

MicroLend

QUARTERLY PUBLICATION ON MICROFINANCE LENDING

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State of the Sector

The microfinance sector continued its growth trajectory in Q3 FY 2019-20, with a portfolio outstanding of ₹212.9K crores, growing at 26.5% Y-o-Y. The sector witnessed a steep growth of 8.5% Q-o-Q, which is 1% lower than the growth in the same period previous year. The sector's outreach expanded further to 6.2 crore live customers with 10.6 crore active loans as of Dec 2019. Banks continue to dominate the market in Q3 FY 2019-20, with a GLP share of 39.6%, with a marginal fall over the previous quarter at 40.8%, and the GLP share of NBFC MFIs increased by 0.8% over Q2 FY 2019-20. The average ticket size of microfinance loans stood at ₹33.2K in Dec 2019, a 10.3% Y-o-Y growth. Disbursements grew by 22% in value and 10% in volume in Q3 FY 2019-20, compared to same period previous year.

Sectoral Snapshot

	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019
GLP (INR Cr)	168.3K	188.5K	193.6K	196.2K	212.9K
%GLP Growth		12.00%	2.69%	1.35%	8.54%
Average Ticket Size	30.1K	31.1K	31.7K	32.5K	33.2K
Average Exposure	34.16K	36.40K	36.61K	35.29K	35.97K
PAR 31-180 %	1.0%	1.0%	0.9%	1.1%	1.5%
Write-Off (Amount) %	1.1%	1.1%	1.3%	1.3%	1.4%

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

Synopsis

Steep Q-o-Q growth of 8.5% in the industry portfolio observed in Q3 FY 2019-20 and 26.5% Y-o-Y.

Disbursements in Q3 FY 2019-20 grew by 5.9% in value over Q2 FY 2019-20 and 22% over same period previous year.

Early delinquency PAR 1-30 is 1.9%. PAR 31-180 is at 1.5% by Dec 2019, which is 50% higher than Y-o-Y level.

Active customer base at 6.2 crore expanded by 3.6% over Sep 2019 and by 21% Y-o-Y as of Dec 2019.

Q-o-Q growth of NBFC MFIs stood at 11.4% and of banks at 5.2%. Early delinquency for banks (2.2%) stood higher than that of NBFC MFIs (1.5%) as of Dec 2019.

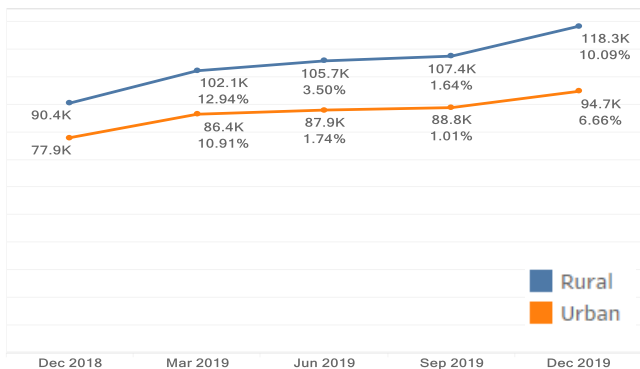
The north eastern region witnessed a 3% Q-o-Q degrowth in Q3 FY 2019-20, coupled with high repayment stress in Q3 FY 2019-20 marked by the socio-political factors affecting the region in the current quarter.

Industry Growth & Market Share

The GLP of the microfinance sector stood at ₹212.9K crores at the end of Q3 FY2019-20 with a Y-o-Y growth of 26.5%. The quarterly growth at 8.5% has been remarkable compared to the 1.3% in the quarter prior. Both rural and urban geographies witnessed steep growth as compared to Q2 FY 2019-20, with rural sector growing at a phenomenal 10% as against 1.6% in the previous quarter and urban sector at 6.6% against 1% in the previous quarter. The rural sector continues to increase in size, standing at 56% of the national GLP in Dec 2019.

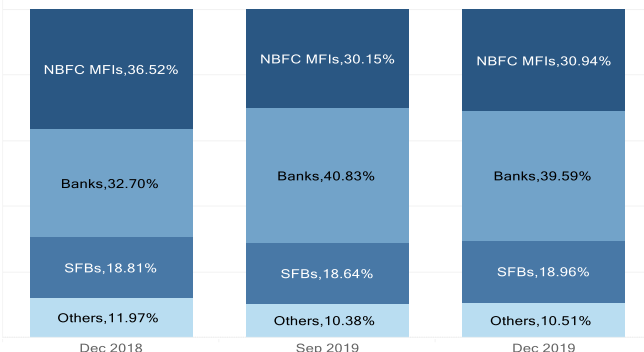
Although banks continue to dominate the market with a portfolio share of 39.6% in Dec 2019, it is the NBFC which have witnessed highest Q-o-Q growth in Dec 2019 at 11.4% as against 5.2% Q-o-Q growth of banks, 10.4% of SFBs and 10% of other lenders. Banks dominate both urban and rural geographies in terms of value as of Q3 FY 2019-20. In terms of active loans, urban geographies are dominated by banks, whereas NBFC MFIs play a critical role in rural areas. Share of ticket size 25K-30K in GLP, which was the largest in the previous quarter at 28%, reduced to 25% in Q3 FY 2019-20, by losing its share to a higher ticket size of 30K-40K, which increased from 25% in the previous quarter to 27% in Q3 FY 2019-20.

GLP & Quarterly Growth



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

Overall Market Share Y-o-Y



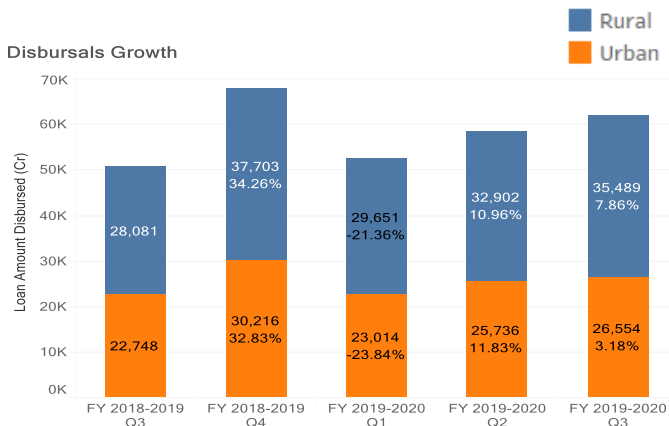
The Months indicate book closing periods. % indicates the Market Share by the Lender Type.

Sourcing Growth & Market Share

Disbursements in Q3 FY 2019-20, stood at ₹62,043 crores, up by 5.9% from the previous quarter and a 22% higher than same quarter previous year. Further, the disbursed amount in the same period previous year saw a quarterly jump of meagre 75 bps. Total loans disbursed (volume) in Q3 FY 2019-20 stood at 178 lakhs, up by 1.05% from Q2 FY 2019-20 and 10% higher than same quarter previous year. In comparison, loans disbursed in the same period previous year saw a degrowth of 2.64%.

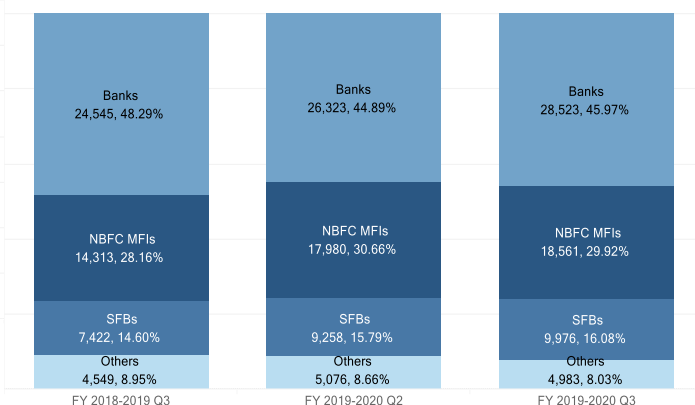
Disbursed amount in Q3 FY 2019-20, from the eastern region stood the highest at 36%, with a Q-o-Q jump of 9%. Southern region occupied 25% share, followed by West at 15%, North at 11% and Central at 8%. Disbursed amount in the North East saw a decline of 33% over the previous quarter, possibly due to the recent unrest between microfinance lenders and borrowers over increasing loan defaults in Assam.

Disbursed amount in Q3 FY 2019-20 in rural geographies saw a Q-o-Q growth of 7.9% as against 3.2% growth Q-o-Q in urban geographies. As of Q3 FY 2019-20, market share of banks in disbursements (value) increased by 1.08% over the previous quarter, while the market share of NBFC MFIs reduced by 0.74%. Share of SFBs increased by 0.3% over Q2 FY 2019-20, and by 1.5% over Q3 FY 2018-19. Disbursements (volume) of loans of ticket size <20K which saw a Q-o-Q growth of 14% in Sep 2019, reduced by 8.5% in Q3 FY 2019-20. Loans of size 40K+ (volume) saw a spike in disbursement volumes at 21% Q-o-Q as of Dec 2019, compared to 13% Q-o-Q in Sep 2019, indicating the focus of lenders on higher value loans.



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

Disbursements Market Share Lender Type Quarterly



Borrower Leverage & Compliance

National & Top States - Borrower & Loan Leverage Levels

	Average Ticket Size			Average Exposure		
	Dec 2018	Sep 2019	Dec 2019	Dec 2018	Sep 2019	Dec 2019
TN	28.3K	31.1K	32.0K	36.20K	37.80K	38.36K
WB	39.8K	43.0K	43.5K	39.98K	42.22K	42.02K
BR	30.9K	32.5K	33.4K	34.47K	34.12K	35.49K
KA	25.9K	28.7K	29.3K	35.61K	37.30K	38.21K
MH	27.2K	29.2K	29.8K	31.69K	32.99K	34.15K
UP	28.7K	30.5K	31.2K	26.76K	28.07K	29.25K
National	30.1K	32.5K	33.2K	34.16K	35.29K	35.97K

As of Q3 FY 2019-20, the average ticket size per loan stood at ₹33.2K having increased by 10.3% Y-o-Y. The average microfinance exposure per borrower has grown by 5% Y-o-Y, settling at ₹35.8K as of Dec 2019.¹

West Bengal, Tamil Nadu and Karnataka recorded higher average exposure, as compared to the national average. Amongst the top states, West Bengal recorded the highest average ticket size in Dec 2019 with a Y-o-Y growth of 9%.

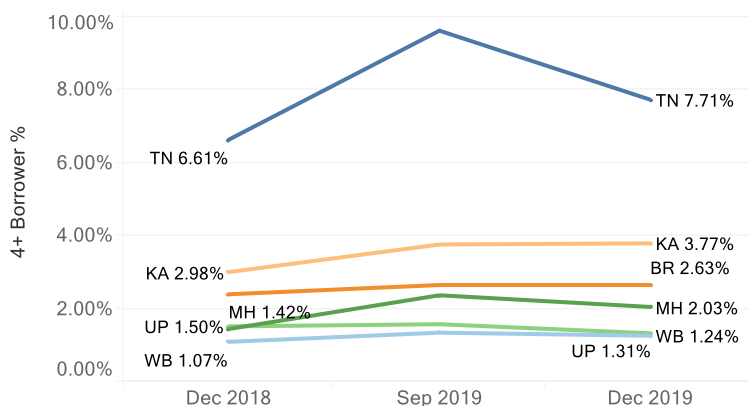
As of Dec 2019, the share of ticket size 30K-40K has surpassed that of 25K-30K to occupy the largest pie in the national portfolio at 27.3%.

7.71%² borrowers from Tamil Nadu have loans running with 4 or more lenders as of Q3 FY 2019-20. The proportion of such borrowers has been declining since June 2019, reducing by 7% in Sep 2019, and by another 18% in Dec 2019. Proportion of borrowers associated with up to 3 lenders increased in Dec 2019 by ~2X of quarterly growth (2.5%) in the overall borrower base in Tamil Nadu.

¹ 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.

² In this Volume, percentage of borrowers with 4 or more lenders has been adjusted to exclude borrowers with worst delinquency of more than 180 days past due.

Top States - Borrowers associated with 4 or more Lenders



The microfinance sector in Assam has faced high repayment stress with PAR 1-30 rising to ~8.5X & PAR 31-180 rising to 6X that of the national average resp. in Q3 FY 2019-20, cautioning the lenders.

Although the national book grew by 8.5% over the previous quarter, the north eastern region witnessed a 3% Q-o-Q degrowth in Q3 FY 2019-20, marked by the socio-political factors affecting the region in the current quarter.

Industry Risk Profile

Delinquencies witnessed by the microfinance sector in Q3 FY 2019-20 were higher than the previous quarter. Early delinquency remained lower than Dec 2018 but increased from 1.3% to 1.9% over the previous quarter. PAR 31-180% increased by 50 bps in a span of one year as of Dec 2019. PAR 180+ reduced by 70 bps from Dec 2018. Overall PAR 1-30 and 31-180 increased for both rural and urban geographies in Q3 FY 2019-20.

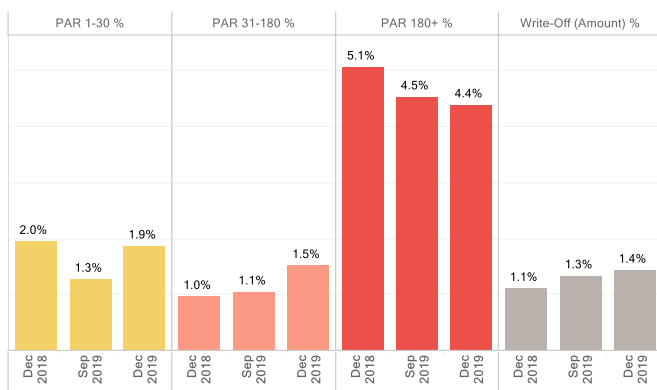
Banks, which had been at the least risk in the previous quarter, have shown deteriorating asset quality with an increase in both 1-30 and 31-180 DPD buckets across rural and urban geographies. PAR 1-30 in rural has increased by 1.74% and by 0.96% in urban geographies. Over the previous quarter, early delinquency for NBFC MFIs increased by 20 bps in rural and 10 bps in urban geographies.

North eastern region which is the smallest share of the GLP at 7% has faced considerably high early repayment stress in Q3 FY 2019-20, at 10.3% compared to PAN India figure of 1.9%.

As of Dec 2019, for loans of ticket size 20K and below, banks stood at nearly 2X PAR 180+ level as compared to NBFC MFIs. In contrast, a year ago in Dec 2018, for the same segment of loans, PAR 180+ for banks stood at 6.1% and for NBFC MFIs at 11.4%.

The overall write offs as of Dec 2019 stood at 1.4% of the portfolio, 10 bps higher than the previous quarter. Write offs for banks as of Dec 2019, stood at 0.2% and for NBFC MFIs at 1.7%, which is higher than the national figure for Dec 2019.

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 2018	Sep 2019	Dec 2019	Dec 2018	Sep 2019	Dec 2019
NBFC MFIs	1.10%	1.28%	1.48%	1.48%	1.49%	1.59%
Banks	1.62%	0.91%	2.65%	1.68%	0.78%	1.74%
Others	2.14%	1.28%	1.44%	2.11%	1.70%	2.03%
SFBs	4.17%	1.99%	1.98%	3.40%	1.86%	1.59%
Grand Total	1.87%	1.24%	2.02%	2.06%	1.31%	1.69%

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 2018	Sep 2019	Dec 2019	Dec 2018	Sep 2019	Dec 2019
NBFC MFIs	0.78%	1.10%	1.72%	0.87%	1.18%	1.79%
Banks	0.60%	0.78%	1.23%	0.69%	0.73%	1.11%
Others	1.79%	2.10%	2.63%	1.78%	2.62%	3.26%
SFBs	1.26%	0.83%	1.18%	1.30%	0.88%	1.10%
Grand Total	0.93%	1.05%	1.55%	1.00%	1.05%	1.49%

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 2018	Sep 2019	Dec 2019	Dec 2018	Sep 2019	Dec 2019
NBFC MFIs	2.68%	2.27%	2.11%	4.68%	3.91%	3.69%
Banks	1.59%	2.20%	2.24%	2.05%	3.00%	3.08%
Others	3.52%	3.41%	3.62%	5.19%	5.25%	5.49%
SFBs	10.96%	8.46%	7.87%	16.76%	14.14%	13.28%
Grand Total	3.68%	3.31%	3.23%	6.67%	6.00%	5.84%

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

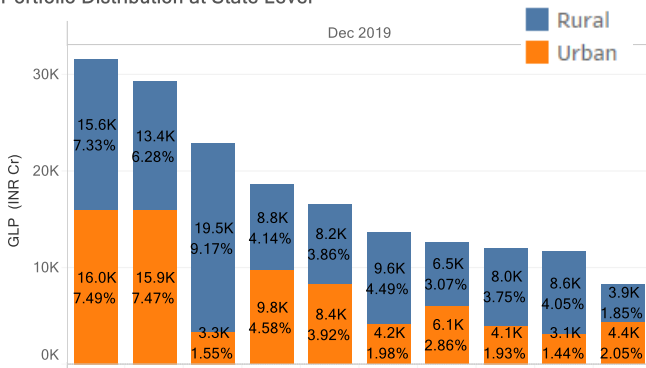
As of Dec 2019, eastern geographies dominate with a GLP share of 32.3%, mainly attributable to West Bengal and Bihar. Southern region has a share of 28%, mainly on the back of Tamil Nadu. West at 14.7%, North at 10.7%, North East at 6.9% and Central at 7.8% constituted the remaining portfolio outstanding in Q3 FY 2019-20. The highest Y-o-Y growth of 31% in the loan book is observed in the Western region, mainly attributable to 26% Y-o-Y growth in Maharashtra. North grew by 29% Y-o-Y, followed by East at 27.5%, Central at 27%, South at 24%, and North East region by 18% Y-o-Y. However, the North Eastern region saw a degrowth of 3% in its portfolio over the previous quarter while all other regions saw a Q-o-Q growth.

Banks have the strongest presence in Eastern geographies at 45.2%, followed by South at 15.4% and West at 12.5%. NBFC MFIs have a larger play in South at 30.6%, followed by East at 27.4%. In terms of ticket size, for loans of size >40K, 40% of the market was in the East region, followed by South at 23%.

Top 10 states account for 83% of the national GLP. Tamil Nadu has retained its position at the top as the largest market with a share of 14.8% of the national GLP and a growth of 10.3% over the previous quarter. In West Bengal, disbursements in Q3 FY 2019-20 were the maximum from mid ticket size 25K-30K, followed by 60K+. Tamil Nadu disbursed maximum loans in the 30K-40K ticket size. Rajasthan, has seen the highest Y-o-Y growth as of Dec 2019 at 47%, higher than Bihar at 46% which has continued to grow the fastest in the previous 2 quarters.

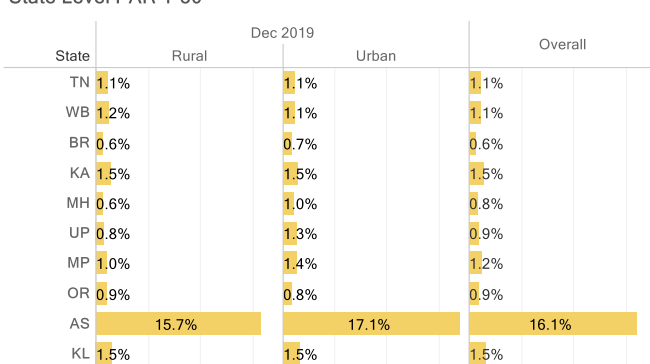
Assam has faced significantly high repayment stress with 16.1% of its portfolio under early repayment stress as of Dec 2019. Its portfolio has witnessed a 5% Q-o-Q decline. Tamil Nadu showed slight improvement in PAR 1-30 from the previous quarter by 0.3%. West Bengal, Bihar, Maharashtra and Kerala have witnessed slight deterioration in their asset quality with increased early delinquencies in Dec 2019 over the previous quarter. Over the same period, Karnataka and Assam have faced higher delinquencies in 31-180 DPD. Maharashtra at 10.9%, although at the highest PAR 180+ among top 10 states, has seen improvement in the portfolio coming into Dec 2019. Karnataka and Uttar Pradesh have seen improvement in PAR 180+ by 60bps and 40 bps respectively as on Q3 FY 2019-20.

Portfolio Distribution at State Level



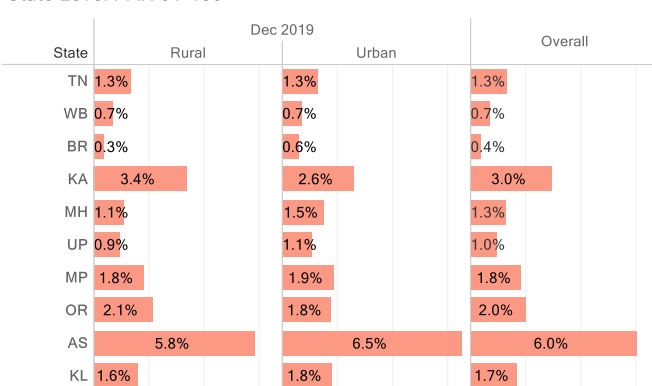
The Portfolio Size & Market Share are basis the last quarterly book closing period.

State Level PAR 1-30



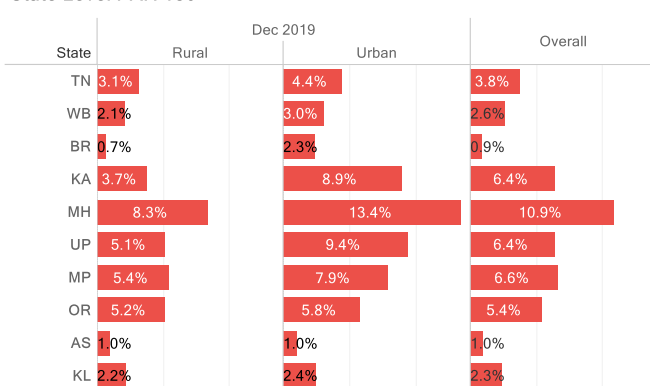
The Risk Level is basis the 31-180 days past due Portfolio & Overall Portfolio reported at the last quarterly book closing period.

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 third quarter of FY 2019-20 witnessed high Q-o-Q growth in the GLP at 8.5%. Over the same period previous year, the sector grew at a faster pace of 9.5%. The maximum growth has come from the loans of ticket size 40K-60K, which increased by 24% over the previous quarter.

With the recent increase in lending limit per borrower and household income limit for borrowers of NBFC MFIs by RBI, the microfinance sector is set to penetrate deeper into untouched geographies and to borrowers in the bottom of the economic pyramid, evident from the consistently growing customer base of the sector.

Delinquencies have remained high as of Dec 2019 above the 1% threshold, with small ticket sizes contributing to the maximum NPAs. Banks have shown deteriorating asset quality with an increase in both 1-30 and 31-180 DPD buckets across rural and urban geographies. Maharashtra, Karnataka, Uttar Pradesh, Odisha and Madhya Pradesh, continue to suffer from high 180+ delinquencies as of Dec 2019, largely attributable to the existing bad pre-demonetization loan book. Assam due to the recent unrest between borrowers and lenders has witnessed high early repayment stress in Q3 FY 2019-20.

Tamil Nadu and West Bengal remain the top 2 states with the best loan book performances as of Dec 2019, while Rajasthan witnessed highest Y-o-Y growth of 47% as of Q3 FY 2019-20.

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 CRIF Microfinance Credit Bureau has undergone data corrections (updates, closure, etc.) by institutions as part of the year end book closing and reconciliation activity. This report accommodates these corrections to the historical trends presented in the report for the previous quarters.

CRIF High Mark strives to keep its data accurate and up to date. The Analysis in this report is based on the trade line as submitted to the Bureau by the member institutions and the customer base enquired with the Bureau as part of the portfolio review. The results are NOT to be construed or used as a "legal description". CRIF High Mark does not assume any liability for any errors, omissions, or inaccuracies in the data provided regardless of the cause of such or for any decision made, action taken, or action not taken by the user in reliance upon any data provided herein. The contents of the report shall not be reproduced in part or whole without permission from CRIF High Mark Credit Information Services Pvt. Ltd. The opinions therein expressed are those of the author. Its contents, therefore, do not represent any commitment between the company and the recipient(s) and no liability or responsibility is accepted by the company for the above mentioned content.

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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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