

Microfinance Pulse

Vol IV – January 2020



MicrofinancePulse

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Executive Summary

The Microfinance industry clocked 36% Y-o-Y growth in the quarter ending on September 2019. The 4th edition of Microfinance Pulse aims to capture key trends and performance with in-depth views of the Microfinance industry. This shall provide insights in future trends, potential growth opportunities and critical segments across the Microfinance space. This edition also analyzes the “Loan Cycle ID” sourcing and ticket size trends in the industry

- **Microfinance Industry Overview:** The Microfinance industry has total loan portfolio of ₹199,688 crore as on September 30, 2019. Banks are the current leaders in the lender category with a total portfolio outstanding of ₹80,526 crore, which constitutes 40% of the total market share. Also Banks have continued with their dominance in higher value loans, their Average Ticket Size being highest at ₹36,754 as on September 2019
- **Disbursement Trends:** The industry Average Ticket Size registered 5% growth from the period JAS'18 to JAS'19; loans having ticket size of up to ₹10K registered the highest growth at 40%
- **Industry Risk Profile:** Risk profile trend shows an increase in industry level 90+ delinquency from 0.40% in September 2018 to 0.43% in September 2019. However, Bihar and Rajasthan are the top states in terms of low 90+ delinquency with Bihar also featuring among the top 3 states in terms of portfolio outstanding
- **Geographical Exposure:** The top 5 states contribute 55% of the pan India portfolio with Tamil Nadu at the top with outstanding of ₹29,367 crore as on September 2019. Bihar has shown the maximum growth of 55% in portfolio outstanding from September 2018 to September 2019
- **Aspirational Districts:** The number of active Microfinance institutions in Aspirational districts has grown from 117 in December 2017 to 133 in September 2019. Muzaffarpur district in Bihar has shown the highest growth in terms of the number of active Microfinance institutions from 40 in December 2017 to 64 in September 2019. Portfolio outstanding in the Aspirational districts has grown by 101% during the period; at the same time these districts have a 90+ delinquency at 0.41% compared to 0.43% of the industry. The top 3 districts in terms of portfolio outstanding are located in Bihar
- **State Profile:** The comprehensive state profile of Assam provides a snapshot and disbursement trends in the state. Assam has a portfolio of ₹12,508 crore and over 45 lakh live loans as on September 2019. Kamrup and Nagaon are the top districts in the state and have a share of 23% in the state's portfolio. The 90+ delinquency of Assam, at 0.28%, stands well below the industry average of 0.43%

Abbreviations & Glossary

- ATS (Average Ticket Size) = Disbursed Amount / Number of Loans
- Concentration % = Live Borrowers/Total Population x 100
- DPD = Days Past Due
- Live POS or Borrowers or Active loans = 0 to 179 DPD + New Accounts + Current Accounts
- MFI = Microfinance Institution
- POS = Portfolio Outstanding
- UT = Union Territory
- NOF = Net Owned Funds
- Loan Cycle ID - Indicates whether the borrower is taking the first, second, third or more loan from the same lender
- Aspirational districts - Districts (currently 117 in no.) identified by NITI Aayog, Gol, in January 2018 for improvement to enhance Human Development Index, in turn, based on composite indicators like Health & Nutrition, Education, Agriculture & Water Resources, Financial Inclusion, Skill Development and Basic Infrastructure

- 1-179 = 1 to 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
- 30+ Delinquency = 30-179 DPD/ Live POS
- 90+ Delinquency = 90-179 DPD/ Live POS

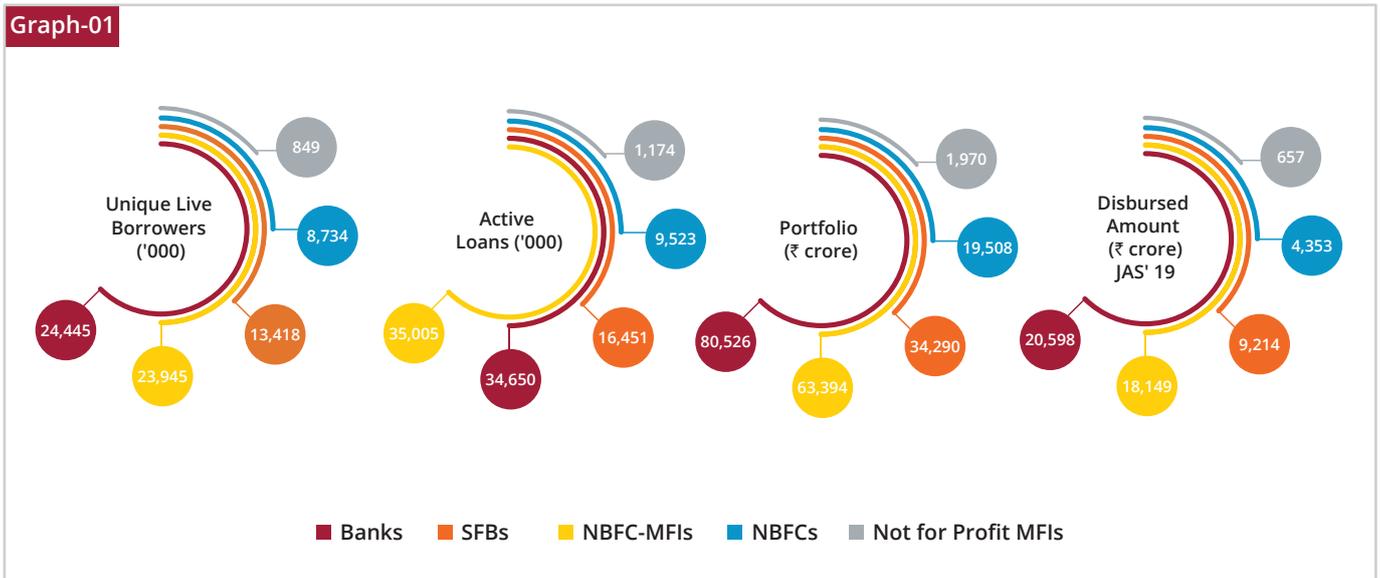
- JAS'18 = July 2018 to September 2018
- OND'18 = October 2018 to December 2018
- JFM'19 = January 2019 to March 2019
- AMJ'19 = April 2019 to June 2019
- JAS'19 = July 2019 to September 2019

Microfinance Industry Overview



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Microfinance Industry Snapshot – as on 30th September 2019



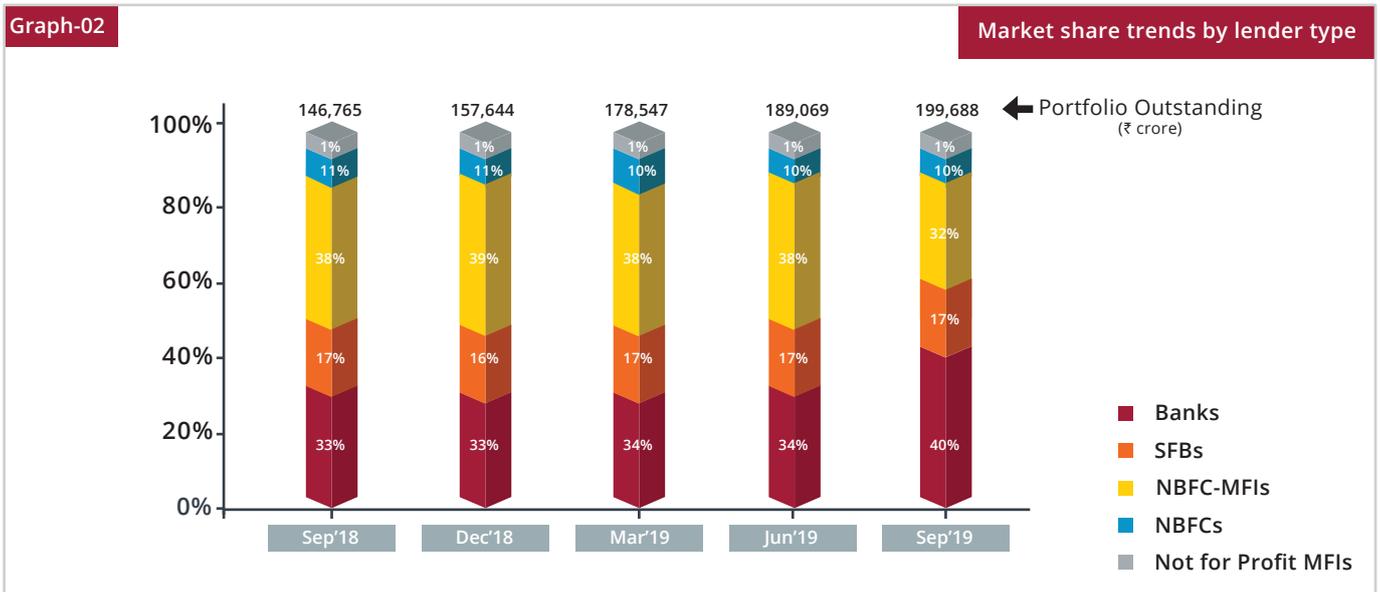
| MFI Snapshot of 30 th Sep 2019 | Banks | SFBs | NBFC-MFIs | NBFCs | Not for Profit MFIs | Total Industry |
|---|--------|--------|-----------|--------|---------------------|----------------|
| Unique Live Borrowers ('000) | 24,445 | 13,418 | 23,945 | 8,734 | 849 | 71,391 |
| Active Loans ('000) | 34,650 | 16,451 | 35,005 | 9,523 | 1,174 | 96,803 |
| Portfolio (₹ crore) | 80,526 | 34,290 | 63,394 | 19,508 | 1,970 | 199,688 |
| Disbursed Amount (₹ crore) - JAS'19 | 20,598 | 9,214 | 18,149 | 4,353 | 657 | 52,971 |
| Average Ticket Size (₹) - JAS'19 | 36,754 | 33,624 | 27,442 | 34,344 | 26,517 | 32,155 |
| 30+ Delinquency | 0.73% | 0.89% | 1.11% | 2.52% | 0.54% | 1.05% |
| 90+ Delinquency | 0.25% | 0.38% | 0.47% | 1.17% | 0.25% | 0.43% |

Table-01

- As on 30th September 2019, Banks are leading the Microfinance industry with 40% market share in portfolio outstanding and have maintained lowest 90+ delinquency at 0.25%
- Banks have a 14% higher ATS than the industry ATS as on 30th September 2019
- NBFCs registered highest 90+ delinquency at 1.17% as on September 2019

Note : In MFI segment there are 5 crore unique live borrowers. Difference in the unique number of borrowers is due to multiple relationships with SFBs, Banks, NBFC-MFIs, NBFCs and Not for Profit MFIs.

Microfinance Industry Overview



| Particulars | Portfolio Outstanding (₹ crore) | | | | |
|-----------------------|---------------------------------|----------------|----------------|----------------|----------------|
| | Sep'18 | Dec'18 | Mar'19 | Jun'19 | Sep'19 |
| Banks | 48,199 | 52,557 | 59,999 | 64,367 | 80,526 |
| SFBs | 24,971 | 25,562 | 29,990 | 31,959 | 34,290 |
| NBFC-MFIs | 55,263 | 60,368 | 68,156 | 71,768 | 63,394 |
| NBFCs | 16,668 | 17,620 | 18,539 | 18,997 | 19,508 |
| Not for Profit MFIs | 1,664 | 1,537 | 1,863 | 1,978 | 1,970 |
| Total Industry | 146,765 | 157,644 | 178,547 | 189,069 | 199,688 |
| Q-o-Q growth rate % | - | 7% | 13% | 6% | 6% |

Table-02

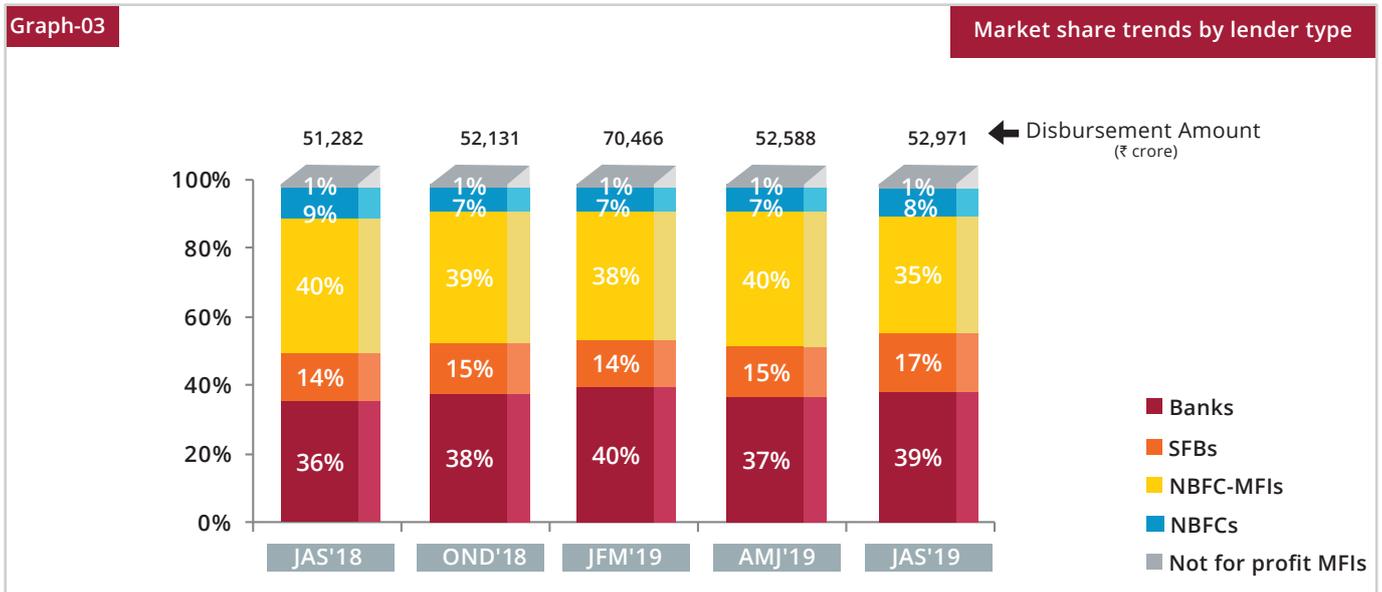
- Microfinance industry has grown by 36% from September 2018 to September 2019
- Across various quarters from September 2018 to September 2019, highest portfolio growth is seen in March 2019, at 13%

Disbursement Trends



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Disbursement Trends – Institution Wise

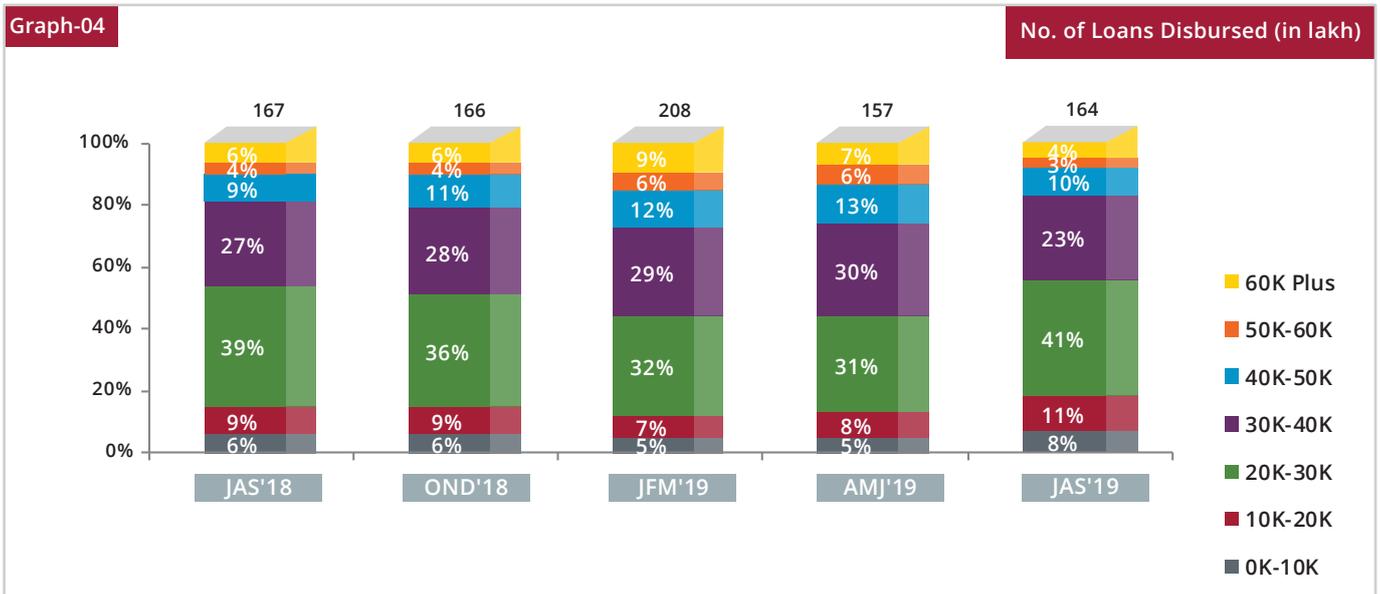


| Sector | No. of Loans Disbursed (in lakh) | | | | |
|-----------------------|----------------------------------|------------|------------|------------|------------|
| | JAS'18 | OND'18 | JFM'19 | AMJ'19 | JAS'19 |
| Banks | 44 | 49 | 64 | 43 | 56 |
| SFBs | 25 | 24 | 31 | 24 | 27 |
| NBFC-MFIs | 80 | 79 | 96 | 77 | 66 |
| NBFCs | 16 | 12 | 14 | 11 | 13 |
| Not for Profit MFIs | 2 | 2 | 3 | 2 | 2 |
| Total Industry | 167 | 166 | 208 | 157 | 164 |

Table-03

- Disbursed amount shows 3% growth from JAS'18 to JAS'19
- Banks have the largest share at 39% in JAS'19 quarter followed by NBFC-MFIs at 35%

Industry Ticket Size Trends



No. of Loans Disbursed (in lakh)

| Ticket Size | JAS'18 | OND'18 | JFM'19 | AMJ'19 | JAS'19 | Y-o-Y growth rate % |
|------------------------------------|------------|------------|------------|------------|------------|---------------------|
| 0K-10K | 10 | 10 | 10 | 8 | 14 | 40% |
| 10K-20K | 15 | 15 | 15 | 13 | 18 | 20% |
| 20K-30K | 65 | 60 | 67 | 49 | 67 | 3% |
| 30K-40K | 46 | 45 | 61 | 46 | 37 | -20% |
| 40K-50K | 16 | 18 | 25 | 20 | 16 | 0% |
| 50K-60K | 6 | 7 | 12 | 9 | 5 | -17% |
| 60K Plus | 9 | 11 | 18 | 12 | 7 | -22% |
| Total | 167 | 166 | 208 | 157 | 164 | -2% |
| Q-o-Q loan disbursal growth rate % | - | -1% | 25% | -25% | 4% | - |
| All India ATS (in ₹) | 30,658 | 31,499 | 33,933 | 33,515 | 32,155 | 5% |
| Q-o-Q ATS growth rate % | - | 3% | 8% | -1% | -4% | - |

Table-04

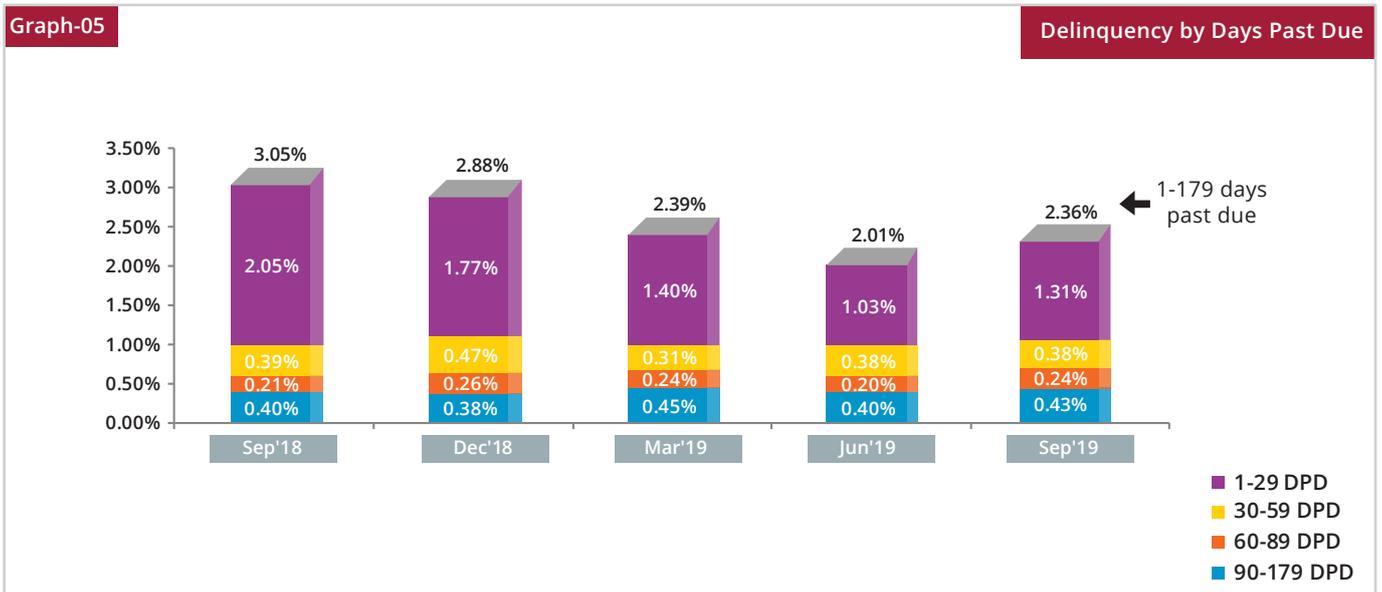
- ₹20k-30k ticket size loans are showing an upward sourcing trend from JAS'18 to JAS'19
- Loan sourcing grew by 4% from AMJ'19 to JAS'19
- Overall ATS witnessed growth of 5% from JAS'18 to JAS'19

Industry Risk Profile



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Industry Risk Profile



| Reporting Quarter | 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 |
|-------------------|--------------------|---------------------|---------------------|----------------------|---------------------|
| Sep'18 | 2.05% | 0.39% | 0.21% | 0.40% | 3.05% |
| Dec'18 | 1.77% | 0.47% | 0.26% | 0.38% | 2.88% |
| Mar'19 | 1.40% | 0.31% | 0.24% | 0.45% | 2.39% |
| Jun'19 | 1.03% | 0.38% | 0.20% | 0.40% | 2.01% |
| Sep'19 | 1.31% | 0.38% | 0.24% | 0.43% | 2.36% |

Table-05

- 30+ delinquencies as on September 2019 are at 1.05%, which is 0.05% higher than in September 2018
- 1-29 days delinquency increased in September 2019 quarter, however, lower than September 2018 quarter

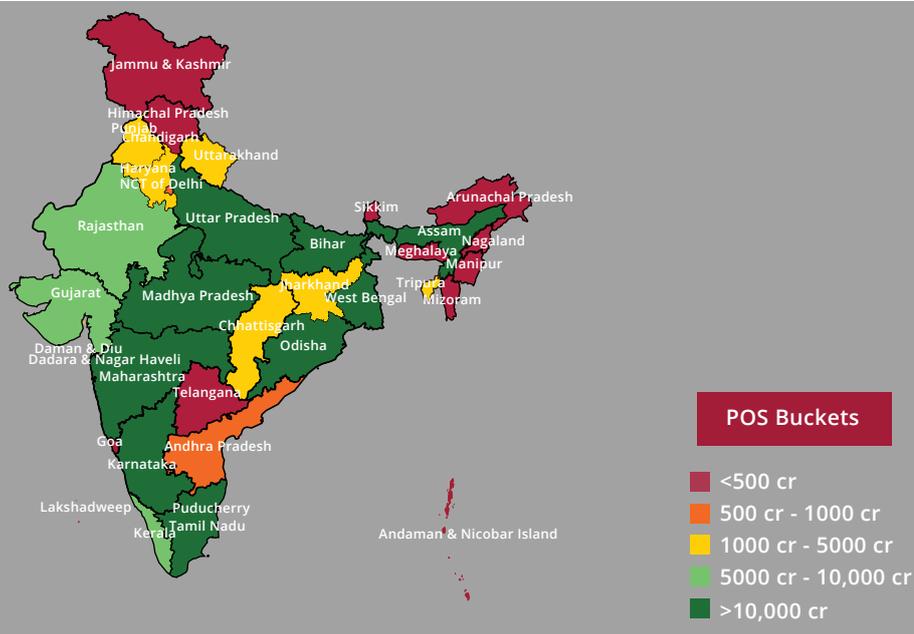
Geographical Exposure



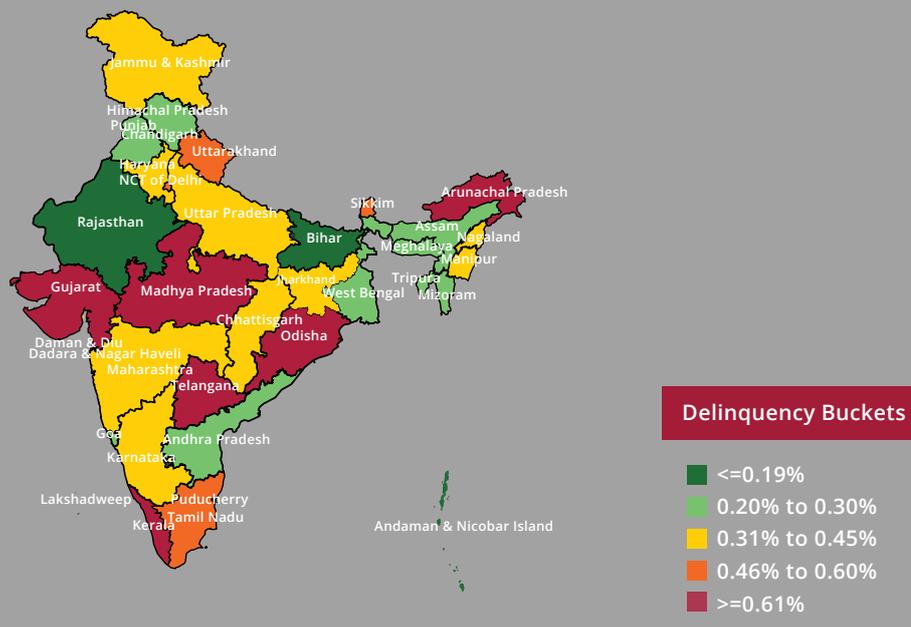
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State/UT wise Portfolio Outstanding and 90+ Delinquency as on September 2019

Map-01



Map-02



- Pan India portfolio outstanding as on 30th September 2019 is ₹199,688 crore
- East zone shows highest concentration of states having portfolio outstanding of less than ₹500 crore
- Pan India 90+ delinquency as on 30th September 2019 stands at 0.43%
- Out of the total 36 states and union territories, 15 states in India have 90+ delinquency at less than 0.3%

Portfolio Outstanding and Delinquency Trends – Top 10 States/UT

| Top 10 States | Portfolio Outstanding (₹ crore) | | | | | Y-o-Y Growth Rate |
|-------------------------------|---------------------------------|---------|---------|---------|---------|-------------------|
| | Sep'18 | Dec'18 | Mar'19 | Jun'19 | Sep'19 | |
| Tamil Nadu | 22,689 | 24,196 | 24,611 | 27,394 | 29,367 | 29% |
| West Bengal | 21,173 | 22,438 | 26,987 | 27,648 | 28,661 | 35% |
| Bihar | 13,488 | 14,933 | 18,036 | 19,770 | 20,933 | 55% |
| Karnataka | 13,078 | 13,954 | 15,294 | 15,960 | 17,237 | 32% |
| Maharashtra | 10,257 | 11,242 | 12,420 | 12,863 | 13,739 | 34% |
| Assam | 9,651 | 9,791 | 12,021 | 12,213 | 12,508 | 30% |
| Uttar Pradesh | 8,869 | 9,316 | 10,812 | 11,789 | 12,331 | 39% |
| Odisha | 9,843 | 10,797 | 11,412 | 11,264 | 11,209 | 14% |
| Madhya Pradesh | 8,290 | 8,850 | 9,905 | 10,505 | 11,205 | 35% |
| Kerala | 6,060 | 6,581 | 6,942 | 7,491 | 8,027 | 32% |
| Total Top 10 States | 123,398 | 132,098 | 148,440 | 156,897 | 165,217 | 34% |
| All India | 146,765 | 157,644 | 178,547 | 189,069 | 199,688 | 36% |
| Market Share of Top 10 States | 84% | 84% | 83% | 83% | 83% | - |

Table-06

Y-o-Y 90+ Delinquency in Top 10 States

| Top 10 States | Sep'18 | Sep'19 |
|----------------|--------|--------|
| Tamil Nadu | 0.30% | 0.54% |
| West Bengal | 0.24% | 0.22% |
| Bihar | 0.17% | 0.10% |
| Karnataka | 0.37% | 0.34% |
| Maharashtra | 0.70% | 0.41% |
| Assam | 0.13% | 0.28% |
| Uttar Pradesh | 1.13% | 0.39% |
| Odisha | 0.22% | 1.39% |
| Madhya Pradesh | 0.65% | 0.71% |
| Kerala | 0.35% | 0.78% |
| All India | 0.40% | 0.43% |

Table-07

- As on September 2019 Tamil Nadu, West Bengal, Bihar, Karnataka & Maharashtra contribute 55% to pan India market share
- Tamil Nadu has moved to first position in September 2019, replacing West Bengal
- Highest growth amongst top 10 Indian states/UT from September 2018 to September 2019 is registered by Bihar at 55% followed by Uttar Pradesh at 39%

Aspirational Districts

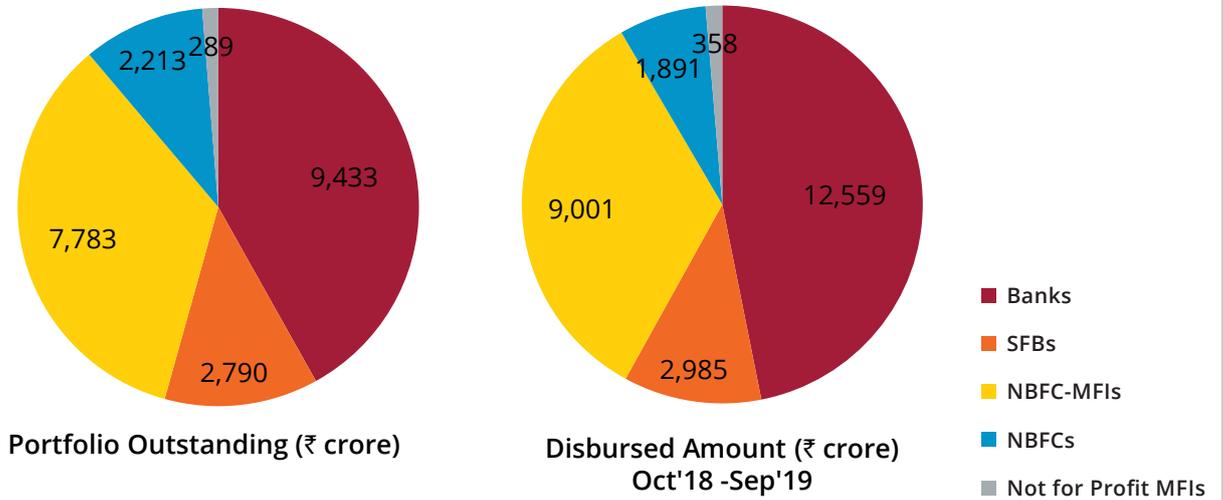


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Aspirational Districts – Overview and Growth as on September 2019

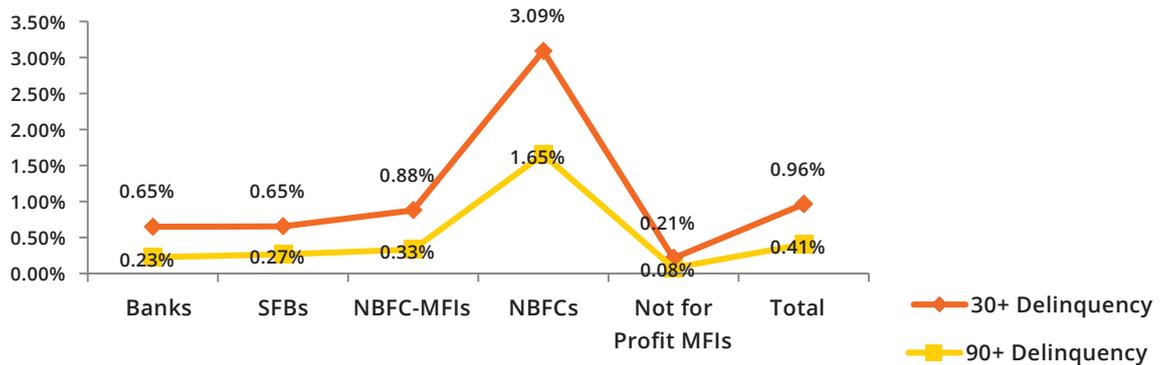
Graph-06

An overview



Graph-07

30+ and 90+ Delinquency lender category wise



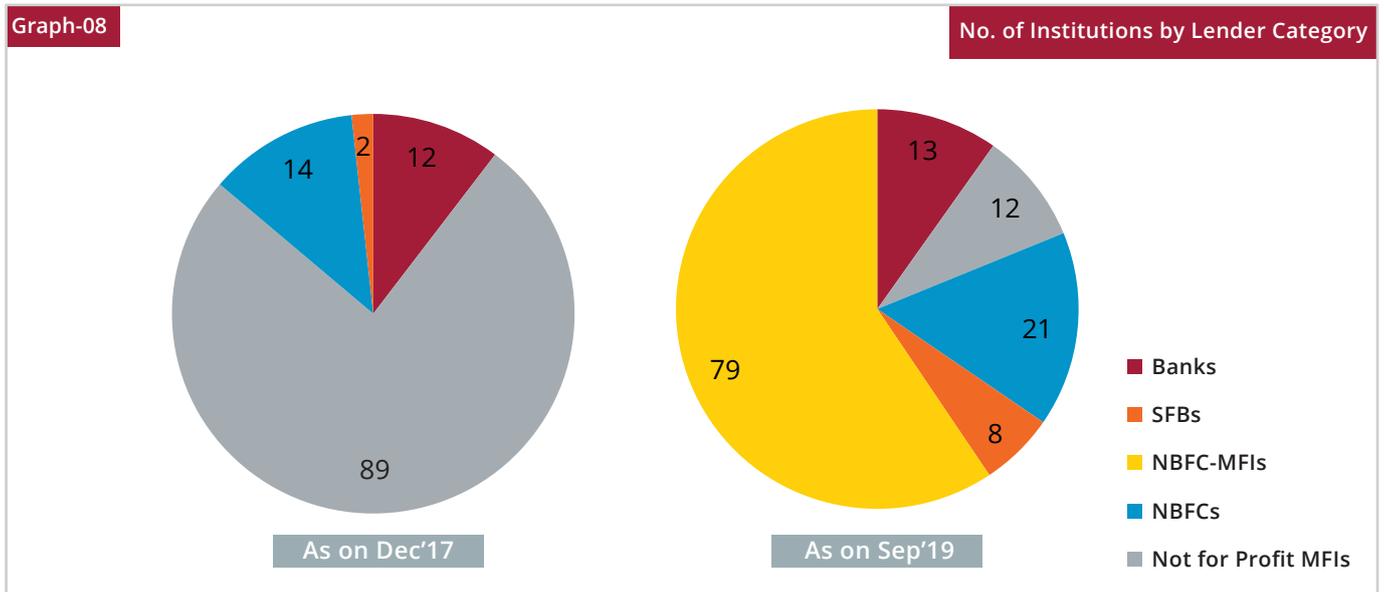
| Aspirational Districts Growth Particulars | December 2017 | September 2019 | Growth % |
|---|---------------|----------------|----------|
| Active MFI Institutions reach | 117 | 133 | 14% |
| Active Customer Penetration ('000) | 4,155 | 6,711 | 62% |
| Disbursement Amount (in crore) | 14,374* | 26,794** | 86% |
| Active Loans ('000) | 6,925 | 11,492 | 66% |
| Portfolio Outstanding (₹in crore) | 11,175 | 22,508 | 101% |
| 30+ Delinquency | 1.54% | 0.96% | - |
| 90+ Delinquency | 0.75% | 0.41% | - |

Table-08

- MFI Customer penetration increased by 62% from December 2017 to September 2019
- Banks lead with 42% share in POS in Aspirational districts, followed by 35% share of NBFC-MFIs, as on September 2019
- 90+ Delinquency of Aspirational districts is seen at 0.41% as on September 2019

*Disbursement : January 2017 – December 2017 | **Disbursement : October 2018 – September 2019 | Delinquencies calculated basis POS

Aspirational Districts – Portfolio View



Portfolio Outstanding – Top 10 districts

| District | State | POS - Dec'17 (₹ crore) | Live institution count** |
|--------------|------------|------------------------|--------------------------|
| Muzaffarpur | Bihar | 688 | 40 |
| Begusarai | Bihar | 652 | 38 |
| Virudhunagar | Tamil Nadu | 395 | 36 |
| Purnia | Bihar | 356 | 33 |
| Balangir | Odisha | 343 | 33 |
| Barpeta | Assam | 341 | 23 |
| Dhubri | Assam | 328 | 18 |
| Dhenkanal | Odisha | 270 | 30 |
| Araria | Bihar | 269 | 25 |
| Katihar | Bihar | 263 | 34 |

- Muzaffarpur is the top district in terms of POS for both snapshots - December 2017 and September 2019
- NBFC-MFIs is the major sector as on September 2019, with 79 institutions belonging to the sector

Table-09

| District | State | POS - Sep'19 (₹ crore) | Live institution count** |
|----------------|------------|------------------------|--------------------------|
| Muzaffarpur | Bihar | 1,425 | 64 |
| Begusarai | Bihar | 1,173 | 61 |
| Purnia | Bihar | 821 | 45 |
| Virudhunagar | Tamil Nadu | 710 | 43 |
| Dahod | Gujarat | 657 | 38 |
| Araria | Bihar | 638 | 37 |
| Katihar | Bihar | 610 | 46 |
| Barpeta | Assam | 585 | 32 |
| Darrang | Assam | 549 | 32 |
| Ramanathapuram | Tamil Nadu | 542 | 41 |

Table-10

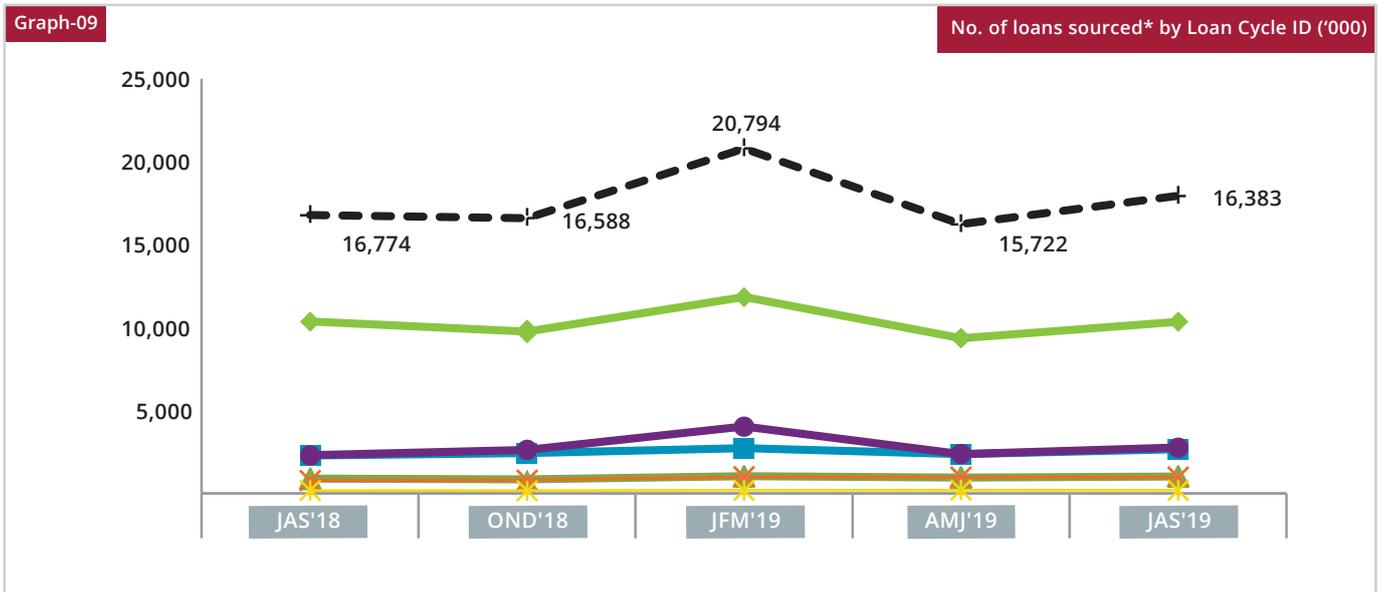
**Some duplication may be there due to institutions operating in multiple geographies

Loan Cycle ID Trends



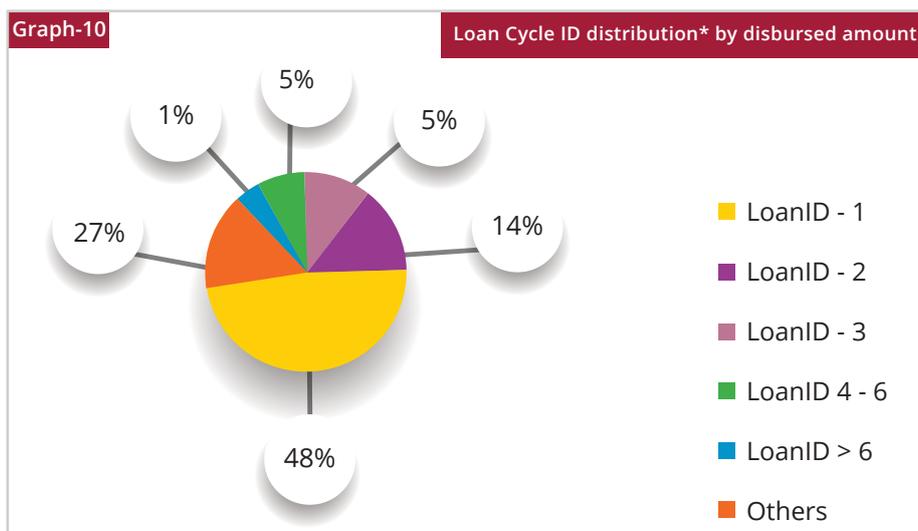
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Loan Cycle ID - Sourcing Trends



| Loan Cycle ID | JAS'18 | OND'18 | JFM'19 | AMJ'19 | JAS'19 |
|-------------------------|--------|--------|--------|--------|--------|
| LoanID-1 | 10,358 | 9,752 | 11,834 | 9,350 | 10,345 |
| LoanID-2 | 2,282 | 2,419 | 2,712 | 1,868 | 1,280 |
| LoanID-3 | 887 | 841 | 1,033 | 959 | 840 |
| LoanID 4-6 | 780 | 795 | 998 | 979 | 972 |
| LoanID>6 | 171 | 164 | 188 | 193 | 190 |
| Others (ID not defined) | 2,296 | 2,617 | 4,029 | 2,374 | 2,757 |
| Industry | 16,774 | 16,588 | 20,794 | 15,722 | 16,383 |

Table-11

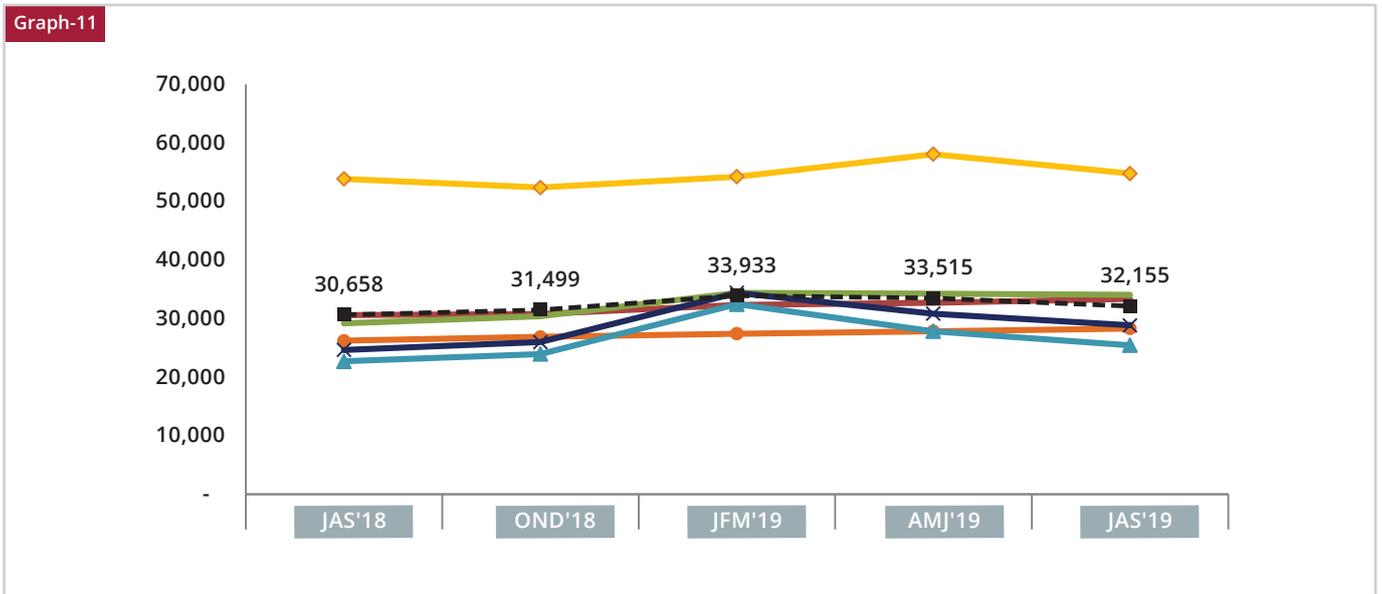


- Loan Cycle ID - 1 has the highest sourcing share at 60% by volume and 48% by value
- There is an inverse relation between the number of loans sourced and Loan Cycle ID

*Disbursement Period : July 2018- September 2019

Average Ticket Size by Loan Cycle ID

Graph-11



| Loan Cycle ID | JAS'18 | OND'18 | JFM'19 | AMJ'19 | JAS'19 |
|-------------------------|--------|--------|--------|--------|--------|
| LoanID-1 | 26,229 | 26,878 | 27,414 | 27,847 | 28,308 |
| LoanID-2 | 30,591 | 30,772 | 32,317 | 32,710 | 33,346 |
| LoanID-3 | 29,206 | 30,422 | 34,408 | 34,224 | 34,054 |
| LoanID 4-6 | 24,639 | 25,997 | 34,389 | 30,843 | 28,845 |
| LoanID>6 | 22,695 | 23,950 | 32,453 | 27,838 | 25,449 |
| Others (ID not defined) | 53,834 | 52,358 | 54,212 | 58,065 | 54,768 |
| Industry | 30,658 | 31,499 | 33,933 | 33,515 | 32,155 |

Table-12

- Ticket Size of Loan Cycle ID-1 is constantly increasing at moderate rate
- Loan Cycle ID 2 & 3 replicate industry ATS

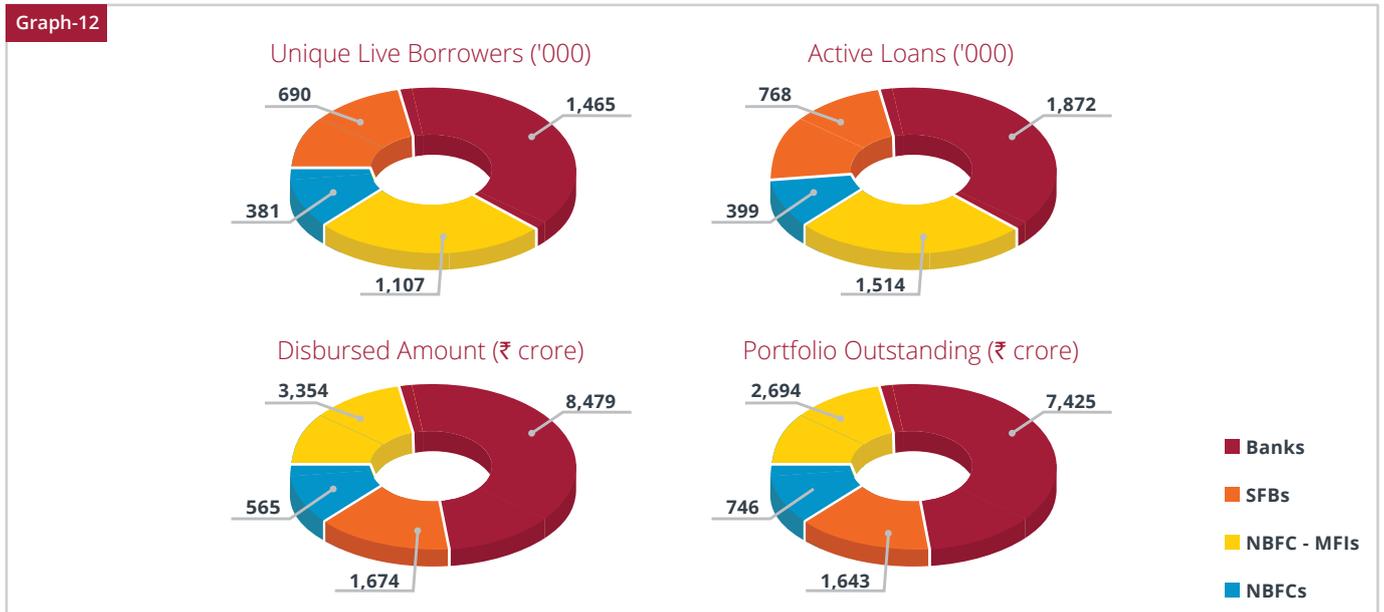
Comprehensive State Profile: Assam



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Assam: State View

Graph-12



| Assam Snapshot view as on September 2019 | Banks | SFBs | NBFC-MFIs | NBFCs | Industry |
|---|--------|--------|-----------|--------|----------|
| Unique Live Borrowers ('000) | 1,465 | 690 | 1,107 | 381 | 3,643 |
| Active Loans ('000) | 1,872 | 768 | 1,514 | 399 | 4,553 |
| Portfolio Outstanding (₹ crore) | 7,425 | 1,643 | 2,694 | 746 | 12,508 |
| Market Share in Portfolio Outstanding | 59% | 13% | 22% | 6% | 100% |
| Disbursed Amount (₹ crore) - (OND'18 to JAS'19) | 8,479 | 1,674 | 3,354 | 565 | 14,072 |
| Average Ticket Size - (OND'18 to JAS'19) | 62,687 | 37,146 | 27,124 | 31,034 | 43,677 |
| 30+ Delinquency | 0.35% | 0.54% | 0.78% | 1.88% | 0.86% |
| 90+ Delinquency | 0.05% | 0.11% | 0.12% | 0.76% | 0.28% |

Table-13

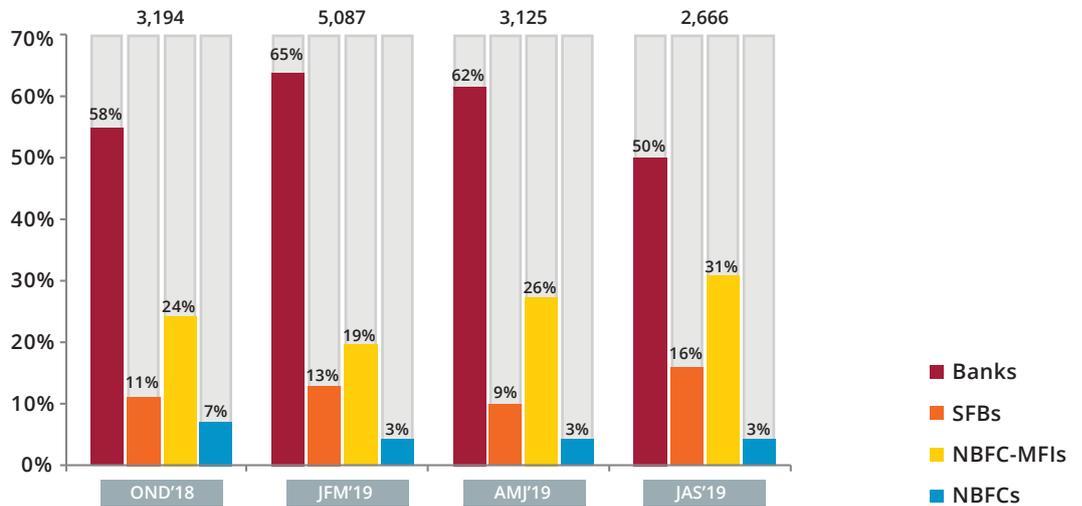
- Banks have the highest ATS of ₹62,687 followed by SFBS at ₹37,146
- Banks dominate the state of Assam with market share of 59% in POS as of September 2019
- NBFCs show highest 90+ Delinquency at 0.76%, while Banks have maintained a low Delinquency at 0.05%

Note : In MFI segment there are 0.26 crore unique live borrowers. Difference in the unique number of customers is due to the customers having multiple relationships with SFBS, Banks, NBFC-MFIs, NBFCs

Assam: Disbursement Trends

Graph-13

Lender wise disbursement (by value)



ATS - **Top 5 districts by Sourcing Quarter

| ATS of Top ** 5 Districts | OND'18 | JFM'19 | AMJ'19 | JAS'19 |
|---------------------------|--------|--------|--------|--------|
| Cachar | 47,284 | 57,107 | 54,831 | 45,777 |
| Kamrup | 44,578 | 49,189 | 47,120 | 42,930 |
| Nagaon | 41,863 | 52,926 | 47,972 | 42,656 |
| Sibsagar | 37,494 | 42,074 | 42,992 | 40,043 |
| Sonitpur | 37,645 | 45,962 | 45,867 | 39,726 |

Table-14

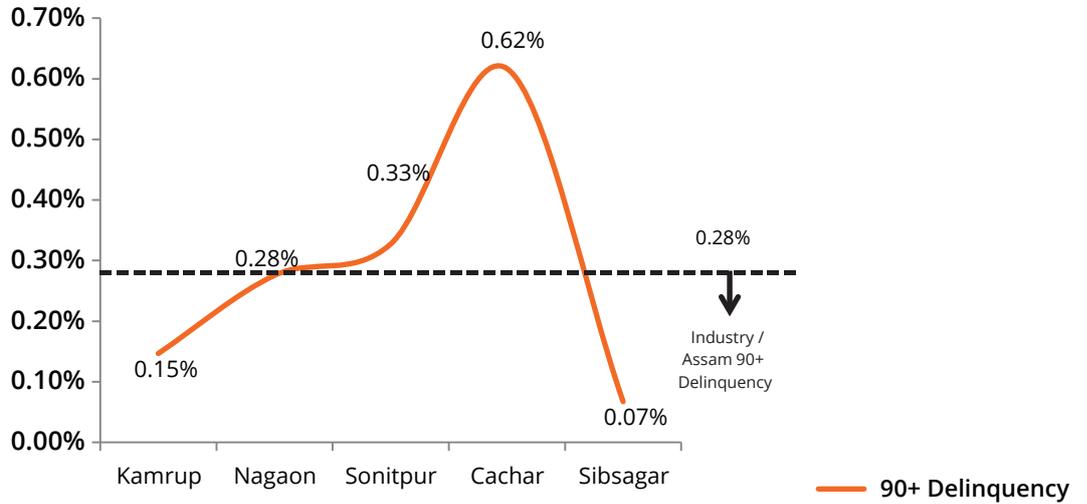
- Sibesar shows highest ATS growth from OND'18 to JAS'19, at 68%
- JFM'19 shows an increase in disbursement from Banks, over OND'18 with share of 65% in disbursement compared to 58% in OND'18 quarter

**Top 5 districts in terms of Disbursed Amount from OND'18 to JAS'19

Assam: Geographical Portfolio Contribution

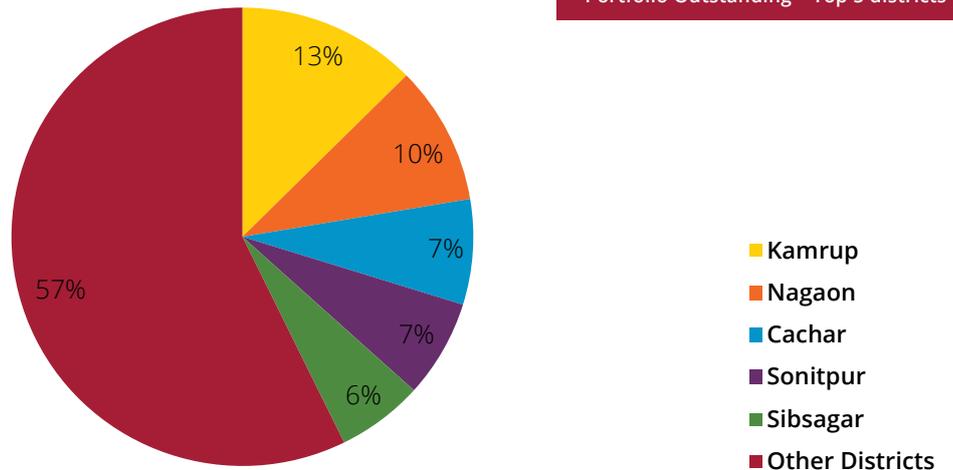
Graph-14

90+ Delinquency in Top 5 Districts by Outstanding Balance



Graph-15

Portfolio Outstanding - Top 5 districts



- Top 5 districts make up 43% of the Portfolio Outstanding of Assam as on September 2019
- Out of the top 5 Districts, Sibsagar has the lowest 90+ delinquency at 0.07%

SIDBI National Microfinance Congress 2019 - Key Take-aways



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SIDBI National Microfinance Congress 2019 - Key take-aways

SIDBI has been one of the pioneers in Microfinance sector. Over the years, it has taken several path breaking initiatives for the smooth and sustained growth of Microfinance sector in the country. The interventions include financial assistance to MFIs, equity support, capacity building, policy advocacy and a host of other services for Microfinance sector. In this direction one of the latest initiatives has been to organize the annual SIDBI National Microfinance Congress to deliberate upon the emerging issues/ challenges in Microfinance sector and find solutions for the same.

In this series, SIDBI organized the second edition of SIDBI National Microfinance Congress, in Mumbai during Nov 26th and 27th, 2019. The event was participated by more than 300 industry practitioners, academicians, Bankers, NBFCs, Fintechs, International experts etc. and deliberated on wide ranging issues confronting the Microfinance sector. A vision document on status of Microfinance in India was also presented the Congress.

The key take-aways emerging out of the discussions and deliberation during the 2-day event from policy advocacy perspective are summarized below-

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Development of digital platforms like e-Shakti to bring all the women borrowers to a single platform to centralize the financial transactions of all women through unique ID. 2. Develop new partnerships with national and international Financial Institutions to get access to grants or subsidized capital. 3. Credit protection through insurance against natural calamities to develop a sustainable model for Microfinance. 4. Development of Microfinance focused bureaus for standardization of Microfinance reports and standardized regulation for responsible lending. 5. Creation of consolidated database for all the Microfinance Institutions to mitigate the emerging risks in the Microfinance industry. 6. Need to measure the social impact of Microfinance in improving lives of the borrower through parameters like water and sanitation facility, affordable housing, education of children, nutrition quality etc. 7. Need of research institutions to focus on research for devising structured products and development of training institutes dedicated to MFI employees. Another version of which could be existing EDIs being converted into MSME Universities. 8. Provide advisory services to the new business entrepreneurs. 9. Focus on the consumption pattern of the borrowers to provide them more curated products. 10. Better customer profiling by leveraging the digital footprints of the customers at grocery stores, pharmacy, restaurants etc. | <p>and digital invoices, tax records, POS devices, mobile phone usage etc.; need to develop new models for deeper analysis of the customer profile.</p> <ol style="list-style-type: none"> 11. Behavioral algorithms to develop collection models which can also include daily installment model and predict the future cashflow. 12. Develop public and private partnerships to create funds primarily for marketing and communication assistance to the SHGs. 13. Focused curriculum in schools to mould the mindsets of youth and parents towards entrepreneurial careers; development of incubation centres at university and corporate level to convert ideas into products to promote entrepreneurs. 14. Focus on creating hyper localized products by bringing women of common interest together through hyper local occupation mapping. 15. Deeper understanding of cultural difference between collective responsibility and individual responsibility for better analytics of the risks involved and developing customized products. 16. Mass movement on financial literacy programs through private organizations, Self-Regulatory Organizations (SROs) & international development institutions and creation of special methodology on educating children about personal finance. 17. Development of new business models worldwide beyond the SHG and JLG for the new age borrowers for encompassing the ultra-poor and micro enterprises. |
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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 categorization 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 05, 2019) 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: <ul style="list-style-type: none"> • Interest charge • Processing fees charge, not exceeding 1% of gross loan amount • 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 1,25,000 (excluding loans availed for education & medical expense); loan amount does not exceed INR 75,000 in the first cycle and INR 1,25,000 in subsequent cycles |
| Loan characteristics | <ul style="list-style-type: none"> ▪ Borrowers annual household income not to exceed INR 1,25,000 in rural areas and INR 2,00,000 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 installment at borrower's choice |
| Recoveries | <ul style="list-style-type: none"> ▪ 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 | <ul style="list-style-type: none"> ▪ Higher of a) 1% of the outstanding loan portfolio or b) 50% of aggregate loan installments overdue for more than 90 days and less than 180 days and 100% of aggregate loan installments overdue for 180 days or more |
| Funding Access | <ul style="list-style-type: none"> ▪ MFI loans continue to qualify as PSL |
| Credit Information | <ul style="list-style-type: none"> ▪ 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:

- Minimum Net Owned Funds (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)
- Not less than 85% of its net assets are in the nature of "qualifying assets"

About SIDBI

Small Industries Development Bank of India has been established under an Act of the Parliament in 1990. SIDBI is mandated to serve as the Principal Financial Institution for executing the triple agenda of promotion, financing and development of the Micro, Small and Medium Enterprises (MSME sector) and co-ordination of the functions of the various Institutions engaged in similar activities. Over the years, through its various financial and developmental measures, the Bank has touched the lives of people across various strata of the society, impacted enterprises over the entire MSME spectrum and engaged with many credible institutions in the MSME ecosystem.

Under Vision 2.0, SIDBI has spearheaded various Initiatives to address the Information Asymmetry in MSME sector like MSME Pulse, the health tracker of MSMEs and CriSidEx, for gauging the MSE sentiments and aspirations, apart from Microfinance Pulse.

SIDBI in Microfinance space

SIDBI has played pioneering role in furthering the inclusive finance agenda through supporting the Microfinance movement. Under Microfinance, the Bank has cumulatively sanctioned ₹18,446 crore to more than 100 MFIs, as on March 2019. The debt and equity support to MFIs is well complemented by capacity building support to these institutions and imbibing the corporate governance culture by supporting Compliance Assessment Tools etc. Apart from handholding the Microfinance industry from fragile beginning to a full-fledged industry segment, culminating in the transition of 8 of our partner MFIs into SFBs/ Universal Banks. A path breaking initiative in Micro Lending is to make available small loans directly from SIDBI (through partnership arrangements), at interest rates which are substantially lower than the market rates. Under this initiative, titled Prayaas, the Bank has been extending small ticket size loans of ₹0.50 lakh to ₹5 lakh to micro borrowers at bottom of the pyramid with interest rates comparatively lower than market rates under partnership model.

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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