

Microfinance sector clocks 21% growth in FY 22-23

- Portfolio of all lenders as of March 31, 2023 stands at ₹3,51,521 Cr.
- Portfolio of all lenders as of March 31, 2022 was ₹2,89,845 Cr.
- Portfolio of all lenders as of Dec 31, 2022 was ₹3,24,017 Cr.

New Delhi, May 28, 2023: Microfinance sector has recorded an overall 21% growth during 2022-23. As per the quarterly report compiled by Sa-Dhan, India's first and largest association of Impact Finance Institutions, which includes MFIs, for the last quarter of FY 23, there has been across the board growth among all types of Microfinance players during the year. Except for the banks (other than SFB), all other types institutions recorded double digit growth, with NBFC recording 49% growth and NBFC MFIs at 37%. NFPs (Not-for-profits), and SFBs (Small Finance Banks) have posted significant growth of 25% and 19% respectively. Whereas the banks recorded only a paltry 3% growth in portfolio during the year.

According to **Jiji Mammen, ED & CEO Sa-Dhan** "The Microfinance sector has shown significant performance during the last financial year. The overall growth suggests that the industry has come out of the Covid blues completely and is on a growth path. The new regulatory norms have created a level playing field and it is reflected in the growth of portfolio of NBFC and NBFC MFIs."

The number of loan accounts for the microfinance industry increased to 1,363 lakhs in FY 22-23 from 1,239 lakhs in FY 21-22, posting Y-o-Y growth of 10%, while lender wise figures show NBFCs have registered highest Y-o-Y growth (23%), followed by NBFC-MFIs (15%), NFPs (6%), Banks (6%), and SFBs (5%) respectively.

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

Lender	Portfolio (₹ in Cr) as on Mar' 23	Y-o-Y growth (in %)
Banks	1,20,016	3.22%
NBFC-MFIs	1,39,632	37.49%
SFBs	58,431	19.03%
NBFCs	29,664	48.90%
NFPs	3,778	25.48%
Industry	3,51,521	21.28%

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

Lender	Loan Accounts (in lakhs) as on Mar' 23	Y-o-Y growth (in %)
Banks	494	5.51%
NBFC-MFIs	536	14.62%
SFBs	211	4.60%

NBFCs	106	23.22%
NFPs	16	5.57%
Industry	1,363	10.04%

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 39.72%, thus becoming the prime player in Microfinance sector. Banks are the second largest provider of micro credit at 34.14%. SFBs, NBFCs and NFPs accounted for 16.62%, 8.44% and 1.07% 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	Mar '23	Dec '22	Mar '22
NBFC-MFIs	39.72%	38.48%	35.04%
Banks	34.14%	35.71%	40.11%
SFBs	16.62%	16.29%	16.94%
NBFCs	8.44%	8.44%	6.87%
NFPs	1.07%	1.08%	1.04%

Top States and Districts in terms of Portfolio as of March 2023:

- The top 5 states in terms of portfolio are Bihar, Tamil Nadu, Uttar Pradesh, West Bengal, and Karnataka, these top 5 states account for approximately 55% of the total portfolio of the Industry. The states having Y-o-Y growth in portfolio higher than the industry average are Uttar Pradesh with 41%, followed by Bihar with 37%, Karnataka with 29% and Tamil Nadu with 25%.
- The states experiencing negative Y-o-Y growth in portfolio are mostly from North Eastern region i.e. Assam (-35%), Nagaland (-32%), Sikkim (-15%), Tripura (-15%), Meghalaya (-12%), Manipur (-4%) and West Bengal (-5%) from the Eastern region.
- The top 10 districts in terms of portfolio are East Champaran (₹3,382 Cr), Murshidabad (₹3,294 Cr), Samastipur (₹3,256 Cr), Muzaffarpur (₹3,239 Cr), North 24 Paraganas (₹3,177 Cr), Mysuru (₹3,133 Cr), Madhubani (₹2,653 Cr), Cuddalore (₹2,599 Cr), Darbhanga (₹2,553 Cr) and Thanjavur (₹2,469 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 Q4 of current financial year, East Champaran jumped to first position from eighth position whereas North 24 Paraganas has been relegated to fifth position from first position in Q4 of previous financial year.
- 18 districts overall have more than ₹2,000 Cr portfolio each, out of this, 8 districts are from Bihar, 4 districts from West Bengal and 3 districts each are from Tamil Nadu and Karnataka.

- Currently microfinance operations in India are spread across 730 districts across 36 States/UTs.

Disbursement:

Total disbursement of all lenders is ₹3,19,948 Cr during FY 22-23 whereas it was ₹2,53,966 Cr during FY 21-22. Disbursement has posted a growth of 26% compared to FY 21-22. Among the lenders, NBFC-MFIs have disbursed a maximum of ₹1,24,063 Cr, closely followed by Banks at ₹1,16,402 Cr during FY 22-23. Also, for Y-o-Y growth, NBFCs have registered highest growth in disbursement (59%), followed by NBFC-MFIs (48%), SFBs (18%), NFPs (18%) and Banks (7%) respectively.

Top 5 states in terms of disbursement during FY 22-23 are Bihar, Tamil Nadu, Uttar Pradesh, Karnataka, and West Bengal, also these 5 States account for 57% of the total disbursement.

“The growth of portfolio also indicates that there is huge scope of widening the Microfinance loans across the country, which can give a huge boost to the sector in terms of further growth. There are several districts which are still not fully tapped by the Microfinance players.” Jiji Mammen observed.

Lender- wise Disbursement of Funds:

Type of lender	Disbursement (₹ in Cr)		
	FY 22-23	FY 21-22	Y-o-Y Growth
NBFC-MFIs	1,24,063	83,742	48%
Banks	1,16,402	1,08,852	7%
SFBs	48,519	41,151	18%
NBFCs	27,331	17,151	59%
NFPs	3,633	3,070	18%
Industry	3,19,948	2,53,966	26%

Average Ticket Size (ATS):

In Y-o-Y comparison, ATS for all lenders has increased. There is a significant increase in ATS for NFPs (19%) followed by NBFC-MFIs (11%), SFBs (9%), Banks (7%), and NBFCs (5%). However, in Q-o-Q comparison, there is a decline in ATS for NFPs (-9%), while ATS has increased for Banks (9%), NBFC-MFIs (4%), SFBs (4%), and NBFCs (0.42%) respectively.

Lender-wise Average Ticket size (in ₹)

Type of Lenders	Mar '23	Dec '22	Mar '22
NBFC-MFIs	43,193	41,675	38,849
Banks	41,960	38,340	39,160
SFBs	49,177	47,358	45,088
NBFCs	46,009	45,816	43,807
NFPs	32,345	35,733	27,236
Industry	43,616	41,396	39,955

Portfolio Quality

There has been significant improvement in the portfolio quality in Microfinance sector during 2022-23. 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 31 March 2023, PAR 30+ dpd has improved to 2.16% from 5.27% as on 31 March 2022,
- As of 31 March 2023, PAR 60+ dpd has improved to 1.67% from 3.55% as on 31 March 2022
- As of 31 March 2023, PAR 90+ dpd has improved to 1.06% from 2.43% as on 31 March 2022,

Apart from Banks (3.03%) and SFBs (2.46%), all other lenders have PAR 30+ dpd lower than the industry average of 2.16%. NBFCs have the lowest PAR 30+ dpd of 0.98% followed by Not for Profits MFIs at 1.56% and NBFC-MFIs at 1.60%

Karnataka, Bihar, Jharkhand, Uttar Pradesh, Tamil Nadu, and Kerala. are among the major States/UTs which have PAR 30+ dpd level lower than the industry average of 2.16% and all the North Eastern states except for Mizoram and Manipur, have PAR 30+ dpd level higher than the industry average of 2.16%.

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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