

## NBFC-MFIs continue to dominate the portfolio share for the Microfinance Sector

- Portfolio of all lenders as of June 30, 2023 stands at ₹3,58,700 Cr.
- Portfolio of all lenders as June 30, 2022 was ₹2,96,487 Cr.
- Portfolio of all lenders as of March 31, 2023 was ₹3,51,521 Cr.

**New Delhi, Oct 3, 2023:** Microfinance sector has recorded an overall 21% growth in portfolio as compared to the corresponding period last year. The portfolio increased by over ₹7,000 crores for the first quarter period of FY 2023-24. As per the report compiled by Sa-Dhan for the first three months of the year there has been positive growth in terms of portfolio for all lenders except the not-for-profit institutions. Other than banks, all other for-profit lenders (SFBs, NBFCs, NBFC-MFIs) have recorded significant year-on-year growth, with NBFC-MFIs recording 43% growth, followed by SFBs and NBFCs at 24% and Banks at 0.86%. Whereas, the Not for Profits MFIs portfolio has contracted by (-)64% during the last year. This sharp drop in the portfolio of NFPs are mainly due to the shift of the major NFP lender Cashpor Micro Credit (a section 8 company) to NBFC-MFIs as per the new Regulatory Framework for Microfinance loans which prescribe the section 8 companies with portfolio above ₹100 crore to opt for NBFC-MFI registration.

According to **Jiji Mammen, ED & CEO Sa-Dhan** “Microfinance sector is continuing its growth story witnessed during the last FY in this Financial year too. Although the first quarter is usually a dull one for the industry, microfinance continued to perform well indicating that the overall outlook for the year is very positive. The disbursements have recorded more than Rs 76000 crore in the first quarter, which is 30% more than the disbursements done in the same period of last FY. The quality of assets is also excellent with numbers matching or bettering pre covid period “

The number of loan accounts for the microfinance industry increased to 1,408 lakhs in Q1 of FY 23-24 from 1,265 lakhs in same quarter of FY 22-23, posting Y-o-Y growth of 11%, while lender-wise figures show NBFC-MFIs have registered highest Y-o-Y growth (22%), followed by NBFCs (15%), SFBs (6%), Banks (4%) and NFPs (-67%) respectively.

### Lender-wise Portfolio and Growth (%) of each segment:

Lender	Portfolio (₹ in Cr) as on Jun' 23	Y-o-Y growth (in %)
Banks	1,14,729	0.86%
NBFC-MFIs	1,48,087	43%
SFBs	62,399	24%
NBFCs	32,501	24%
NFPs	983	-64%
<b>Industry</b>	<b>3,58,700</b>	<b>21%</b>

### Lender-wise Loan Accounts and Growth (%) of each segment:

Lender	Loan Accounts (in lakhs) as on Jun' 23	Y-o-Y growth (in %)	
Banks	495	4%	475
NBFC-MFIs	576	22%	471
SFBs	217	6%	204
NBFCs	115	15%	100
NFPs	5	-67%	15
<b>Industry</b>	<b>1,408</b>	<b>11%</b>	<b>1265</b>

### Market share of lenders in terms of Portfolio

Market share of lenders in terms of Portfolio shows NBFC-MFIs accounted for the largest share at 41.28%, thus becoming the prime player in the Microfinance sector. Banks are the second largest provider of microcredit at 31.98%. SFBs, NBFCs and non NBFC MFIs accounted for 17.40%, 9.06% and 0.27% of the market share respectively. NBFC-MFIs are holding the highest market share in terms of portfolio from Q3 of FY 22-23 onwards. The share of banks continued to dip

Type of lender	Jun '23	Mar '23	Jun '22
NBFC-MFIs	41.28%	39.72%	34.89%
Banks	31.98%	34.14%	38.37%
SFBs	17.40%	16.62%	17.00%
NBFCs	9.06%	8.44%	8.83%
NFPs	0.27%	1.07%	0.91%

“The share of portfolio indicates that the NBFC MFIs have become more proactive in their approach taking the benefit of the new regulatory framework of RBI and the positive mood in the country towards MFIs. The lenders and investors have started taking a special interest in the sector which will augur well in expanding the financial inclusion agenda in a quicker manner. But there are some local issues still cropping up in different geographies including an organised move by some to mislead the vulnerable people by offering loan waivers through “Karz Maafi certificates”, which are challenging for the sector. There has to be constant vigil by the law enforcing agencies against such unscrupulous elements who can destroy the credit culture in the country” said Jiji Mammen.

### Top States and Districts in terms of Portfolio as of June 2023:

- The top 5 states in terms of portfolio are Bihar, Tamil Nadu, Uttar Pradesh, Karnataka and West Bengal, these top 5 states account for approximately 56% of the total portfolio of the Industry. The states having Y-o-Y growth in portfolio higher than the industry average are Andhra Pradesh at 76%, followed by Jammu & Kashmir at 72%, Arunachal Pradesh at 68%, Pondicherry at 48% and Goa at 42%. Whereas, the top 5 states in terms of the portfolio that have recorded y-o-y growth higher than the industry growth rate are Bihar at 37%, Tamil Nadu at 28%, Uttar Pradesh at 41%, Karnataka at 28% and Rajasthan at 22%.

- The states experiencing negative Y-o-Y growth in portfolio are mostly from North Eastern region i.e. Assam (-35%), Nagaland (-33%), Sikkim (-24%), Tripura (-19%), Manipur (-16%), Meghalaya (-10%), and West Bengal (-8%) from the Eastern region.
- The top 10 districts in terms of portfolio are East Champaran (₹3,511 Cr), Samastipur (₹3,401 Cr), Muzaffarpur (₹3,383 Cr), Murshidabad (₹3,281 Cr), Mysuru (₹3,221 Cr), North 24 Parganas (₹2,976 Cr), Madhubani (₹2,857 Cr), Darbhanga (₹2,713 Cr), Cuddalore (₹2,712 Cr) and Thanjavur (₹2,488 Cr). 5 districts out of the top 10 districts are from Bihar, while 2 districts each are from West Bengal and Tamil Nadu and 1 district from Karnataka. In Q1 of the current financial year, Samastipur has stepped up to second position and Murshidabad has slipped from second to fourth position. Also, Darbhanga has overtaken Cuddalore to become the eighth-largest district in terms of portfolio.
- 20 districts overall have more than ₹2,000 Cr portfolio each, out of this, 9 districts are from Bihar, 4 districts from Tamil Nadu, 3 districts each are from West Bengal and Karnataka and 1 district from Odisha. Previous quarter there were 18 districts under this category and 1 district each in Bihar and Tamil Nadu has increase during last quarter. Also, Odisha is a new entry in this category.
- Currently, microfinance operations in India are spread across 730 districts across 36 States/UTs.

### Disbursement:

Total disbursement of all lenders is ₹76,274 Cr during Q1 of FY 23-24 whereas it was ₹58,809 Cr during the same period of FY 22-23. Disbursement has posted a growth of 30% compared to the same quarter of the previous year. Among the lenders, NBFC-MFIs have disbursed a maximum of ₹32,356 Cr, closely followed by Banks at ₹24,511 Cr during April-June 2023. Also, for Y-o-Y growth, NBFC-MFIs have registered the highest growth in disbursement (48%), followed by SFBIs (30%), Banks (16%), NBFCs (12%) and NFPs (-32%) respectively.

Top 5 states in terms of disbursement during the April-June quarter of FY 23-24 are Bihar, Tamil Nadu, Uttar Pradesh, Karnataka, and West Bengal, also these 5 States account for 59% of the total disbursement which is a 2% increase from last financial year.

### Lender- wise Disbursement of Funds:

Type of lender	Disbursement (₹ in Cr)		
	Q1 FY23-24	Q1 FY 22-23	Y-o-Y Growth
NBFC-MFIs	32,356	21,811	48%
Banks	24,511	21,187	16%
SFBs	12,601	9,688	30%
NBFCs	6,696	5,963	12%
NFPs	108	158	-32%
<b>Industry</b>	<b>76,274</b>	<b>58,809</b>	<b>30%</b>

### Average Ticket Size (ATS):

In the Y-o-Y comparison, ATS for all lenders has increased except non NBFC MFIs. There is a significant increase in ATS for NBFCs (17%) followed by SFBs (11%), SFBs (13%), NBFC-MFIs (9%), and Banks (9%). However, in Q-o-Q comparison, there is a decline in ATS for NFPs (-16%), NBFC-MFIs (-2%) and Banks (-2%), while ATS has increased for NBFCs (13%) and marginally for SFBs (0.03%) respectively.

### Lender-wise Average Ticket size (in ₹)

Type of Lenders	Jun '23	Mar '23	Jun '22
NBFC-MFIs	42,153	43,193	38,702
Banks	41,059	41,960	37,785
SFBs	49,194	49,177	43,720
NBFCs	51,934	46,009	44,473
NFPs	27,196	32,345	31,358
<b>Industry</b>	<b>43,494</b>	<b>43,616</b>	<b>39,600</b>

### Portfolio Quality

There has been significant improvement in the portfolio quality in the Microfinance sector during 2023-24. Portfolio quality as measured in Portfolio at Risk (PAR) indicates that it has improved under all buckets compared to the corresponding quarter of previous financial year:

- As of 30 June 2023, PAR 30+ dpd has improved to 1.97% from 5.00% as on 30 June 2022,
- As of 30 June 2023, PAR 60+ dpd has improved to 1.45% from 3.56% as on 30 June 2022
- As of 30 June 2023, PAR 90+ dpd has improved to 0.92% from 1.85% as on 30 June 2022,

Apart from NFPs (3.03%), Banks (2.71%) and SFBs (2.14%), all other lenders have PAR 30+ dpd lower than the industry average of 1.97%. NBFCs have the lowest PAR 30+ dpd of 1.12% followed by NBFC-MFIs at 1.54%

Manipur, Assam, Tripura, Delhi, West Bengal and Punjab are among the major States which have a PAR 30+ dpd level higher than the industry average of 1.97% and Karnataka, Bihar, Jharkhand, Tamil Nadu, Uttar Pradesh and Kerala have a PAR 30+ dpd Value lower than the industry average.

### About Sa-Dhan

*Sa-Dhan is the first and largest association of Impact Finance Institutions and an RBI recognized Self-Regulatory Organization (SRO) for Microfinance Institutions. It was formed over two decades back for supporting and strengthening the agenda of fostering Inclusive Impact Finance in India. It strives for creating a better understanding of the microfinance sector among policymakers, funders, banks, governments, researchers, and practitioners. Sa-Dhan has about 220 members working in 33 States/UTs which includes both, for Profit and Not for Profit MFIs, SHG promoting institutions, SFBs, Banks, rating agencies, capacity-building institutions etc. Sa-Dhan is also recognized as a National Support Organization (NSO) by National Rural Livelihood Mission (NRLM).*

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