

Microfinance Pulse

Vol II – June 2019



MicrofinancePulse

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Abbreviations

- POS = Portfolio Outstanding
- DPD = Days Past Due
- ATS = Average Ticket Size
- BC = Banking Correspondent
- SFB = Small Finance Bank
- PAR = Portfolio At Risk
- PSL = Priority Sector Lending
- CIC = Credit Information Company
- NOF = Net Owned Funds

Glossary

- Live POS/Borrowers/Active loans = 0 to 179 DPD + New Account + Current Account
- ATS = Disbursed Amount/ Number of Loans
- K = Thousand
- 1-179 = 1 to 179 DPD/ Live POS
- 30+ Delinquency = 30-179 DPD/ Live POS
- 90+ Delinquency = 90-179 DPD/ Live POS
- 1-29 = 1 to 29 DPD/ Live POS
- 30-59 = 30 to 59 DPD/ Live POS
- 60-89 = 60 to 89 DPD/ Live POS
- 90-179 = 90 to 179 DPD/ Live POS
- Concentration % = Live Borrowers/ Total Population
- FY indicates Financial Year from April to March, eg: FY 19 will indicate the year from April 2018 to March 2019

Executive Summary

Microfinance Pulse primarily aims to provide insights on trends in the microfinance industry from disbursements to delinquencies to top growing states and top loan categories. The publication gives an opportunity to look into the future prospects, apart from being a repository of all that has taken place in the microfinance sector in the recent past. The second edition of the Microfinance Pulse provides an overview of the microfinance industry as of March 31, 2019.

Microfinance Industry Overview: The microfinance industry has total loan portfolio of ₹1,78,547 crore as on March 31, 2019 which represents a growth of 40% over March 31, 2018. NBFC-MFIs hold the largest share of portfolio in micro-credit with total loan outstanding of ₹68,156 crore, which accounts for 38% of total industry portfolio. Banks are the second largest provider of micro-credit, with a loan amount outstanding of ₹59,999 crore, which includes both direct and indirect lending through BC partnerships, accounting for 34% of total micro-credit universe. SFBs have a total loan amount outstanding of ₹29,990 crore, with total share of 17%. NBFCs account for 10% and Not-for-Profit MFIs account for 1% of the industry portfolio.

Disbursement Trends: During FY 2019, Loan disbursal grew by 20% in terms of volume. Loan disbursed amount for FY 2019 is ₹213,074 crore, which has increased by 36% as compared to FY 2018. All India ATS as of FY 2019 is ₹31,623, which had increased by 13% on Y-O-Y basis. ATS of bank loans is highest at ₹42,086, whereas ATS of NBFC-MFIs is lowest at ₹25,850. Highest number of loans in FY 2019 are disbursed in ₹20,000 - ₹30,000 ticket size category.

Industry Risk Profile: Delinquency level witnessed improvement across all the DPD buckets. PAR (1-29 DPD), which indicates the early delinquency rates, has reduced from 4.74% in March 2017 to 1.40% in March 2019, indicating improved collections. The risk levels for PAR 60-89 days past due, has reduced from 2.41% in March 2017 to 0.24% in March 2019.

Geographical Concentration: Top 10 states account for 83% of the microfinance industry's gross loan portfolio. West Bengal and Tamil Nadu contribute 34.7% of the top 10 states. Amongst the top states, West Bengal, Tami Nadu, Bihar and Karnataka has portfolio of more than ₹15,000 crore each.

Top 30 Districts: Microfinance industry has a presence in 619 districts in India. Top 30 districts comprise 25% of portfolio outstanding whereas 213 districts contribute 80% of the portfolio. 111 districts have portfolio outstanding of less than ₹10 crore.

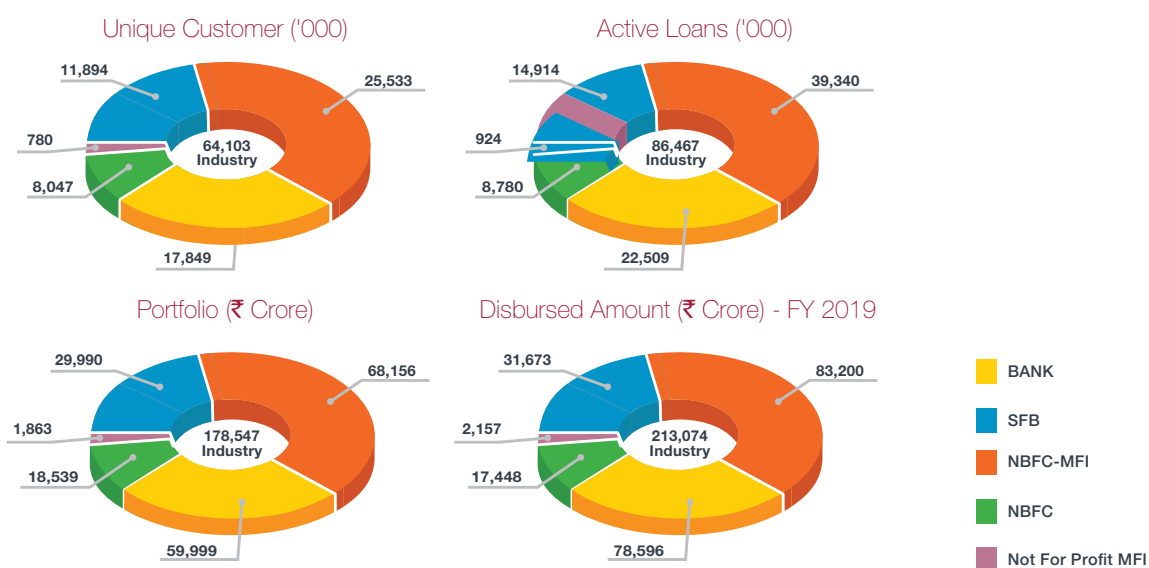
Microfinance Industry Overview



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MFI Industry Snapshot – as on March 31, 2019

Graph-01



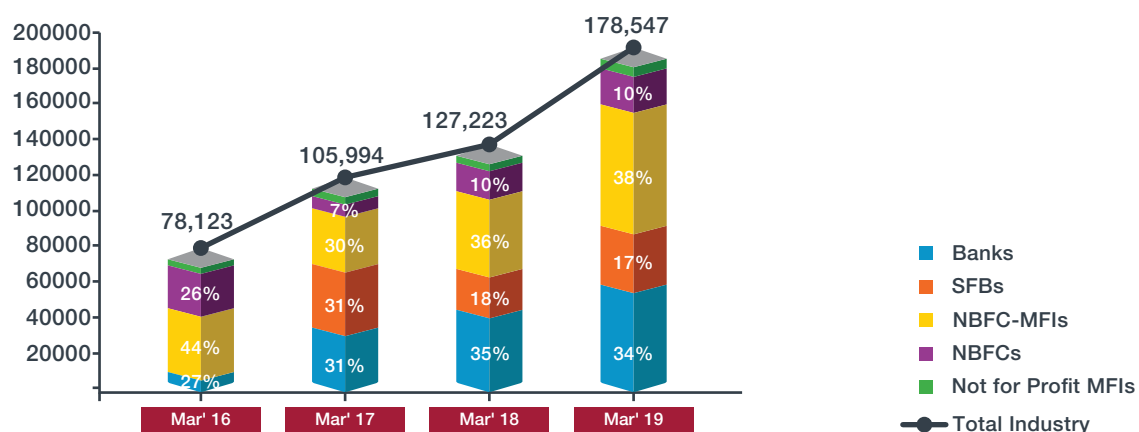
MFI Industry Snapshot of March' 2019	Banks	SFBs	NBFC-MFIs	NBFCs	Not for Profit MFIs	Total Industry
Unique Live Borrowers ('000)	17,849	11,894	25,533	8,047	780	64,103
Active Loans ('000)	22,509	14,914	39,340	8,780	924	86,467
Portfolio Outstanding (₹ crore)	59,999	29,990	68,156	18,539	1,863	178,547
Market Share in Outstanding Portfolio (in%)	34	17	38	10	1	100
Disbursed Amount (₹ crore) - FY 2019	78,596	31,673	83,200	17,448	2,157	213,074
Average Ticket Size (in ₹) FY 2019	42,086	30,780	25,850	31,722	29,656	31,623
30+ Delinquency	0.50%	1.13%	0.91%	2.73%	0.69%	1.00%
90+ Delinquency	0.22%	0.54%	0.37%	1.35%	0.26%	0.45%

Table-01

- NBFC-MFIs have the highest number of unique live customers
- Banks have the lowest 30+ delinquency at 0.50% across all categories of lenders

MFI Industry Overview

Graph-02

Industry Growth and Market Share by Lender Type
Portfolio Outstanding (in ₹crore)

Portfolio Outstanding (in ₹crore)

Particulars (as on March 31 st)	FY 2016	FY 2017	FY 2018	FY 2019
Banks	21,175	33,176	43,914	59,999
SFBs	-	32,384	23,160	29,990
NBFC-MFIs	34,067	31,992	45,794	68,156
NBFCs	20,525	6,974	12,740	18,539
Not for Profit MFIs	2,355	1,467	1,616	1,863
Total Industry	78,123	105,994	127,223	178,547
Y-O-Y growth rate %	-	36	20	40

Table-02

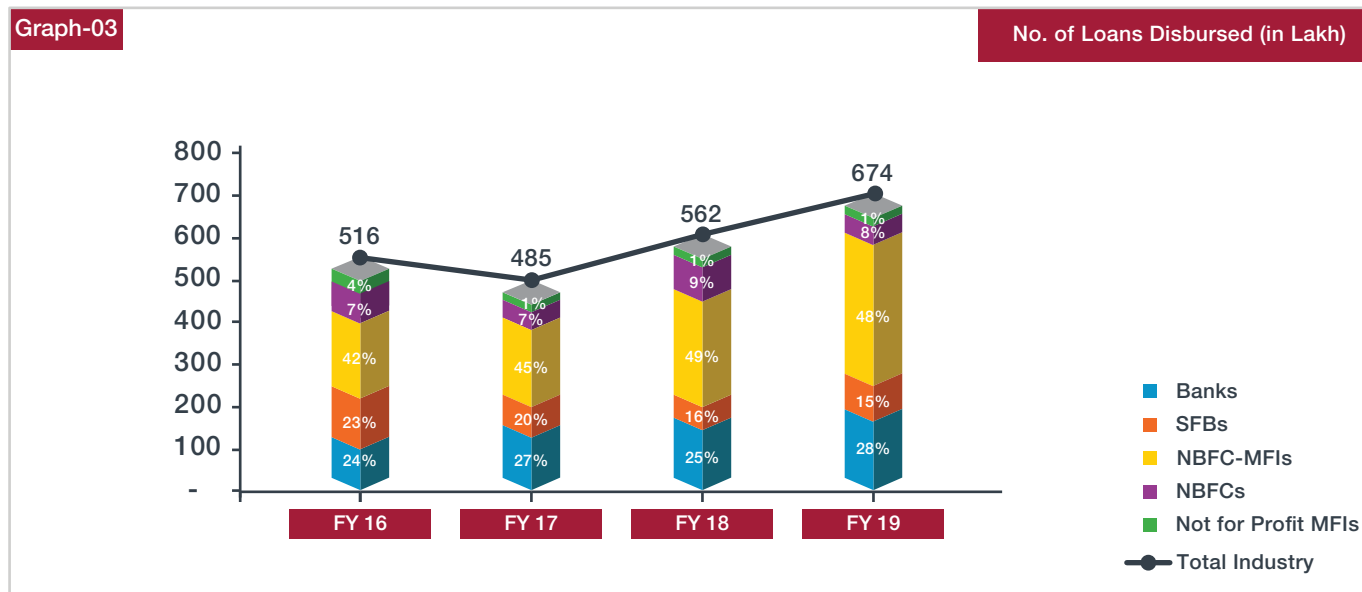
- Portfolio outstanding as on March 31, 2019 is ₹178,547 crore and it grew by 40% from ₹127,223 crore as of March 31, 2018
- NBFC-MFIs witnessed the highest portfolio outstanding growth at 49% across all categories of lenders as at end of FY 2019 compared to previous year

Disbursement Trends



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Disbursement Trends – Institution wise (by volume)



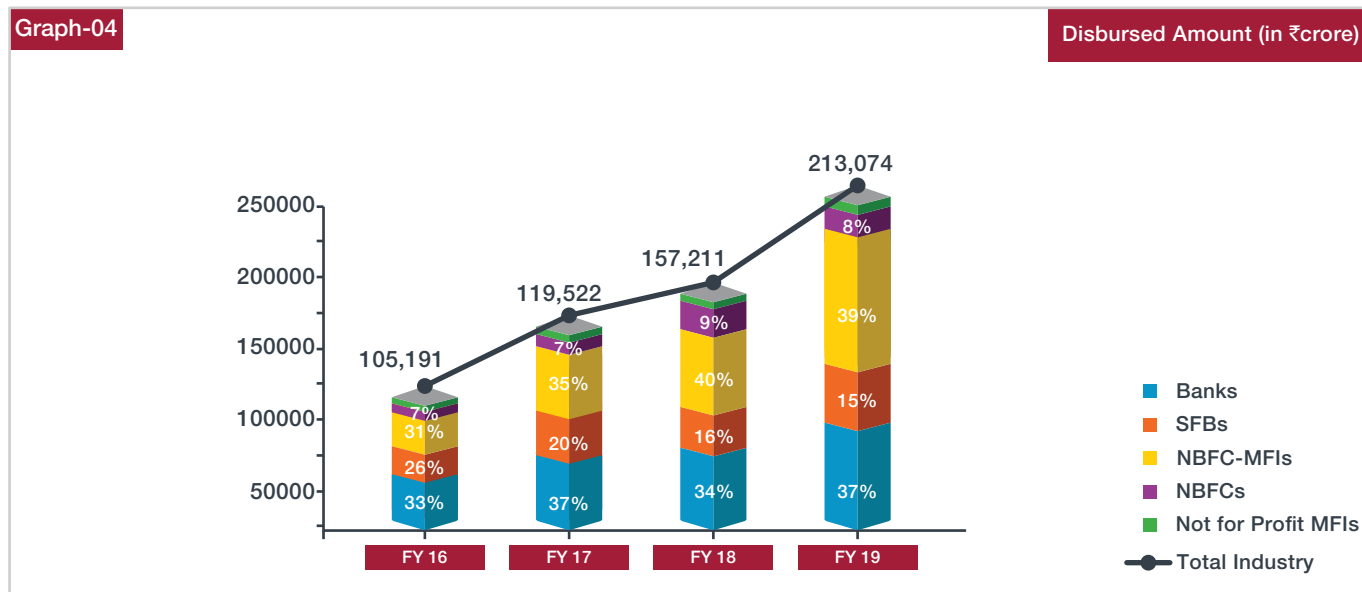
No. of Loans Disbursed (in Lakh)

Lenders	FY 2016	FY 2017	FY 2018	FY 2019
Banks	125	129	141	187
SFBs	120	99	88	103
NBFC-MFIs	213	219	277	322
NBFCs	37	31	49	55
Not for Profit MFIs	21	7	7	7
Total	516	485	562	674

Table-03

- Loan disbursement in terms of volume grew by 20% in FY 19 compared to FY 18
- NBFC-MFIs have sourced highest loans across all categories of lenders
- Banks witnessed highest growth at 32% from FY 18 to FY 19

Disbursement Trends – Institution wise (by value)



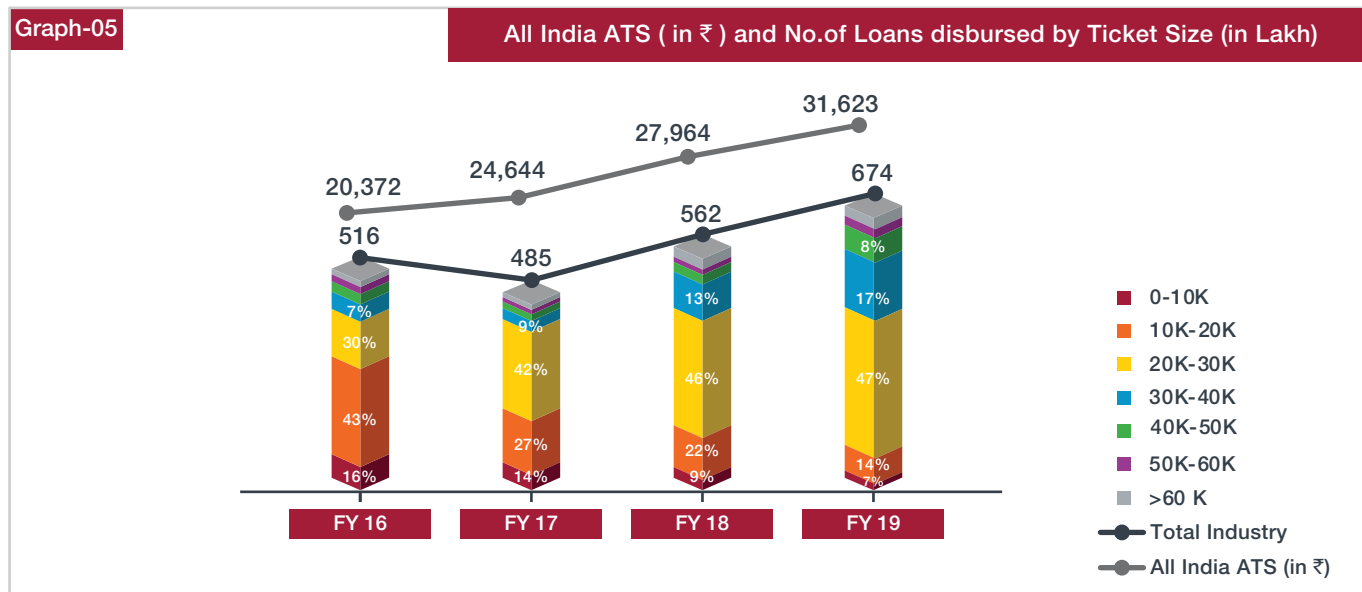
Disbursed Amount (in ₹crore)

Particulars	FY 2016	FY 2017	FY 2018	FY 2019
Banks	34,859	44,225	54,107	78,596
SFBs	27,054	24,368	24,146	31,673
NBFC-MFIs	33,259	41,819	63,009	83,200
NBFCs	7,290	7,602	14,016	17,448
Not for Profit MFIs	2,729	1,508	1,933	2,157
Total Industry	105,191	119,522	157,211	213,074

Table-04

- Loan disbursal in terms of value grew by 36% in FY 19 compared to FY 18
- Banks witnessed highest growth at 45% from FY 18 to FY 19
- NBFC-MFIs witnessed growth at 32% from FY 18 to FY 19

Industry Ticket Size Trends



No. of Loans Disbursed (in Lakh)

Ticket Size (in ₹)	FY 2016	FY 2017	FY 2018	FY 2019
0-10,000	84	66	52	49
10,000-20,000	220	133	120	97
20,000-30,000	155	203	257	314
30,000-40,000	38	42	74	113
40,000-50,000	12	18	30	51
50,000-60,000	4	8	9	15
60,000 Plus	4	14	21	36
Total	516	485	562	674
Y-O-Y loan disbursal growth rate %	-	-6	16	20
All India ATS (in ₹)	20,372	24,644	27,964	31,623
Y-O-Y ATS growth rate %	-	21	13	13

Table-05

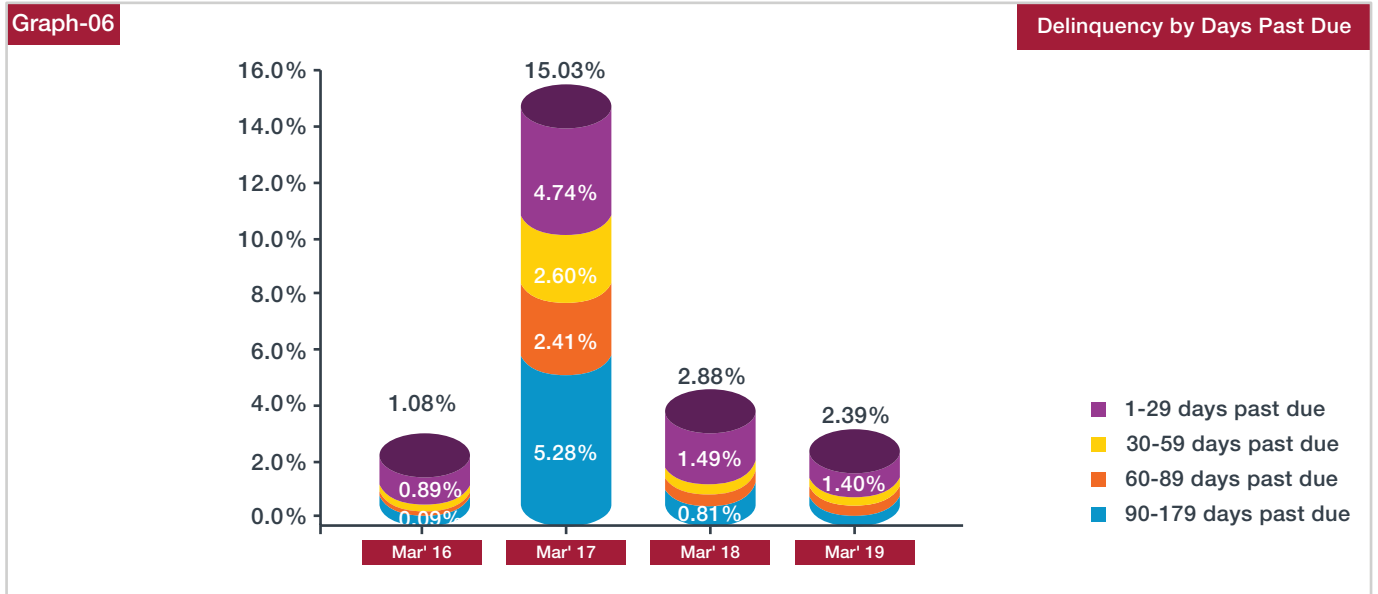
- ₹50,000-₹60,000 ticket size category has witnessed the highest increase by 67% from 9 lakh loans in FY 18 to 15 lakhs loans in FY 19.
- Highest number of loans in FY 19 are disbursed in ₹20,000-₹30,000 ticket size category followed by ₹30,000-₹40,000 ticket size category
- Overall ATS grew by 13% from FY 18 to FY 19

Industry Risk Profile



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Industry Risk Profile



Delinquency by Days Past Due

Reporting Month	1-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90-179 Days Past Due	1-179 Days Past Due
March 2016	0.89%	0.06%	0.04%	0.09%	1.08%
March 2017	4.74%	2.60%	2.41%	5.28%	15.03%
March 2018	1.49%	0.26%	0.32%	0.81%	2.88%
March 2019	1.40%	0.31%	0.24%	0.45%	2.39%

Table-06

- Delinquencies were highest in March 2017
- Delinquencies witnessed improvement from March 2018 to March 2019
- 90+ Delinquency witnessed tremendous improvement in March 2019 from March 2017

Note : Delinquencies calculated basis POS

State Wise Portfolio Outstanding and Delinquency

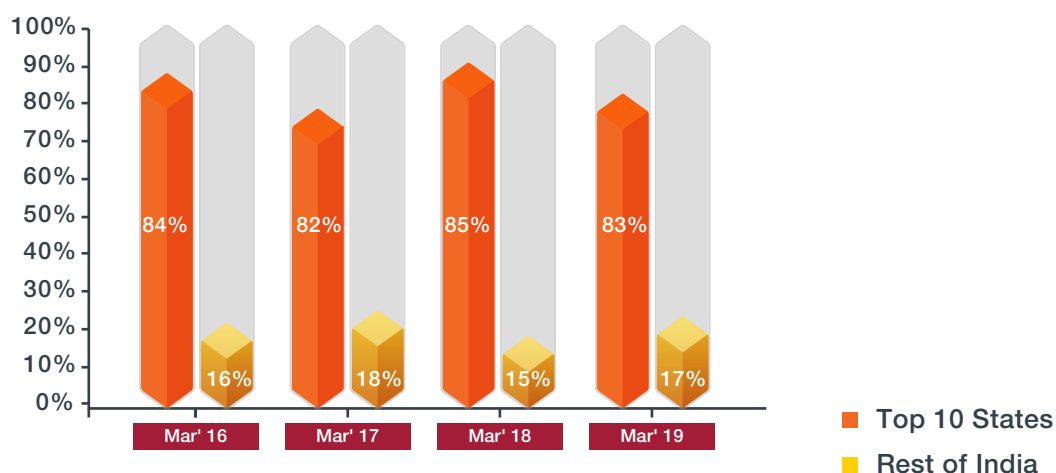


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Portfolio Outstanding Trends - Top 10 States

Graph-07

Portfolio Outstanding Market Share



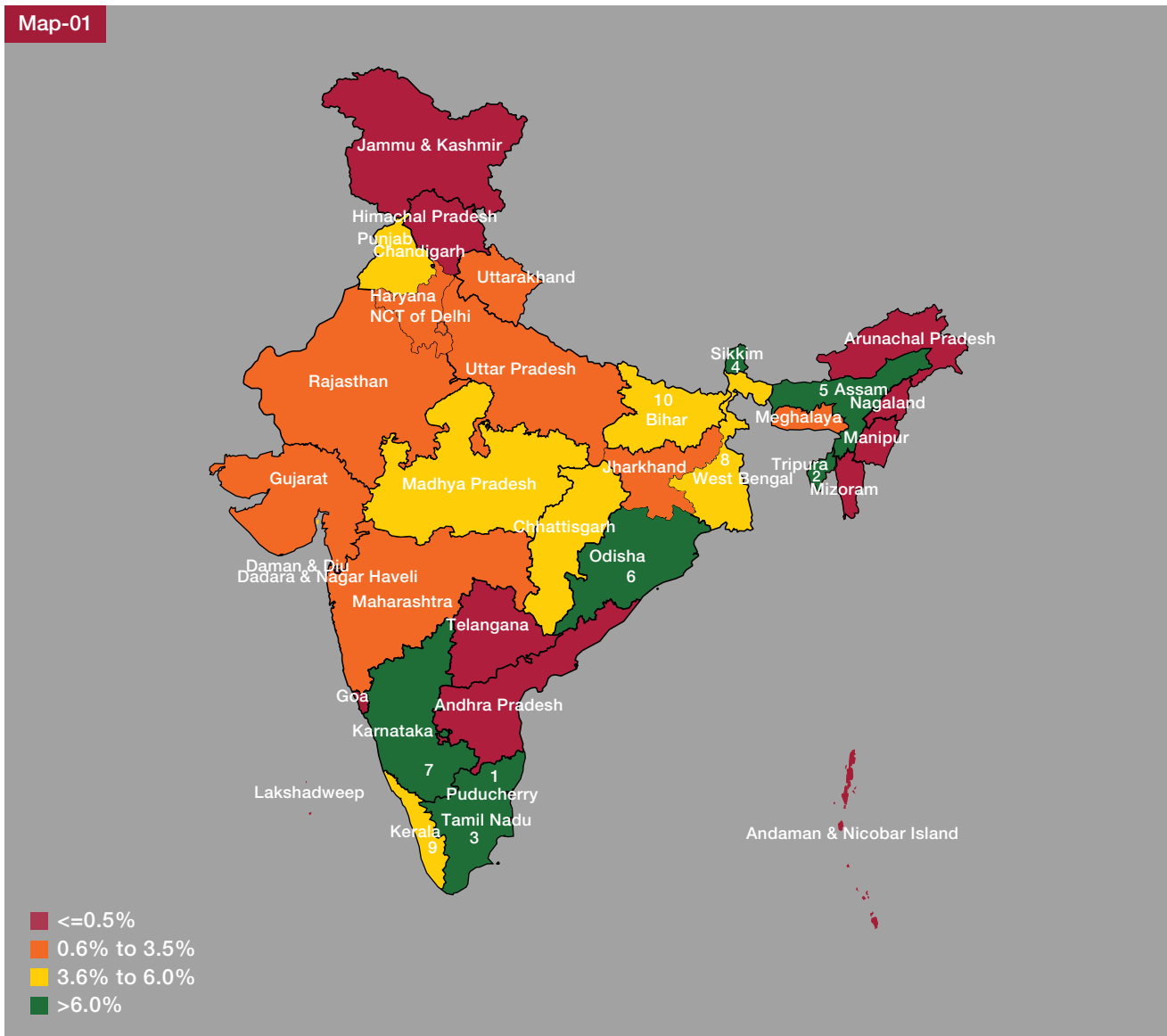
Portfolio Outstanding (₹crore)

Top 10 States	March 2016	March 2017	March 2018	March 2019
West Bengal	10,148	15,166	19,589	26,987
Tamil Nadu	11,042	15,055	18,828	24,611
Bihar	5,312	8,465	11,685	18,036
Karnataka	8,078	9,903	11,030	15,294
Maharashtra	8,091	9,674	8,903	12,420
Assam	3,726	5,471	7,966	12,021
Odisha	3,789	5,166	8,166	11,412
Uttar Pradesh	7,175	8,072	8,425	10,812
Madhya Pradesh	5,325	6,043	7,303	9,905
Kerala	2,967	3,839	5,772	6,942
Total Top 10 States	65,654	86,854	107,668	148,440
All India	78,123	105,994	127,223	178,547
Market Share of Top 10 States	84%	82%	85%	83%

Table-07

- Market share of top 10 states in portfolio outstanding is 83% in March 2019
- West Bengal contributes 15% of the total portfolio outstanding as on March 2019
- Bihar witnessed highest growth at 54% from March 2018 to March 2019

Density Heat Map



Top 10 States	Active Borrowers (in '000)	Population Census-2011 (in '000)	Concentration (in%)
Puducherry	133	965	14
Tripura	389	3,671	11
Tamil Nadu	6,853	72,139	9
Sikkim	24	281	9
Assam	2,401	31,169	8
Odisha	3,209	41,947	8
Karnataka	4,311	61,131	7
West Bengal	5,370	91,348	6
Kerala	1,848	33,388	6
Bihar	5,309	103,805	5
Others	18,375	756,279	2
Total	48,222	1,196,123	4

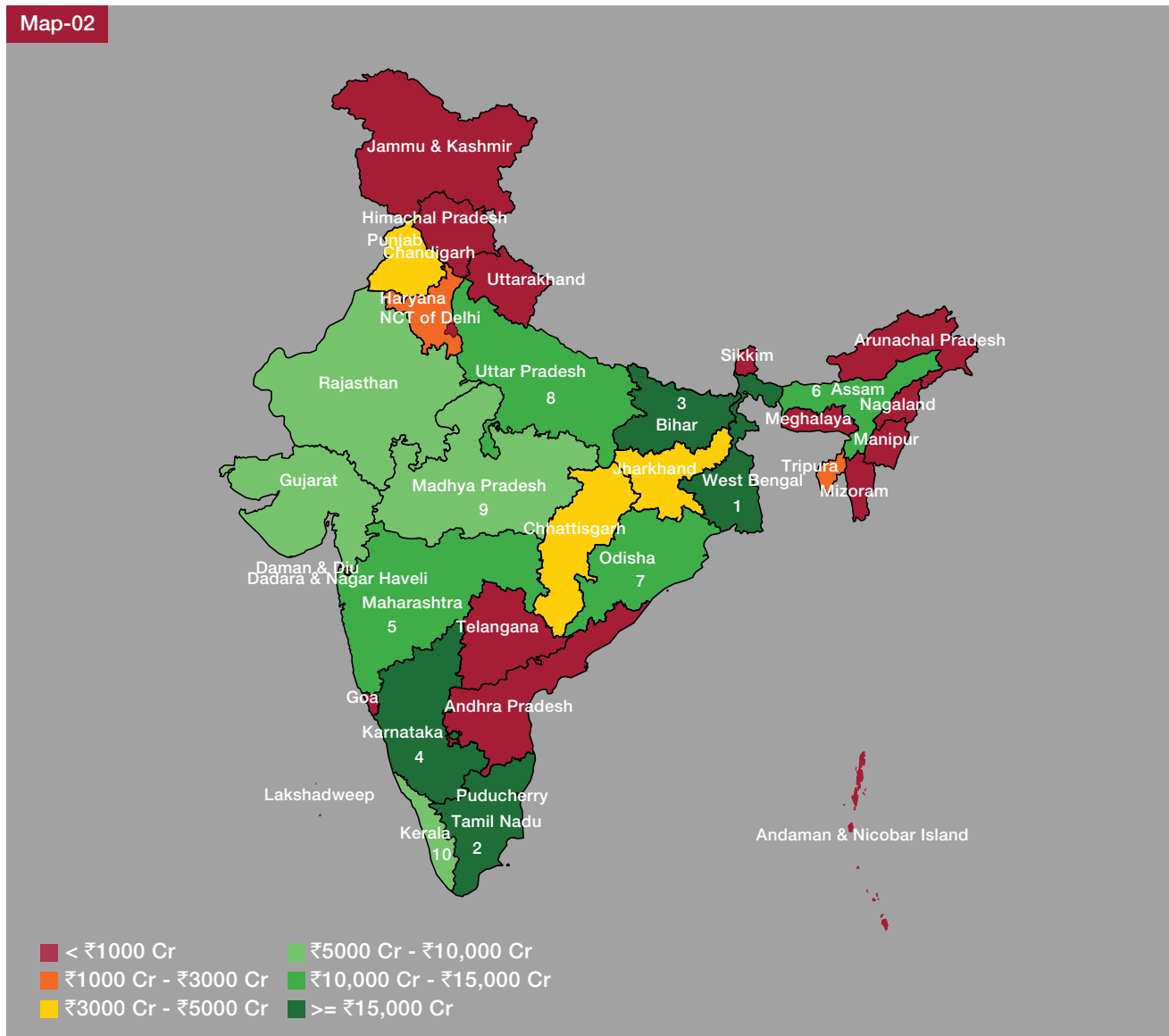
Table-08

- Microfinance industry has presence in 619 districts in India
- Top 30 districts comprise of 25% of portfolio outstanding
- 213 districts of India contribute 80% of the portfolio outstanding
- 111 districts each have portfolio outstanding of less than ₹10 crore each

Note : Data as on March 31, 2019. No.1 indicates highest concentration. This map is a generalized illustration only and is not intended to be used for reference purposes.

State wise Portfolio Outstanding

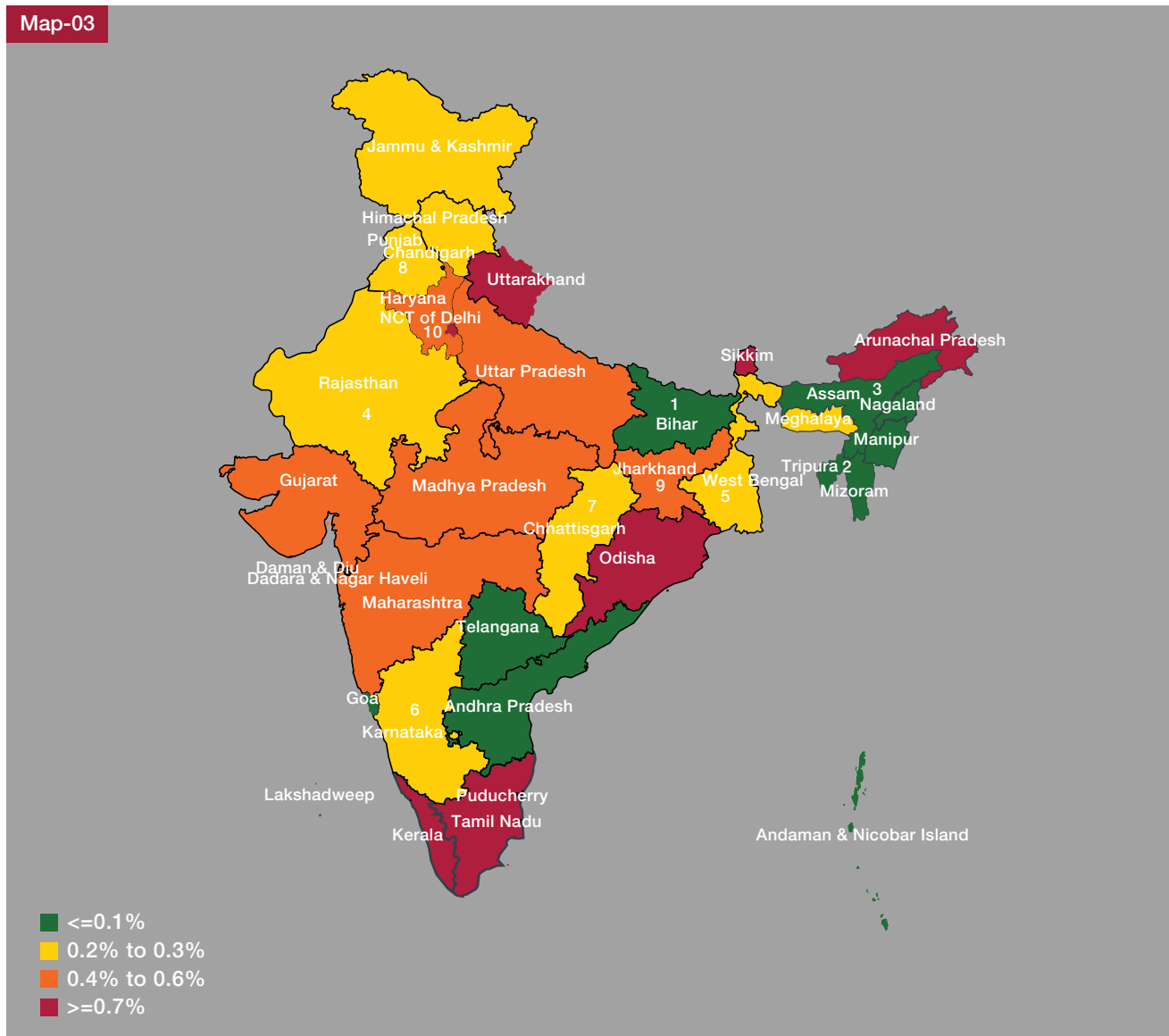
Map-02



- West Bengal is leading the MFI sector with more than ₹26,000 crore of portfolio outstanding as on March 2019
- West Bengal, Tamil Nadu, Bihar and Karnataka have greater than ₹15,000 crore portfolio outstanding
- Maharashtra, Assam, Odisha and Uttar Pradesh have ₹10,000 crore to ₹15,000 crore portfolio outstanding

State wise 90+ Delinquency

Map-03



- Pan India 90+ delinquency has come down to 0.45% in March 2019 from 0.81% in March 2018
- Delinquency of Odisha has increased from 0.21% in March 2018 to 1.69% in March 2019

Top 30 Districts – Portfolio & Delinquency



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Top 30 Districts – Portfolio & Delinquency as on March 31, 2019

Top 30 Districts w.r.t Portfolio

Top 30 Districts	State	POS (₹ crore)	PAR 90+ (%)
North 24 Parganas	West Bengal	2,719	0.40%
Murshidabad	West Bengal	2,271	0.07%
Jalpaiguri	West Bengal	2,230	0.12%
Nadia	West Bengal	2,211	0.20%
South 24 Parganas	West Bengal	2,167	0.46%
Bardhaman	West Bengal	2,061	0.25%
Howrah	West Bengal	1,850	0.15%
Hooghly	West Bengal	1,756	0.15%
Mysore	Karnataka	1,681	0.09%
Cooch Behar	West Bengal	1,681	0.21%
Kamrup	Assam	1,541	0.13%
Coimbatore	Tamil Nadu	1,510	0.53%
Kanchipuram	Tamil Nadu	1,479	0.23%
Cuddalore	Tamil Nadu	1,458	0.17%
Villupuram	Tamil Nadu	1,418	0.19%
West Tripura	Tripura	1,339	0.15%
Thanjavur	Tamil Nadu	1,309	1.48%
Samastipur	Bihar	1,282	0.01%
Muzaffarpur	Bihar	1,245	0.08%
Nagaon	Assam	1,233	0.24%
Pune	Maharashtra	1,167	0.63%
Malda	West Bengal	1,146	0.16%
East Champaran	Bihar	1,144	0.03%
Madurai	Tamil Nadu	1,124	0.35%
Ganjam	Odisha	1,105	0.06%
Bangalore	Karnataka	1,102	0.58%
Begusarai	Bihar	1,081	0.06%
Belgaum	Karnataka	1,064	0.27%
Tiruvallur	Tamil Nadu	1,057	0.38%
East Midnapore	West Bengal	1,054	0.14%

Table-09

Top 30 Districts w.r.t 90+ Delinquency

Top 30 Districts	State	POS (₹ crore)	PAR 90+ (%)
Nabarangapur	Odisha	217	10.12%
Balangir	Odisha	532	7.27%
Sonapur	Odisha	193	5.78%
Bargarh	Odisha	489	5.55%
Boudh	Odisha	158	5.10%
Kalahandi	Odisha	412	4.69%
Ashok Nagar	Madhya Pradesh	49	4.58%
Kandhamal	Odisha	99	3.66%
Koraput	Odisha	204	2.79%
Tiruvarur	Tamil Nadu	776	2.77%
Nagapattinam	Tamil Nadu	947	2.75%
North East Delhi	Delhi	17	2.57%
Nuapada	Odisha	139	2.54%
Sagar	Madhya Pradesh	236	2.46%
Jharsuguda	Odisha	220	2.42%
Kozhikode	Kerala	360	2.16%
Central Delhi	Delhi	10	2.03%
Patan	Gujarat	47	1.89%
Raisen	Madhya Pradesh	165	1.89%
Idukki	Kerala	244	1.88%
Amravati	Maharashtra	198	1.88%
Jamtara	Jharkhand	34	1.83%
Pudukkottai	Tamil Nadu	611	1.79%
Deoghar	Jharkhand	122	1.77%
Narsinghpur	Madhya Pradesh	147	1.76%
Sambalpur	Odisha	312	1.74%
Kodagu	Karnataka	191	1.74%
Junagadh	Gujarat	16	1.73%
Debagarh	Odisha	72	1.72%
Pathanamthitta	Kerala	306	1.71%

Table-10

- Portfolio as of March 2019 indicates that the state of West Bengal has maximum number of districts in top 30 districts Pan India followed by Tamil Nadu
- As of March 2019 the state of Odisha has the maximum districts 90+ delinquency as compared to other states

Microfinance Pulse – Second Edition

Microfinance has proved to be an important tool in serving the poor, particularly women. The success of microfinance interventions in several countries across the world has brought recognition to the sector. It is now considered as a significant tool for achieving Sustainable Development Goals. The microfinance in India has made significant progress during the last decade, thereby supporting equitable growth at the bottom of the pyramid.

Definition of Microfinance

- **Reserve Bank of India** defines microfinance as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve their living standards".
- Bank credit to MFIs (NBFC-MFIs, Societies, Trusts, etc.) extended for on-lending to individuals and also to members of SHGs/JLGs is eligible for categorisation as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure and Others subject to the criteria laid down in para 19 of the **Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016** (updated as on December 04, 2018) on Priority Sector Lending – Targets and Classification.

Area	Guidelines
Pricing of Loans	<ul style="list-style-type: none"> ■ Margin cap for large MFIs - 10%; ■ Margin cap for other MFIs - 12%; ■ Interest rate charged = Cost of funds + margin or average base rate of five largest commercial banks by assets multiplied by 2.75 times, whichever is lower ■ Pricing in individual loans may exceed 26% provided the maximum variance for individual loans between minimum and maximum interest charged does not exceed 4%. ■ Only three components to be included in pricing of loans: <ol style="list-style-type: none"> i. Interest charge ii. Processing fees charge, not exceeding 1% of gross loan amount iii. Insurance premium
Multiple borrowings	<ul style="list-style-type: none"> ■ Not more than two NBFC-MFIs should lend to the same borrower. ■ Total indebtedness of the borrower does not exceed INR 1,00,000 (excluding loans availed for education & medical expense); loan amount does not exceed INR 60,000 in the first cycle and INR 1,00,000 in subsequent cycles
Loan characteristics	<ul style="list-style-type: none"> ■ Borrowers annual household income not to exceed INR 1 lakh in rural areas and INR 1.60 lakh in urban areas. ■ Tenure of the loan not to be less than 24 months for loan amount in excess of INR 30,000 with prepayment without penalty. ■ Aggregate amount of loans given for income generation should constitute at least 50% of the total loans of MFIs. ■ No penalty charged for delayed payments, no security deposit/margin to be taken ■ Detailed loan card to every borrower ■ Loan to be extended without collateral and is repayable in weekly, fortnightly or monthly instalments at borrower's choice.

Recoveries

- Recovery is normally made only at a central designated place. Field staff is allowed to make recovery at the place of residence or work of the borrower only if, borrower fails to appear at central designated place on 2 or more successive occasions.

Provisioning

- Higher of a) 1% of the outstanding loan portfolio or b) 50% of aggregate loan instalments overdue for more than 90 days and less than 180 days and 100% of aggregate loan instalments overdue for 180 days or more

Funding Access

- MFI loans continue to qualify as PSL

Credit Information

- Every NBFC-MFI must be member of CIC and onboard data to the CICs as mandated by RBI.

Post AP crisis RBI intervened by constituting a committee under the Chairmanship of Shri Y.H. Malegam to study issues and concerns in the MFI sector. Based on the recommendations of the committee, RBI had formed a separate category of NBFC viz. Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) and issued separate directions on December 02, 2011. NBFC-MFI is defined as a non-deposit taking NBFC (other than a company licensed under Section 25 of the Indian Companies Act, 1956) that fulfils the following conditions:

(i) Minimum NOF of INR 5 crore. (For NBFC-MFIs registered in the North Eastern Region of the country, the minimum NOF requirement shall stand at INR 2 crore).

(ii) Not less than 85% of its net assets are in the nature of "qualifying assets."

About SIDBI

Small Industries Development Bank of India (SIDBI), established under an Act of the Indian Parliament in 1990, acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small, and Medium Enterprises (MSME) sector. Over the years, through its various financial and development measures, the Bank has touched the lives of people across various strata of the society and impacted enterprises over the entire MSME spectrum.

In the context of the changing MSME lending landscape, the role of SIDBI has been realigned through adoption of SIDBI Vision 2.0. The Vision 2.0 envisages an integrated credit and development support role of the Bank by being a Thought Leader, adopting a credit-plus approach, creating a multiplier effect and serving as an aggregator, in the MSME space.

In line with Vision 2.0, during the year, the business strategies have been reoriented, along with putting in place strategic business initiatives & product/operational improvements, various structural initiatives have been embarked upon and the digital drive has been invigorated.

SIDBI in Microfinance space

SIDBI has been a pioneer in the micro-finance space by providing financial assistance, in the form of equity/ quasi equity, term loans and grant support to Micro Finance Institutions (MFIs) while advocating and implementing various responsible lending practices. As an industry leader, SIDBI has been working continuously towards enhancing the capacity of microfinance institutions and promoting responsible microfinance and enabling smooth flow of adequate credit to the micro finance sector through various interventions. Till March 2019, the Bank has developed the capacity of more than 100 MFIs and provided financial support to them to the extent of INR 18,446 crore , benefitting 385 lakhs people, mostly women.

About Equifax

Equifax is a global information solutions company that uses trusted unique data, innovative analytics, technology and industry expertise to power organizations and individuals around the world by transforming knowledge into insights that help make more informed business and personal decisions.

Headquartered in Atlanta, Ga., Equifax operates or has investments in 24 countries in North America, Central and South America, Europe and the Asia Pacific region. It is a member of Standard & Poor's (S&P) 500® index and its common stock is traded on the New York Stock Exchange (NYSE) under the symbol EFX. Equifax employs 11,000 employees worldwide.

With a global legacy of over 120 years in the credit industry, in 2010, Equifax established a presence in India market and was licensed by RBI to operate as a CIC. Over the last 9 years, the credit bureau has grown to 4000+ members including Banks, NBFCs, MFIs and insurers. These members provide data on demographic and repayment information on millions of Indian consumers. In 2014, Equifax further grew its footprint in India through acquisition of an analytics firm. Equifax Analytics Pvt. Ltd is Equifax's fully owned analytics entity in India, which delivers unparalleled customized analytics solutions that enrich both the performance of businesses and the lives of consumers.

Disclaimer

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