Sa-Dhan
Fostering Inclusive Impact Finance

Microfinance Impact

Volume: 2 Issue: 2 December 2024

Inclusive Growth 2024

The Sa-Dhan National Conference on Inclusive Growth 2024, themed 'Driving Sustainable Development through Inclusive Finance,' was a testament to the microfinance industry's collaborative spirit. This two-day event brought together industry experts, dignitaries, and delegates, each contributing to a holistic view of the sector's challenges and opportunities. It was an actual demonstration of the power of collaboration in driving sustainable development.

The event featured 12 sessions and over 65 eminent speakers who shared their expertise on diverse topics. Key highlights included the fireside chat, unveiling the Bharat Microfinance Report, and the Release of the Microfinance Directory 2024.

The event fostered collaboration, enabling stakeholders to align on solutions for greater financial accessibility and stability across India's diverse regions. As we turn the page towards the second decade of the conference and take the legacy forward, we at Sa-Dhan aim to create a more significant impact in the Microfinance sector.

Sa-Dhan & IIBF tackle Quality Manpower Shortage

Among MFIs, the attrition of base-level staff is more than 50%. To overcome the talent challenge, Sa-Dhan has joined hands with the Indian Institute of Banking & Finance (IIBF) to launch a new certification course for training new employees of MFIs. The course is online. IIBF will conduct quarterly examinations and award certificates. Sa-Dhan will make a state-level for MFIs to can pick suitable candidates. The course is open to all those who have passed 12th and want to join the microfinance industry.

Entrepreneurship: the Tool to 'Empower Women'

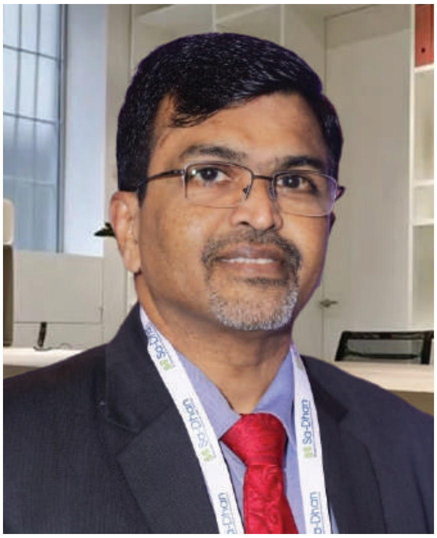
Jiji Mammen, ED & CEO at Sa-Dhan, highlights the myriad economic challenges that women face and shares his personal perspectives on different kinds of empowerment to uplift them:

In India, women form 48% of the total population, which is almost equal to the number of men folk. But the status they enjoy in the society, in terms of social and economic condition, is far different. In most of the socio-economic parameter women comes behind the men. The female literacy level in the country was just 65.46% as against 81% for men, as per last census, although there is a steep increase from the days after Independence, which was a paltry 8.86% in 1951. The share of wealth owned by women in India is less than 30% as against 40% globally and much higher numbers in developed western countries. Only about 13% of women (15-49 years) in India owns a house on their name, while another 29% owns it jointly with someone else. Owning land by women alone is still lower at 8.3% while another 23.4% own land jointly with someone else. These are a few of them and the list could be long. Why is there so much difference in the women's status in our society? How do we bridge the gap?

In Vedic period women had a prominent position in the society. Wife was called 'Sahadarmini', meaning equal partners. But what is the reality today? The Indian Constitution provides equal rights for all citizens irrespective caste, creed or gender. While Article 14 ensures right to equality, Article 15 (1) prohibits gender discrimination and Article 15 (3) empowers state to make affirmative actions in favour of women. There are several Acts which support women protection like Equal Remuneration Act of 1976, Maternity Benefit Act of 1961, Prevention of Sexual Harassment at Workplace Act of 2013. We have a National Policy on Empowerment of Women adopted in 2001 and a Women Development Commission constituted in 1990 to protect women's interest. What has all these done? Sadly, not much change.

SOLVING THE PROBLEM

How do we correct this situation? It is possible only by empowering them. The word empower means 'an active multi-dimensional process which enables women to realize their full identity and power in all spheres of life'. In other words, 'process by which women gain power and control over their own lives and acquire the ability to make strategic choices.' Empowerment has to be social, educational, economic, political and psychological.



The recent announcement of the Government promoting 'Lakhpati Didi' is a step towards promoting enterprises among the SHG members.

- Jiji Mamen

But the most important and effective ones are educational and economic empowerment. Of these two, economic empowerment stands out. It is said that 'the Power of Purse' is the most enduring one which can bring a change instantly.

Microfinance in India has played a key role in empowering women to some extent. There are over 10 crore women who are part of Self-Help Groups in India. SHG is an effective vehicle for social and financial empowerment. More than ₹2.10 lakh crore has been disbursed through SHG, which helped women to enhance their social and economic status.

Microfinance Institutions and the JLG lending mode have also empowered women. The availability of credit at the doorstep at easy terms is the forte of MFIs. The movement, which started about 30 years back, has brought more than 8.2 crore poor households in the formal credit fold. And, they have been instrumental in disbursement of nearly ₹3.74 lakh crore to the poor women through JLGs.

Thus, SHG bank linkage and JLG model together have achieved an outstanding loan amount of ₹6.68 lakh crore to the poor women, which is not a small achievement. Both the models together have supported 14-15 crore poor households, factoring some overlaps. *(See the Chart)*

Type of Microfinance	No. of Loan Accounts (lakh)	Amount disbursed during 2023-24 (₹cr)	Amount outstanding as on 31-3-2024 (₹cr)
SHG model	77.42	209,286	259,664*
JLG model	1409	374,345	408,507**
Total		583,631	668,171

**NABARD SOMFI **Equifax India*

It is time to go one step further to achieve real empowerment. The present microfinance is mostly helping livelihood activity, which may be sufficient to sustain them. But the need is to enhance their income level by making them entrepreneurs to achieve their aspirations of Viksit Bharat.

EMPOWERING THE WOMEN

Is it easy for women to create enterprises – of course not. There are numerous challenges. First of all, women face more challenges than men. These begin with lack of ownership of property which constrains fund raising, family obligations along with business activities, limited mobility, knowledge gaps and lesser capabilities to manage men, machinery and technology. Women who overcome these challenges are the successful entrepreneurs. In India, we have several successful women entrepreneurs like Kiran Majumdar Shaw, Falguni Nayar, Shanaz Hussain and many more. In microfinance sector where I am engaged, women pioneers like Ela Bhat, Vijayalakshmi Das and Sudha Kothari, and among the new generation, Ananya Birla, have shown their mettle. Let's not forget millions of small-scale entrepreneurs, including road side vendors, who are making a good living through entrepreneurship capabilities.

The Government of India's present focus on promoting micro enterprises, especially women-led, is a right step. Schemes like Pradhan Mantri

Mudra Yojana and Stand-Up India, focus on supporting women enterprises. While PMMY is for the micro enterprises, requiring loans up to ₹20 lakh, the Stand-up India scheme is to support larger enterprises, up to ₹1 crore loan amount. But enterprise promotion cannot work only with credit. It needs several other supports including training and hand holding. The recent announcement of the Government promoting 'Lakhpati Didi' is a step towards promoting enterprises among the SHG members, who are generally from the lower strata. The idea is to promote the SHG members of National Rural Livelihood Mission to start their business or grow their existing livelihood activity to an enterprise activity.

NRLM has joined hands with several institutions to support promotion enterprise financing through a bouquet of services to the prospective entrepreneur, including training, handholding, credit linking and marketing. Sa-Dhan is one such organization chosen for the purpose and it is putting effort to create a right ecosystem to serve this cause. Sa-Dhan, an association of Impact Finance institutions, has started working in 4 states - Assam, West Bengal, Jharkhand and Chhattisgarh - to help build enterprises at the bottom strata. We hope to see the goal of creating 3 crore micro or nano enterprises, which will lead to the transformation and empowerment of women, especially at the bottom of the pyramid.

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Why women need to be at the forefront of the fight against climate change

By Purvi Bhavsar, Managing Director, Pahal Financial Services

As climate change looms over us all as the single greatest threat to human health in recorded history, threatening our very survival as a species; governments, communities and individuals worldwide are aggressively exploring and implementing solutions to fight this existential threat.

While these efforts are being coordinated at multiple levels (globally, nationally and locally) in an attempt to limit global warming to well below 2 degrees Celsius, (preferably to 1.5) compared to pre-industrial levels as per the Paris Agreement, it's clear that there is one segment of the population that is being both overlooked and underutilised in this fight. What's concerning is that this demographic could be the key to helping us win this battle. I am, of course, referring to women.

It's disheartening to note that even in today's day and age, women are severely sidelined when it comes to decision-making. According to UN Women reports, "women's equal participation and leadership in political and public life are essential in achieving the Sustainable Development Goals by 2030. However, data shows that women are under-represented at all levels of decision-making worldwide". In fact, the World Economic Forum's 2021 Global Gender Gap Report estimates that at the current rate, it will take another 130 years to achieve gender equality in the highest position of power.

What makes this situation even more troubling is that women in particular, are far more vulnerable to climate change than their male counterparts due to a combination of social, economic, political, and cultural factors.

Historical evidence indicates that women are more susceptible to violence and health problems after natural disasters.

- Purvi Bhavsar

So, why do I think that women are integral to fighting the climate crisis? Here are a 5 key reasons:

1. Women are the ones most severely impacted by climate change

As mentioned before, women bear the brunt of climate change disproportionately due to a number of inherent vulnerabilities stemming from living in a patriarchal society.

Worldwide, women have less access than men to opportunities and resources such as land, financial services, education, technology, training, political representation, etc. that would improve their ability to adapt to climate change.

They're also more likely to live in poverty (globally, women aged 25–34 globally are 25% more likely than men to live in extreme poverty). The lack of access to employment, unequal pay, and gender roles women are forced to play also contribute to their reliance on these natural resources. Additionally, historical evidence indicates that women are more susceptible to violence and health problems after natural disasters.

Therefore, it's crucial that we empower them directly so they can adapt to and become resilient to this threat.

2. Women make up a significant part of the workforce of industries impacted by climate change & their increased participation would fund the finance gap needed to fight the climate crisis

Women comprise roughly 43% of the agricultural labour force in developing countries. If we consider just India, the agriculture sector employs 80% of all economically active women in the country. However, only about 13% are landowners.

Evidence suggests that if these women had equal access to resources as men, they could increase farm yields by 20–30% which in turn would reduce the number of hungry people in the world by 12–17%. Hence, women are uniquely equipped to create effective climate solutions (especially at the grassroot level).

Additionally, according to McKinsey, in a "full potential" scenario where women play an equal role in labour markets to men, as much as $28 trillion, or 26%, could be added to the global annual GDP by 2025. This is more than enough to bridge the climate finance gap needed to fund the fight against climate change, which stands at $894 billion by 2030.

Just increasing the participation of women in the labour force will sufficiently increase the world's GDP for financing sustainable development.

3. Women are vital to building climate resilience in communities as well as mobilising communities in taking action against climate change

It's been proven that communities do better in resilience and capacity building strategies when women are also involved in planning. According to the UN, women are more likely to share information about community wellbeing that is important for resilience. They're also more willing to adapt to environmental changes since their family lives are impacted.

Additionally, research suggests that women show more concern for the environment, support policies that are environmentally beneficial and tend to vote for leaders who care about the environment. Evidence from 25 developed and 65 developing countries indicates that countries with higher female parliamentary representation are more likely to set aside protected land areas.

Women are also usually the first responders in community responses to natural disasters, leaders in disaster risk-reduction, and contribute to post recovery by addressing the early recovery needs of their families and strengthening community building.

4. Women from indigenous/tribal communities have a rich history of environmental activism as well as extensive knowledge of sustainable practices

For generations, knowledge and practices on how to best utilise the natural resources of a region sustainably have been handed down among women of indigenous communities/ tribes. The importance of this ancient knowledge cannot be stressed enough as it has been gathered over hundreds of years in certain cases and is a goldmine of nuanced, contextual information on effectively managing the natural resources as well as disaster response of a local geography.

It's crucial that governments and other organisations leverage this knowledge in order to create climate solutions best suited to enhance the adaptive capacity of the region.

Indigenous/tribal women also have a rich history of environmental activism due to their lifestyles and livelihoods being deeply entwined with nature. A renowned example is the Chipko movement which was spearheaded by adivasi women in Uttar Pradesh to prevent deforestation. History is populated with numerous such instances of indigenous women fighting for and paving the way to a sustainable future.

5. As primary caregivers of children worldwide, women are vital to preparing the future generations fight climate change

Women are also uniquely positioned to help prepare the future generations to effectively battle the climate crisis. As the primary caregivers of children across the globe, they have the opportunity to educate and empower children from a young and impressionable age.

This article is based on data and evidence and is not biased. ■

My Field Diaries: Is Convergence Possible?

Neeraj Pokhariyal, National Head – Financial Inclusion, Sa-Dhan

To effectively address the ecosystem needs of women entrepreneurs in India, government schemes must prioritize inclusivity, accessibility, and responsiveness to the unique challenges women face. I have travelled widely and interacted with numerous women entrepreneurs during the BMGF-funded project on enabling formal financing for women-led enterprises promoted by SRLMs. I gleaned numerous insights from my field experiences, based on which I am presenting 8 key strategies and recommendations.

1. Comprehensive Awareness Campaigns
2. Tailored Financial Products
3. Focused Skill Development Programs
4. Enhanced Mentoring and Networking Opportunities
5. Strengthening Market Linkages
6. Addressing Legal and Regulatory Barriers
7. Continuous Feedback Mechanisms
8. Data-Driven Policy Making

Government schemes should simplify compliance processes and provide legal assistance to help women navigate challenges.

- Neeraj Pokhariyal

COMPREHENSIVE AWARENESS CAMPAIGNS

Government initiatives should prioritize awareness campaigns that inform not only women entrepreneurs but also other relevant stakeholders such as bankers and other line departments, about available schemes and resources. Leveraging platforms like our project will effectively disseminate this information. Enhanced visibility and understanding of the schemes will enable women to make informed decisions about the support available to them.

TAILORED FINANCIAL PRODUCTS

Access to finance is a significant barrier for women entrepreneurs. Government schemes should offer financial products tailored to the specific needs of women-led businesses, including lower interest rates, flexible repayment options, and collateral-free loans. Partnerships with financial institutions to create dedicated funds for women entrepreneurs will also facilitate easier access to capital.

FOCUSED SKILL DEVELOPMENT PROGRAMS

Training and skilling initiatives should be designed to meet the specific needs of women entrepreneurs. This includes technical skills, as well as business management, digital literacy, and financial literacy. These programs should be accessible in both rural and urban areas, ensuring inclusivity for women from diverse backgrounds.

ENHANCED MENTORING & NETWORKING OPPORTUNITIES

Structured mentoring and networking programs will significantly benefit women entrepreneurs. Government schemes should facilitate connections between women entrepreneurs and experienced mentors. Networking events, workshops, and online platforms will provide opportunities for collaboration, knowledge sharing, and mutual support.

STRENGTHENING MARKET LINKAGES

Government schemes should focus on enhancing market linkages for women-led enterprises. Providing platforms for women entrepreneurs to showcase their products and services, both domestically and internationally, will help achieve this. Initiatives that connect women entrepreneurs with larger supply chains and e-commerce platforms would help them reach broader markets.

ADDRESSING LEGAL AND REGULATORY BARRIERS

Women entrepreneurs often face legal and regulatory challenges that hinder their business operations. Government schemes should simplify compliance processes and provide legal assistance to help women navigate these challenges. Creating a supportive regulatory environment that considers the unique circumstances of women entrepreneurs is essential.

CONTINUOUS FEEDBACK MECHANISMS

Establishing feedback mechanisms to gather insights from women entrepreneurs about their experiences with government schemes will help identify gaps and areas for improvement. Regular consultations with women entrepreneurs will ensure that policies and programs remain relevant and effective in addressing their needs.

DATA-DRIVEN POLICY MAKING

The government should invest in research and data collection to better understand the landscape of women entrepreneurship in India. This data will inform policy decisions and help tailor support schemes to the specific needs of women entrepreneurs, ensuring that resources are allocated effectively.

CONCLUSION

By implementing these strategies, government schemes will more effectively address the ecosystem needs of women entrepreneurs in India. A holistic approach that combines awareness, tailored financial products, skill development, mentoring, market access, legal support, feedback mechanisms, and data-driven policymaking will create a more conducive environment for women-led enterprises to thrive. This, in turn, will contribute to greater economic growth, job creation, and gender equality in the entrepreneurial landscape.

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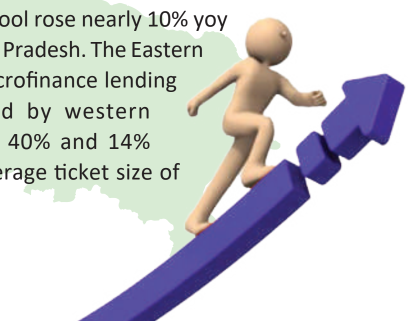
Industry News

Belstar Microfinance to drive consolidation

With asset quality pressure rising in micro loans, Belstar Microfinance plans to emphasize more on consolidating its portfolio over the next 2-3 quarters and less on pursuing growth. This is a response to stressed assets rising from 1.8% in Sept 2023 to 3.5% in September 2024. The company's loan assets under management grew by 22% yoy to ₹9625 crore, but declined sequentially from ₹9951 crore. Belstar posted a drop in net profit to ₹52.6 crore in Q2FY25 from ₹83.1 crore in Q2FY24 and ₹89.8 crore in Q1FY25. Its stage 3 assets grew to ₹298 crore in September 2024 from ₹95.7 crore a year ago. For NBFCs, stage 3 assets are loans that have been overdue for more than 90 days.

Uttar Pradesh: Microfinance loans rise 10%, cross ₹40,000 crore

The microfinance credit pool rose nearly 10% yoy to ₹40,840 crore in Uttar Pradesh. The Eastern UP districts lead in total microfinance lending with 46% share, followed by western and central districts, with 40% and 14% share, respectively. The average ticket size of microfinance loans in UP has risen from ₹43,484 in September 2023 to ₹48,471 in September 2024 - a jump pf 15%.



NBFCs-MFIs topped the microfinance tally with a total outstanding portfolio of ₹19,400 crore, followed by banks and SFBs with ₹12,000 crore and ₹5,940 crore, respectively at the end of September 2024.

Co-lending partners Muthoot Microfin and SBI commence disbursement

Microfinancing company Muthoot Microfin has commenced the disbursement of loans through its co-lending arrangement with the State Bank of India (SBI). Under the partnership, the SBI has approved a ₹500 crore limit, to be distributed in increments of ₹100 crore. The loans, ranging from ₹50,000 to ₹3 lakhs, will be offered to selected and eligible customers, with a special focus on members of Joint Liability Groups (JLGs) involved in agricultural and related activities, as well as other income-generating projects. The partnership makes loans more affordable for borrowers while driving financial inclusion and fostering self-sufficiency in underserved communities.

Muthoot Microfin currently operates across 20 states and 369 districts. Based on its gross loan portfolio, it is the 5th largest NBFC-microfinance company. In Q2 FY25, Muthoot Microfin showed a 44% decrease in net profit but a 26% growth in operating profit.

Its Gross NPA rose to 2.7% at the end of September 2024 from

2.3% a year ago. Employee costs also rose to ₹133 crore in the quarter, a rise of ₹22 crore from the corresponding period last year.

IRDAI Chief cautions against mis-selling

Speaking at the SBI Banking and Economic Conclave, IRDAI chairperson Debasish Panda advised banks to resolve issues in bancassurance practices and stressed the need for caution and care in insurance sales through bank channels. He advised banks not to run after the customer and to avoid mis-selling. "It needs to be done with care and caution and don't forget your activity and only start selling insurance," Panda said.

Panda's remarks are in sync with finance minister Nirmala Sitharaman who acknowledged the role of bancassurance in improving insurance penetration, but flagged critical concerns.

"Insurance through bank model has significantly contributed to improving insurance penetration, but also raised concerns about instances of mis-selling and added ways of the increased cost of borrowing for the customer, so banks will have to look at it with a lot more emphasis on their core banking activities and not burden the customer with insurance," Sitharaman said.

While banks have been advised to focus on core banking activities and prevent over-dependence on non-core revenues from insurance sales, the share of fee income has been rising for them. A report by Motilal Oswal Financial Services highlighted that private banks and SBI have leaned heavily on bancassurance income to offset margin pressures. Between FY18 and FY24, top private banks like HDFC, Axis, and IndusInd grew their bancassurance income at 19-21% CAGR.

Moderate credit growth in FY25

Bank credit growth could slow down in FY25 due to factors like regulatory tightening and an emphasis on managing the CD ratio, which remains around 80%. According to a CareEdge report, non-food credit offtake growth had already decelerated to 13% yoy in September 2024, a steep fall from the 20% seen in September 2023. Key drivers of credit demand in September 2024 included the industrial sector, specifically MSMEs, alongside commercial real estate and housing loans.

This was counterbalanced by reduced credit expansion to NBFCs and slower growth in personal loans. NBFC credit rose merely 9.5% yoy in September 2024, half of what it was last year. Growth in personal loans fell even more sharply to 8.1% for the 9-month period ending September 2024 from 22.6% in the previous year. A combination of RBI restrictions on unsecured consumer lending, along with a high base effect, contributed to this decline. Housing loans grew at a slower 12.6% yoy pace, down from 36.2% last year. However, gold loans and credit card debt performed well.

Housing and vehicle loans experienced similar downtrends, with housing loans expanding at 12.6% yoy and vehicle loans at 13.3%, both slowing compared to the prior year. Advances to individuals against gold, however, showed a notable increase, rising by 51% yoy as rising gold prices bolstered gold's appeal as collateral, though recent RBI scrutiny could temper future growth. The upcoming liquidity coverage ratio (LCR) norms could add pressure on credit availability, particularly for NBFCs and unsecured retail segments.

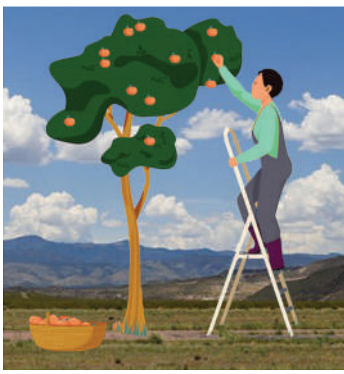
FM reviews performance of RRBs in the South, emphasises digital expansion

Finance Minister Nirmala Sitharaman reviewed the performance of 10 Regional Rural Banks (RRBs) from the southern region in Bengaluru. This review covered RRBs operating across Karnataka, Tamil Nadu, Andhra Pradesh, Telangana, Kerala and Puducherry. Senior officials from the finance ministry, state governments, SIDBI, NABARD, sponsor banks, and other RRB stakeholders attended the meeting.

Sitharaman commended RRBs on their improved financial performance and technology enhancements since the regular reviews began in 2022. She highlighted the need for all RRBs to maintain updated technology systems, noting that digital and mobile banking, are especially beneficial in North East and mountainous regions. She further emphasised outreach by RRB branches in MSME hubs to enhance credit access for small businesses in sectors like textiles, handicrafts, and dairy farming. She also directed SIDBI to help RRBs explore co-lending and risk-sharing models and provide refinance options for MSME loans.

Sitharaman concluded by urging sponsor banks and RRBs to focus on asset quality, expanding digital services, and maintaining strong corporate governance.

Finance Ministry unveils PLI scheme for public sector bankers



The Finance Ministry has unveiled a revised performance-linked incentive (PLI) scheme aimed at containing the brain drain from public sector banks to the private sector. The earlier PLI scheme was restricted only to MD & CEOs and Executive Directors. The revised scheme is much bigger – it reaches down all the way till the chief manager level. The PLI ceiling for Chairman, MD, Dy MD, CEOs and ED of the public sector banks has been pegged at 100% of their annual basic pay. For CGM, GM the PLI ceiling is 90% and for DGM and AGM, the PLI ceiling is 80%, respectively, of their annual basic pay. For Chief Manger, this ceiling is at 70%. All permanent employees, including lateral hires and officers on deputation, in the rank of Chief Manager and above will be eligible for PLI. The PLI will be paid in cash in a single tranche.

A committee, headed by the Secretary (DFS) and comprising Additional Secretary (DFS), Joint Secretary (Baking) and Chief Executive of IBA as its members, will assess the governance mechanism in PSBs for the PLI. After the assessment, the committee will list the banks eligible to be considered under the PLI Scheme. It may also decide on (in)eligibility of officer(s) for the PLI scheme.

For a bank to be eligible to operate the PLI Scheme, it has to meet at least 3 out of 4 criteria: (i) positive return on assets (RoA) (ii) Net NPA not more than 1.5%, or in case if Net NPA is more than 1.5% then reduction of 25 basis points or more in opening net NPA of the financial year (iii) cost to income ratio (CIR) not more than 50%, or in case it is more then there should be at least a yoy improvement in CIR and (iv) capital to risk-weighted assets ratio as per the minimum regulatory requirement plus 200 basis points or more.

Consumption led credit rises 5%

Though the pace of growth of unsecured credit disbursed by banks and credit card companies has slowed during the past one year due to RBI's tighter norms, the share of credit-linked consumption has gone up by 4-5%. As per Counterpoint Research, the percentage of smartphones sold on credit during the festive season has increased to 33% of from 29% a year back. For premium smartphones (₹30,000+) the share has risen from 52% to 56%. White goods sold on credit have also gone up from 35% to 40%.

Even for e-commerce, credit linked sales surged during September and October. At Amazon India, EMI adoption has surged 25% yoy fueling big ticket purchases, accounting for 25% of electronic sales. RBI data shows bank consumer durable loan till September grew by 8.6% yoy as compared with 9.8% a year back. For credit card outstanding, the growth was 18% in the same period as compared to 31% last year.

Counterpoint says the surge in EMI is leading to an increase in average transaction value, particularly in smaller towns. Brands too are aggressively pushing no-cost EMI offers in the last 2 years to revive the lukewarm demand by absorbing the interest cost. PwC India reports that India added more than 16 million credit cards in 2023-24, crossing 100 million. Even NBFCs reported a surge in credit.

Microfinance institutions should refrain from reckless lending: DFS Secretary

Microfinance institutions (MFIs) have played a crucial role in fostering financial inclusion but they should refrain from any reckless lending, Financial Services Secretary M. Nagaraju said.

We should all be careful on this. Any reckless or poor underwriting norms regarding lending to Self Help Groups (SHGs) or Joint Liability Groups (JLGs) will only harm the sector," he said at an event organised by Sa-Dhan here. Anything that will impact their capacity to repay will actually harm MFIs, he said. ■

Banking News

Yes Bank partners with Vegapay to provide credit line on UPI

Yes Bank has partnered with Vegapay to launch a hyper-configurable platform called 'Credit Line on UPI'. Yes Bank will use the platform to create customized credit programs that suit customers' needs. The platform includes a user-friendly dashboard and a customizable app, making it simple for banks to integrate with their existing systems. The bank's Executive Director Rajan Pental said: "One in every three digital payment transactions in the country is processed by Yes Bank, exerting leadership in the UPI space. With 'Credit Line on UPI', we will be able to bridge this gap further, supporting a credit-driven future for millions of Indians." The collaboration aims to redefine credit access across India, empowering banking institutions to deliver a modern credit experience to millions.

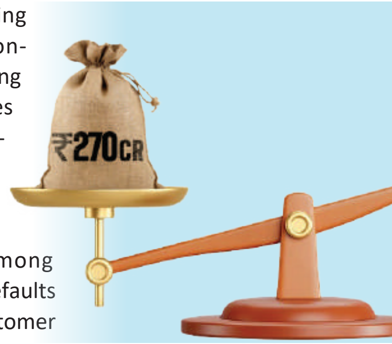
As UPI transactions are projected to grow at an annual rate of 57% through FY 2024, the market for UPI-linked credit products is expected to exceed $50 billion by 2025. YES Bank's partnership with Vagapay addresses this gap by leveraging UPI's extensive reach.

Private Banks seek reduction in Mudra targets

Concerned about rising stress in MSME loans, some private banks are recommending reducing the prescribed targets for Mudra loans. In FY23, private and foreign banks disbursed 110% of their ₹1.28 lakh crore target. This fiscal year, the government introduced a new category in Mudra loans, Tarun Plus, allowing borrowers to access loans up to ₹20 lakh. A recent FICCI-IBA survey reports that lenders expect a 38% rise in NPAs for MSME loans in the next 6 months. While there is not much stress in Mudra loans, the sector as a whole can come under stress on account of interest rates and global uncertainty. A government official denied any stress signs in Mudra loans and that the bad loans in the segment have come down. NPAs on Mudra loans for public sector banks are on a downward trend: 3.76% in 2018-19, 4.89% in 2019-20, 4.77% in 2020-21 and 3.40% in FY24.

A ₹100 crore credit guarantee scheme for MSMEs, which was announced in the budget this year, is soon expected to be placed before the Union Cabinet for approval.

Ujjivan SFB to offload ₹270 cr of micro-banking loans



Ujjivan Small Finance Bank is looking to sell ₹270 crore worth of non-performing and written-off micro-banking loans to asset reconstruction companies (ARCs). Of the total, 77% are non-performing loans, and the balance 23% are write-offs by the bank.

Jul-Aug-Sept quarter saw a significant rise in loan stress among microfinance lenders. The reasons for defaults in microfinance are manifold. First is customer overleveraging leading to inability to repay. Second is lending to customers with multiple fake voter ID cards categorized as new-to-credit (NTC) customers. Third is high attrition at the field staff and branch manager levels. Further, heavy rainfall and floods in certain regions adversely impacted customer earnings and repayments, leading to loan stress. ARC companies are looking at the prices put up by banks and will buy the loans if the price is right.

Bank credit to microfinance borrowers falls by a third

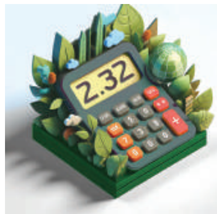
Credit delivery to bottom of the pyramid customers has shrunk by nearly a third in the second quarter of the fiscal compared with the year-ago period, with banks slowing down businesses more than non-bank lenders in an overheated microfinance market. The size of the microfinance market has also declined successively in the past two quarters. According to the latest sectoral data collated by credit information company Crif High Mark, overall loan disbursement in the second quarter stood at ₹69,296 crore, a drop of 29% over last year.

RBI approves Central Bank of India for insurance JV with Generali group

Central Bank of India has got approval from RBI to enter the insurance business through a joint venture with Generali group. In October, the Competition Commission of India (CCI) had cleared the Central Bank of India's proposed acquisition of stakes in Future Generali India Insurance Company Ltd (FGIICL) and Future Generali India Life Insurance Company Ltd (FGILICL). FGIICL provides personal insurance, commercial insurance, social, and rural insurance, among others. FGILICL provides savings insurance, investment plans (ULIP), term insurance plans, health insurance plans, child plans, retirement plans, rural insurance plans and group insurance plans. Earlier in August, the Central Bank of India emerged as the successful bidder for the stake acquisition of debt-ridden Future Enterprises in life and general insurance venture.

PNB becomes a PCAF signatory, committing to climate responsibility

Punjab National Bank (PNB) has become a signatory to the globally recognised Partnership for Carbon Accounting Financials (PCAF). This move reinforces PNB's commitment to transparency and proactive



climate action, by adopting internationally benchmarked standards for measuring and disclosing greenhouse gas (GHG) emissions associated with its lending and investment activities. In the financial year 2023-24, PNB disclosed its financed emissions in the Business Responsibility and Sustainability Report (BRSR) using the PCAF Standard, a globally accepted methodology. PNB's decision to join PCAF aligns with the RBI's draft framework on climate-related financial risk disclosures, which requires banks to begin reporting on governance, strategy, and risk management for climate-related financial risks and opportunities from FY 2025-26 onwards.

Rising unsecured defaults makes banks turn cautious

Stung by high default rates in the personal loan, credit card and microfinance portfolios, Indian banks are slashing credit card limits and restricting pre-approved personal loans. Some of the lenders have also reduced loan-to-value (LTV) ratios on mortgage loans. Banks are also keeping a very close watch on days past due (DPD), where collection machinery gets triggered at day zero DPD.

Banks are also de-risking themselves from MFI loans by restricting book growth. Banks are also moving away from the young millennial population where there is a big tendency to max out credit cards and not repay them.

RBI has been continuously flagging the buildup of risks in the unsecured segment, pointing out that delinquency levels among borrowers with loans below ₹50,000 were extremely high. The microfinance and fintech industries have been grappling with the issue of customers having more than four 4 with a total outstanding of more than ₹2 lakh. ■

Industry Highlights

(Data Source: CRIF Highmark)

- Loan Portfolio of all micro-lenders as of Sept' 24 was over ₹4.14 lakh crores, a modest positive yoy growth of 8%, compared to Sept' 23. However, qoq comparison with 2024 shows a negative growth (-4%).
- Number of loan accounts serviced by all micro-lenders stood at 1,534 lakhs as of Sept' 24, a yoy growth of 1%. However, qoq comparison with June 2024 shows a negative growth (-4%).
- Total disbursement of all micro-lenders during Q2 of FY 24-25 was ₹69,296 cr, a negative growth of 29% compared to corresponding quarter Q2 of FY 23-24.
- Portfolio quality deteriorated under all buckets during Q2 of FY 24-25, compared to corresponding quarter Q2 of FY 23-24. PAR 30+ dpd deteriorated to 4.3% from 2.1%, PAR 60+ dpd deteriorated to 3.0% from 1.5%, PAR 90+ dpd deteriorated to 1.8% from 0.9%, while PAR 180+ dpd deteriorated to 9.7% from 9.2%.
- NBFC-MFIs continued to account for the largest share at 39%, followed by Banks at 32%, SFBs at 17%, NBFCs at 11% and Others at 1%.
- Eastern region had the dominant share of portfolio at 33%, followed by the South region at 29%, the Central region at 18%, the West region at 11%, the North region at 7%, and the North Eastern region had the least share at 2%.
- The top 5 states in terms of portfolio were Bihar (₹62,183 cr), Tamil Nadu (₹54,978 Cr), Uttar Pradesh (₹44,204 cr), Karnataka (₹41,099 cr) and West Bengal (₹37,483 cr), these top 5 states accounted for approximately 58% of the industry portfolio.
- Uttar Pradesh (16%), Bihar, Karnataka, West Bengal (15% each) and Maharashtra (8%) registered higher than the industry growth rate (8%).
- The number of districts having portfolio greater than ₹2,000 cr grew from 32 districts in Sept' 23 to 37 districts as on Sept' 24. The majority of these districts were from Bihar (13), Tamil Nadu (8), West Bengal (6) and Karnataka (5).
- 3 districts from Bihar (East Champaran, Samastipur, Muzaffarpur) and 1 district from West Bengal (Murshidabad) had portfolio above ₹4,000 cr.
- Average Ticket Size (ATS) for industry grew by 11%, from ₹45,524 in Q2 of FY 23-24 to ₹50,430 in Q2 of FY 24-25.

Editing and Design by Banking Frontiers