

MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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State of the Sector

After shrinkage in the previous 2 quarters, the microfinance sector saw a quarterly growth of 1.18% to reach ₹226.6K crore as of Dec 2020. The live customer base also witnessed recovery, although 7% lower than Dec 2019. Coming into Q3 FY 2020-21, repayments continue to be stressed since the end of the moratorium period.

Sectoral Snapshot

	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
GLP (INR Cr)	212.9K	232.2K	226.6K	224.0K	226.6K
%GLP Growth		9.03%	-2.40%	-1.15%	1.18%
Average Ticket Size	33.2K	34.1K	34.2K	34.7K	34.9K
Average Exposure	35.97K	39.33K	38.65K	40.66K	40.58K
PAR 1-30 %	1.9%	2.3%	0.9%	15.7%	8.3%
PAR 31-180 %	1.5%	1.8%	1.4%	2.6%	12.7%
Write-Off (Amount)%	1.4%	1.6%	2.9%	3.0%	3.1%

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

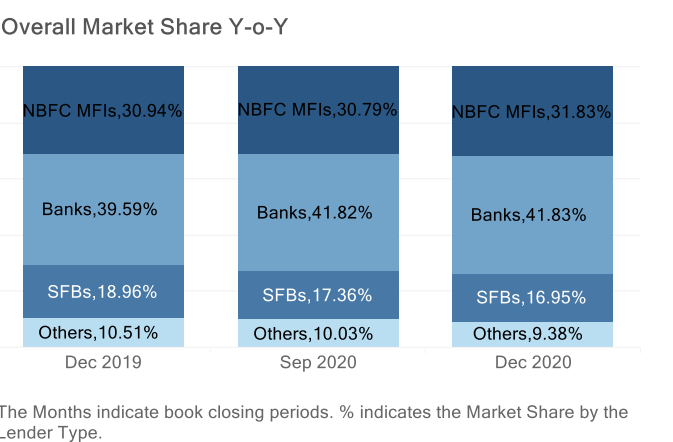
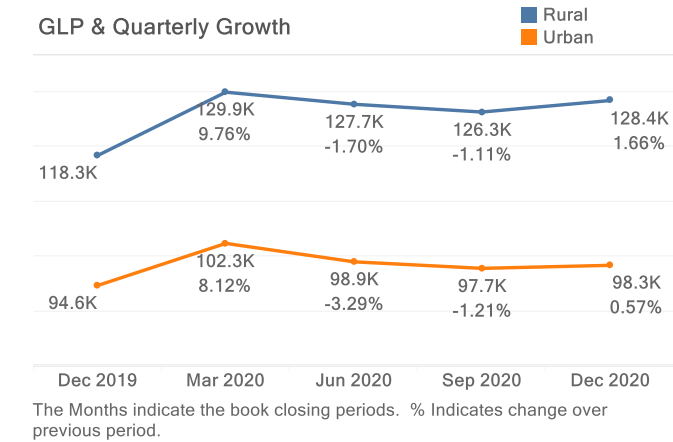
Synopsis

- The GLP of the microfinance sector showed signs of recovery with a 1.18% increase in GLP as of Q3 FY 2020-21.
- Disbursements in Q3 FY 2020-21 continued to increase with quarterly growth of 94% by volume, standing only 4% lower than pre-pandemic disbursements in Q3 FY 2019-20.
- 20.1% of the disbursements in Q3 FY 2020-21 were of small ticket loans (<=10K) due to loan restructuring and new loans given out as part of guaranteed emergency credit.
- Repayments continue to be stressed in the 4 months since the end of the moratorium period:
 - Fresh delinquencies (PAR 1-30%) are at 8.3%.
 - PAR 31-180% has increased to 12.7% as of Dec 2020.

Industry Growth & Market Share

The microfinance sector grew by 6.4% Y-o-Y as of Dec 2020. Both urban and rural markets witnessed nominal quarterly growth of 0.57% and 1.66% respectively. A reversal of trend compared to the first two quarters of the financial year. On a Y-o-Y comparison, the rural portfolio has grown by 8.4% over Dec 2019, while the urban portfolio has grown much slower at 3.8%.

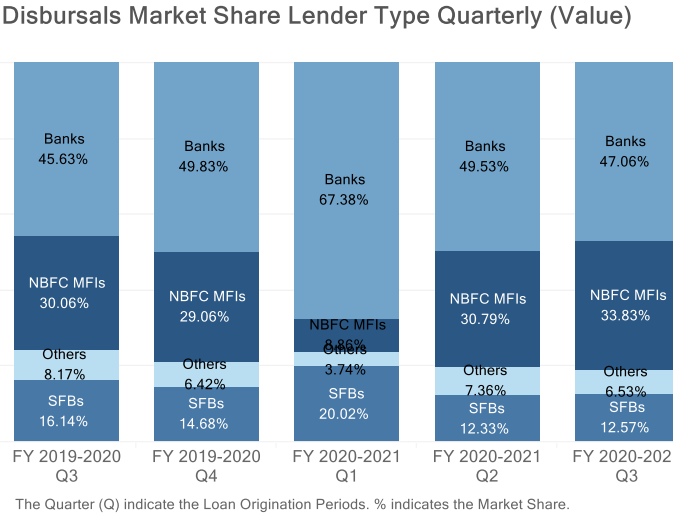
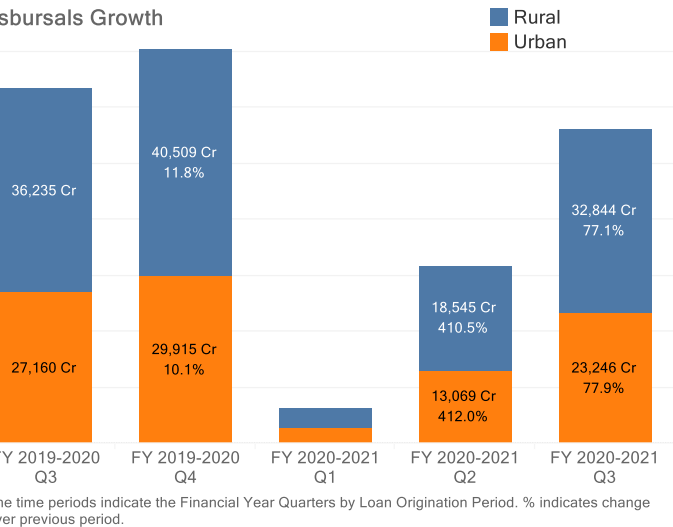
Banks remain the largest lender of microfinance at 41.8%, followed by NBFC MFIs at 31.8% of GLP and SFBs at 16.9% as of Dec 2020. Banks and NBFC MFIs witnessed quarterly growth of 1.2% and 4.6% respectively, in the portfolio coming into Dec 2020. In Q3 FY 2020-21, the share of ticket size 40K-60K stood the highest by value at 28%, while that of ticket size 25K-30K stood the highest by volume at 25%, in the gross loan portfolio.



Sourcing Growth & Market Share

Disbursements have continued to grow coming into Q3 FY 2020-21, with resumption of near normalcy in business operations across the country. With a nearly 80% increase over the previous quarter, disbursements by value stood at ₹56090 crore, still 11.5% lower than Q3 FY 2019-20. In terms of volume, disbursements in Q3 FY 2020-21 almost doubled, compared to the previous quarter standing at 175 lakh and only 4% lower than same quarter previous year. The share of regional distribution of disbursements remained the same as the previous quarter, with the eastern region dominating with 35.5%, followed by the southern region (23.4%). Both rural and urban geographies witnessed 77% growth in disbursements over the previous quarter.

The share of disbursements of loans <=10K increased by 11% over the previous quarter with nearly 24% increase for banks alone. This increase is largely attributable to loan restructuring offered by lenders and new loans of small ticket size extended to eligible borrowers, in the form of guaranteed emergency credit lines, to tide over the pandemic induced stress.



Borrower Leverage & Compliance

National & Top States - Borrower & Loan Leverage Levels

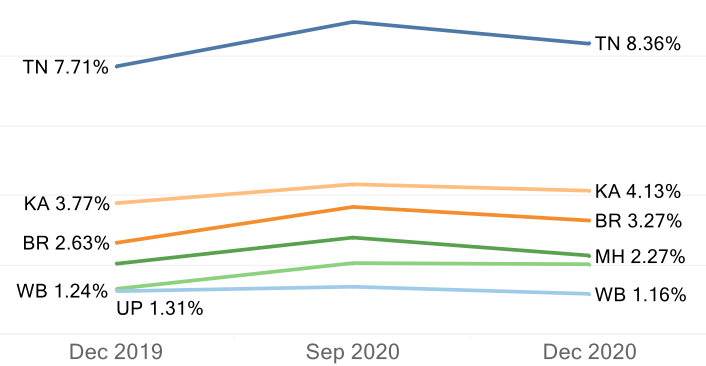
	Average Ticket Size			Average Exposure		
	Dec 2019	Sep 2020	Dec 2020	Dec 2019	Sep 2020	Dec 2020
WB	43.5K	44.6K	41.6K	42.02K	50.36K	50.10K
TN	32.0K	32.9K	33.7K	38.36K	43.02K	42.33K
BR	33.4K	34.9K	35.4K	35.49K	40.13K	39.55K
KA	29.3K	31.4K	33.0K	38.21K	41.61K	42.96K
MH	29.8K	31.2K	32.0K	34.15K	38.38K	38.28K
UP	31.2K	32.4K	33.0K	29.25K	32.46K	32.49K
National	33.2K	34.7K	34.9K	35.97K	40.66K	40.58K

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

The average ticket size of the microfinance loan as of Dec 2020 stood at ₹34.9K, having grown at 0.6% over the previous quarter. The Y-o-Y increase stood at nearly 5%. The average microfinance exposure per borrower saw a decline of 0.2% in Q3 FY 2020-21, standing at ₹40.58K.

Among the top 3 states, the average ticket size of microfinance loan in West Bengal and Bihar stood higher than the national average, while that in Tamil Nadu stood lower. The average exposure per borrower for West Bengal declined by 0.08%, and by 0.14% in Tamil Nadu, while it increased by 0.7% in Bihar over the previous quarter.

Top States - Borrowers associated with 4 or more Lenders



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

Proportion of borrowers with loans running with 4 or more lenders has continued to be the highest in Tamil Nadu standing at 8.36% as of Dec 2020, down by 63 bps from Sep 2020. Karnataka remained at second position at 4.13%, down by 19 bps and Bihar at third position, down by 40 bps as of Dec 2020, over the previous quarter.

Among top 5 states, the live customer base saw a decline in Tamil Nadu, West Bengal and Karnataka as compared to the previous quarter, while it increased in Bihar and Uttar Pradesh.

Coming into Q3 FY 2020-21, early delinquencies, although improved by over 7% from the previous quarter still remain 6% higher than pre-pandemic level

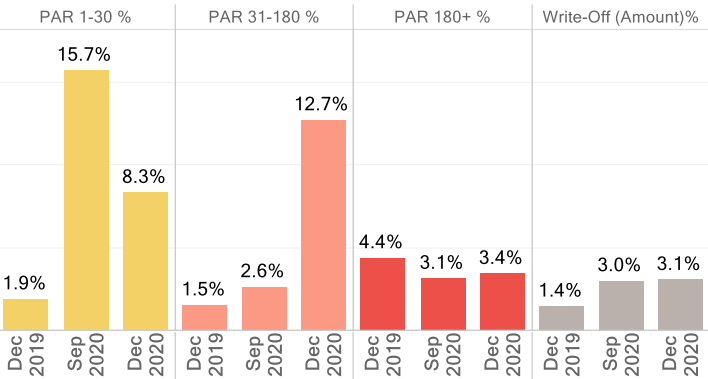
High re-payment stress has continued from the previous quarter with PAR 31-180% reaching 12.7%, having maximum stress in West Bengal, Assam, Odisha and Maharashtra

Industry Risk Profile

Early delinquencies by value (PAR 1-30 DPD) reduced by 7.4% coming into Dec 2020. NBFC MFIs, Banks and SFBs witnessed greater early repayment stress in rural markets compared to urban. High repayment stress in MFI portfolio from the previous quarter continued in Q3 FY 2020-21 with PAR 31-180% at 12.7% increasing by more than 10%. This was experienced across all lenders and in both urban and rural geographies as of Dec 2020. Among all lenders, banks witnessed highest repayment stress as of Dec 2020. Overall PAR 180+% too increased by 30 bps, while write-offs increased by 10 bps as of Dec 2020, compared to the previous quarter.

In comparison to Dec 2019, PAR 1-30% increased by 6.4% and PAR 31-180% increased by more than 11%. PAR 180+% declined by 1%, while write-offs increased by nearly 2% coming into Dec 2020.

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		
	Dec 2019	Sep 2020	Dec 2020	Dec 2019	Sep 2020	Dec 2020
NBFC MFIs	1.49%	10.47%	7.06%	1.58%	10.12%	6.87%
Banks	2.66%	22.99%	10.86%	1.72%	24.18%	10.57%
Others	1.44%	3.50%	4.94%	2.02%	5.27%	6.81%
SFBs	1.99%	13.78%	7.10%	1.59%	12.79%	5.66%
Grand Total	2.03%	15.33%	8.40%	1.68%	16.25%	8.21%

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		
	Dec 2019	Sep 2020	Dec 2020	Dec 2019	Sep 2020	Dec 2020
NBFC MFIs	1.73%	1.84%	12.02%	1.78%	1.94%	12.63%
Banks	1.23%	3.78%	14.40%	1.11%	4.15%	15.25%
Others	2.64%	2.12%	8.83%	3.25%	3.29%	11.10%
SFBs	1.18%	1.15%	10.41%	1.10%	0.77%	10.01%
Grand Total	1.56%	2.57%	12.42%	1.49%	2.75%	13.11%

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

PAR 180+ Levels

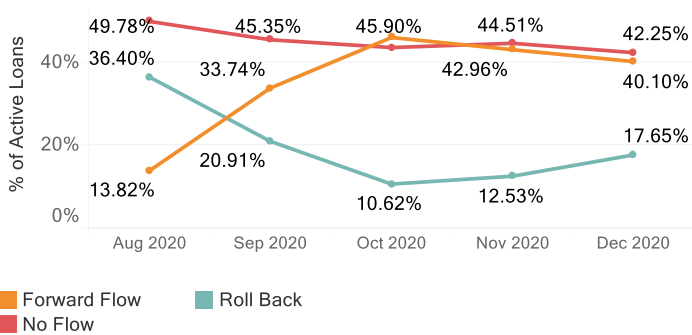
	Rural			Urban		
	Dec 2019	Sep 2020	Dec 2020	Dec 2019	Sep 2020	Dec 2020
NBFC MFIs	2.11%	2.65%	2.91%	3.70%	4.29%	4.37%
Banks	2.24%	2.73%	3.06%	3.08%	3.43%	3.63%
Others	3.62%	3.27%	3.92%	5.49%	6.39%	7.73%
SFBs	7.87%	2.02%	2.26%	13.28%	2.74%	2.96%
Grand Total	3.23%	2.66%	2.98%	5.84%	3.78%	4.03%

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 1-180 DPD show that, from Aug 2020, as the moratorium was lifted, the proportion of loans flowing to the next delinquency bucket (forward flows) spiked considerably, reaching 45.9% in Oct 2020. Thereafter, the monthly forward flow rate has declined to 40.1% in Dec 2020, while roll backs have been increasing.

Observed in Dec 2020, for the current 0 DPD portfolio, collections have improved with the monthly forward flows reducing by nearly 10% between Sep 2020 and Dec 2020.

Industry Portfolio 1-180 DPD - Monthly Collection Roll Rates by Volume



Dive into Geography

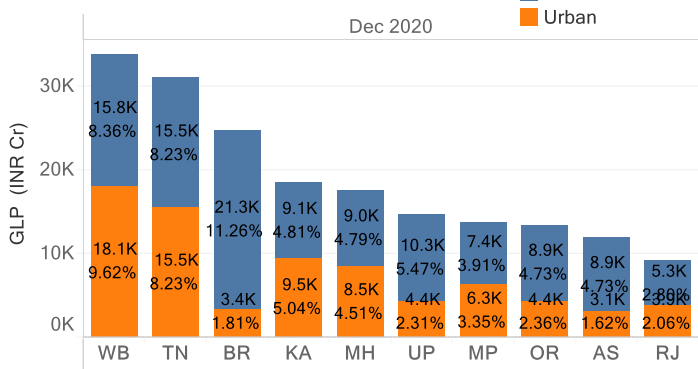
The top 10 states retained 83% of the national GLP, as of Dec 2020. The regional distribution of the microfinance portfolio has largely remained consistent from the previous quarter with the eastern region dominating the market with a share of (34.1%), followed by South (26.1%), West (14.6%), North (10.6%), Central (7.9%) and North East (6.7%). The quarterly growth in national GLP is attributable largely to Central region (4.1% Q-o-Q). North, West, East and South regions witnessed slightly lower quarterly growth in GLP coming into Dec 2020.

47% of banks’ MFI portfolio is concentrated in eastern region, followed by 14% in south and 12.5% in west. Largest market share of NBFC MFIs is in South (29%), followed by east (28%) and west (16.5%) as of Dec 2020. SFBs have clear concentration of portfolio in the Southern region with 40.5% of their overall market in this region.

Among the top 5 states, Karnataka recorded the highest Q-o-Q growth of 3.4%, followed by Maharashtra at 1.9% and West Bengal at 0.9%. West Bengal retained its first position from the previous quarter with a share of 15% of the national GLP as of Dec 2020, followed by Tamil Nadu (14% share) and Bihar (11%).

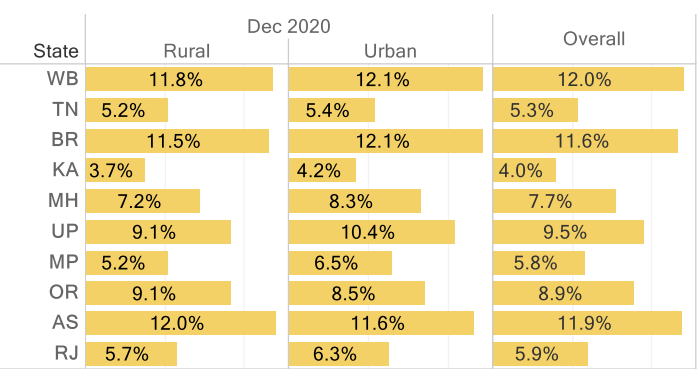
As of Dec 2020, repayment stress from the previous quarter continued, visible through high PAR 31-180 DPD across states. Eastern states of Assam and West Bengal witnessed very high stress with PAR 31-180 DPD reaching 23.1% and 22.8% respectively coming into Dec 2020. PAR 180+ stood higher for Assam (7.9%) and Maharashtra (7.6%) compared to other states as of Dec 2020.

Portfolio Distribution at State Level



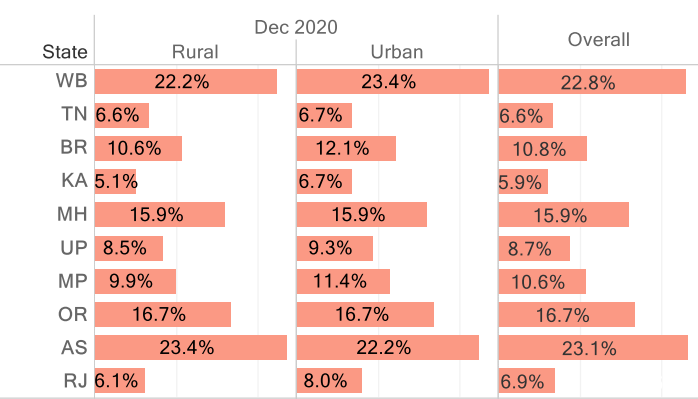
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



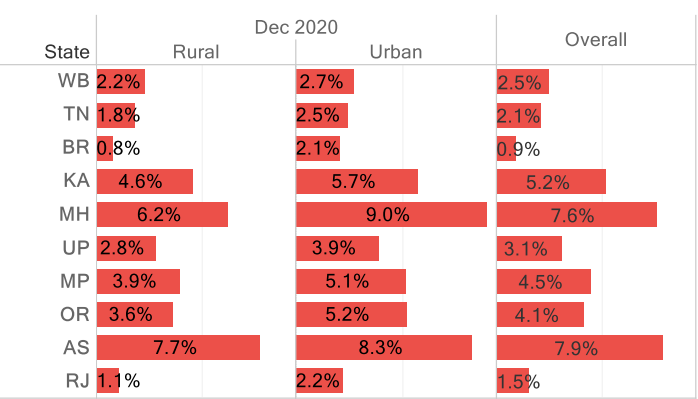
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

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

The microfinance sector in India has traversed a turbulent journey in this financial year. After witnessing de-growth in the gross loan portfolio in the consecutive first two quarters, the sector experienced green shoots of recovery in the third quarter, with a growth in GLP albeit at only 1.18% over the previous quarter.

As markets opened up and operations resumed in Q2 FY 2020-21, disbursements have picked up pace. Digitalisation has gained recognition with more lenders in the customer onboarding stage. Coming into Q3 FY 2020, disbursements further increased, striding towards pre-pandemic levels. 1 out of 5 loans disbursed in Q3 FY 2020-21 is of <=10K, due to loan restructuring and new loans given out as guaranteed emergency credit to manage pandemic induced stress.

This current disruption has had a huge impact on household incomes of individuals including a large number of microfinance borrowers leading to sub-optimal collection efficiencies for the sector. The post moratorium period witnessed high defaults which have continued to flow into Q3 FY 2020-21. The eastern states of West Bengal and Assam hit by the dual impact of the pandemic and natural calamities, including flood and cyclone have witnessed maximum repayment stress as of Q3 FY 2020-21. The Assam Microfinance Institutions (Regulation of Money Lending) Bill 2020 has been introduced to regulate MFI operations and ease stress in the sector.

The COVID 19 pandemic although of incomparable magnitude, is not the first of such crisis faced by the microfinance sector in India. Experts believe that the sector, as in the past, has the resilience to overcome challenges posed by this crisis as well. For greater sustainability and growth in the new normal, microfinance lenders will need to rapidly adapt to the changing business environment, leveraging digital technologies and data analytics in their business processes.

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 Dec 2020 compared to Dec 2019
Q-o-Q	Quarter on Quarter	Quarterly comparison for change, example Dec 2020 compared to Sep 2020
Q3 FY 2019-20	Third Quarter of the Financial Year 2019-20	October-November-December 2019
Q2 FY 2020-21	Second Quarter of the Financial Year 2020-21	July-August-September 2020
Q3 FY 2020-21	Third Quarter of the Financial Year 2020-21	October-November-December 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 Feb 2020 as received by the bureau. Due to COVID-19 disruptions, there has been delay in submission of Dec 2020 data to the bureau.

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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.

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