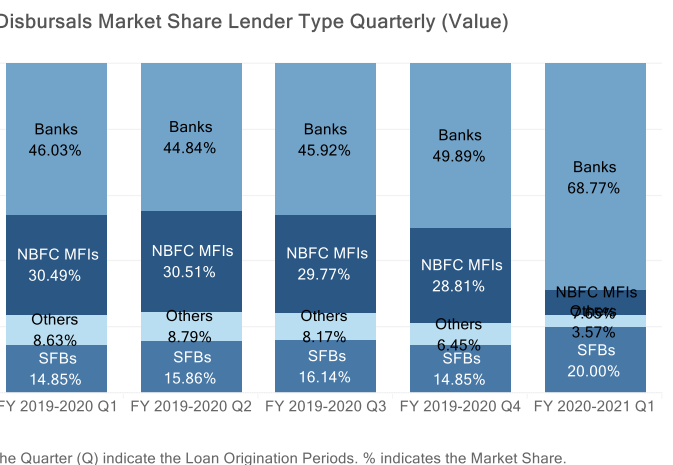
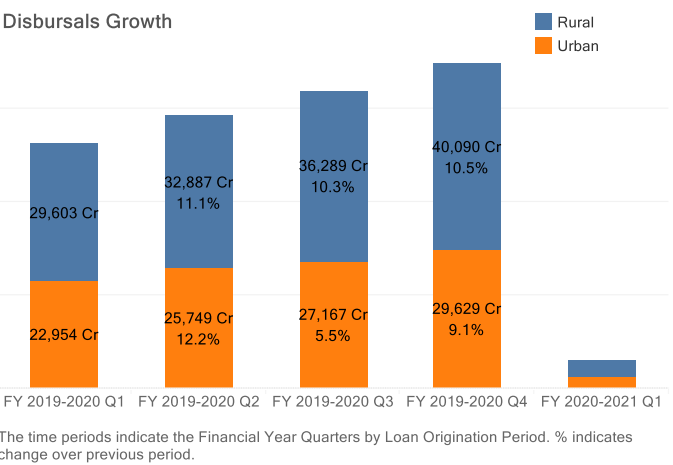


Sourcing Growth & Market Share

Q1 FY 2020-21 saw a huge decline in disbursements as the government announced a lockdown to curb the spread of COVID-19. ₹6046 crore were disbursed in Q1 FY 2020-21, compared to ₹ 52,556 crore in Q1 FY 2019-20. Only 21 lakh loans were disbursed in Q1 FY 2020-21, as against 189 lakh in previous quarter and 157 lakh in same quarter previous year. The regional distribution of disbursements remained the same as the previous quarter, with the eastern region dominating with 44%, followed by the southern region (15.6%).

Disbursements (volume) in Q4 FY 2019-20 were largely dominated by higher ticket sizes of 40K+ with a share of 70%. In Q1 FY 2020-21, disbursements of small ticket sizes of <20K have been the focus with a share of nearly 60%. Maximum loans of ticket size 15K-20K were disbursed in both rural and urban geographies in Q1 FY 2020-21, as against ticket size 25K-30K in Q4 FY 2019-20.

Disbursements (value) by banks in Q1 FY 2020-21 saw a drop of 88%, while those by NBFC MFIs saw a decline of 97% over the previous quarter. During the same quarter previous year, while banks saw a decline in disbursements by 27%, NBFC MFIs saw a drop of 21% indicating the severe impact of COVID-19 lockdown on disbursements in the microfinance sector.



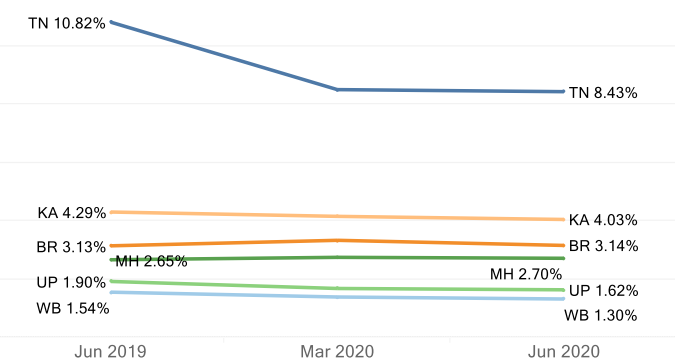
Borrower Leverage & Compliance

National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Jun 2019	Mar 2020	Jun 2020	Jun 2019	Mar 2020	Jun 2020
WB	41.8K	44.5K	44.5K	44.08K	46.74K	46.36K
TN	30.2K	32.9K	32.9K	38.88K	41.46K	40.76K
BR	31.8K	34.4K	34.3K	36.37K	39.21K	38.34K
KA	28.5K	30.4K	30.4K	37.74K	41.31K	40.24K
MH	28.5K	30.7K	30.8K	33.46K	37.69K	37.08K
UP	29.8K	31.9K	31.9K	29.27K	32.22K	31.32K
National	31.7K	34.1K	34.2K	36.61K	39.33K	38.65K

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

Top States - Borrowers associated with 4 or more Lenders



The months indicate book closing periods. Borrowers with only active lender association are considered.

The average ticket size of the microfinance loan book as of Jun 2020 stood at ₹34.2K. The Y-o-Y increase stood at 8%. The average microfinance exposure per borrower saw a decline of nearly 2% in Q1 FY 2020-21.

The average exposure per borrower for West Bengal, Tamil Nadu and Karnataka, stood, above the national average at ₹38.6K, although saw a decline over Mar 2020.

Proportion of borrowers with loans running with 4 or more lenders has continued to be the highest in Tamil Nadu standing at 8.4% as of Jun 2020, down by 10 bps from Mar 2020. Karnataka remained at second position at 4%, down by 11 bps and Bihar at third position, down by 18 bps as of Jun 2020, over the previous quarter.

Among the top 3 states, Tamil Nadu and Karnataka saw a Y-o-Y growth of 5% and 3% respectively in their live customer base as against Bihar which saw a growth of 22% Y-o-Y as of Jun 2020.

The microfinance disbursements in Q1 FY 2020-21 have been severely affected by COVID-19 lockdown, witnessing an unparalleled 88% decline compared to Q1 FY 2019-20

Disbursements of small ticket loans (<20K) saw an upsurge in Q1 FY 2020-21, with 60% of the share by volume, as against 15% in Q4 FY 2019-20

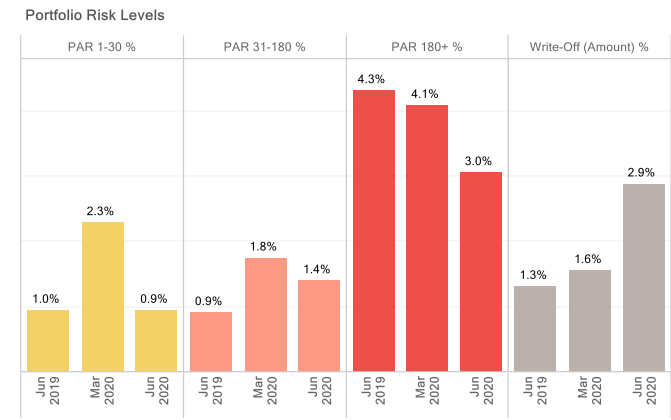
As the nationwide lockdown ensued in Mar 2020, the monthly no flow rates in the delinquent portfolio (1-180 DPD) saw a greater spike in loans of smaller ticket sizes of up to 40K

Industry Risk Profile

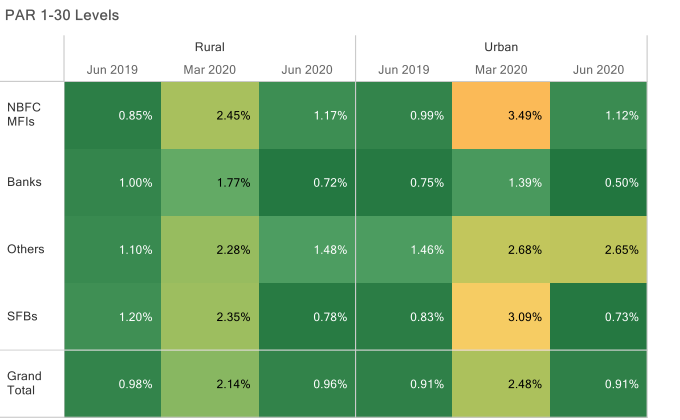
Early delinquency by value (PAR 1-30 DPD) stood at 0.9% coming into Jun 2020. PAR 31-180% albeit reduced by 40 bps over the previous quarter, saw an increase of 50 bps over Jun 2019. PAR 180+% improved by 1.1% over the previous quarter.

Early delinquency for banks has reduced by 30 bps over Jun 2019. For NBFC MFIs PAR 1-30% has increased by 20 bps over Jun 2019. PAR 31-180% for banks has increased by 60 bps over Jun 2019 and for NBFC MFIs by 70 bps during the same time period. PAR 180+ for banks has increased by 1% over Jun 2019, whereas only 10 bps for NBFC MFIs as of Jun 2020.

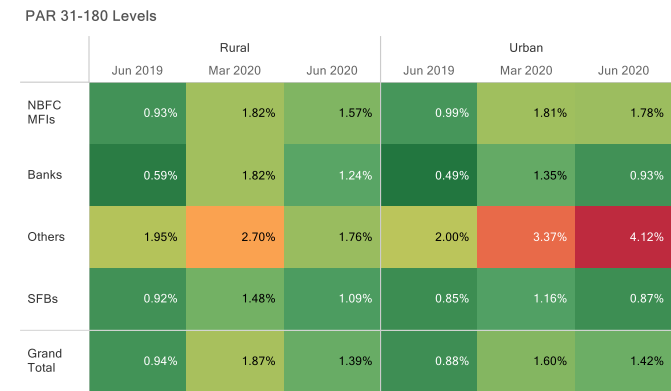
The write-offs as of Jun 2020 stood at 2.9% of the portfolio, having increased by 1.3% over Mar 2020. This increase is largely attributed to bulk recognition of write-off on mostly pre-demonetization bad book (180+ DPD) in Jun 2020.



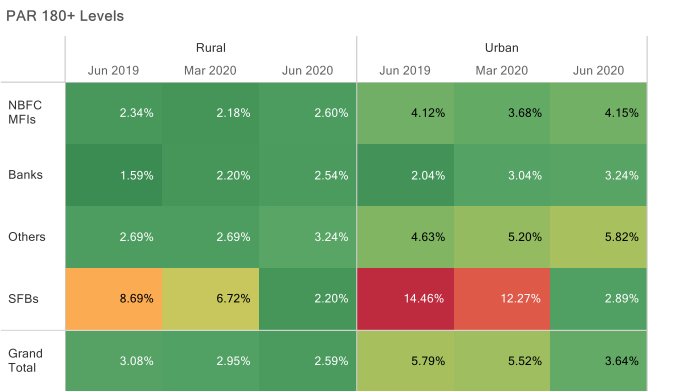
The Risk Levels are basis the Delinquent Portfolio (excluding Write-off) & Overall Portfolio reported at the respective book closing period.



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



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

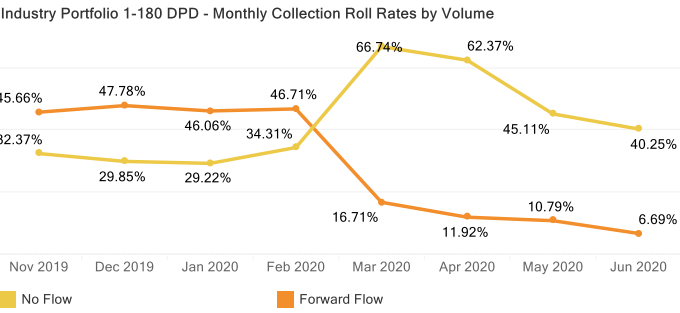


The Risk Level is basis the 180 days or more past due Portfolio & Overall Portfolio reported at the respective book closing period.

COVID-19 and the resultant lockdown has had a severe impact on the sector. With collections coming to a standstill during the lockdown, the extent of the impact is visible in the monthly collection roll rates or the portfolio flow rates between consecutive months.

The proportion of delinquent portfolio (1-180 DPD) in the microfinance sector which remained at the same delinquency level as the month prior, spiked up to nearly 2X level in Mar 2020 and Apr 2020.

As the lockdown was gradually lifted in May 2020, the microfinance sector began to witness an increase in collections as visible in the monthly collection roll rates observed for the overall delinquent portfolio (1-180 DPD) as well as early delinquencies (1-30 DPD).



Industry Portfolio 1-30 DPD - Monthly Collection Roll Rates by Volume

	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
No Flow	42.16%	36.63%	43.07%	46.98%	67.46%	68.52%	44.55%	29.99%
Forward Flow	25.32%	33.10%	24.42%	22.95%	8.01%	2.33%	1.73%	1.81%

Dive into Geography

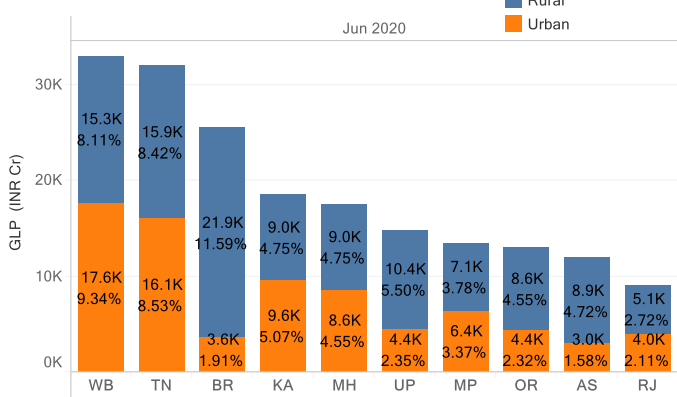
The top 10 states retain 83% of the national GLP, as of Jun 2020. The regional distribution of the microfinance portfolio has largely remained consistent from the previous quarter with the eastern region dominating the market with a share of (33.7%), followed by South (26.5%), West (14.7%), North (10.7%), Central (7.8%) and North East (6.7%). Coming into Jun 2020, the sector has witnessed degrowth across all regions over Mar 2020, the highest in North by 5.3% followed by South by 3.5% and West by 3.3%.

Banks continue to dominate the Eastern geographies at 46.1% share, while NBFC MFIs have a near equal play in East (27.9% share) and South (29.5%) as of Jun 2020. SFBs have a concentration of portfolio in the Southern region with 40% of their overall market in this region.

West Bengal has surpassed Tamil Nadu as the largest microfinance market with a share of 14.5% of the national GLP as of Jun 2020. Tamil Nadu (14.1% share) and Bihar (11.16%), Karnataka (8.1%) and Maharashtra (7.7%) are the other states in top 5 by GLP as of Jun 2020. Bihar, which recorded the highest Q-o-Q growth at 13.4% as of Mar 2020, saw a degrowth of 1.8% in its portfolio. Tamil Nadu’s portfolio witnessed degrowth of 3.2% as of Jun 2020.

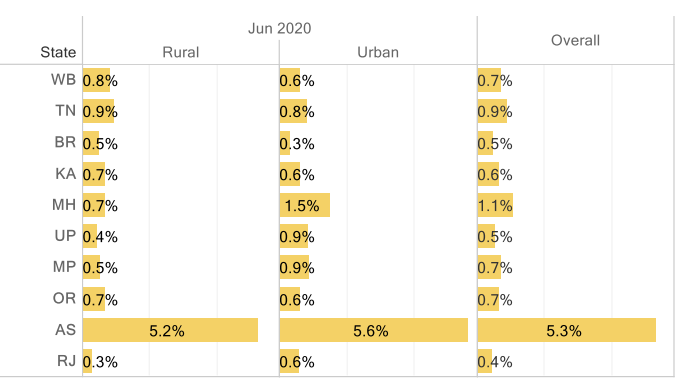
Among the top 10 states, early delinquencies for Assam are the highest at 5.3% as of Jun 2020, although having reduced by >3% over Mar 2020. PAR 31-180% for Assam also reduced by 3.7% over Mar 2020, still standing high at 10.2%, while Maharashtra and Karnataka witnessed PAR 31-180% at 2% each, higher than other top states and the national average. PAR 180+ for Maharashtra (7%), Madhya Pradesh (4.7%), Karnataka (4.5%), Odisha (4%), Uttar Pradesh (3.2%) stands high as of Jun 2020, although it has decreased over Mar 2020. PAR 180+ for Assam has increased by 3.2% as of Jun 2020 over the previous quarter.

Portfolio Distribution at State Level



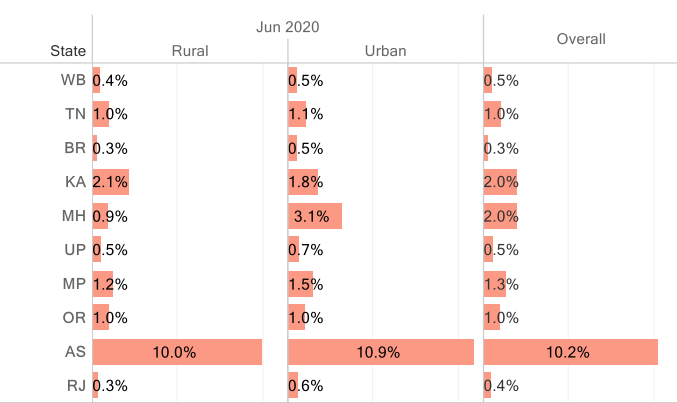
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



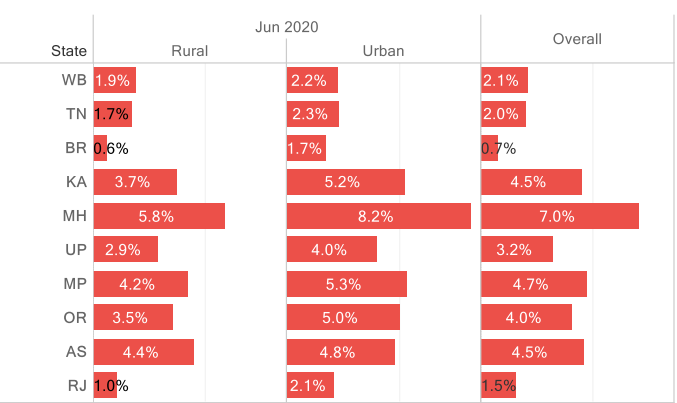
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

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.

Our Views

The Coronavirus pandemic has left an unprecedented impact across the world. The microfinance sector as well in India has borne the brunt of the pandemic. Unlike demonetization, the COVID-19 pandemic is a black swan event for the sector with not only collections BUT new business acquisition also getting impacted during the lockdown and as a result of the support and relief measures announced for the borrowers.

The GLP of the sector stood at ₹226.6K crore, a 2.4% decline over the previous quarter, a phenomenon never observed since the 2012 crisis in the sector. Disbursements in Q1 FY 2020-21 declined by 88% by value compared to same quarter last year. Maximum disbursements (by volume) have been in the smaller ticket size segments of loans <20K as mostly emergency loans. The share of the larger ticket size of >20K loans has reduced from 84% in Mar 2020 to 41% in Jun 2020. West Bengal has once again emerged as the top state with the highest portfolio outstanding after 3 consecutive quarters, with a share of 41.5% in the national GLP, as of Jun 2020.

Delinquencies (PAR 31-180%) in the sector have remained more or less at the same levels as prior to the implementation of the lockdown and it remains to be seen as to what the level of non-repayment stress on the sector will be as the lockdown restrictions ease and the moratorium period ends.

Collections in the microfinance sector are still largely cash dependent and came to a standstill in the lockdown, as visible in the monthly collection roll rates for the portfolio. By May 2020, as economic activity resumed in several non containment areas across the country, and by and large in the rest of the country as well by Jun 2020, physical collection in the microfinance sector is reported to have picked up momentum.

While the sector has witnessed transformation over the last few years in terms of digital adoption in practices as well as processes such as contact less sourcing and disbursal, it remains to be seen as to how policy, regulation and the industry will work collectively to enable and promote digital adoption in the collections cycle of microfinance.

Glossary

GLP	Gross Loan Portfolio	Portfolio outstanding of the microfinance sector
ATS	Average Ticket Size	The average size of the microfinance loan disbursed
PAR	Portfolio at Risk	The proportion of portfolio outstanding which is delinquent by >0 days
DPD	Days Past Due	Measure of loan delinquency/overdue, segmented as 1-30, 31-180, 180+
Y-o-Y	Year on Year	Year on year comparison for change, example Jun 2020 compared to Jun 2019
Q-o-Q	Quarter on Quarter	Quarterly comparison for change, example Jun 2020 compared to Mar 2020
Q1 FY 2019-20	First Quarter of the Financial Year 2019-20	April-May-June 2019
Q4 FY 2019-20	Fourth Quarter of the Financial Year 2019-20	January-February-March 2020
Q1 FY 2020-21	First Quarter of the Financial Year 2020-21	April-May-June 2020
bps	Basis Points	One basis point is equal to 1/100th of 1%

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 ~89% representative of the Industry as of Jun 2020 as received by the bureau. Due to COVID-19 disruptions, there has been delay in submission of Jun 2020 data to the bureau.

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