

Growth of Microfinance Institutions in India

Prologue

- The total portfolio of the microfinance industry as on March 31, 2023 was Rs 3,48,339 Cr of all Regulated Entities (REs, NBFC-MFIs, Banks, SFBs and NBFCs) under MFI Model.
- As on 31 March 2022, the programme now covers US\$ 140 million families, and US\$ 11.9 million SHG groups having cumulative savings of US\$ 472.4 billion.



Microfinance and Microfinance institutions in India

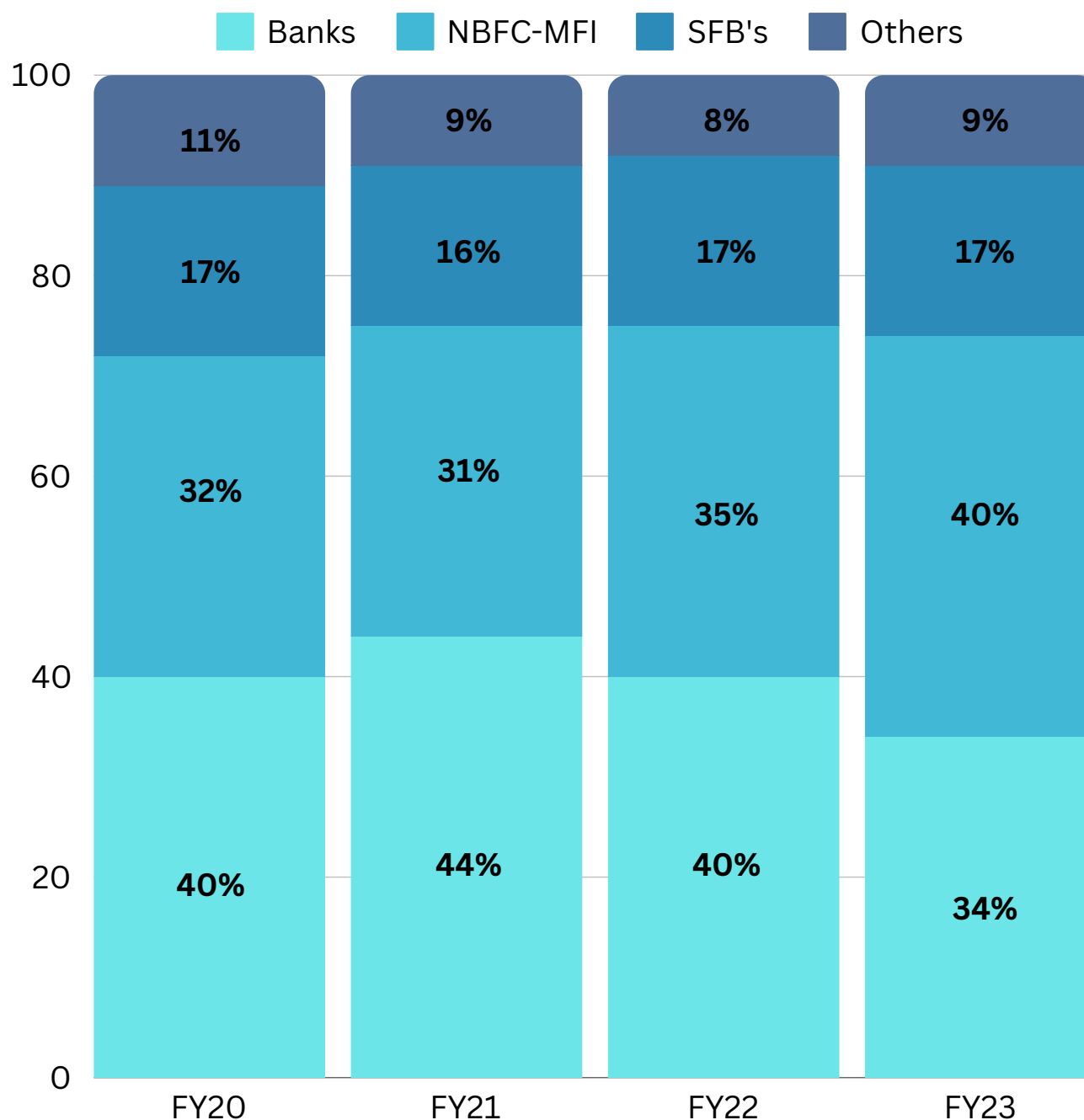
- The objective of microfinance is the establishment of long-lasting regional financial institutions in order to reach a significant section of the impoverished people.
- The primary goal of a microfinance organization is to offer banking services to low-income people and organizations. These groups support the impoverished by receiving funds from reputable financial institutions.

The following sources provide microfinance services:

- Rural Banks and Cooperatives
- Commercial banks
- Credit unions
- NGO's
- Sectors of government banks

Microfinance providers operating in India's lending market

Various financial institutions and their market share of the loan portfolio in India along the years.

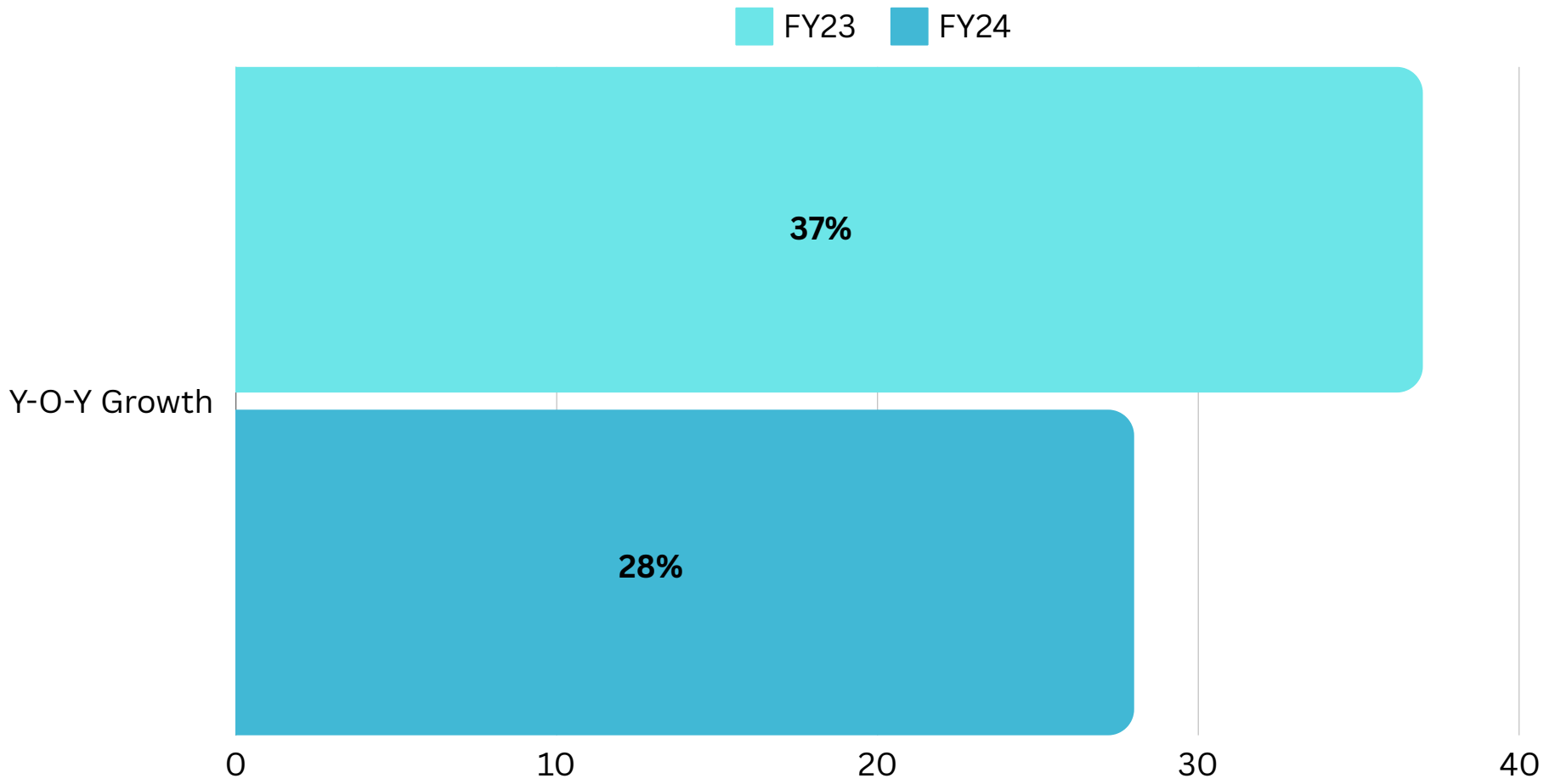


MFI's hold the largest share of the loan portfolio which is Rs681 Billion which suggests that borrowers are more inclined in taking loan from MFI's.

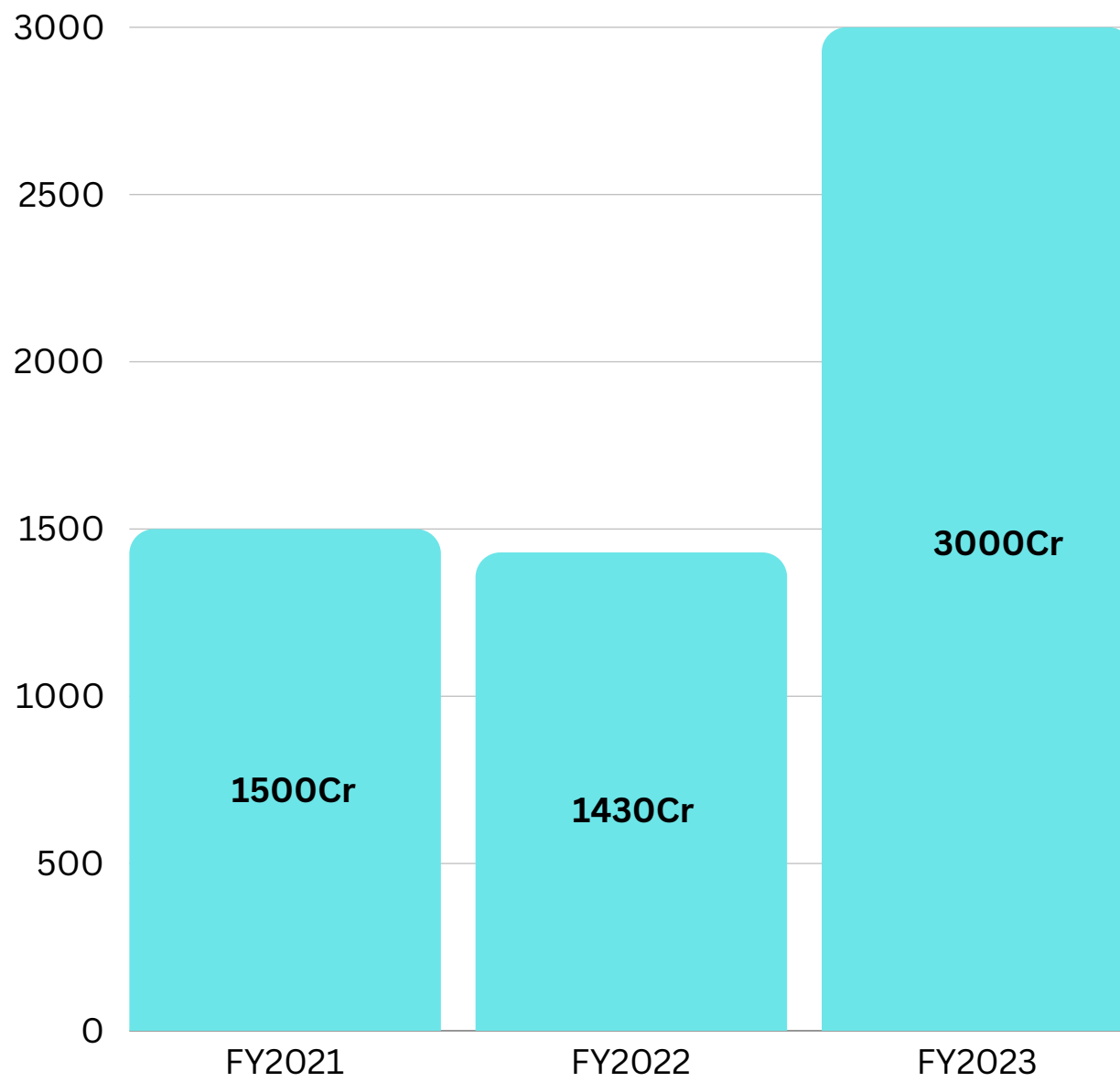
Growth Trajectory

Projections of the positive growth trajectory for the Indian MFI sector in the loan portfolio have an increase of 21-25%.

Anticipated growth momentum



Increase in equity managed by NBFC-MFI's



It is anticipated that by 2024, the MFI sector's gearing level will have somewhat increased to around 4.1x. This shows a renewed interest from investors

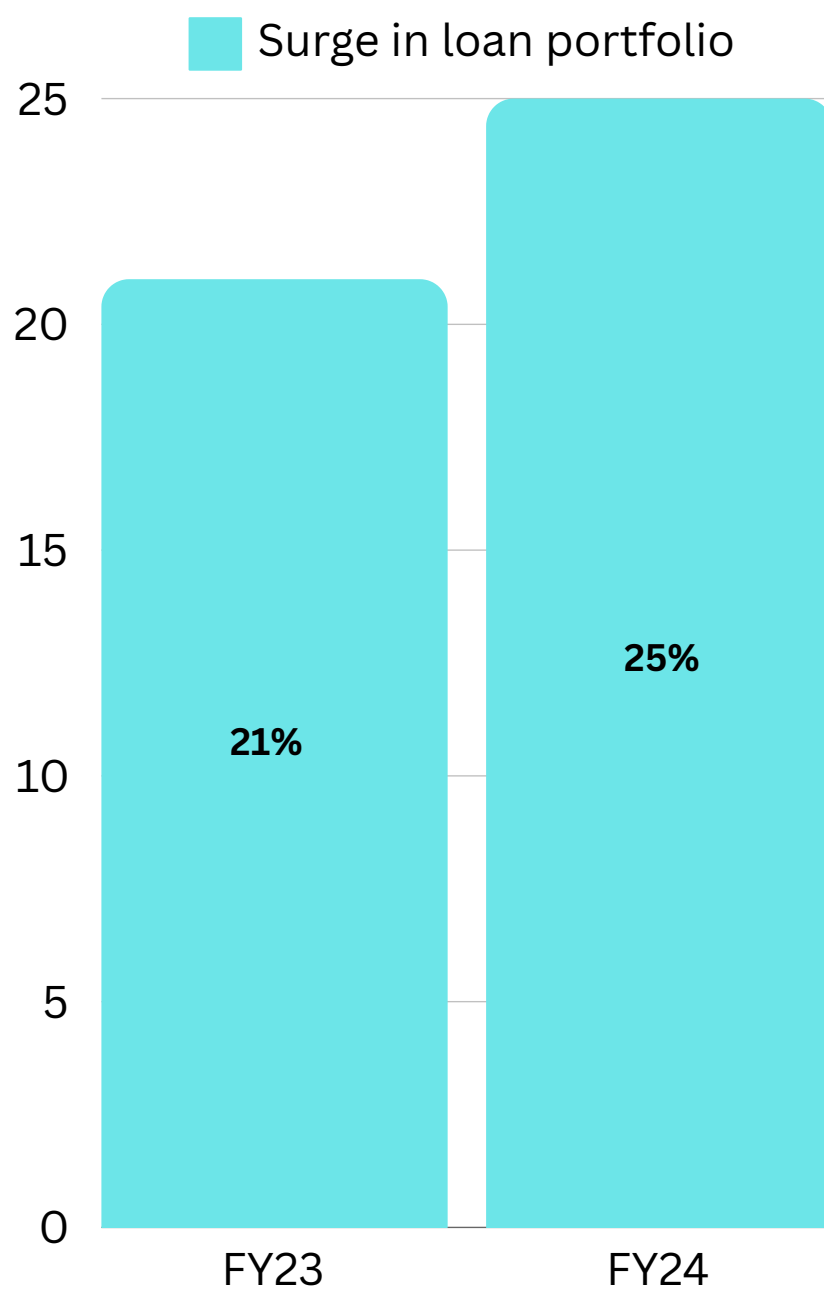
The MFI sector has accepted the cumulative effect of Covid-19 on the credit cost, which as of March 31, 2020, accounted for approximately 19% of the portfolio from FY21 to FY23. Nonetheless, GNPA is anticipated to decline from a peak of 6.26% for FY22 to 2.0% in FY24 due to an improved trend in collection efficiency.

Microfinance Disbursement Models

Most microfinance companies operating in India provide loans using the Joint Liability Group (JLG) or Self-Help Group (SHG) models.

Self Help Groups	Joint liability groups
SHG's focus more on savings generation	JLG's focus more on credit generation
SHG's are less scalable when compared to JLG's	JLG's have a faster turnaround and are more scalable
NPA's vary form 7-8% for SHG's	NPA's are less than 1% which is quite low compared to SHG's

Microfinance institutions- Pivotal forces driving financial inclusion



Performance of microfinance sector in India

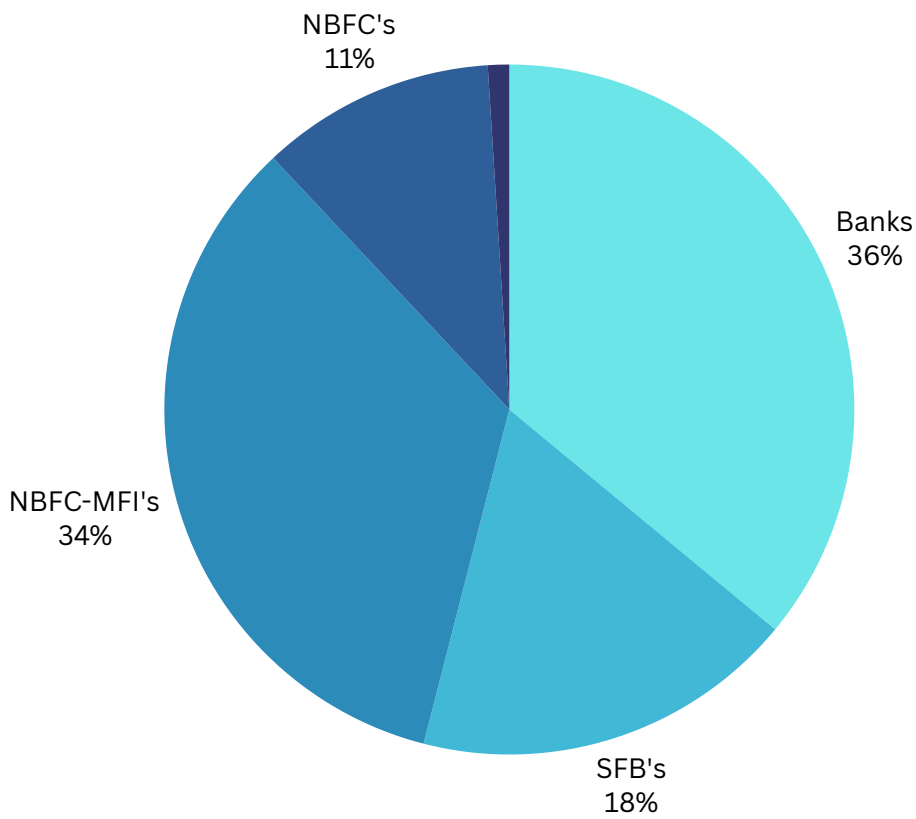
Important financial metrics showed a good trend, such as the Portfolio at Risk (PAR) for NBFC-MFIs, which decreased from 22.44% in June 2021 to 10.5% in March 2023 (SIDBI, 2023).

MFIs' gross non-performing assets (NPAs) dropped to 2.7% in FY23, a considerable reduction over 5.6% in FY22 and 5.2% in FY21 (SIDBI, 2023).

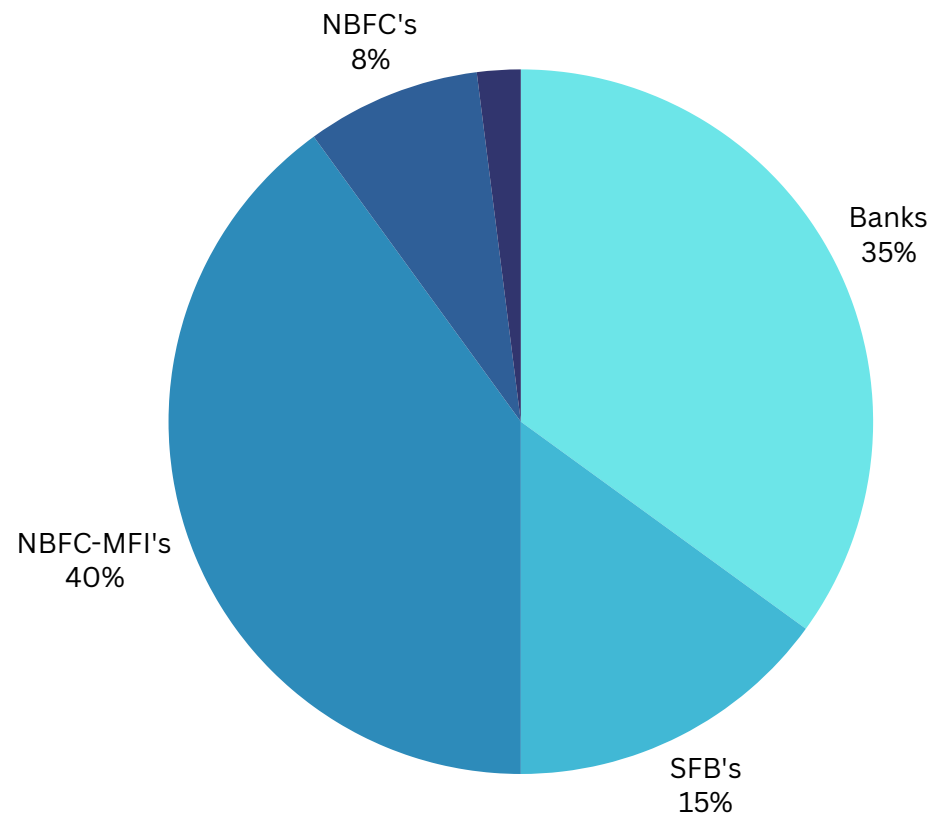
Potential demand for FY24 is projected to be ₹13 lakh crore, with a roughly 70% credit shortfall. As of March 2023, the portfolio of microfinance loans had grown robustly, rising by 22% annually to ₹3.48 lakh crore. This expansion was aided by the addition of 80 lakh new customers in FY23, which increased the overall number of active loans to 12.96 crore. These loans are currently servicing 6.64 crore borrowers in 729 districts, 112 of which are aspirational districts.

Status of microfinance sector in India

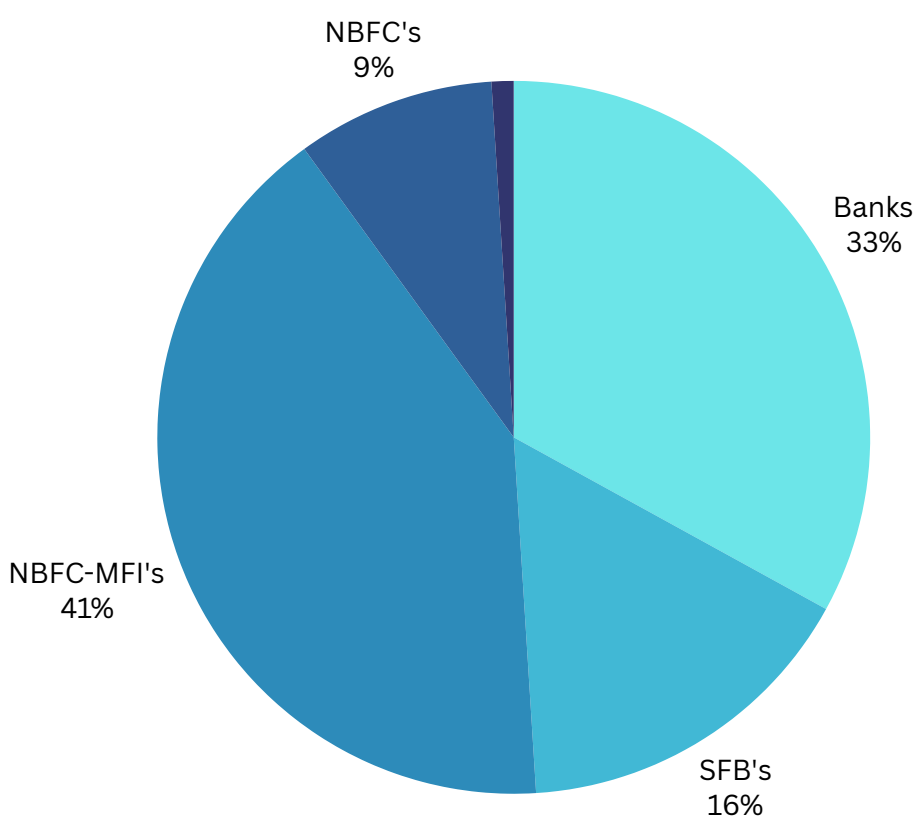
Active live borrowers



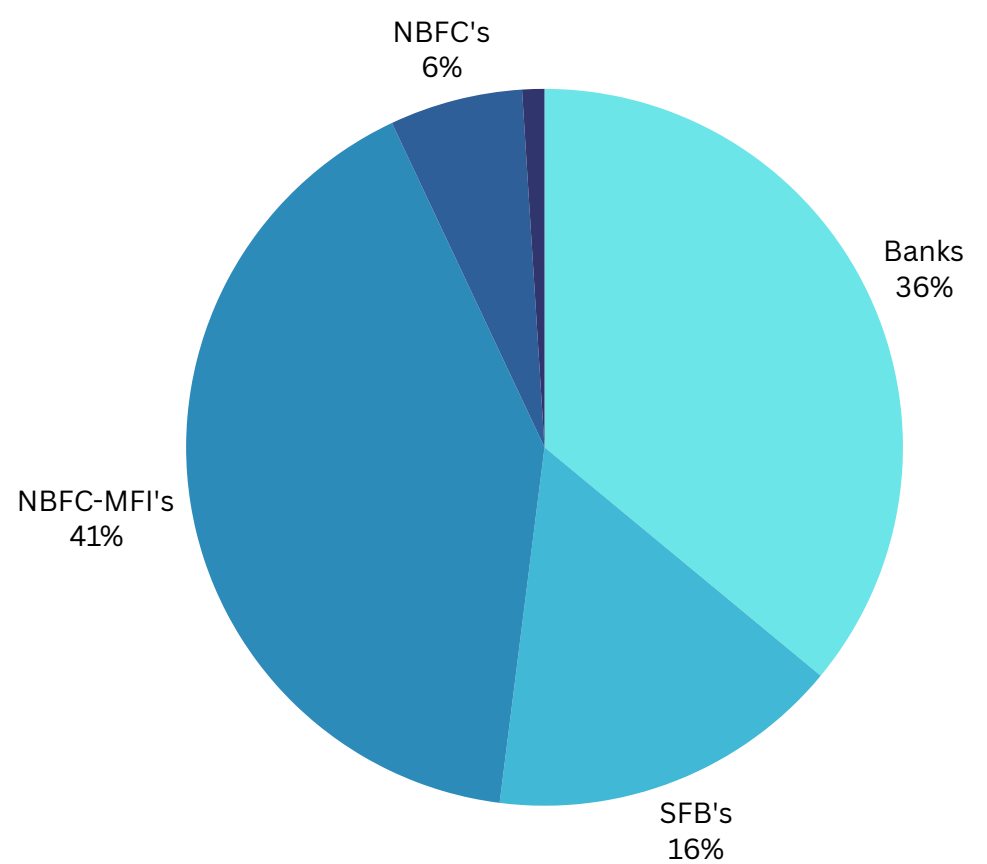
Active Loans



Portfolio



Disbursed amount



Conclusion

With an abundance of diverse operational entities, the sector has risen at a 21% CAGR over the last six years, making it mainstream. Microfinance is expected to develop to be the fourth largest retail segment in FY 2025 given its current growth trajectory.

Notably, the RBI called for a graded pricing approach to meet the various borrower groups and voiced worry about the lending rates in the microfinance market. In spite of this worry, the industry continued to perform well; 83.1% of the gross loan portfolio was contributed by the top 10 states.



Blucrest Capital Advisors Pvt. Ltd.

Technopolis Knowledge Park, Quest, 5th Floor, MIDC, Andheri East, Mumbai - 93

+91 7030637101 info@blucrestadv.com

blucrest-capital-advisors-pvt-ltd We Operate PAN India Level

blucrestadv.com

About Us :

Blucrest as a financial advisory firm brings in unique perspective to advisory by focusing on innovative tailor- made solutions in for every individual corporate. The team consist of ex- Senior executive bankers, Rating Heads, Practising CS and legal experts who have collective experience of more than 60+ years and have serviced more than 500+ clients.

Blucrest team has a deep experience in areas of Trade Finance Solutions, Off Balance Sheet Financing, Factoring, Reverse Factoring, Securitization, Debt Syndication, Project Finance, Credit Rating Advisory, Compliance & Legal, Trade Credit Insurance, Corporate CIBIL Resolution & Score Optimization and many such related services.

Disclaimer :

BluCrest has taken utmost care to ensure the accuracy based on the information available in the public domain and research analysis. However neither Blucrest as well as its directors, officers or employees (collectively referred as "Blucrest party") guarantee the accuracy, completeness or adequacy of the report and no "Blucrest Party" shall have any liability for any errors, omissions or interruptions therein, regardless of the cause of for the results from the use of any part of the report.