

Microfinance Pulse

Vol I – April 2019





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Foreword



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Small Industries Development Bank of India

The success of microfinance interventions in various parts of the globe has brought recognition to the efficacy of the sector as a potential tool for empowerment and promoting inclusiveness. The microfinance sector in India has made great strides during the last decade by adopting a wide variety of innovations in improving access to financial services to the poor. The sector is estimated to have a total outreach of more than 42 million clients through the MFI channel, which indeed is an encouraging trend. The tireless efforts of RBI, SIDBI, SROs, Banks, SFBs, MFIs, NBFCs, Credit Rating Agencies, academic institutions and all those who have been actively involved in pushing the growth of the sector are commendable.

As another major sector building initiative, SIDBI is partnering with Equifax for a quarterly newsletter named as “**Microfinance Pulse**”. This newsletter is the result of great synergy between SIDBI and Equifax. The publication will give 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. I hope to position this newsletter as an important reference point for the policy makers and practitioners in the microfinance sector and trust that the effort will bring value to the readers.

I congratulate SIDBI and Equifax teams for their tireless efforts in bringing this first- of-its-kind initiative to fruition.

Preface



Shri KM Nanaiah

Managing Director, Equifax Credit Information Services Private Limited and Country Leader - India & MEA, Equifax.

India has been at the forefront of the Microfinance revolution in the world enabling the financial and credit inclusion for millions of bottom-of-pyramid consumers thus supporting them with their livelihoods. Even a crisis couple of years back could not hold the industry back and it reformed itself and emerged stronger post it. This couldn't have been possible without the policy guidance of RBI, capacity augmenting financial assistance to sector by SIDBI, and not the least responsible growth initiatives led by SROs and industry participants themselves.

Over the years, Equifax has worked with the Microfinance industry to help them maintain high levels of underwriting standards. Now, with its partnership with SIDBI, Equifax brings a quarterly newsletter **“Microfinance Pulse”** to provide insights on trends in Indian Microfinance industry - from disbursements to delinquencies, from top growing states to top loan categories.

We earnestly believe that this newsletter will act as a lighthouse helping the industry and policymakers navigate through crests and troughs of lending cycle, thus further promoting responsible lending.

I will like to thank Equifax and SIDBI teams for their efforts in launching this newsletter.

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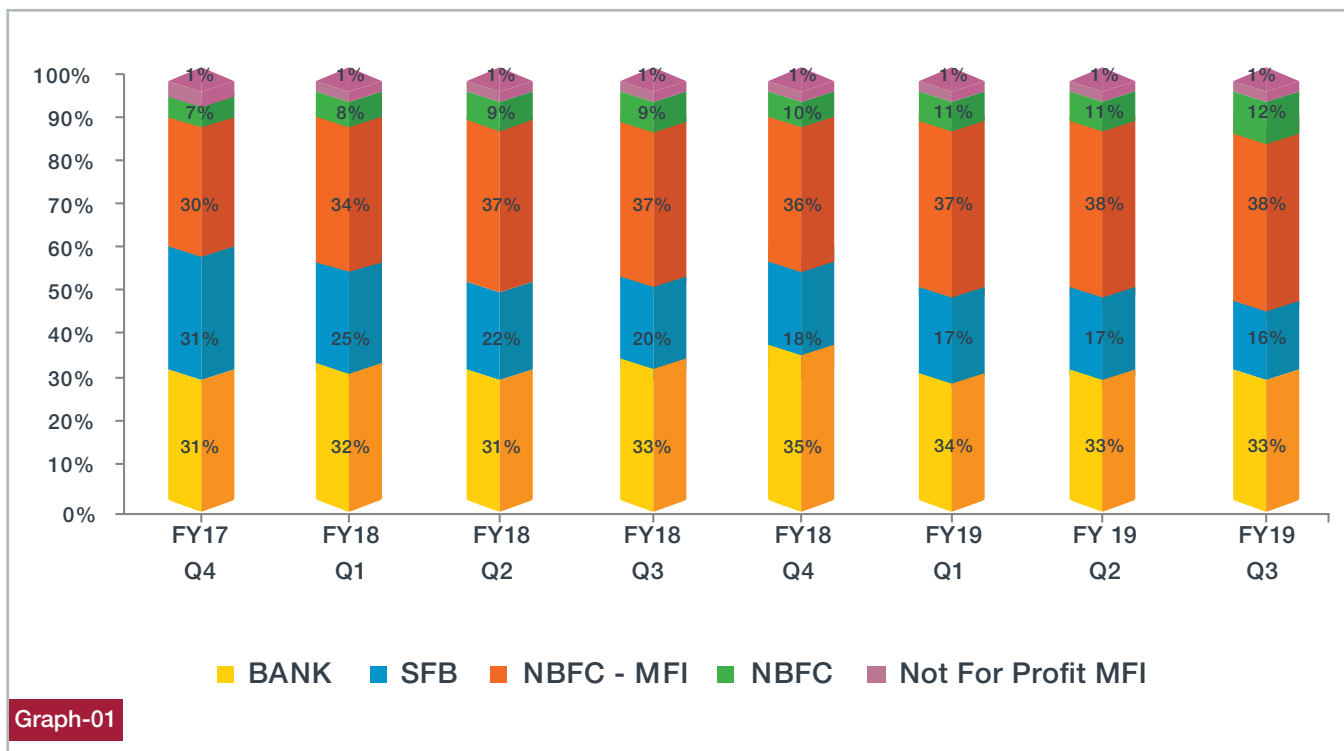
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Microfinance Industry Overview



MFI - Industry Overview

Industry Growth and Market Share by Lender Type



Portfolio Outstanding(Rs. Crore)

Particulars	FY 17 Q4	FY 18 Q1	FY 18 Q2	FY 18 Q3	FY 18 Q4	FY 19 Q1	FY 19 Q2	FY 19 Q3
Bank	33,176	31,269	29,991	35,118	43,914	45,995	48,199	52,557
SFB	32,384	23,283	21,484	21,294	23,160	23,829	24,971	25,562
NBFC - MFI	31,992	31,808	36,011	39,859	45,794	51,325	55,263	60,368
NBFC	6,974	7,129	8,168	10,202	12,740	14,781	16,668	17,620
Not For Profit MFI	1,467	1,333	1,341	1,449	1,616	1,336	1,664	1,537
Total	1,05,994	94,822	96,995	1,07,922	1,27,223	1,37,268	1,46,767	1,57,644
Q-o-Q growth rate (%)		-11%	2%	11%	18%	8%	7%	7%

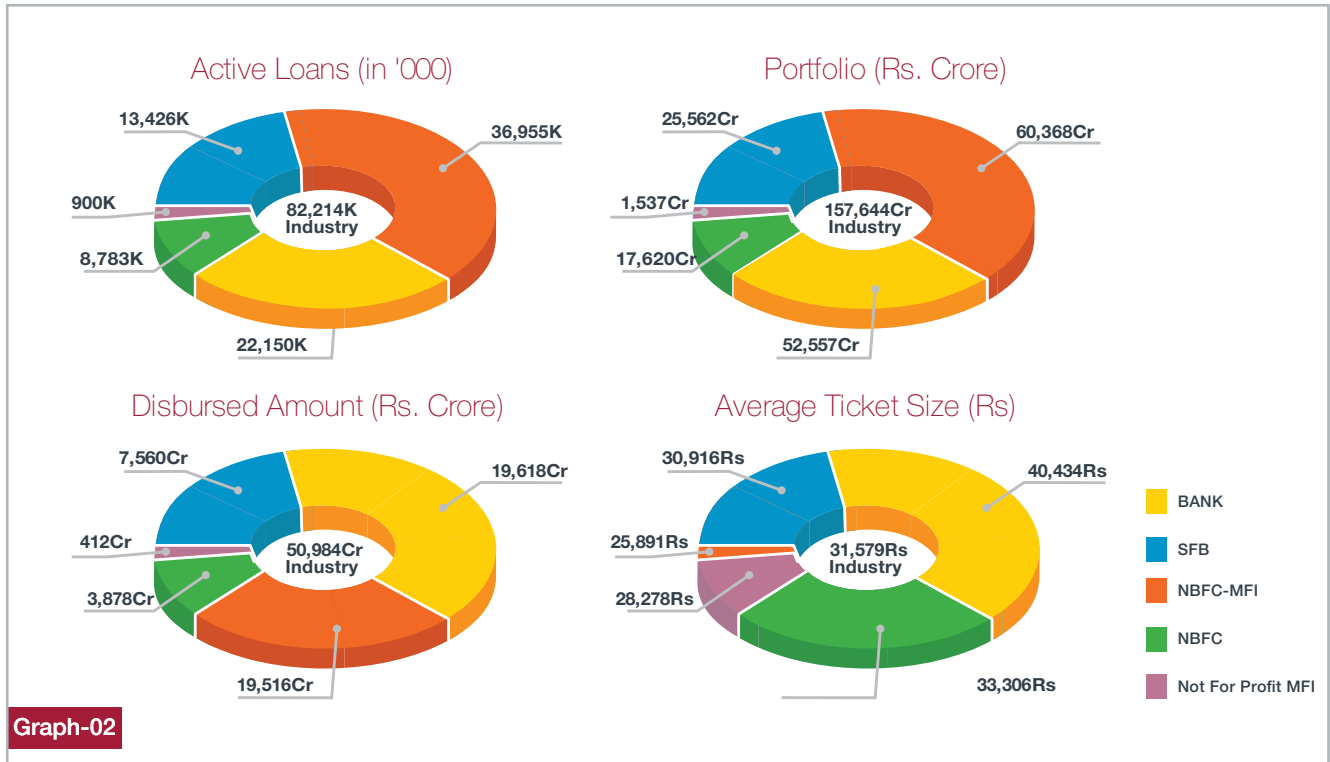
Table-01

- Gross loan portfolio (GLP) at Rs. 1,57,644 Cr as at end Q3 FY19, registering a Q-o-Q growth of 7%
- NBFC-MFIs continue to maintain their market dominance with the market share of 38% in Q3-FY19

* POS - Portfolio Outstanding (0 - 179 DPD)

MFI - Industry Snapshot

Data as on December 31st, 2018



Particulars	BANK	SFBs	NBFC-MFIs	NBFCs	Not for Profit MFI	Total Industry
Active Loans (in '000)	22,150	13,426	36,955	8,783	900	82,214
Portfolio (Rs. Crore)	52,557	25,562	60,368	17,620	1,537	157,644
Market share (in %)	34%	16%	38%	11%	1%	
Disbursed Amount (Rs. Crore) (FY 19 Q3)	19,618	7,560	19,516	3,878	412	50,984
Average Ticket** Size(Rs)	40,434	30,916	25,891	33,306	28,278	31,579
30+ Delinquency	0.7%	1.5%	1.0%	2.5%	0.7%	1.1%
90+ Delinquency	0.2%	0.6%	0.3%	0.8%	0.3%	0.4%

Table-02

- Total number of active loans were 8.22 crore as at end Q3-FY 19 showing a growth of 24% over corresponding period of the previous financial year
- Average ticket size of bank loan at Rs. 40,434 is the highest and NBFC-MFIs loan at Rs.25,891 is the lowest
- 30+ delinquency for NBFCs at 2.5% is the highest in the Industry in Q3 FY19
- The 90+ delinquency are dropping across sectors indicating that the industry is maintaining healthy risk ratio from 30+ to 90+ delinquencies

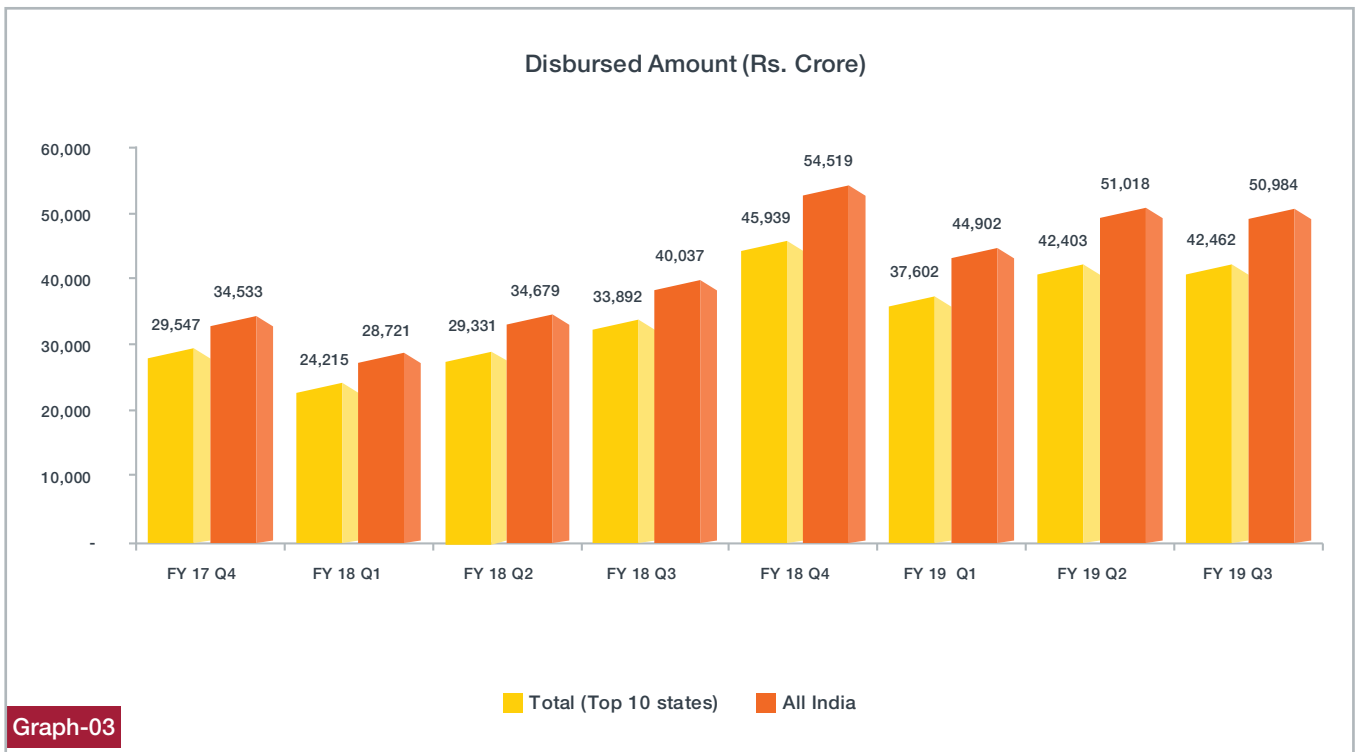
* Number of borrowers is non-unique

** Average Ticket Size = Disbursed Amount/ No. of Loans Disbursed

Disbursement Trends



Disbursement Trends –Top States



Disbursed Amount (Rs. Crore)

Top 10 States	FY 17 Q4	FY 18 Q1	FY 18 Q2	FY 18 Q3	FY 18 Q4	FY 19 Q1	FY 19 Q2	FY 19 Q3
West Bengal	7,358	4,038	5,304	6,539	9,917	6,952	8,182	8,087
Tamil Nadu	4,466	4,330	5,150	5,523	6,629	6,306	7,078	6,221
Bihar	3,958	2,615	3,194	3,782	5,860	4,590	5,315	5,726
Karnataka	2,283	3,095	3,052	3,225	4,157	3,838	4,303	4,076
Maharashtra	1,903	2,157	2,548	2,767	3,681	3,104	3,718	3,666
Orissa	2,275	1,952	2,300	2,648	3,404	3,105	3,524	3,394
Uttar Pradesh	1,997	2,084	2,409	2,533	3,395	2,588	2,885	3,161
Madhya Pradesh	1,734	1,502	2,160	2,394	2,970	2,470	2,845	2,754
Assam	2,245	1,099	1,658	2,566	3,817	2,702	2,910	3,164
Kerala	1,329	1,342	1,555	1,915	2,110	1,946	1,641	2,213
Total (Top 10 states)	29,547	24,215	29,331	33,892	45,939	37,602	42,403	42,462
All India	34,533	28,721	34,679	40,037	54,519	44,902	51,018	50,984
Market share (top 10 States)	86%	84%	85%	85%	84%	84%	83%	83%

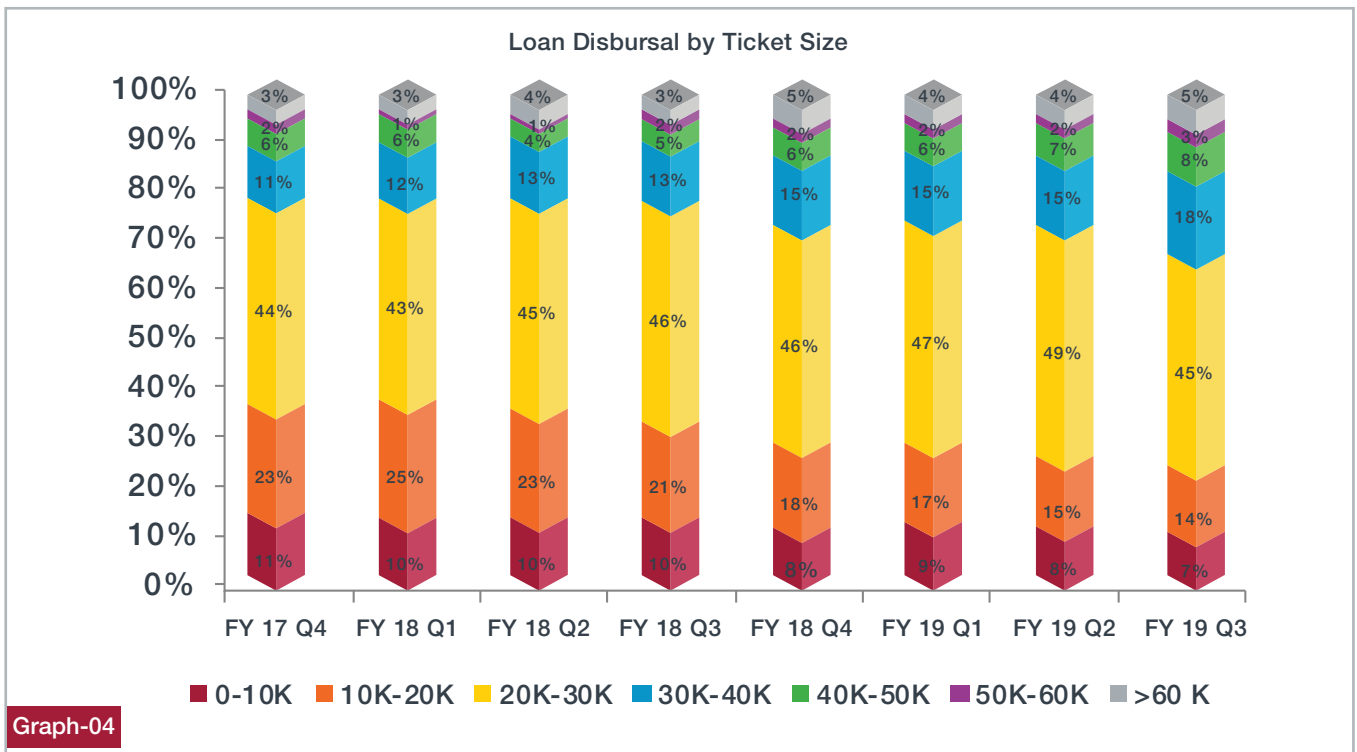
Table-03

- During Q3 FY 19, top 10 states account for 83% of total loan disbursements
- There is a 25% increase in disbursed amount in top 10 states from Q3 FY 18 to Q3 FY 19

Ticket Size Trends



Industry Ticket Size



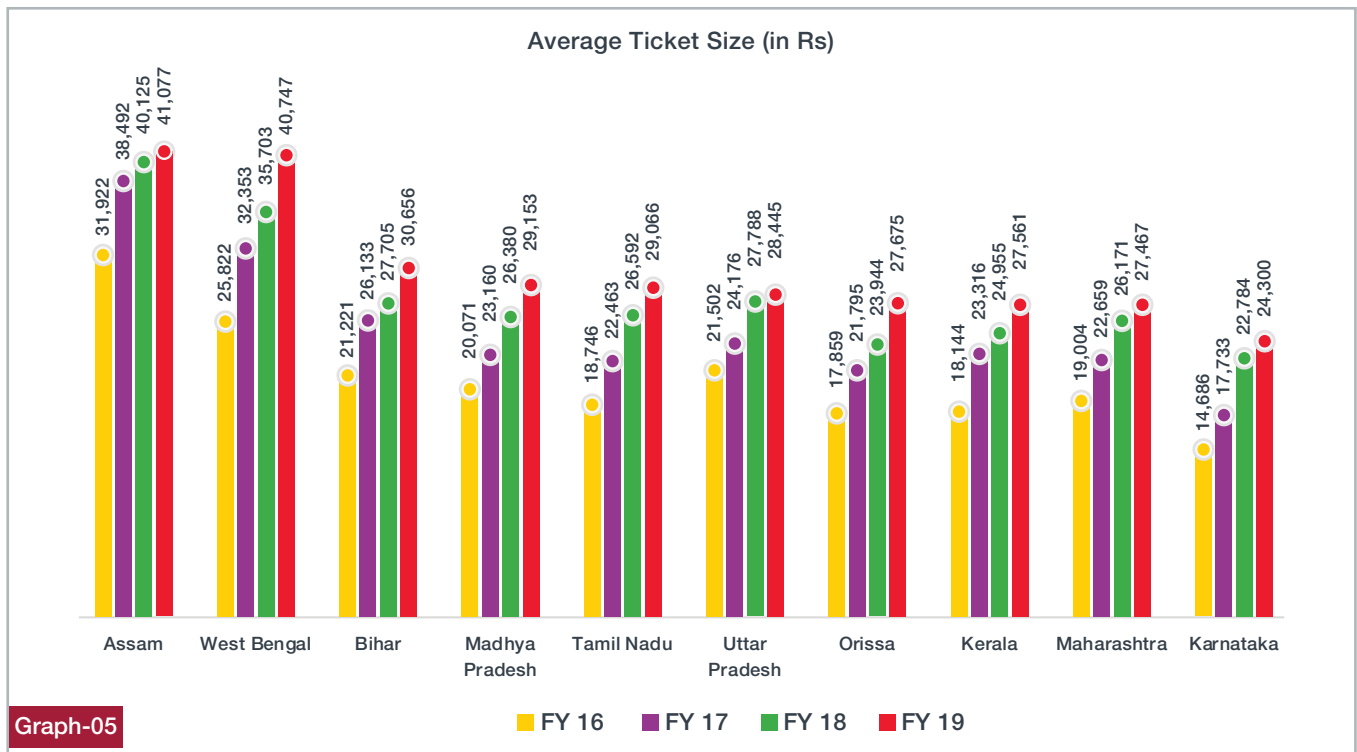
No. of Loans Disbursed (in Lacs)

Ticket size	FY 17 Q4	FY 18 Q1	FY 18 Q2	FY 18 Q3	FY 18 Q4	FY 19 Q1	FY 19 Q2	FY 19 Q3
0-10k	14	11	13	14	15	14	14	12
10K-20K	29	28	30	30	33	26	24	22
20K-30K	55	48	59	65	84	73	83	73
30K-40K	13	14	16	18	28	23	25	29
40K-50K	7	6	6	7	11	8	11	13
50K-60K	3	1	2	2	3	2	3	4
>60K	5	3	3	6	9	7	7	8
Total	126	111	129	142	183	153	168	161

Table-04

- The increase in the number of loans disbursed is approximately 13% from Q3 FY 18 to Q3 FY 19
- 30-40k loan category has witnessed the highest increase from 18 lacs loans disbursed in Q3 FY 18 to 29 lacs loans disbursed in Q3 FY 19, the disbursements have increased by 56% on a Q-o-Q basis from Q3 FY 18 to Q3 FY 19
- Highest number of loans are disbursed in 20k-30k ticket size across all quarters

Average Ticket Size Trends - Top 10 States



Average Ticket Size (in Rs)				
Top 10 States	FY 16	FY 17	FY 18	FY 19*
Assam	31,922	38,492	40,125	41,077
West Bengal	25,822	32,353	35,703	40,747
Bihar	21,221	26,133	27,705	30,656
Madhya Pradesh	20,071	23,160	26,380	29,153
Tamil Nadu	18,746	22,463	26,592	29,066
Uttar Pradesh	21,502	24,176	27,788	28,445
Orissa	17,859	21,795	23,944	27,675
Kerala	18,144	23,316	24,955	27,561
Maharashtra	19,004	22,659	26,171	27,467
Karnataka	14,686	17,733	22,784	24,300
Others	22,017	25,063	27,626	29,867
All India	20,368	24,639	27,927	30,454
YoY growth		21%	13%	9%

Table-05

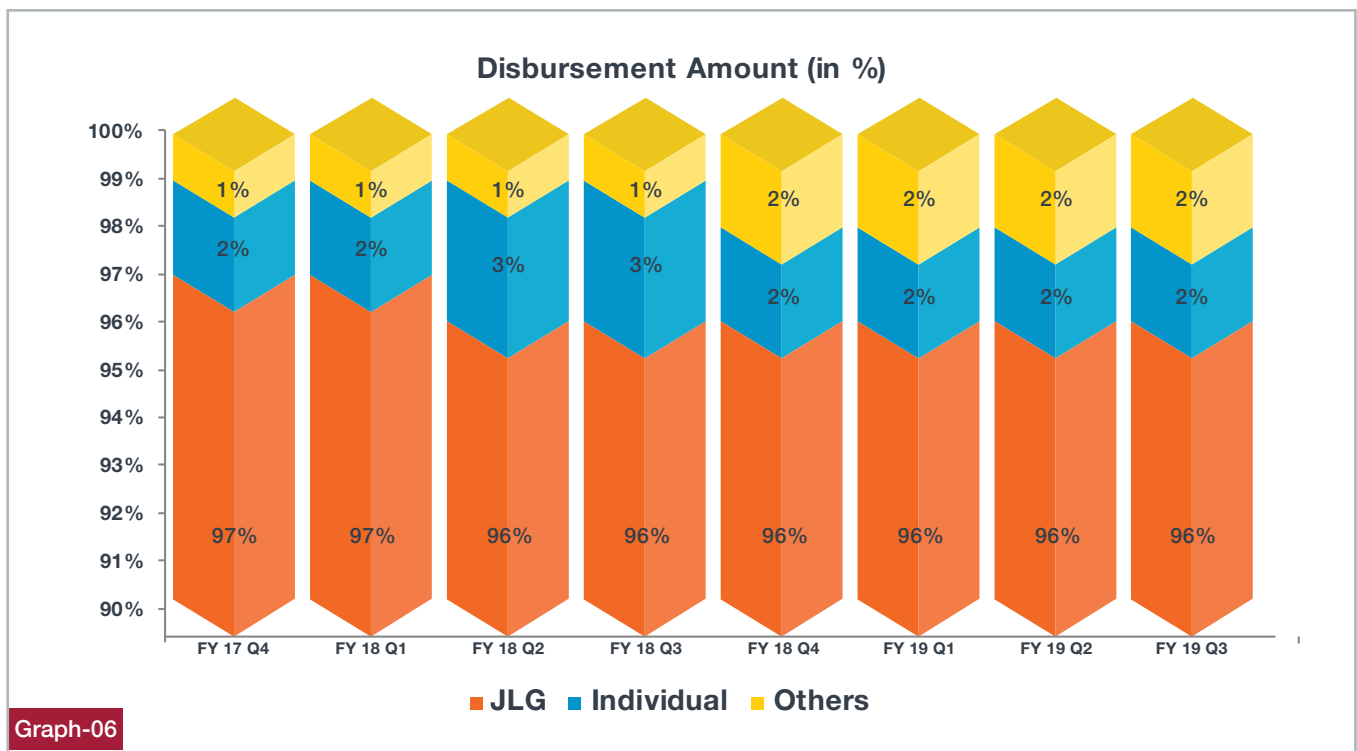
- All India average ticket size has been increasing consistently over the years
- Among the states, Assam has the highest ticket size at Rs.41,077 and Karnataka has the lowest ticket size at Rs.24,300

* FY19 consists data from April 18 to December 18

Loan Category



Loan Category



Disbursed Amount (Rs. Crore)

Loan Category	FY 17 Q4	FY 18 Q1	FY 18 Q2	FY 18 Q3	FY 18 Q4	FY 19 Q1	FY 19 Q2	FY 19 Q3
JLG	32,609	27,316	32,611	37,976	51,453	42,487	48,194	48,157
Individual	677	519	989	1,021	1,152	853	1,028	1,083
Other	430	306	355	327	911	866	997	1,024
Total	33,716	28,140	33,955	39,323	53,516	44,206	50,220	50,263

Table-06

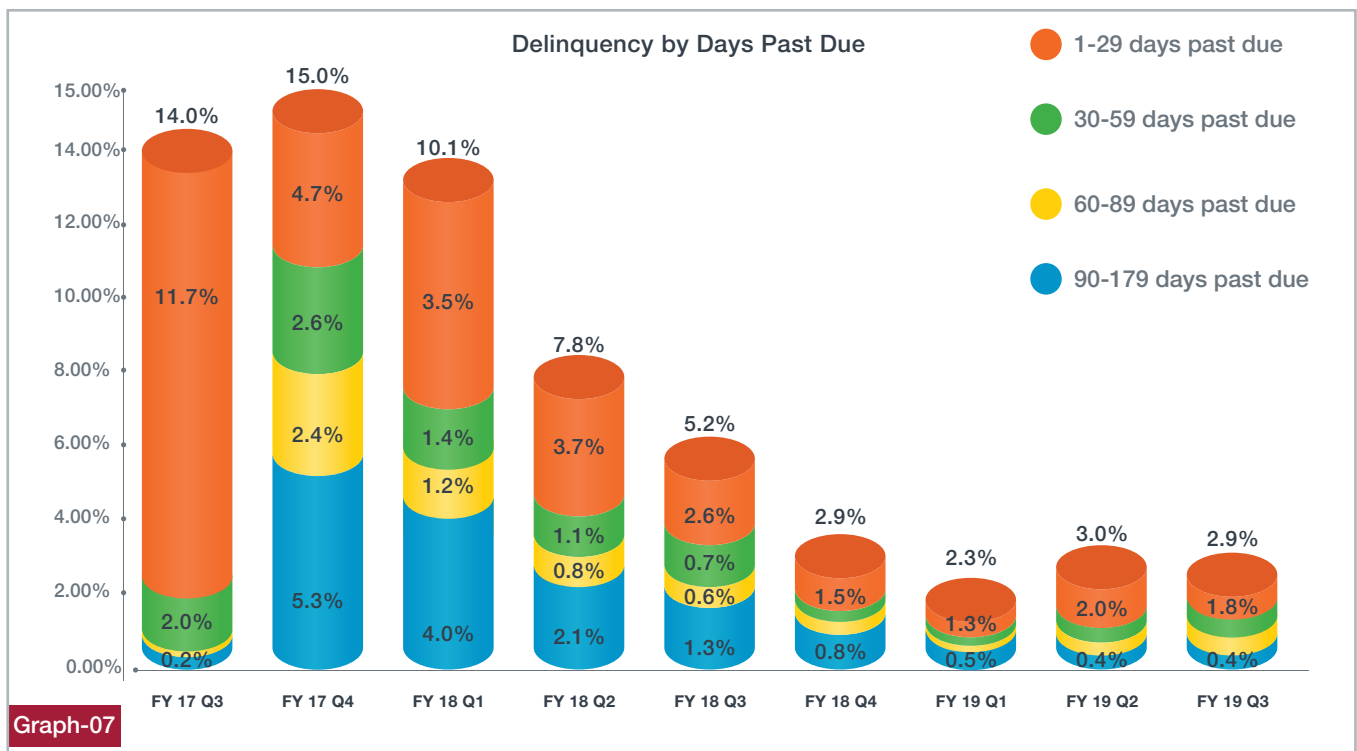
- JLG (Joint Liability Group) loans constitutes highest sourcing around 96% across the quarters
- Disbursement under JLG increased by 27% in Q3 FY 19 vis-à-vis Q3 FY 18

* As per submission data to Equifax, SHG disbursement for FY 19 Q3 is Rs 721 crore, this may not be representative of the industry data on SHG.

Industry Risk Profile



Industry Risk Profile



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
FY 17 Q3	11.7%	2.0%	0.1%	0.2%	14.0%
FY 17 Q4	4.7%	2.6%	2.4%	5.3%	15.0%
FY 18 Q1	3.5%	1.4%	1.2%	4.0%	10.1%
FY 18 Q2	3.7%	1.1%	0.8%	2.1%	7.8%
FY 18 Q3	2.6%	0.7%	0.6%	1.3%	5.2%
FY 18 Q4	1.5%	0.3%	0.3%	0.8%	2.9%
FY 19 Q1	1.3%	0.3%	0.2%	0.5%	2.3%
FY 19 Q2	2.0%	0.4%	0.2%	0.4%	3.0%
FY 19 Q3	1.8%	0.5%	0.3%	0.4%	2.9%

Table-07

- The overall industry delinquency as on FY 19 Q3 stands at 2.9% and there is a fall in delinquencies as the delinquency band increases thus indicating well managed delinquencies at an industry level.
- Portfolio at risk 1-29 days past due has changed significantly from 11.7% in FY 17 Q3 (post demonetization) to 1.8% in FY 19 Q3 indicating improvement in the portfolio quality.

Top 30 Districts – Portfolio & Delinquency



Top 30 Districts – Portfolio & Delinquency

Top 30 Districts w.r.t Portfolio

Top 30 Districts	State	POS (Rs. Cr)	PAR 90+(%)
North 24 PGS	West Bengal	2,307	0.3
Murshidabad	West Bengal	1,913	0.1
Jalpaiguri	West Bengal	1,856	0.2
Nadia	West Bengal	1,841	0.2
South 24 PGS	West Bengal	1,776	0.5
Bardhaman	West Bengal	1,739	0.2
Coimbatore	Tamillnadu	1,638	0.4
Howrah	West Bengal	1,491	0.2
Hooghly	West Bengal	1,475	0.2
Mysore	Karnataka	1,464	0.1
Cuddalore	Tamillnadu	1,443	0.1
Cooch Behar	West Bengal	1,410	0.2
Thanjavur	Tamillnadu	1,384	0.2
Kanchipuram	Tamillnadu	1,381	0.3
Kamrup	Assam	1,317	0.2
Villupuram	Tamillnadu	1,307	0.1
Madurai	Tamillnadu	1,123	0.2
West Tripura	Tripura	1,096	0.1
Muzaffarpur	Bihar	1,075	0.1
Samastipur	Bihar	1,059	0.0
Pune	Maharashtra	1,048	0.7
Salem	Tamillnadu	1,024	0.2
Ganjam	Odisha	1,018	0.1
Belgaum	Karnataka	1,012	0.3
Tirunelveli	Tamillnadu	1,009	0.2
Nagaon	Assam	985	0.4
Tiruchirappalli	Kerala	976	0.2
Tiruvallur	Tamil Nadu	969	0.4
Malda	Bihar	954	0.2
Kollam	Kerala	949	0.6
Top 30 Districts		40,041	0.2
Others		1,17,603	0.4
All India		1,57,644	0.4

Table-08

Top 30 Districts w.r.t Delinquency

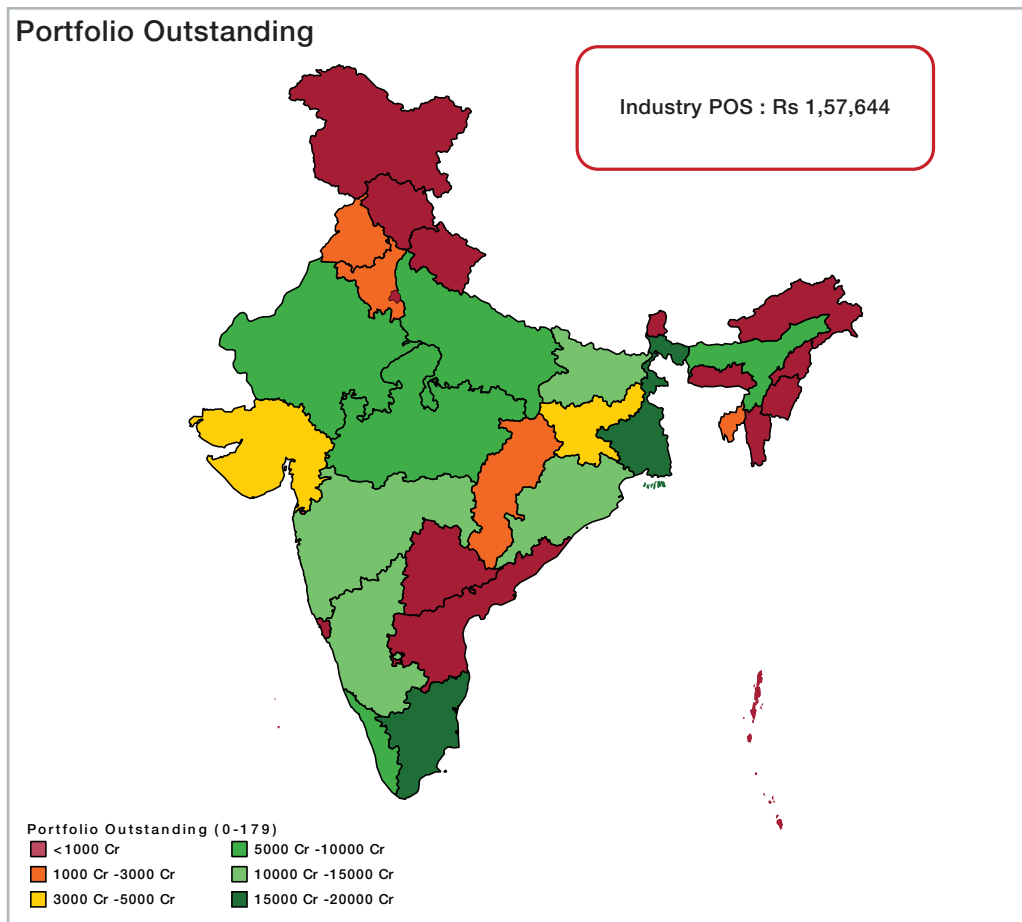
Top 30 Districts	State	POS (Rs. Cr)	PAR 90+(%)
Tehri Garhwal	Uttarakhand	2	8.5
Boudh	Orissa	159	7.2
Sonapur	Orissa	190	5.8
Dantewada	Chattisgarh	2	4.6
Bargarh	Orissa	466	3.6
Ashok Nagar	Madhya Pradesh	54	3.4
Kodagu	Karnataka	173	3.0
Amravati	Maharashtra	195	2.7
Junagadh	Gujarat	15	2.7
North East Delhi	Delhi	14	2.7
Idukki	Kerala	228	2.5
Papum Pare	Arunachal Pradesh	8	2.4
Kozhikode	Kerala	354	2.4
Kandhamal	Orissa	98	2.3
Rampur	Uttar Pradesh	99	2.3
Central Delhi	Delhi	9	2.2
Patan	Gujarat	49	2.0
Solan	Himachal Pradesh	6	2.0
Akola	Maharashtra	120	2.0
Moradabad	Uttar Pradesh	151	2.0
Bareilly	Uttar Pradesh	161	1.9
Koraput	Orissa	201	1.9
Sagar	Madhya Pradesh	229	1.9
Amritsar	Punjab	118	1.9
Kalahandi	Orissa	381	1.8
Budaun	Uttar Pradesh	84	1.7
Firozabad	Uttar Pradesh	71	1.6
Pathanamthitta	Kerala	292	1.6
Hardoi	Uttar Pradesh	20	1.6
Gautam Buddha Nagar	Uttar Pradesh	62	1.6
Top 30 Districts		4,011	2.7
Others		1,53,633	0.3
All India		1,57,644	0.4

Table-09

- Microfinance industry has a presence in 615 districts in India
- 210 districts of India constitute 80% of the portfolio outstanding
- Top 30 districts comprises 25% of portfolio outstanding
- 67 districts each have portfolio outstanding of less than Rs.1crore

* Districts having portfolio outstanding less than 1 crore have not been considered in Table 09

State wise Portfolio Outstanding and Aspirational Districts As On 31st December 2018



Particulars	Aspirational Districts	Other Districts	All India
Disbursed Amount (Rs. Crore) FY 19 Q3	7,946	43,038	50,984
Disbursement Share	16%	84%	100%
Portfolio (Rs. Crore) as on 31st December 2018	22,440	1,35,204	1,57,644
Portfolio Share	14%	86%	100%
90+ delinquency	0.3%	0.4%	0.4%

Table-10

- Market share of 115 aspirational districts is 14% as on 31st December 2018
- 90+ delinquency of aspirational districts is 0.3%
- In FY 19 Q3 Rs. 7,946 Crore were disbursed in aspirational districts which is 16% of the total disbursed amount in the same quarter

SIDBI Prayaas Scheme – A New Beginning in Enterprise Lending under Partnership Arrangement – Bringing Down Cost of Small Loans

Objective of the Scheme

- To extend credit to micro borrowers at the bottom of the pyramid at a competitive rate under partnership arrangement with microfinance institutions, NBFCs, BCs, Fintech, etc.
- To help such microfinance clients who look forward to upscale/diversify their business but facing challenges to access affordable finance.
- Facilitating moving up the ladder from livelihood to enterprise

Purpose of Loan Assistance

- Need based loan to micro entrepreneurs for any livelihood activity for acquiring capital assets and/or working capital or marketing related requirements or a combination of any of the above.

Eligible Borrower

- The borrower/client should be a member of an existing SHG/JLG and having availed 2-3 cycles of loan with satisfactory track record with the PI.
- Individual loans to borrowers who are not member of SHG/JLG can be considered subject to the condition that the PI has prior experience in lending to the missing middle segment and adequate risk mitigants are in place.

Loan Amount

- Rs.0.50 lakh to Rs.5 lakh (missing middle segment)

Rate of Interest

- Not to exceed 14% p.a. to ultimate borrower/client

Repayment

- Principal and interest to be paid on weekly/fortnightly/monthly/equated instalment basis depending on cash flow cycles and convenience of the client.
- Maximum repayment period shall be 36 months including maximum up to 6 months of moratorium.

Processing/ Upfront Fee

- Upto a maximum of 1% of loan amount plus GST.
- FLDG/Performance Guarantee
- First Loss Default Guarantee (FLDG)/Performance Guarantee (not less than 5% on portfolio basis) to be provided by the PI.

Application for the Loan

- Standard/simplified loan application form as specified by SIDBI would be used for faster credit dispensation.
- The credit officer at the Partner Institution would provide support to the borrower in filling up the loan application.

The pilot scheme was launched in partnership with Cashpor Micro Credit, Varanasi and SKDRDP, Dharmasthala. The scheme got operational in July 2018. Upto February 05, 2019 around 1800 loan applications were processed and over 1400 loans to micro entrepreneurs have been disbursed with average loan size of around Rs.1.0 lakh. The major activities which have been supported under the pilot phase include trading, carpentry, auto, repair work, dairy, electronic repairing, readymade garments, etc. The allocation of around Rs.1000 crore by RBI for this initiative is likely to help around 75000 to 1,00,000 micro enterprise in the country by reducing the cost of credit to this borrower segment.

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 institution and promote responsible microfinance and enabling smooth flow of adequate credit to the micro finance sector through various interventions. Till March 2018, the Bank has developed the capacity of more than 100 MFIs and provided financial support to them to the extent of INR 17,571 crore, benefitting 381 lakh 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 Credit Information Company. 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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