MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

CONTENTS

State of the Sector

The microfinance sector stood at ₹224K crore as of Sep 2020. The portfolio continued to shrink by another 1.15% since Jun 2020 in the aftermath of the lockdown, while still having grown by 14% Y-o-Y. The live customer base shrunk by 7% in Q2 as of Jun 2020 to nearly 5.7 crores. The active loan base also shrunk by nearly 1.5% to 10.5 crore active loans. The originations are down by 50%, both in value and volume terms as compared to Q2 of last year. Coming into Q2 FY 2020-21, the average ticket size of microfinance loans stood at ₹34.7K. Early delinquency (1-30 DPD) is observed to be 15.7%, a huge spike since resumption of normalcy in microfinance business operations.

Sectoral Snapshot

	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020
GLP (INR Cr)	196.2K	212.9K	232.2K	226.6K	224.0K
%GLP Growth		8.54%	9.03%	-2.40%	-1.15%
Average Ticket Size	32.5K	33.2K	34.1K	34.2K	34.7K
Average Exposure	35.29K	35.97K	39.33K	38.65K	40.66K
PAR 31-180 %	1.1%	1.5%	1.8%	1.4%	2.6%
Write-Off (Amount) %	1.3%	1.4%	1.6%	2.9%	3.0%

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

Synopsis

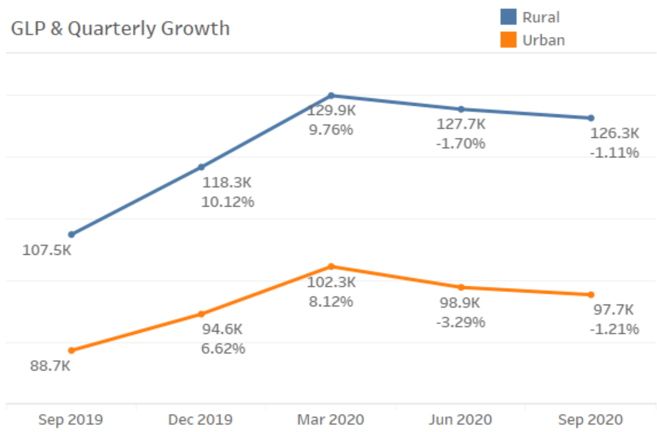
- The GLP of the microfinance sector stands at ₹ 224K crores in Q2 FY 2020-21, declining by another 1.15% from Q1 FY 2020-21.
- Disbursements regained pace in Q2 FY 2020-21, as lending operations resumed in the new normal, witnessing an increase of 380%, reaching ₹29.7K crore, still one-half of the amount in the same quarter previous year.
- In Q2 FY 2020-21, loans of higher ticket sizes >40K saw a 10% spike in disbursements over the previous quarter.
- As of Sep 2020, early repayment stress (1-30 DPD) spiked to 15.7% as borrowers struggled to repay loans, once the moratorium was lifted.
- The monthly forward flow rates for 0-180 DPD observed in Sep 2020, spiked to 15%, with banks with the most stressed monthly forward flow rates at 26%, followed by SFBs at 14% and NBFC MFIs at 11%.

Powered By PRISMATIC® Insights at your Fingertips
CRIF Together to the next level

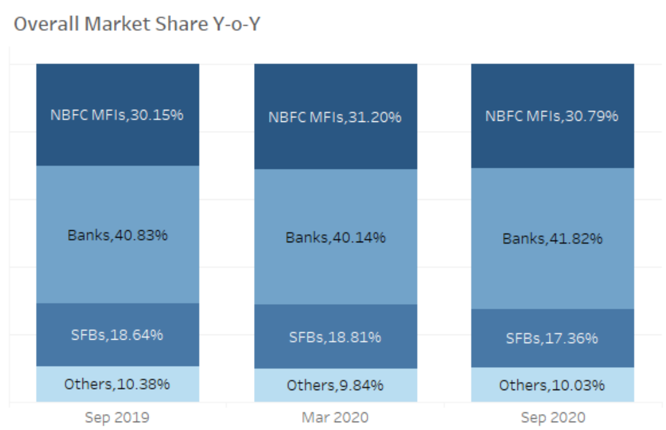
Industry Growth & Market Share

The microfinance sector stood at ₹224K crores as of Sep 2020, witnessing a Y-o-Y growth of 14%. The sector declined by another 1.15% over Q1 FY 2020-21. While both rural and urban sectors declined by nearly the same rate over the previous quarter, the decline in the urban sector stood nearly 3X lower than that in Jun 2020. On a Y-o-Y comparison, the rural portfolio has grown by 17% over Sep 2019, while the urban portfolio has grown by 10%.

Banks remain the largest lender of microfinance as of Sep 2020 at 41.8% although having witnessed decline of 0.5% in GLP over Jun 2020. NBFC MFIs loan book declined by 1.5% over Jun 2020. Observed over the last few quarters, loans of ticket size 25K-30K continue to have the largest share in the GLP (by volume), standing at 27% as of Sep 2020.



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



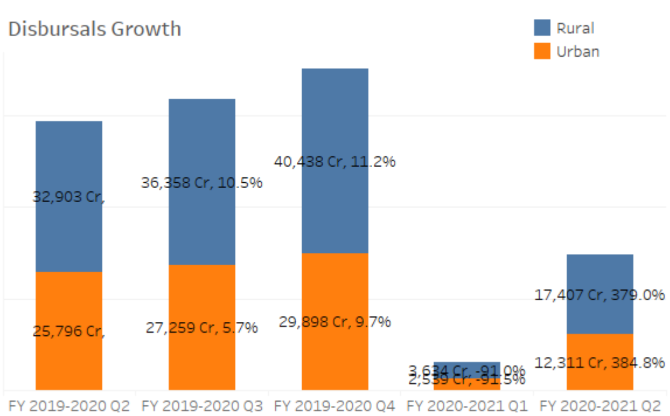
The Months indicate book closing periods. % indicates the Market Share by the Lender Type.

Sourcing Growth & Market Share

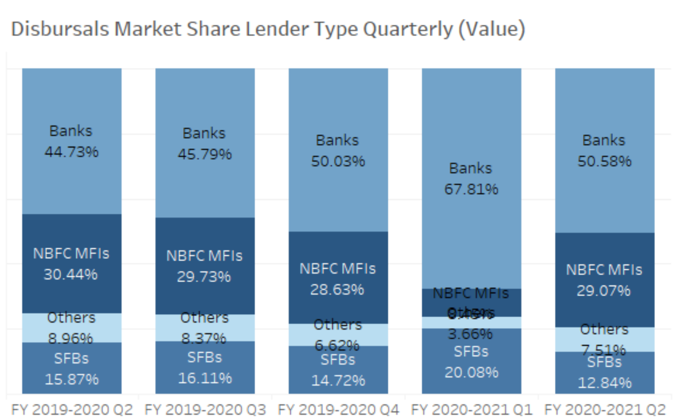
Disbursements picked up pace in Q2 FY 2020-21, as the lockdown to curb the spread of COVID-19 was lifted gradually. Having seen an increase of 380% over the previous quarter, the disbursed amount in Q2 FY 2020-21 stood at ₹29.7K crore, still one-half of the amount in the same quarter previous year. In terms of volume, the disbursements stood at 85 lakh loans, nearly 4X the disbursements in Q1 FY 2020-21 and half of the disbursements in Q2 FY 2019-20, which stood at 177 lakh loans. The regional distribution of disbursements remained the same as the previous quarter, with the eastern region dominating with 36%, followed by the southern region (21%).

In Q1 FY 2020-21, disbursements of small ticket sizes of <20K had been the focus with a share of nearly 60%. Q2 FY 2020-21 saw an increase of 10% in share of loans >40K, re-instating focus on higher ticket loans, which had been the trend in the pre-lockdown period.

Between Q1 FY 2020-21 and Q2 FY 2020-21, NBFC MFIs have seen a jump of 21% in disbursements (value), while the share of banks has reduced by 17% over the same period. These lenders have had a similar trend by volume over the same period.



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



The Quarter (Q) indicate the Loan Origination Periods. % indicates the Market Share.

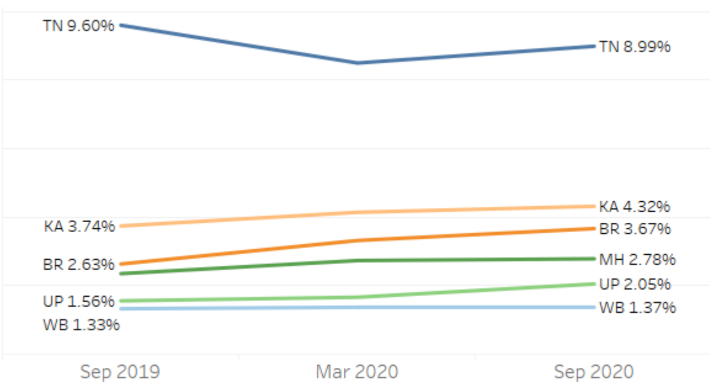
Borrower Leverage & Compliance

National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Sep 2019	Mar 2020	Sep 2020	Sep 2019	Mar 2020	Sep 2020
WB	43.0K	44.5K	44.6K	42.22K	46.74K	50.36K
TN	31.1K	32.9K	32.9K	37.80K	41.46K	43.02K
BR	32.5K	34.4K	34.9K	34.12K	39.21K	40.13K
KA	28.7K	30.4K	31.4K	37.30K	41.31K	41.61K
MH	29.2K	30.7K	31.2K	32.99K	37.69K	38.38K
UP	30.5K	31.9K	32.4K	28.07K	32.22K	32.46K
National	**32.5K**	**34.1K**	**34.7K**	**35.29K**	**39.33K**	**40.66K**

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 as of Sep 2020 stood at ₹34.7K, having grown at 1.4% over the previous quarter. The Y-o-Y increase stood at 6.7%. The average microfinance exposure per borrower which saw a decline of nearly 2% in Q1 FY 2020-21, increased by 5% coming into Sep 2020.

The average exposure per borrower for West Bengal saw a near 20% increase over the previous year, while for Tamil Nadu and Karnataka, it increased Y-o-Y by 14% and 12% respectively.

Proportion of borrowers with loans running with 4 or more lenders has continued to be the highest in Tamil Nadu standing at 8.9% as of Sep 2020, down by 56 bps from Jun 2020. Karnataka remained at second position at 4.3%, up by 28 bps and Bihar at third position, up by 52 bps as of Sep 2020, over the previous quarter.

All 5 top states saw a decline in the live customer base compared to the previous quarter, the highest decline in Karnataka by 10%, followed by Uttar Pradesh by 9% and Tamil Nadu by 8% as of Sep 2020.

Disbursements regained momentum in the post lockdown period, with resumption of economic activity and increased by 380% by value over the previous quarter, as of Sep 2020.

Higher ticket loans of >40K saw a 10% spike in disbursements by volume between Q1 FY 2020-21 and Q2 FY 2020-21.

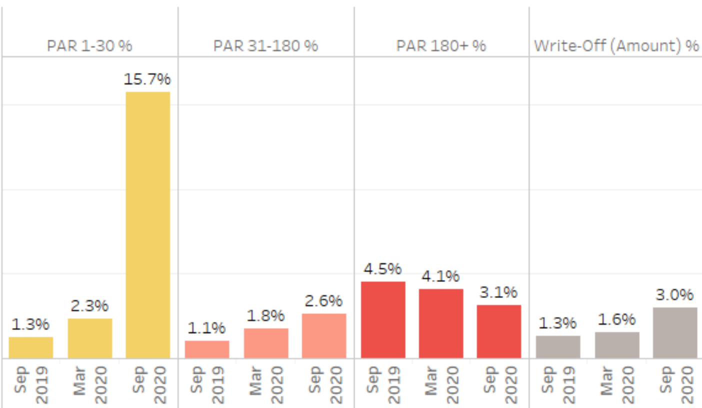
As the loan moratorium period concluded, repayment capacities of microfinance borrowers continued to show impact of the COVID-19 lockdown, pushing early delinquencies (PAR 1-30 DPD) to unprecedented levels of 15.7% as of Sep 2020.

Industry Risk Profile

As the loan moratorium period came to a close in Aug 2020, early delinquencies by value (PAR 1-30 DPD) spiked up to as high as 15.7% as of Sep 2020. PAR 31-180% too increased by 1.2% over the previous quarter and stood at 2.6% as of Sep 2020. PAR 180+% declined by 10 bps over the previous quarter, however stood 1% lower than Mar 2020.

Early delinquency by value has increased across lenders, with banks witnessing as high as 24% PAR 1-30 DPD in urban geographies. NBFC MFIs and SFBs have seen slightly higher PAR 1-30 DPD in rural geographies compared to urban. Banks have seen the most stressed books with PAR 31-180 DPD at 3.9%, while NBFC-MFIs are at 1.9% and SFBs at 1%, as of Sep 2020. PAR 180+% has not seen much change over the previous quarter across lenders.

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		
	Sep 2019	Mar 2020	Sep 2020	Sep 2019	Mar 2020	Sep 2020
NBFC MFIs	1.28%	2.45%	10.47%	1.49%	3.49%	10.12%
Banks	0.91%	1.77%	22.99%	0.78%	1.39%	24.18%
Others	1.28%	2.28%	3.50%	1.70%	2.68%	5.27%
SFBs	1.99%	2.35%	13.78%	1.86%	3.09%	12.79%
Grand Total	1.24%	2.14%	15.33%	1.31%	2.48%	16.25%

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		
	Sep 2019	Mar 2020	Sep 2020	Sep 2019	Mar 2020	Sep 2020
NBFC MFIs	1.10%	1.82%	1.84%	1.18%	1.81%	1.94%
Banks	0.78%	1.82%	3.78%	0.73%	1.35%	4.15%
Others	2.10%	2.70%	2.12%	2.62%	3.37%	3.29%
SFBs	0.83%	1.48%	1.15%	0.88%	1.16%	0.77%
Grand Total	1.05%	1.87%	2.57%	1.05%	1.60%	2.75%

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		
	Sep 2019	Mar 2020	Sep 2020	Sep 2019	Mar 2020	Sep 2020
NBFC MFIs	2.27%	2.18%	2.65%	3.91%	3.68%	4.29%
Banks	2.20%	2.20%	2.73%	3.00%	3.04%	3.43%
Others	3.41%	2.69%	3.27%	5.25%	5.20%	6.39%
SFBs	8.47%	6.72%	2.02%	14.14%	12.27%	2.74%
Grand Total	3.31%	2.95%	2.66%	6.00%	5.52%	3.78%

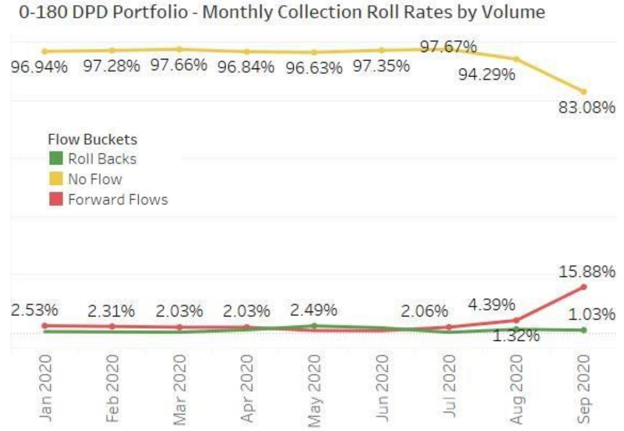
The Risk Level is basis the 180 days or more past due Portfolio & Overall Portfolio reported at the respective book closing period.

Monthly collection roll rates for 0-180 DPD show that through Q1 FY 2020-21, the proportion of loans which remained at the same delinquency level as the month prior, remaining consistent until July 2020.

In Q2 FY 2020-21, from Aug 2020, the proportion of loans flowing to the next delinquency bucket (forward flows) spiked considerably as the moratorium was lifted. The monthly forward flow rate observed in Sep 2020 stood as high as 15%.

Observed in Sep 2020, banks have been the most stressed with monthly forward flow rates at 26%, as against 11% for NBFC MFIs and 14% for SFBs.

0-180 DPD Portfolio - Monthly Collection Roll Rates by Volume



Dive into Geography

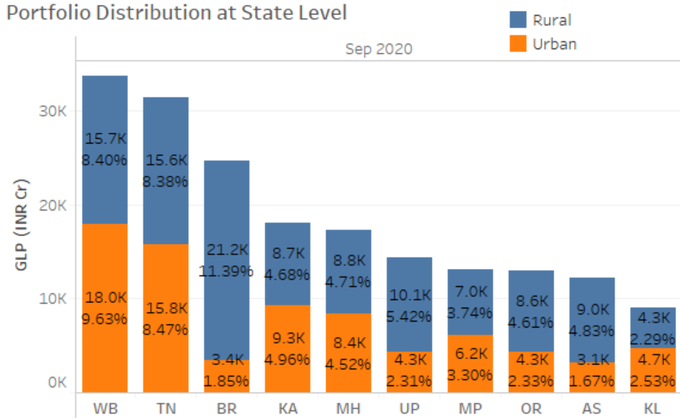
The top 10 states retain 83% of the national GLP, as of Sep 2020. The regional distribution of the microfinance portfolio has largely remained consistent from the previous quarter with the eastern region dominating the market with a share of (34.7%), followed by South (26.3%), West (14.6%), North (10.5%), Central (7.7%) and North East (6.9%). The degrowth in national GLP is attributed to all regions except North East which has seen a growth of 2% over the previous quarter, coming into Sep 2020.

Banks have a near 50% share in east followed by a much lower share of 14% in southern geographies. NBFC MFIs have a near equal play in southern and eastern regions with a share of 29% and 28% respectively as of Sep 2020. SFBs have clear concentration of portfolio in the Southern region with 41% of their overall market in this region.

West Bengal retained its first position from the previous quarter with a share of 15% of the national GLP as of Sep 2020, followed by (14% share) and Bihar (11%). Among these states, West Bengal recorded a Q-o-Q growth of 2.2%, while both Tamil Nadu and Bihar saw degrowth of 1.6% and 2.9% respectively, coming into Sep 2020.

Among the top 10 states, as the moratorium came to an end, all among the top 10 states by GLP witnessed phenomenal early repayment stress, with PAR 1-30 DPD for West Bengal and Assam reaching 31.2% and 27.3% respectively as of Sep 2020. Maharashtra and Bihar recorded high PAR 1-30 DPD at 17.5% each, only slightly lower than Odisha at 18.9%. Assam continued to have stressed portfolio with PAR 31-180 reaching 15%, while that for West Bengal increased to 6%, with greater stress in urban regions of the state. Only Bihar and Uttar Pradesh recorded PAR 31-180 DPD at sub 1% level. PAR 180+ stood highest for Maharashtra (7.4%) followed by Karnataka (5.1%) and Assam (4.7%) as of Sep 2020.

Portfolio Distribution at State Level



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

State Level PAR 1-30

State	Sep 2020 Rural	Sep 2020 Urban	Overall
WB	30.6%	31.7%	31.2%
TN	5.4%	6.0%	5.7%
BR	17.1%	19.3%	17.5%
KA	6.4%	8.9%	7.7%
MH	16.3%	18.8%	17.5%
UP	12.8%	14.5%	13.3%
MP	7.9%	10.2%	9.0%
OR	18.7%	19.2%	18.9%
AS	27.8%	25.8%	27.3%
KL	9.6%	12.7%	11.2%

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

State	Sep 2020 Rural	Sep 2020 Urban	Overall
WB	5.4%	6.5%	6.0%
TN	1.1%	1.0%	1.1%
BR	0.7%	0.9%	0.7%
KA	1.6%	1.4%	1.5%
MH	1.3%	1.9%	1.6%
UP	0.8%	1.4%	0.9%
MP	1.1%	1.6%	1.3%
OR	1.3%	1.4%	1.3%
AS	15.0%	14.9%	15.0%
KL	1.2%	1.4%	1.3%

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+

State	Sep 2020 Rural	Sep 2020 Urban	Overall
WB	1.9%	2.2%	2.1%
TN	1.8%	2.5%	2.1%
BR	0.6%	1.8%	0.8%
KA	4.4%	5.8%	5.1%
MH	6.0%	8.8%	7.4%
UP	2.8%	3.8%	3.1%
MP	3.9%	5.1%	4.5%
OR	3.6%	5.1%	4.1%
AS	4.5%	5.1%	4.7%
KL	2.6%	2.9%	2.7%

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 felt a severe impact of the Coronavirus pandemic with the government announcing a lockdown in the start of the financial year. The GLP of the sector as of Sep 2020 stood at ₹224 crore, witnessing another 1.15% decline over the previous quarter. However, compared to the previous year, the GLP grew by 14% as of Sep 2020.

With near nil economic activity in the first quarter of the financial year, the sector witnessed a huge decline in fresh disbursements, 88% lower compared to same quarter last year. In Q2 FY 2020-21, as the lockdown was lifted and slight normalcy resumed in business operations, disbursements went up swiftly, witnessing a 380% spike (by value) over the first quarter. While Q1 FY 2020-21 saw disbursements largely of smaller ticket sized loans up to 20K, in the post lockdown period in Q2 FY 2020-21, the share of disbursements of larger ticket sized loans >40K increased by 10%.

In the immediate aftermath of the 6-month moratorium period declared by RBI, even as normalcy in business operations began to ensue, microfinance borrowers who were impacted severely due to the lockdown were not able to repay their dues, leading to phenomenally high early delinquencies by value (PAR 1-30 DPD) at 15.7% as of Sep 2020. West Bengal which retained its position as the top microfinance market as of Sep 2020, had 31.7% PAR 1-30 DPD by value. Early repayment stress was felt across geographies.

Derailed by the COVID 19 pandemic, the microfinance sector is slowly and steadily returning to its tracks, with a spike in fresh disbursements. However, since the pandemic is anything but over, repayments and collections still remain a concern for the sector, more so as the collection mechanism still continues to be physical and reach based, rather than digital. In such times, for greater sustainability and growth, it is important for the industry, policy makers and regulators to work in tandem and develop more effective collection mechanisms by leveraging technology, while continuing to advance financial inclusion and graduation of borrowers to enterprise loans.

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 Sep 2020 compared to Sep 2019
Q-o-Q	Quarter on Quarter	Quarterly comparison for change, example Sep 2020 compared to Jun 2020
Q2 FY 2019-20	Second Quarter of the Financial Year 2019-20	July-August-September 2019
Q1 FY 2020-21	First Quarter of the Financial Year 2020-21	April-May-June 2020
Q2 FY 2020-21	Second Quarter of the Financial Year 2020-21	July-August-September 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 nearly 95% representative of the Industry as of Sep 2020 as received by the bureau. Due to COVID-19 disruptions, there has been delay in submission of Sep 2020 data to the bureau.

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.