

Industry clocks 38% Y-o-Y growth, PAR 30+ dpd down to 1.93%

- Portfolio of all lenders as of Sept 30, 2023 stands at ₹4,20,402 Cr.
- Portfolio of all lenders as of June 30, 2023 was ₹ 3,58,700 Cr.
- Portfolio of all lenders as of Sept 30, 2022 was ₹ 3,04,462 Cr.

New Delhi, Dec 07, 2023: Microfinance sector has recorded an overall 38% growth during the second quarter of FY 23-24 compared to same quarter of FY 22-23. As per the quarterly report compiled by Sa-Dhan, India's first and largest association of Impact Finance Institutions, which includes MFIs, the second quarter of FY 23-24, has been positive in terms of portfolio growth for all lenders apart from not-for-profit lenders. Except for NFPs, all other lenders (Banks, SFBs, NBFCs, NBFC-MFIs) have recorded significant year-on-year growth with NBFCs at 50%, followed by SFBs at 49%, NBFC-MFIs at 41% and Banks at 31%, whereas, the Not for Profits MFIs portfolio has contracted by (-73%) during the last year.

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

Lender	Portfolio (₹ in Cr) as on Sept' 23	Y-o-Y growth (in %)
Banks	1,50,660	31%
NBFC-MFIs	1,57,174	41%
SFBs	75,687	49%
NBFCs	35,996	50%
NFPs	885	-73%
Industry	4,20,402	38%

The number of loan accounts for the microfinance industry increased to 1,506 lakhs in Q2 of FY 23-24 from 1,280 lakhs in same quarter of FY 22-23, posting Y-o-Y growth of 18%, while lender-wise figures show that the NBFCs have registered highest Y-o-Y growth (25%), followed by NBFC-MFIs (24%), SFBs (18%), Banks (13%) respectively, while NFPs have registered negative growth of (-72%).

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

Lender	Loan Accounts (in lakhs) as on Sept' 23	Y-o-Y growth (in %)
Banks	537	13%
NBFC-MFIs	606	24%
SFBs	238	18%
NBFCs	120	25%
NFPs	4	-72%
Industry	1,506	18%

Market share of lenders in terms of Portfolio

Market share of lenders in terms of portfolio shows that the NBFC-MFIs accounts for the largest share at 37.39%, although its market share has slightly reduced compared to the previous quarter, it continues to remain the prime player in the microfinance sector. Banks are the second largest provider of microcredit at 35.84%. SFBs, NBFCs and NFPs accounted for 18.00%, 8.56% and 0.21% of the market share respectively. NBFC-MFIs are holding the highest market share in terms of portfolio from Q3 of FY 22-23 onwards.

Type of lender	Sept '23	Jun '23	Sept '22
NBFC-MFIs	37.39%	41.28%	36.71%
Banks	35.84%	31.98%	37.68%
SFBs	18.00%	17.40%	16.63%
NBFCs	8.56%	9.06%	7.88%
NFPs	0.21%	0.27%	1.10%

Top States and Districts in terms of Portfolio as of Sept' 2023:

- The top 5 states in terms of portfolio are Tamil Nadu, Bihar, Uttar Pradesh, Karnataka and West Bengal, these top 5 states account for approximately 55% of the total portfolio of the industry. The top 5 states having highest Y-o-Y growth in portfolio are Goa at 90%, followed by Andhra Pradesh and Kerala at 86% each, Puducherry at 78% and Arunachal Pradesh at 76%. Whereas, the top 5 states in terms of the portfolio that have recorded Y-o-Y growth higher than the industry growth rate are Kerala at 86%, Tamil Nadu at 49%, Uttar Pradesh at 48%, Karnataka at 45% and Bihar at 39% respectively.
- The states experiencing negative Y-o-Y growth in portfolio are from North Eastern region i.e. Sikkim (-12%), Nagaland (-11%), Manipur (-6%), Assam (-2%) and Tripura (-0.39%) respectively
- The top 10 districts in terms of portfolio are Mysuru (₹3,757 Cr), East Champaran (₹3,719 Cr), Murshidabad (₹3,683 Cr), North 24 Parganas (₹3,663 Cr), Muzaffarpur (₹3,626 Cr), Samastipur (₹3,603 Cr), Cuddalore (₹3,223 Cr), Madhubani (₹3,052 Cr), Darbhanga (₹2,899 Cr) and Thanjavur (₹2,883 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 Q2 of the current financial year, Mysuru has jumped to first position while Samastipur has slipped to sixth from second position. Also, Cuddalore has overtaken Madhubani and Darbhanga to become the seventh-largest district in terms of portfolio.
- There has been a significant increase in the number of districts having portfolio greater than ₹2,000 Cr. As on Sept' 2023, 43 districts overall have more than

₹2,000 Cr portfolio each, out of this, 12 districts are from Tamil Nadu, 10 districts are from Bihar, 7 districts are from West Bengal, 5 districts from Kerala, 4 districts from Karnataka, 3 districts from Maharashtra and 1 district each from Odisha and Uttar Pradesh.

- In the previous quarter, there were 20 districts which had portfolio above ₹2,000 Cr and 8 districts of Tamil Nadu, 5 districts from Kerala, 4 districts of West Bengal, 3 districts of Maharashtra, 1 district of Uttar Pradesh, Karnataka and Bihar have increased compared to the last quarter. Also, Kerala, Maharashtra and Uttar Pradesh are the new entrants in this category.
- Currently, microfinance operations in India are spread across 730 districts across 36 States/UTs.

Disbursement:

Total disbursement of all lenders is ₹96,637 Cr during Q2 of FY 23-24 whereas it was ₹81,776 Cr during the same quarter of FY 22-23, posting a Y-o-Y growth of 18%. Among the lenders, Banks have disbursed maximum of ₹38,622 followed by NBFC-MFIs ₹35,554 Cr, and SFBs ₹13,490 Cr respectively during the second quarter. Also, for Y-o-Y growth, NBFCs have registered the highest growth in disbursement (26%), followed by SFBs (20%), NBFC-MFIs (19%), Banks (15%), while NFPs have registered a negative growth of (-30%) respectively.

Top 5 states in terms of disbursement during the second quarter of FY 23-24 are Bihar (₹14,590 Cr), Tamil Nadu (₹13,549 Cr), Uttar Pradesh (₹10,130 Cr), Karnataka (₹9,850 Cr), and West Bengal (₹8,558 Cr), also these 5 States account for 59% of the total disbursement which is a 2% increase compared to same quarter of FY 22-23.

Lender- wise Disbursement of Funds:

Type of lender	Disbursement (₹ in Cr)		
	Q2 FY 23-24	Q2 FY 22-23	Y-o-Y Growth
NBFC-MFIs	35,554	29,903	19%
Banks	38,622	33,489	15%
SFBs	13,490	11,200	20%
NBFCs	8,862	7,029	26%
NFPs	110	156	-30%
Industry	96,637	81,776	18%

Average Ticket Size (ATS):

In the Y-o-Y comparison, ATS for all lenders has increased except for NFPs (-10%). There is a significant increase in ATS for NBFCs (19%) followed by Banks (17%), SFBs (7%), and NBFC-MFIs (6%). However, in Q-o-Q comparison, there is a marginal decline in ATS for SFBs (-2%), while ATS has increased for NFPs (30%), Banks (6%), NBFCs (5%) and NBFC-MFIs (1%) respectively.

Lender-wise Average Ticket size (in ₹)

Type of Lenders	Sept '23	Jun '23	Sept '22
NBFC-MFIs	42,640	42,078	40,174
Banks	49,575	46,740	42,350
SFBs	48,687	49,876	45,378
NBFCs	53,418	50,679	45,058
NFPs	29,952	23,037	33,396
Industry	46,922	45,509	42,097

Portfolio Quality

There has been significant improvement in the portfolio quality in the microfinance sector during FY 23-24. 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 Sept'2023, PAR 30+ dpd has improved to 1.93% from 4.94% as on 30 Sept'2022,
- As of 30 Sept' 2023, PAR 60+ dpd has improved to 1.41% from 3.83% as on 30 Sept'2022
- As of 30 Sept' 2023, PAR 90+ dpd has improved to 0.86% from 2.27% as on 30 Sept'2022.

SFBs (2.76%), NFPs (2.75%) and Banks (2.16%), have PAR 30+ dpd higher than the industry average PAR 30+ dpd of 1.93%, while NBFCs have lowest PAR 30+ dpd at 1.04% followed by NBFC-MFIs at 1.56%

Among major states in terms of portfolio, West Bengal, Uttar Pradesh, Maharashtra, Madhya Pradesh, Rajasthan, Kerala, Gujarat, Haryana and Punjab have PAR 30+ dpd level higher than the industry average of 1.93%, while among the North Eastern states, Manipur, Tripura, Sikkim and Assam have PAR 30+ dpd level higher than the industry average. Among major states in terms of portfolio, Bihar, Karnataka, Bihar Tamil Nadu, Jharkhand, Odisha have 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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