# MUTHOOT MICROFIN LTD

**Date: 20th June 2023**

# Contents

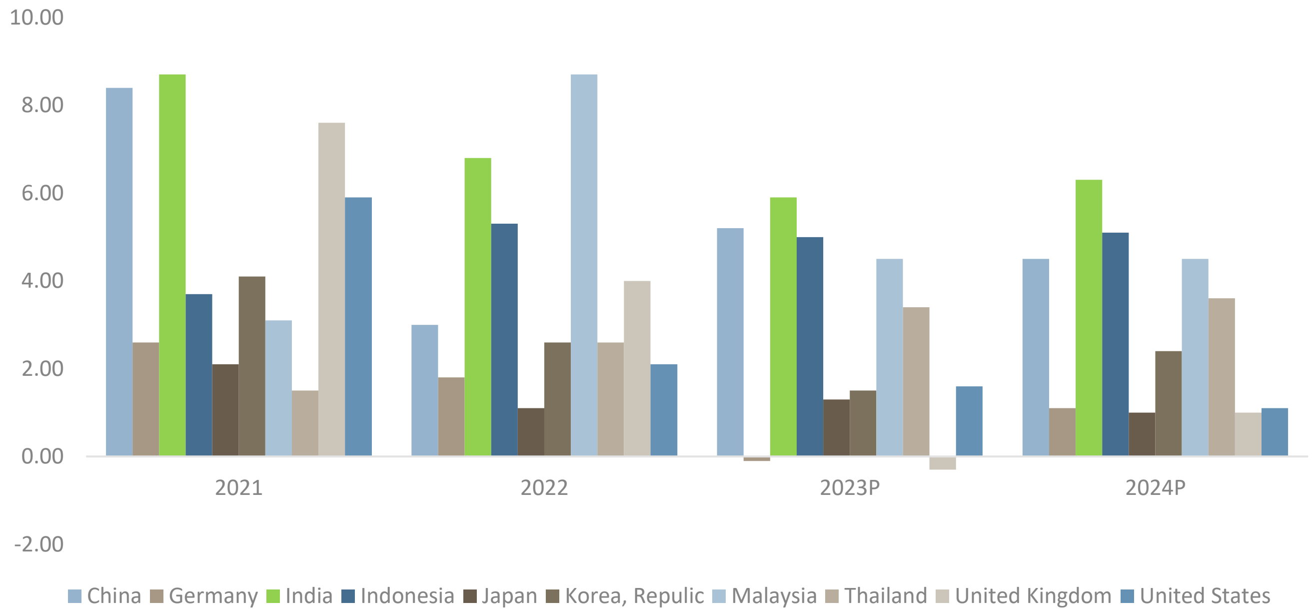
# Overview of Indian economy

## India among the fastest-growing economies despite Russia-Ukraine conflict

India's economy was among the fastest-growing in the world prior to the pandemic, and significant progress was made in the country's macroeconomic situation. In the years leading up to the global health crisis, India witnessed a gradual improvement in its economic indicators. The twin deficits, namely the current account and fiscal deficits, were narrowing, while the growth-inflation mix showed positive and sustainable trends. To further strengthen its economic framework, the Indian government implemented an inflation-targeting framework, which aimed to control inflation effectively while modernizing the central banking system. This move provided an institutional mechanism to ensure price stability and enhance the credibility of monetary policy.

Despite the ongoing Russia-Ukraine conflict, India continues to maintain its position as one of the fastest-growing economies globally. This can be attributed to various factors such as its demographic advantage, robust domestic demand, economic reforms, manufacturing and infrastructure development, technological advancements, and digital transformation.

### Year-on-year real GDP change percentage




| Country | 2021 | 2022 | 2023P | 2024P |
|---|---|---|---|---|
| China | 8.40 | 3.00 | 5.20 | 4.50 |
| Germany | 2.60 | 1.80 | -0.10 | 1.10 |
| India | 8.70 | 6.80 | 5.90 | 6.30 |
| Indonesia | 3.70 | 5.30 | 5.00 | 5.10 |
| Japan | 2.10 | 1.10 | 1.30 | 1.00 |
| Korea, Republic | 4.10 | 2.60 | 1.50 | 2.40 |
| Malaysia | 3.10 | 8.70 | 4.50 | 4.50 |
| Thailand | 1.50 | 2.60 | 3.40 | 3.60 |
| United Kingdom | 7.60 | 4.00 | -0.30 | 1.00 |

| United States | 5.90 | 2.10 | 1.60 | 1.10 |
|---|---|---|---|---|

Note: All forecasts refer to International Monetary Fund (IMF) forecasts. *Forecast for the calendar year, while for India, it is fiscal year, i.e. 2021 = fiscal 2022; 2022 = fiscal 2023, P: Projected

*Source: International Monetary Fund (IMF April 2023 World Economic outlook), CRISIL MI&A Research*

## Per capita GDP increasing

With GDP growth having gained pace, CRISIL MI&A Research forecasts that the per capita income will gradually improve, enabling domestic consumption over the medium term. As per IMF estimates, India's per capita income (at current prices) is expected to grow annually at more than 8% over the next two years.

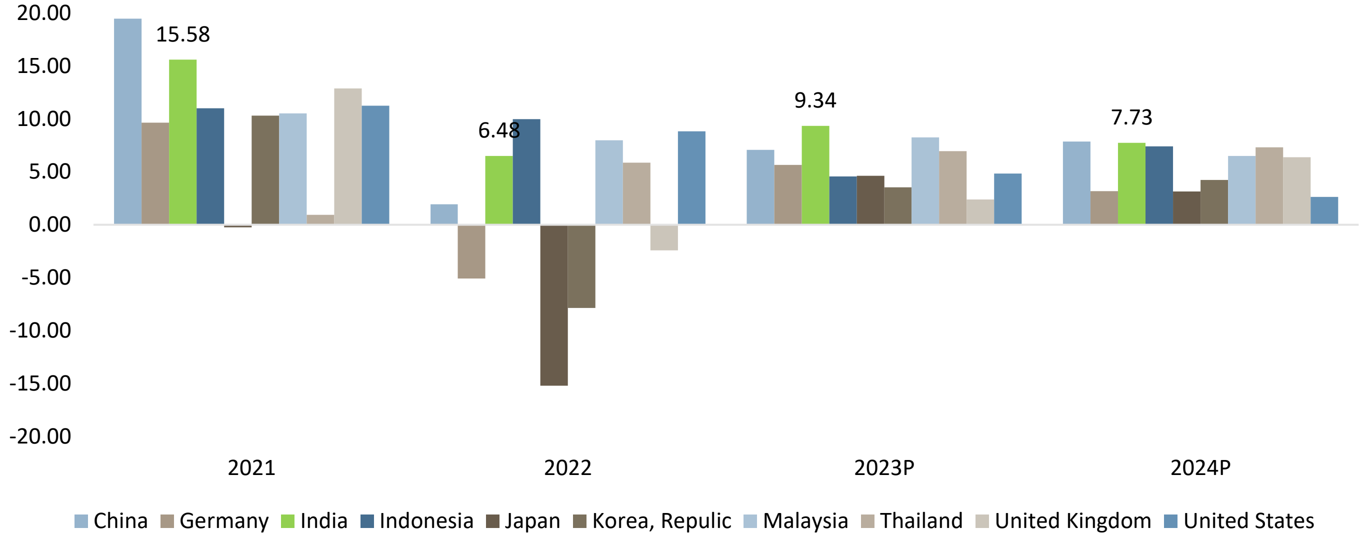
### GDP per capital, current prices (US dollar per capita)

| Country | 2021 | 2022 | 2023P | 2024P |
|---|---|---|---|---|
| China | 12,572 | 12,814 | 13,721 | 14,801 |
| Germany | 51,238 | 48,636 | 51,384 | 53,007 |
| India | 2,234 | 2,379 | 2,601 | 2,803 |
| Indonesia | 4,363 | 4,798 | 5,017 | 5,388 |
| Japan | 39,883 | 33,822 | 35,385 | 36,492 |
| Korea, Republic | 34,998 | 32,250 | 33,393 | 34,807 |
| Malaysia | 11,450 | 12,364 | 13,382 | 14,250 |
| Thailand | 7,227 | 7,651 | 8,182 | 8,781 |
| United Kingdom | 46,422 | 45,295 | 46,371 | 49,321 |
| United States | 70,160 | 76,348 | 80,035 | 82,132 |

Note: Forecast for the calendar year, while for India, it is fiscal year, i.e. 2021 = fiscal 2022; 2022 = fiscal 2023, P: Projected

*Source: International Monetary Fund( IMF April 2023 World Economic outlook), CRISIL MI&A Research*

### Growth in per capita GDP, current prices (%)




| Country | 2021 | 2022 | 2023P | 2024P |
|---|---|---|---|---|
| China | 19.45 | 1.92 | 7.08 | 7.87 |

| | | | | |
|---|---|---|---|---|
| Germany | 9.63 | -5.08 | 5.65 | 3.16 |
| India | 15.58 | 6.48 | 9.34 | 7.73 |
| Indonesia | 10.98 | 9.98 | 4.55 | 7.41 |
| Japan | -0.25 | -15.20 | 4.62 | 3.13 |
| Korea, Republic | 10.31 | -7.85 | 3.54 | 4.23 |
| Malaysia | 10.51 | 7.99 | 8.24 | 6.49 |
| Thailand | 0.94 | 5.87 | 6.94 | 7.32 |
| United Kingdom | 12.87 | -2.43 | 2.38 | 6.36 |
| United States | 11.23 | 8.82 | 4.83 | 2.62 |

Note: *Forecast for the calendar year, while for India, it is fiscal year, i.e. 2021 = fiscal 2022; 2022 = fiscal 2023, P: Projected
Note: Numbers can undergo change if the IMF release updated nos.
*Source: International Monetary Fund( IMF April 2023 World Economic outlook), CRISIL MI&A Research*

## Gross domestic product: Review and outlook

India's real gross domestic product (GDP) is estimated to have grown at 9.1% in fiscal 2022, largely reflecting a lower base (the economy had shrunk 5.8% in fiscal 2021). During fiscal 2022, the real GDP in absolute terms was Rs 149.3 trillion from Rs 136.8 trillion during fiscal 2021, suggesting that the downside from the omicron variant of Covid-19 has been mild.

Growth for fiscal 2023 is estimated at 7%. This has been affirmed basis the second advance estimates released by the National Statistical Office (NSO) in February 2023. As the Indian economy battled the four Cs — Covid-19, conflict (geopolitical), climate change, and central bank actions — it has shown a fair degree of resilience, particularly in the absence of a direct, large fiscal push to consumption. The growth pattern highlights two key features. First, the economy has recovered faster in nominal terms than in real terms (because of high inflation). Second, official data revisions released in February 2023 reveal that the economy was more resilient than estimated earlier.

### Four factors have spurred post-pandemic recovery:

- Higher government spending on infrastructure creation and welfare schemes that allowed for a faster catch-up in the construction and public administration sectors
- Buoyant post-pandemic global demand, which lifted exports from the manufacturing sector, information technology (IT)/IT-enabled services (ITeS), and other professional services
- Inflow of abundant global liquidity into Indian markets; policy intervention – from fiscal and monetary policies – supporting the banking and financial services sectors
- Consecutive years of good rainfall benefitted the agriculture sector

### Exports and fixed investment have caught up faster

Exports, which were on a decline even before the pandemic hit (-3.4% in fiscal 2020), dropped a further 9.1% at the peak of the pandemic (fiscal 2021), and later recovered to average 20.4% growth during fiscals 2022 and 2023. This was supported by a sharp recovery in growth of trading partners and higher demand for merchandise goods and services such as IT/ITeS. However, with goods exports expected to slow down, India's export growth is bound to moderate next fiscal.

Fixed investment, too, recovered sharply, with the most part led by government spending on infrastructure.

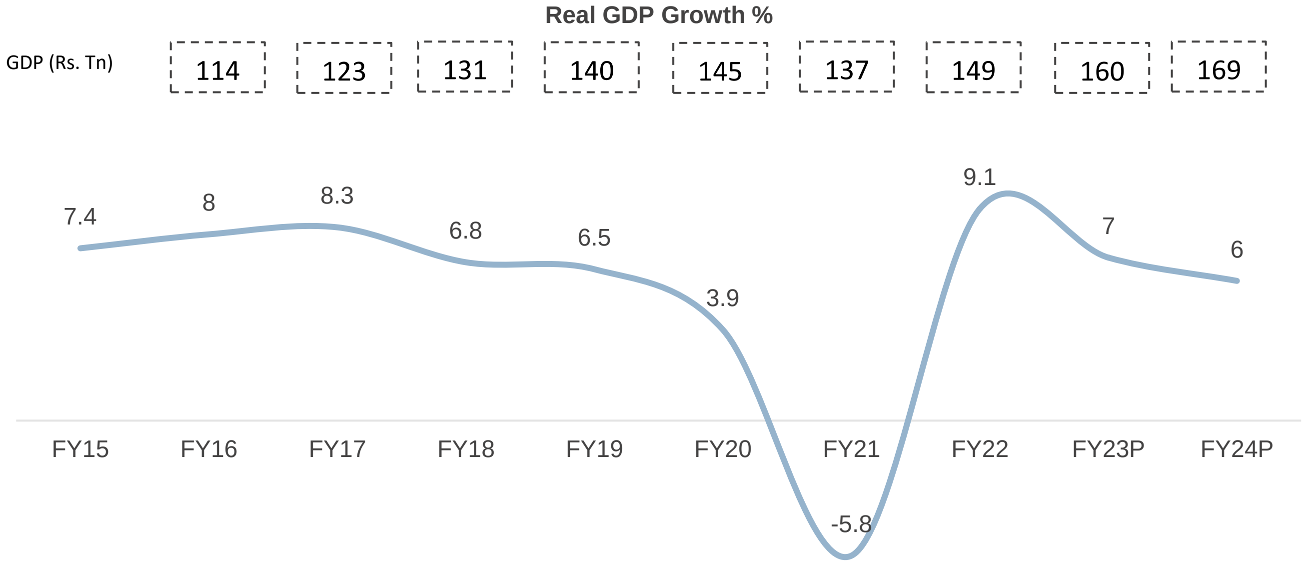
With all the major sectors now above their pre-pandemic levels, recovery from the pandemic shock has been fairly broad-based, but is about to be tested again due to slowing global growth and tighter domestic financial conditions. Hence, for the coming fiscal, CRISIL MI&A Research expects India's real GDP growth to taper to 6.0%, for the following reasons: The challenges have shifted — from the pandemic impact to the consequences of the Russia-Ukraine conflict and aggressive rate hikes by major central banks to fight inflation. Policy rates are at decadal highs across the advanced world. Slowing global growth will put the brakes on India's exports. Additionally, tighter domestic financial conditions are likely to weaken demand as the effects of policy rate hikes spread through the economy.

## Inflation remains the 'swing factor'

Consumer inflation is projected to cool to 5.0% in fiscal 2024 from an estimated 6.8% in fiscal 2023, supported by lower global commodity prices, the expectation of softer food prices, a demand slowdown, easing core inflation, and base effect. Disruptions to food production due to El Niño and other extreme weather events (leading to volatile food prices) and continuing geopolitical risks (impacting commodity prices) remain monitorable and could affect these projections.

With respect to the stance on the policy repo rate, the Reserve Bank of India (RBI) kept its policy rates unchanged in April 2023, compared with a 25 basis points (bps) hike in the previous policy. However, it maintained its stance of 'withdrawal of accommodation' and stated its readiness to fight the unexpected rise in inflation. The monetary policy committee (MPC) increased the policy repo by a cumulative of 250 basis points (bps) in fiscal 2023, with the last rate hike in February 2023 at 25 bps, taking the repo rate to 6.5%. In addition to these rate hikes, domestic liquidity conditions are tightening, and turned into a deficit for the first time since May 2019. This has increased the transmission of rate hikes to money market and bank lending rates.

**Year-On-year GDP change percentage**




Note: P - projected

*Source: National Statistical Office (NSO), CRISIL MI&A Research*

## Other factors supporting growth

The Union Budget for fiscal 2024, followed by the monetary policy, were framed against the challenging backdrop of a looming global slowdown and continuing geopolitical uncertainty. Within these constraints, the budget accelerated the momentum on public capital expenditure (capex) allocation by cutting revenue expenditure. Government capex, irrespective of the way you look at it — investments via budgetary spending, loans and grants, or through public sector companies — has risen almost by a third.

Interestingly, the union budget for fiscal 2023 also followed a similar strategy, but the assumptions went awry with the onset of Russia-Ukraine conflict. Despite considerable deviations from the budget estimates in both expenditure and revenue, the fiscal deficit for fiscal 2023, at 6.4% of the GDP, was on target due to the upside in tax collections from higher-than-expected nominal growth.

Looking beyond the recent growth dynamics, the medium-term growth drivers for India are: Growth accounting — a nifty way to decompose GDP growth into the contribution of capital, labour, and efficiency — is a useful tool to do this. Moreover, capital will be a key contributor to growth over the medium term, as the government has accelerated its investments, and the private sector is primed for undertaking investments.

## Macroeconomic outlook

| Macro variable | FY22 | FY23P | FY24P | Rationale for outlook |
|---|---|---|---|---|
| Real GDP (%, y-o-y) | 9.1 | 7.0^ | 6.0 | Slowing global growth will weaken India's exports in fiscal 2024. Domestic demand could also come under pressure as the RBI's rate hikes impact the end consumer |
| Consumer price index (CPI)-based inflation (%, y-o-y) | 5.5 | 6.8 | 5.0 | Lower commodity prices, expectation of softer food prices, cooling domestic demand, and base effect will help moderate inflation |
| Current account balance/ GDP (%) | -1.6 | -3.0 | -2.4 | A moderate increase in budgeted gross market borrowing, along with expected lower inflation and the RBI's rate cuts towards the end of the fiscal will help moderate yields |
| Rs/$ (March end) | 75.8 | 82.0 | 83.0 | While a lower current account deficit will support the rupee, challenging external financing conditions will continue to exert pressure next fiscal |

Note: P – projected; ^ Second advance estimates

*Source: RBI, National Statistical Office (NSO), CRISIL MI&A Research*

## Rural economy structurally more resilient, saw relatively less Covid-19 impact

The rural economy is far more resilient today due to two consecutive years of good monsoon, increased spends under the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) scheme and irrigation programmes, direct benefit transfer (DBT) scheme, Pradhan Mantri (PM)-Kisan scheme, Pradhan Mantri Ujwala Yojana scheme for cooking gas, PM Awas Yojana scheme for housing, and Ayushman Bharat scheme for healthcare. To supplement this, there has been a continuous improvement in rural infrastructure such as electricity and roads. These government initiatives have led to lesser leakages and higher incomes in the hands of the rural populace, enhancing their ability and willingness to spend on discretionary products and services. The rural economy accounts for almost half of India's GDP and has performed much better than the urban economy in the aftermath of the pandemic.

There are three reasons for this. First, agricultural activity has continued largely unhindered, with normal monsoons and a lower spread of the pandemic in rural areas, given the lower population density. Second, the government offered support, making available an additional Rs 50,000 crore of funding towards the MNREGA scheme and also disbursing Rs 2,24,000 crore towards the PM-Kisan scheme till January 2023 . Third, the structure of the non-agricultural rural economy has helped it bear the Covid-induced shock better. The rural economy contributes to 51% of India's manufacturing GDP, but the rural share in the services GDP (excluding public administration, defence, and utilities) is much lower, at ~26%.

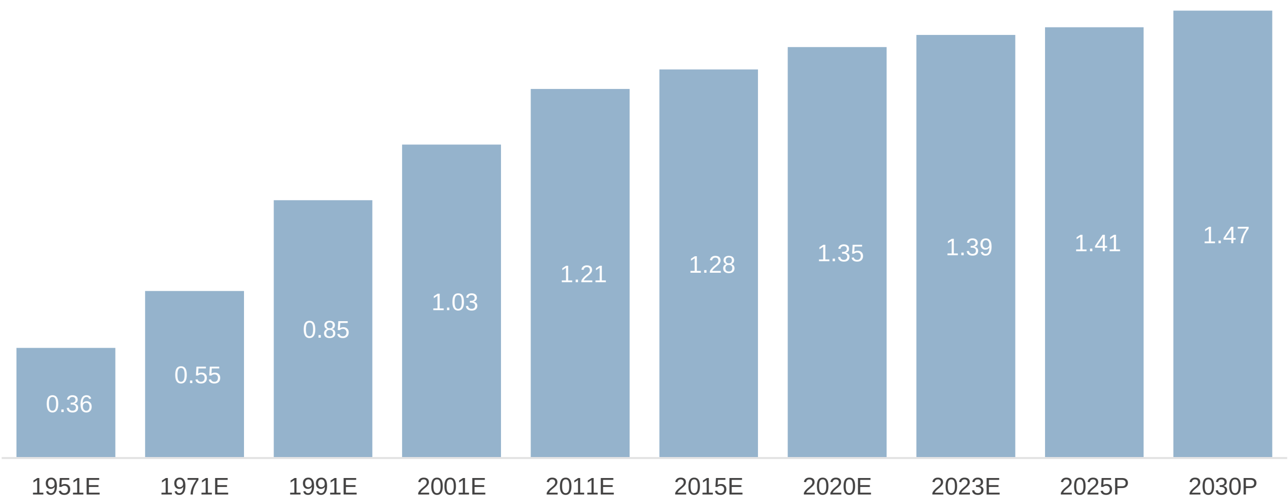
In first half of fiscal 2023, across rural and urban areas, the poor (bottom 20% income class) continued to face effectively higher inflation, compared with their richer counterparts (top 20%), as inflation on food and fuel items remained high. Rising inflation, coupled with negative rural wage growth, has led to subdued rural demand.

# Indigenous advantages to result in a stronger economic growth rate in the longer term

## Growing population an asset to the economy

As per the report published (in July 2020) by the National Population Commission, Ministry of Health and Family Welfare, India's population in 2011 was 121 crore, comprising ~24.6 crore households. The decadal growth rate during 2001-2011 stood at 17%. This is estimated to have fallen to 12% during 2011-2021 and is likely to decline further to 9% during 2021-2031. However, with the country's population in 2030 estimated at 147 crore, India will continue to be a major opportunity market from a demand perspective.

**India's population growth trajectory (billion)**



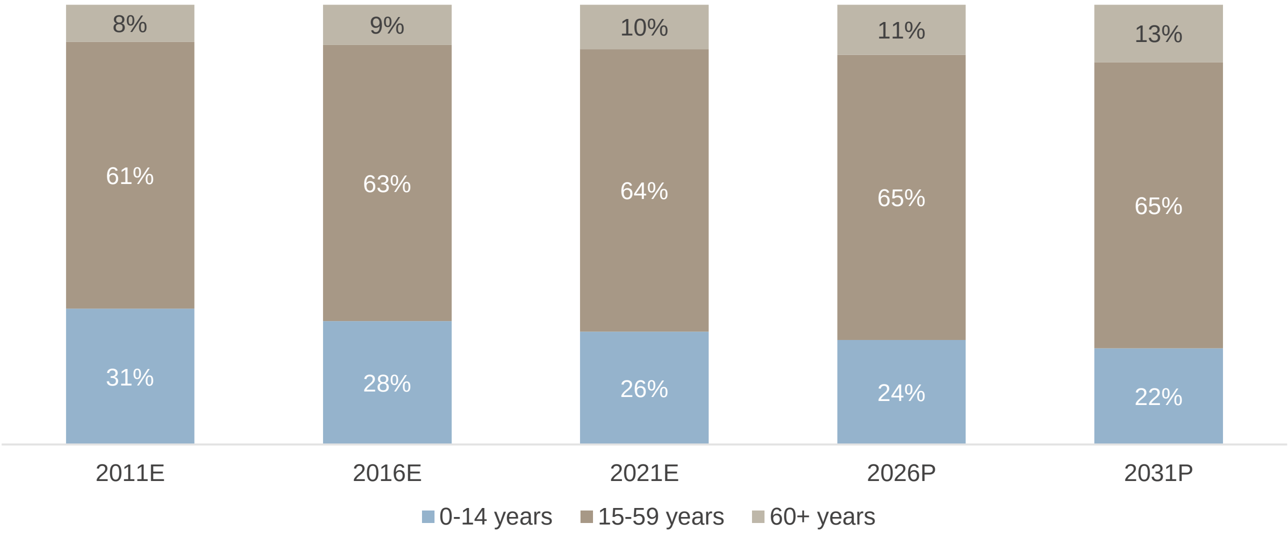

Note: P – Projected, E – Estimates

*Source: Census of India 2011, Ministry of Health and Family Welfare, CRISIL MI&A Research*

## Demographics favourable

India has one of the world's largest youth populations, with a median age of 28 years. About 90% of Indians are below 60 years of age. It is estimated that 64% of this population is aged between 15 and 59 years. CRISIL MI&A Research expects that the large share of working population, coupled with rapid urbanisation and rising affluence, will propel growth in the economy.

**India's demographic division (share of different age groups in population)**




Note: P – Projected, E – Estimates

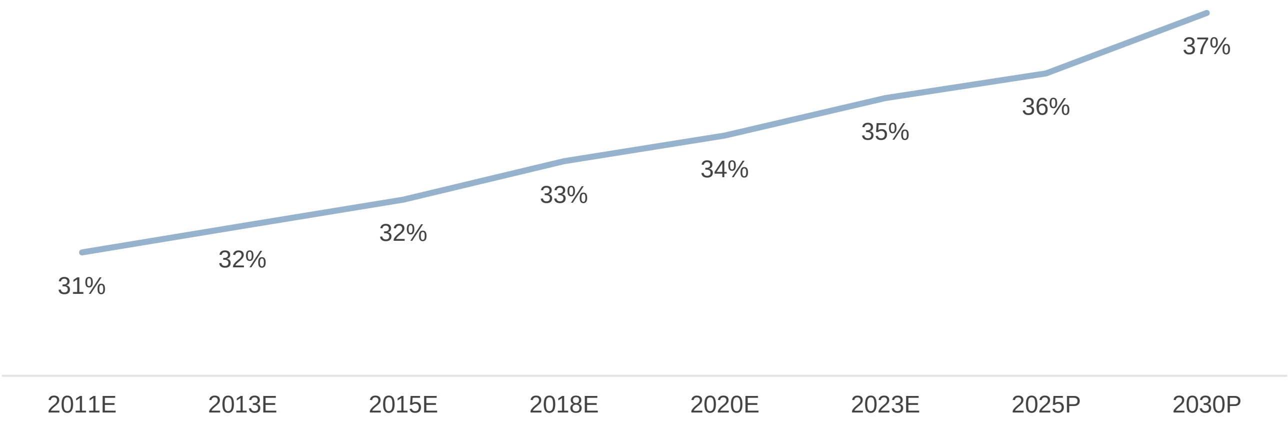
*Source: Census of India 2011, Ministry of Health and Family Welfare, CRISIL MI&A Research*

## Urbanisation on the rise

Urbanisation is a key growth driver for India, supporting faster infrastructure development, job creation, development of modern consumer services, and the city's ability to mobilise savings. The share of urban population in the total population has consistently been rising and is expected to reach 35% by 2023 from 31% in 2011, spurring more demand.

Urban consumption in India has shown signs of improvement, and given the country's favourable demographics, coupled with rising disposable incomes, the trend is likely to continue and help domestic economic growth.

**Urbanisation population as a percentage of total population in India**



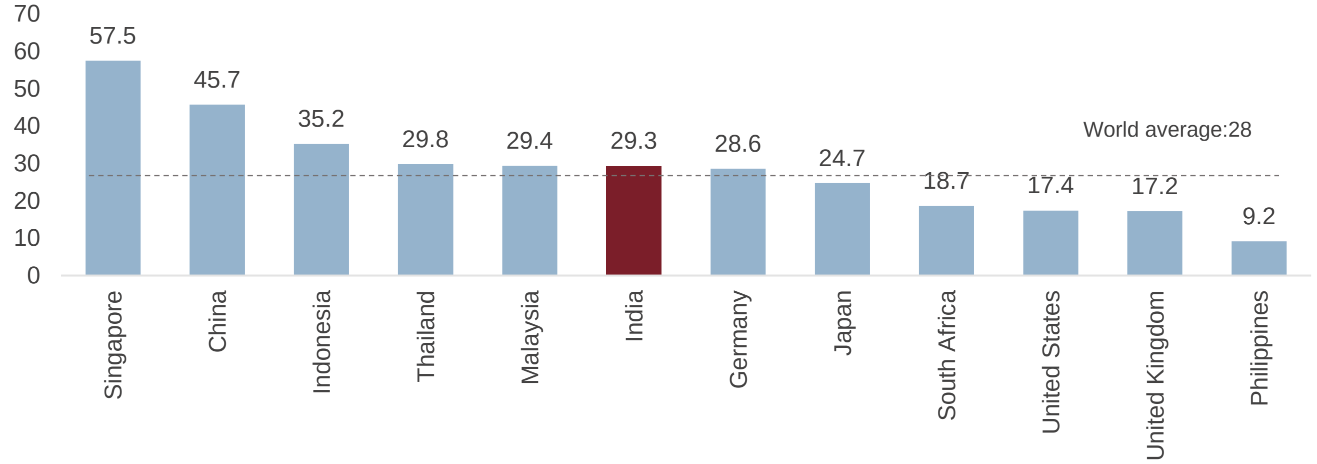

Note: P – Projected, E – Estimates

*Source: Census of India 2011, Ministry of Health and Family Welfare, CRISIL MI&A Research*

## Household savings higher than world average

According to the World Bank, the savings rate, or the proportion of gross domestic savings (GDS) in the GDP in the Indian economy has trended downward in the past decade. India's GDS peaked at 34.4% of the GDP in fiscal 2007 and dipped to 32.7% in fiscal 2008. This was largely on account of a sharp slowdown in public savings, with the government resorting to fiscal stimulus to address the external shock from the global financial crisis. However, India's domestic savings were still higher, at 29.3%, compared with the world average at the end of calendar year 2021.

**India's domestic savings higher than the world average of 28% (in % of GDP) (calendar year 2021)**




Note: The savings rate is in %

*Source: World Bank, CRISIL MI&A Research*

CRISIL MI&A Research expects India to continue being a high-savings economy at least over the next decade. CRISIL MI&A Research is also positive on the savings rate increasing in the medium term, as households become focused on creating a nest egg for future post pandemic-induced uncertainties. As per the RBI, the share of financial savings increased from 45% in fiscal 2016 to 51% in fiscal 2021, while that of the physical savings fell from 55% to 48% before increasing to 60% in fiscal 2022. The money getting financialised is increasingly being invested in mutual funds and insurance funds. The share of mutual funds increased from 7% in June 2018 to nearly 10% in March 2022, while that of insurance funds has risen from 20% to 24%. Going forward, if the trend continues, it is expected to boost capital markets and consequently, the economy.

**Gross domestic savings trend**

| Parameters (Rs. billion) | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 |
|---|---|---|---|---|---|---|---|---|
| GDS | 40,200 | 42,823 | 48,251 | 54,807 | 60,004 | 59,411 | 57,168 | 70,767 |
| Household sector savings | 24,391 | 24,749 | 27,871 | 32,966 | 38,446 | 38,452 | 44,347 | 46,195 |
| Gross financial Savings | 12,572 | 14,962 | 16,147 | 20,564 | 22,637 | 23,246 | 30,544 | 25,979 |
| Net financial savings | 36% | 45% | 41% | 40% | 39% | 40% | 51% | 39% |
| Savings in physical assets | 62% | 53% | 57% | 59% | 60% | 59% | 48% | 60% |
| Savings in the form of gold and silver ornaments | 2% | 2% | 2% | 1% | 1% | 1% | 1% | 1% |

Note: The data is for financial year ending March; Gross financial savings of the household sector include gross financial savings of the quasi corporate sector

*Source: MOSPI, CRISIL MI&A Research*

### Structural reforms that will drive future growth

While India has structural advantage on account of young workforce, improving consumption pattern and increasing urbanization, India's long-term growth is expected to be supported by the following government initiatives:

  - Focus on infrastructure investments rather than boosting consumption to enhance the productive capacity of the economy
  - The Production Linked Incentive (PLI) scheme which aims to boost local manufacturing by providing volume-linked incentives to manufacturers in specified sectors
  - Policies aimed at greater formalisation of the economy that will accelerate per capita income growth
  - Adoption of digital technology
- The announcement of the National Infrastructure Pipeline to provide better infrastructure for all sectors, enhance ease of living of citizens and make growth more inclusive
- The national policy for monetisation of operating public infrastructure assets acts as a key means for sustainable infrastructure financing
- Inclusion of larger share of population under health insurance as part of 'Ayushman Bharat' scheme
- Initiatives launched by the Indian government to promote financial inclusion are the Pradhan Mantri Jan Dhan Yojana ("PMJDY"), Pradhan Mantri Jeevan Jyoti Bima Yojana ("PMJJBY") and the Pradhan Mantri Suraksha Bima Yojana ("PMSBY")

## Union Budget 2023-24: Leaning more on capex, while tightening the fiscal belt

### Budgeting for a post-pandemic economy

In budget for fiscal 2024, the government continued its march towards fiscal consolidation, led by a broad-based recovery in the Indian economy until now. It set a target of reducing fiscal deficit to 5.9% of the gross domestic product (GDP) in fiscal 2024 from 6.4% (revised estimate or RE) this fiscal. It also reiterated its commitment to bring the fiscal deficit below 4.5% of GDP by fiscal 2026.

Though the current fiscal has witnessed a broad-based recovery and resilient domestic demand so far, headwinds from slowing global growth and tighter financial conditions threaten to hurt the country's economic prospects in fiscal 2024.

In this milieu, the budget has tried to strike a balance between fiscal consolidation and growth by continuing to focus on capital expenditure and creating fiscal space for that by cutting revenue expenditure. In addition, it has eased the tax burden on the middle-income segment to improve consumer confidence and promote a more inclusive recovery.

### Budget scores big on capex thrust to support growth

Budget 2023-24 paves the way for yet another year when the government is using the infrastructure capex tool to support the economy. But this time, the push is larger to lift the post-pandemic domestic economy out of the woods and simultaneously crowd in private sector capex.

That said, the government has largely stuck to its medium-term path of lifting the productive capacity of the economy through higher infrastructure spending rather than directly boosting consumption in a broad-based manner in a pre-election year.

Despite a slowing economy and hence slower growth in tax collections, in conjunction with the need to trim the fiscal deficit, capex has received its due.

Total central government capex growth is seen doubling to ~28% from 14% this fiscal. This includes capex from the budget and capex incurred by central public sector enterprises (CPSEs). While the role of CPSEs in capex has been waning since fiscal 2019, fiscal 2024 could see a mild rise in their capex.

## Budget announcements have a positive impact on the agricultural sector

As per budget announcements, cumulative budget allocation under the Ministry of Agriculture & Farmers' Welfare (MoA&FW), Department of Fertilisers (DoF) and Ministry of Rural Development (MoRD) has been reduced 13% on-year to Rs 4.6 lakh crore in fiscal 2024BE from Rs 5.27 lakh crore in fiscal 2023RE. The agriculture and rural development budget this year veers towards structural changes and reduces focus on short-term measures. MGNREGA witnessed a 33% cut in allocation, bringing down its share in the department's budget to 38% from 49% in the previous fiscal. Normalisation of the rural economy led by moderately strong agricultural growth and a swift recovery from the pandemic-induced slowdown, culminating in better employment opportunities, have driven this decrease. On the other hand, the share of other schemes such as Pradhan Mantri Awas Yojana (PMAY), has increased to 35% from 27%, with an allocation of Rs 0.54 lakh crore in fiscal 2024BE (13% on-year growth).

It is important to note that the budget has laid special emphasis on modernisation of agriculture through the introduction of the agriculture accelerator fund and digital public infrastructure for agriculture. The agriculture accelerator fund, which emphasises providing support to agri start-ups by rural youth, will help in strengthening rural entrepreneurship and bringing innovative and affordable solutions for the challenges faced by farmers. Also, digital public infrastructure for agriculture will enable improved information availability for all stakeholders in the agriculture value chain, thereby aiding access to credit and allowing better planning for farmers as well as processors.

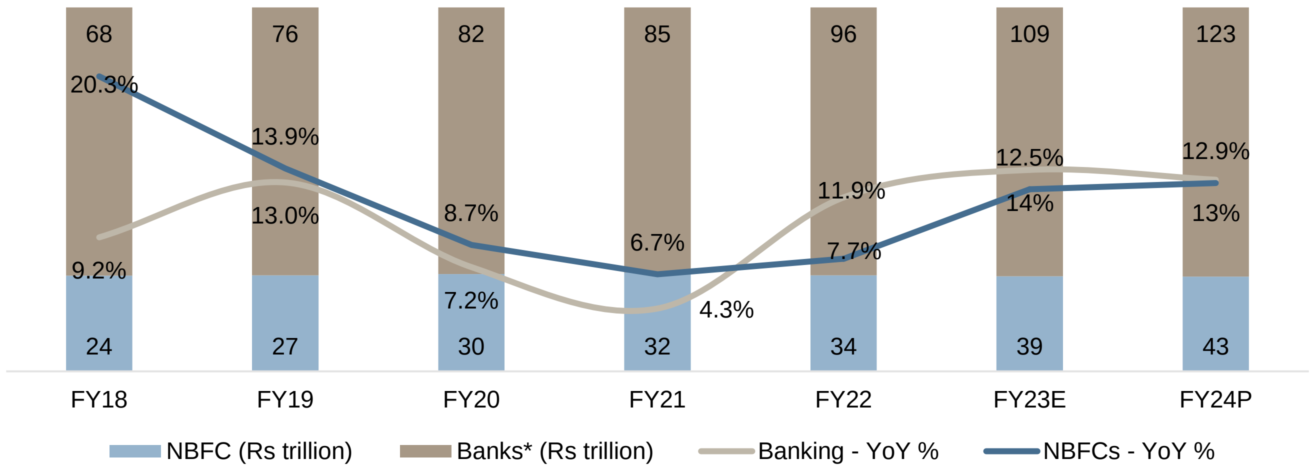
Increased allocation for the PLI scheme in the food processing sector is expected to boost export of value-added products, thereby fetching higher realisations for food processors

## Credit growth revived sharply in fiscal 2023 despite a slowdown in overall economy

Aggregate financial credit in India is estimated at ~Rs 147 trillion (excluding agri credit) as of March 2023 , with banks having major share in pie at Rs 109 trillion and the balance Rs 39 trillion with NBFCs/HFCs (housing finance companies). Banking sector credit in India is estimated to have grown at a 13-15% during fiscals 2023 and going ahead CRISIL MI&A Research expects bank credit to grow at 12-14% during fiscal 2024, with a large part of this growth spurred by the retail segment, primarily owing to rising demand for home and vehicle loans and supported by recovery in service segment, with pent up demand in NBFCs and trade segment.

Further, post a moderation in growth post pandemic, NBFCs are back on track with an estimated credit growth of 12-13% during fiscal 2023, taking the NBFCs (Incl. HFCs and PFC REC) credit outstanding to Rs. 39 trillion. CRISIL MI&A Research expects the growth trend to continue with credit growth at 13-14% during fiscal 2024. The primarily growth drivers for the current and the previous fiscal are the key retail segments such as Housing, Auto and Microfinance.

**Banks a major source of credit in the economy alongside NBFCs which gained momentum**




* Note: The above representation of bank credit is exclusive of agriculture and food credit
P – Projections
*Source: Reserve Bank of India (RBI), CRISIL MI&A Research*

## Supreme court decision on litigations related to loan repayment during moratorium period positive for the credit culture

The RBI permitted lending institutions (banks as well as NBFCs) to offer an effective moratorium of six months on the payment of term loans falling due between March 1, 2020, and August 31, 2020, subject to the accounts being standard accounts as of February 29, 2020. Given the disruptive impact that COVID-19 had on incomes of certain customer segments as well as uncertainty created by the pandemic, a large proportion of NBFC customers availed of the flexibility provided by RBI, and about 50-60% of the micro loans were under moratorium as of August 2020.

Further, the Supreme Court admitted a number of petitions related to repayment of loans, the extension of moratorium period, interest payments during moratorium period and additional relief measures for impacted industries. In response to hearing these cases filed against the Central Government, the Supreme Court had in an interim order dated September 3, 2020, directed lending institutions that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the related cases by the Supreme Court. As a result, lending institutions have not been able to classify any borrower account that had not been declared as an NPA as at August 31, 2020 as NPA subsequently, notwithstanding the status on overdue from the account. Consequently, all the data reported by banks to credit information companies (CICs) on individual loan accounts was not truly representative of the status of overdues on the account.

On March 23, 2021, the Supreme Court pronounced its final judgement on the matter. The Supreme Court lifted the standstill on classification of loan accounts and also refused to direct the Government to increase the moratorium period or offer additional relief to impacted sectors over and above the packages already offered. As a result, banks and NBFCs will now be able to classify an account on the basis of its overdue status and the data submitted the CICs will also reflect the true status of an account. The apex court also refused to grant complete waiver of interest on loans during the moratorium period.

To soften the impact of COVID-19 on consumers, on October 23, 2020, the Central Government announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans (MSME loans, education loan, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans and consumption loans) where the sanctioned limit and outstanding amount does not exceed ₹20 million irrespective of whether they opted for the moratorium or not (aggregate of all facilities with the lender). The ex-gratia payment was equivalent to the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involved the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020, to the accounts of such borrowers and the Government paying such credited amounts to the lenders. These payments have been credited to the borrower accounts in November 2020.

The SC, in its March 2021 judgement, announced banks to waive the burden of interest on interest for loan repayments made during the moratorium period to accounts where the loan outstanding does not exceeds ₹20 million.

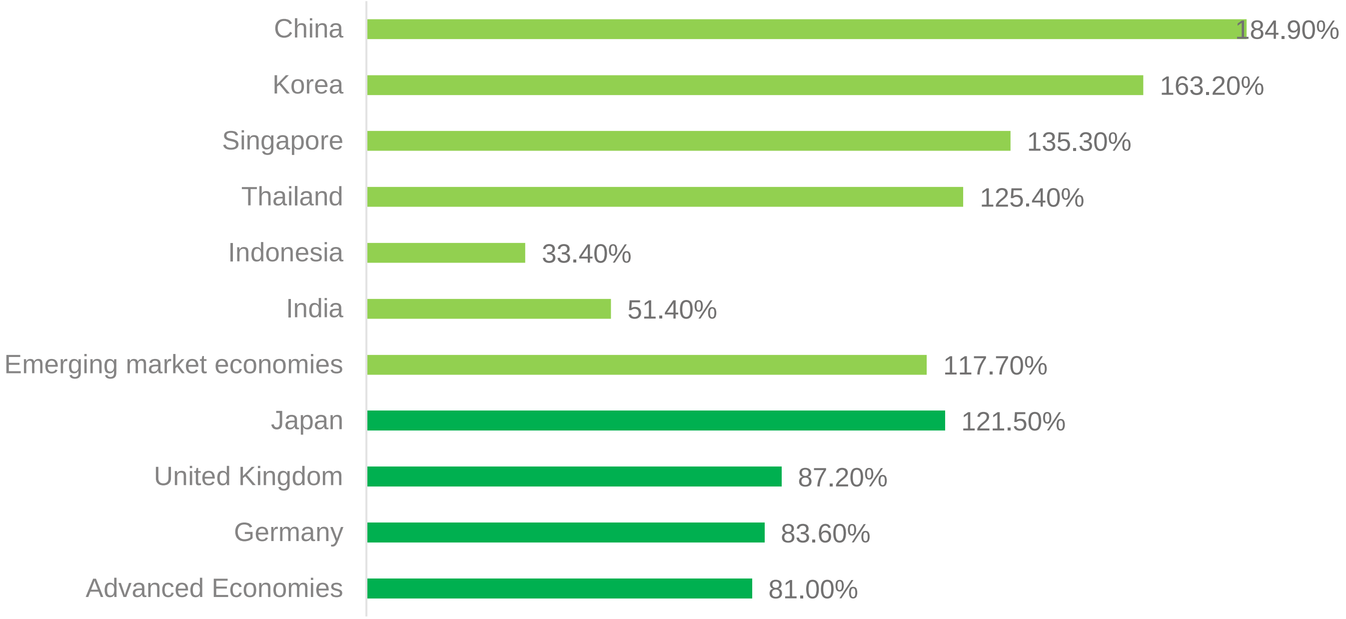
NOTE: THE ABOVE PARAGRAPH ON MORATORIUM ANNOUNCEMENT IS NOT FITTING IN THE STORY LINE, HOWEVER, TO COMPLY WITH THE SCOPE DOCUMENT, CRISIL HAS ADDED THE SAME.

# Financial inclusion

## Under penetration of the Indian banking sector provides opportunities for growth

The Indian banking sector is significantly under penetrated as observed in current bank credit to GDP ratio of 51.40% for India as of the third quarter of 2022. This provides immense opportunities for banks and other financial institutions over the long term.

**Bank credit to private non-financial sector as % of GDP ratio for major economies (as of Q3-2022)**




Note: Emerging market economies comprise of Chile, Korea, Singapore, Thailand, Argentina, Brazil, Chile, China, Colombia, the Czech Republic, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Poland, Russia, Saudi Arabia, Singapore, South Africa, Thailand, and Turkey. Advanced economies comprise Australia, Canada, Denmark, the euro area, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

*Source: BIS Data, CRISIL MI&A Research*

## Rural sector supporting "India growth story"

India's retail segment has been a key driver of the country's consumption growth story in recent years. Over the decade, retail sector in India has expanded at a rapid pace, driven by factors such as rising disposable incomes, urbanization, and the proliferation of e-commerce.

According to Economic Survey report dated Jan 31st 2023, the Government's emphasis has been on improving the quality of life in rural areas to ensure more equitable and inclusive development. The aim of engagement of the government in the rural economy has been "transforming lives and livelihoods through proactive socio-economic inclusion, integration, and empowerment of rural India". The Survey notes a multi-pronged approach to raise the rural incomes and quality of life through different schemes such as:

1. **Livelihood, Skill Development**

    a. The Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) which aims to enable economically weak households to access gainful self-employment and skilled wage employment opportunities resulting in sustainable and diversified livelihood options for them

b. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) under which a total of 5.6 crore households availed employment and a total of 225.8 crore person-days employment has been generated under the Scheme (until 6 January 2023)

**2. Women Empowerment**

The transformative potential of Self Help Groups (SHGs), exemplified through their key role in the on-ground response to Covid-19, has served as the fulcrum of rural development through women empowerment. India has around 1.2 crore SHGs, 88 per cent being all-women SHGs. Also, there has been a steady rise in Rural Female Labour Force Participation Rate (FLFPR) from 19.7 per cent in 2018-19 to 27.7 per cent in 2020-21.

**3. Housing For All**

Pradhan Mantri Awaas Yojana –Gramin (PMAY-G) was launched in November 2016 with the aim of providing around 3 crore pucca houses with basic amenities to all eligible houseless households living in kutcha and dilapidated houses in rural areas by 2024. Under the scheme, landless beneficiaries are accorded the highest priority in the allotment of houses. A total of 2.7 crore houses have been sanctioned and 2.1 crore houses have been completed by 6 January 2023 under the Scheme. Against the total target of completion of 52.8 lakh houses in FY23, 32.4 lakh houses have been completed.

Other initiatives are towards Smoke Free Rural Homes and Rural Infrastructure.

Additionally, E-commerce has been a significant contributor to the growth of the rural areas. The e-commerce market in India has grown exponentially in recent years. This growth can be attributed to increased internet penetration, the proliferation of smartphones, and the convenience offered by online shopping.

Additionally, here are some steps taken by the government to improve overall financial inclusion:

**Jan Dhan Yojana**: In 2014, the government launched the Pradhan Mantri Jan Dhan Yojana (PMJDY), which aimed to provide basic banking services to every household in the country. Under the scheme, bank accounts were opened for people who did not have them, and RuPay debit cards were issued to account holders. As on March 15, 2023, 48.45 crore accounts had been opened with deposits amounting to Rs 194,783.87 crore. Also, about 67% of PMJDY account holders belong to rural and semi-urban areas, and the remaining 33% are households from urban and metro areas. Also, 32.84 crore RuPay cards have been issued to new banked account holders for facilitating banking transactions.

Schemes such as the P**radhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)** to provide accidental death or disability cover, and the Atal Pension Yojana to provide pension cover to subscribing bank account holders.

- **Sukanya Samriddhi Yojana:** The savings scheme launched in 2015 is targeted at parents accumulating savings funds for girl children 10 years or younger under 'Beti Bachao, Beti Padhao'. With a minimum initial deposit of Rs 1,000, a limit of up to Rs 150,000 in a financial year, and tenure of deposit until 21 years of age of the beneficiary, it is a tool to accumulate a corpus for the girl child's higher education, marriage and other needs. Uttarakhand, Himachal Pradesh, Goa, Tamil Nadu, and Haryana are the highest-ranking states, while Nagaland, Meghalaya, Mizoram, Bihar, and Uttar Pradesh are the lowest in terms of the number of accounts and amount deposited. The total number of registered subscribers as of the third quarter of fiscal 2023 is 32,512,095 crore, and the amount saved is Rs 162,153.68 crore.

- **Small savings schemes**: Various small savings schemes have been introduced by the government for the promotion of risk-free government-backed saving portfolios for low- and medium-income individuals, including national savings deposit account, post office savings account, Senior Citizen Savings Scheme, Kisan Vikas Patra and National Savings Certificate (NSC). The collections under NSC stood at Rs 220,259.13 crore in fiscal 2022.
- **Direct benefit transfer (DBT)**: DBT has been instrumental in the acceleration of financial inclusion since it has helped eliminate human interface and leakages in the system, ensuring timely, accurate and quality services and fund transfers to the beneficiaries. This tool has helped in the disbursal of benefits to a wide population spread geographically through 318 government schemes, such as Pradhan Mantri Matru Vandana Yojana (PMMVY) for women, Pradhan Mantri Ujjwala Yojana (PMUY), Krishi Unnati Yojana (KUY) or Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for beneficiary bank accounts held by any gender. The total DBT was Rs 630,264 crore in fiscal 2022.
- **Aadhaar Card**: It has played a critical role in promoting financial inclusion in India by enabling easy and efficient identification of individuals and reducing the need for physical documents. Aadhaar Card has been used for various initiatives, such as PMJDY, DBT, mobile wallets, and e-KYC, to improve financial access.
- **Mobile banking**: The government has promoted mobile banking to make financial services accessible to people who are unable to access physical bank branches. Mobile banking has increased financial inclusion in rural areas. Some of the mobile banking initiatives for financial inclusion are United Payments Interface (UPI), mobile wallets, Jan Dhan Yojana Mobile App, and business correspondent (BC) model.
- **Financial literacy programmes**: The government has launched various financial literacy programmes to educate people about the benefits of financial planning and management. These programmes aim to improve financial literacy among the marginalised sections of the society and empower them to make informed financial decisions. The government and financial institutions have launched various financial literacy programmes (National Centre for Financial Education, Swabhimaan, etc.) to improve financial literacy among the general public, especially in rural areas.
- **Kisan Credit Card (KCC):** The KCC scheme aims at providing adequate and timely credit support to farmers for their agricultural activities at various stages of farming. The total operative KCCs stood at 3.07 crore in fiscal 2021 with a total outstanding loan amount of Rs 456,736 crore.
- **National Pension Scheme (NPS):** Regulated by the Pension Fund Regulatory and Development Authority (PFRDA), NPS is mandatory for central government employees, and voluntary for corporates and all citizens (aged 18-65 years) with matching contributions by the employer. As of March 2022, NPS had 1.57 crore subscribers — 35% under the state government and 24% and 14% under the central government.
- **Priority Sector Lending:** PSL is an important policy tool used by the RBI to promote financial inclusion in India. The PSL requirement mandates banks allocate a specified percentage of their lending portfolio to priority sectors such as agriculture; micro, small and medium-sized enterprises (MSMEs); education; housing; and other weaker sections of the society.

The PSL requirement plays a crucial role in promoting financial inclusion in India in the following ways:

- Encouraging banks to lend to priority sectors: The PSL requirement mandates that a specified percentage of the lending portfolio of banks be allocated to priority sectors. This encourages banks to lend to sectors that are crucial for economic growth and development, but may not be commercially viable.
- Increasing credit access for underserved sectors: The PSL requirement ensures underserved sectors such as agriculture, MSMEs, and weaker sections of the society have access to credit. This promotes financial inclusion by providing access to formal credit for individuals and businesses that may not otherwise have access.

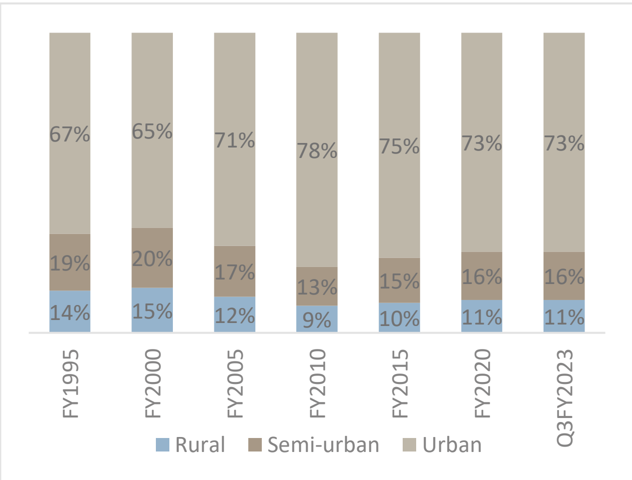
- Promoting regional development: The PSL requirement mandates that a certain percentage of lending be allocated to specific regions such as rural areas and underdeveloped states. This promotes regional development by providing credit access to regions that may be underserved.
- Encouraging innovation: The PSL requirement encourages banks to develop innovative products and services that cater to priority sectors. This promotes financial inclusion by encouraging banks to develop products that meet the needs of underserved sectors.

## Rural India accounts for 45% of GDP, but only 11% of deposits and 9% of credit

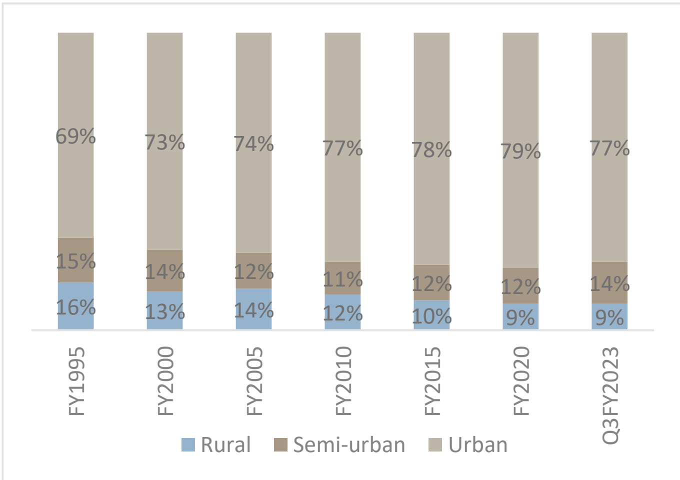
Rural India has a crucial role to play as 65% of the population resides in rural areas basis 2021 data from the Economic Survey dated January 2023. About 45% of India's GDP comes from rural areas; however, their share is abysmally low at just 11% of total banking deposits and 9% of total credit as of December 2022. Lack of bank infrastructure, low level of financial literacy and investment habits along with lack of formal identification are some of the reasons for the low penetration.

**Share of bank credit and deposits shows low penetration in rural areas**

**Population group wise share of deposits**




**Population group wise share of credit**



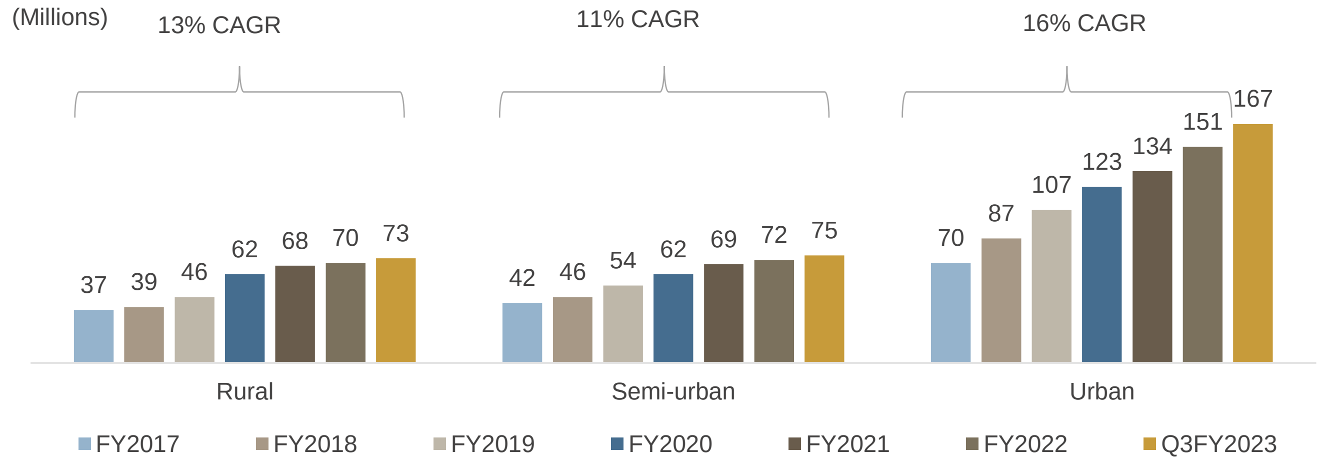

Note: Urban includes data for urban and metropolitan areas, Above data represents indicators for Scheduled Commercial Banks in India

*Source: RBI; CRISIL MI&A Research*

Financial inclusion is lower in rural areas than urban areas in India, hence, there are significant growth opportunities as competition for banking services is lower in rural areas as well. Initiatives such as PMJDY, digital banking, along with increasing emphasis on financial literacy, has led to increasing financial inclusion in rural areas. The number of bank credit accounts in rural areas grew at 14% CAGR between the end of fiscal 2017 and at the end of fiscal 2022 and at 13% CAGR between the end of fiscal 2017 and the end of the third quarter of fiscal 2023 while the number of bank deposit accounts grew at a CAGR of 5% between the end of fiscal 2017 and the end of fiscal 2022 (Data for no of bank deposit accounts for Q3FY23 is not available for comparison). Due to digital infrastructure and payments banks increasing their reach by expanding into rural areas and increasing financial awareness, we can expect faster growth in rural areas in long term.

The number of credit accounts in semi-urban areas grew at a CAGR of 11% between the end of fiscal 2017 and at the end of fiscal 2022 and at the same rate between the end of fiscal 2017 and the end of the third quarter of fiscal 2023 a while the number of deposit accounts grew at a CAGR of 4% between the end of fiscal 2017 and the end of fiscal 2022. Between the end of fiscal 2017 and at the end of fiscal 2022 and between the end of fiscal 2017 and the third quarter of fiscal 2023, the number of credit accounts in urban areas grew at a CAGR of 17% and 16% respectively and between the end of fiscal 2017 and the end of fiscal 2022, the number of deposit accounts grew at a CAGR of 3%.

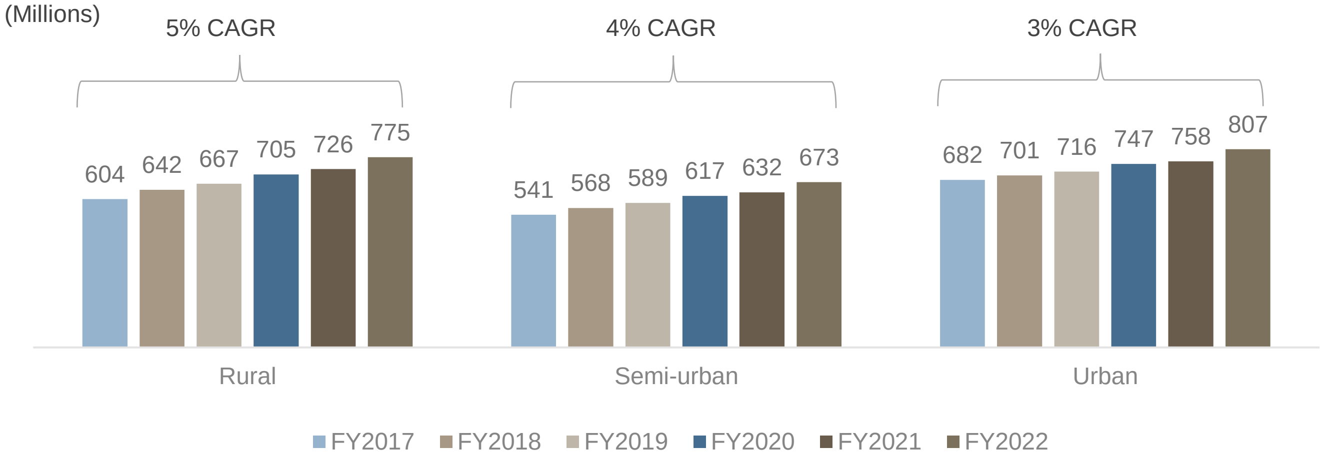
**Bank credit accounts in rural, semi-urban and urban areas**




Note: Urban includes data for urban and metropolitan areas; data represents only bank credit accounts, Above data represents indicators for Scheduled Commercial Banks in India

*Source: RBI; CRISIL MI&A Research*

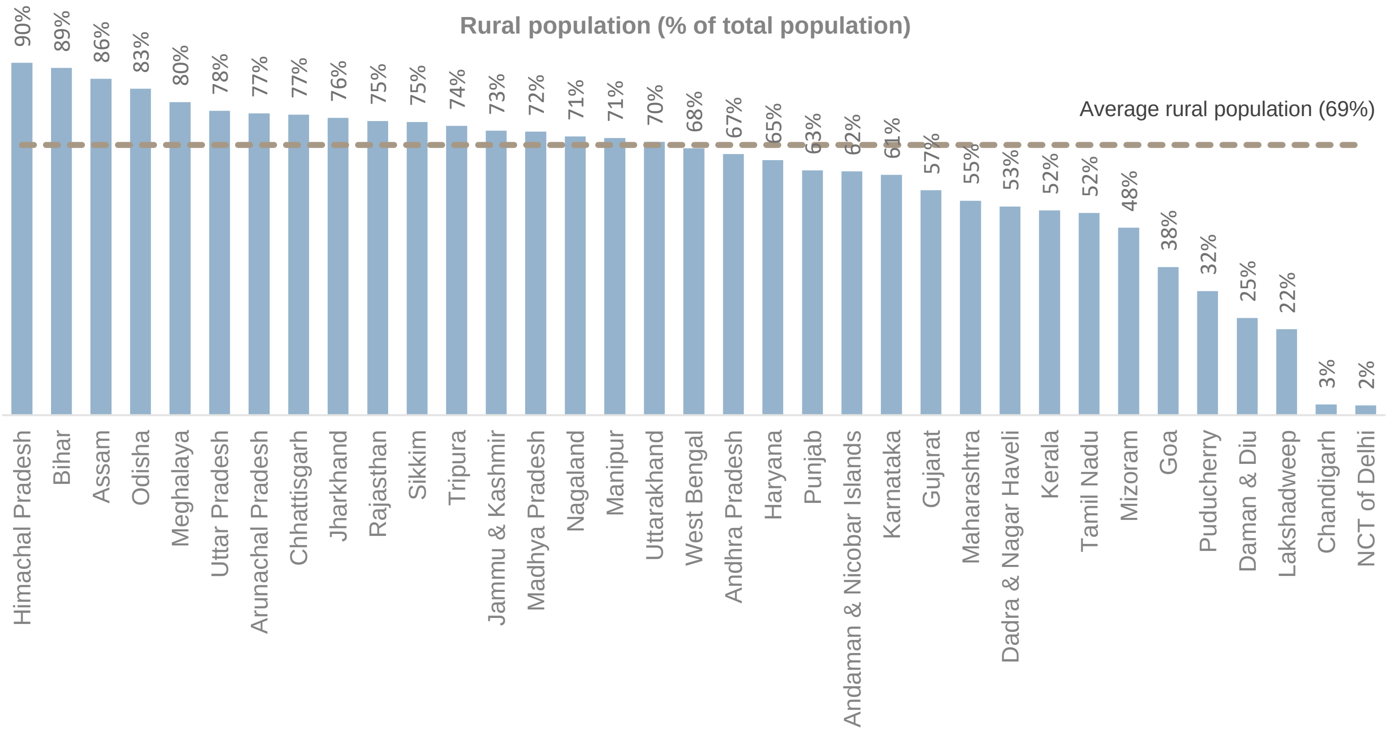
**Bank deposit accounts in rural, semi-urban and urban areas**




Note: Urban includes data for urban and metropolitan areas; amounts are as of the end of the fiscal year indicated. Data represents only bank deposit accounts, Above data represents indicators for Scheduled Commercial Banks in India

*Source: RBI, CRISIL Research*

**State-wise share of rural population (CY2011)**




Note: Sequence of states are arranged in descending order of the proportion of rural population;

*Source: Census 2011, CRISIL MI&A Research*

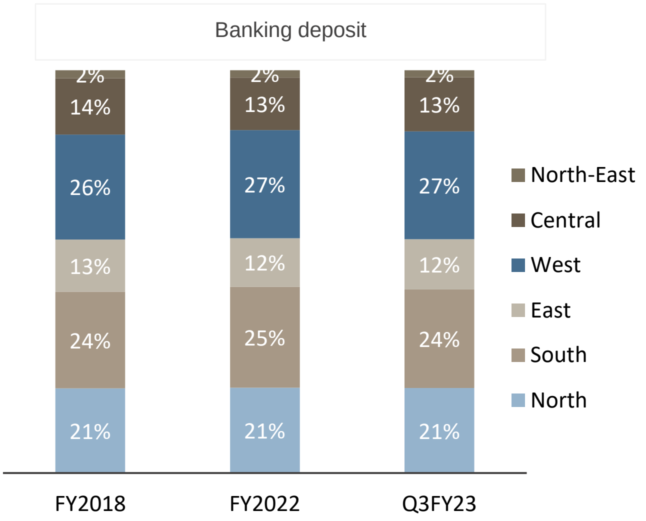
Although most Indian households are in the rural region, a potential of banking infrastructure in these regions is not yet fully explored. Hence, there is a gap in supply and demand of financial services in the country's rural regions, which are pockets of opportunity for the financial services sector.

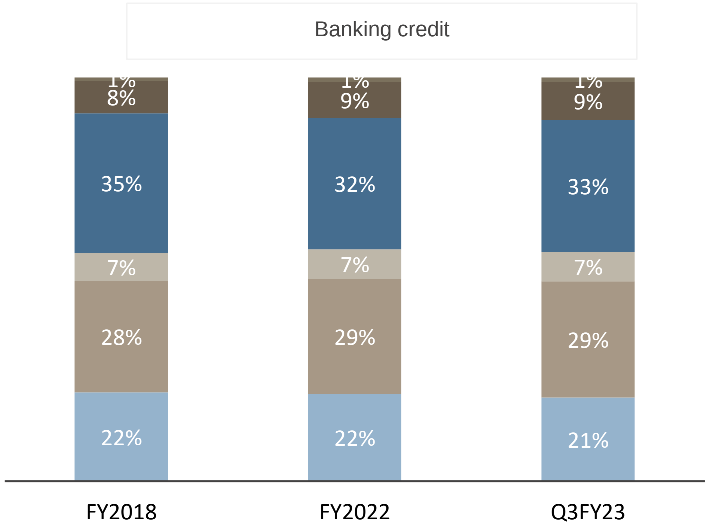
## Region-wise asymmetry: More than 50% of deposits and credit are held by south and west regions

Bank credit and deposits are predominantly concentrated in south and west regions, whereas they have been especially low in north-east and east regions. Deposit penetration in the west region increased 700 bps on-year to 27% in fiscal 2022 and remained stable as of the third quarter of fiscal 2023, thereby taking the share of east and central regions in overall deposit to 13% and 12%, respectively, at the end of the third quarter of fiscal 2023. Between fiscal 2018 and the third quarter of fiscal 2023, the share of north and north-east regions has remained stable at 21% and 2%, respectively.

In terms of banking credit, south and central regions gained share from north and west regions between fiscal 2018 and the third quarter of fiscal 2023. The share of east and north-east regions remained stable over the same period.

**Region-wise share of banking deposit and credit**




*Source: RBI; CRISIL Research*

## Large variation in credit availability across states and districts

There is a wide variation across states and within various districts in the same state in terms of credit, which indicates a latent opportunity for providing banking services to unserved or underserved customers. Uttar Pradesh, Maharashtra and Bihar are the most populous states in India, accounting for 17%, 9% and 9%, respectively, of the overall population in India. Maharashtra's share in overall credit outstanding is 27%, whereas the share of other two states — Uttar Pradesh and Bihar — is only 5% and 2%, respectively.

Based on bank credit accounts in rural areas, Himachal Pradesh, Jammu and Kashmir, Odisha, Jharkhand and Bihar have more than 45% of credit accounts in rural areas, while for Mizoram, Maharashtra, Delhi and Kerala, the share is below 10%. In value terms, states such as Maharashtra, Delhi, Dadra & Nagar Haveli and Daman & Diu, Chandigarh and Kerala have less than 5% of credit outstanding in rural areas, while Meghalaya, Lakshadweep, Ladakh, and Jammu and Kashmir have more than 30% of rural credit outstanding. Maharashtra and Delhi, among the states with high share in overall credit, had more than 70% of total credit outstanding concentrated in the top five districts as of fiscal 2022.

**State-wise rural credit accounts in banks and top five districts concentration (Q3 FY23)**

| State | No of districts | % share in overall population in India | Share in overall credit | Credit to deposit ratio | Concentration of credit in top 5 districts | % of credit in rural areas | Concentration of credit accounts in top 5 districts* | % of credit accounts in rural areas |
|---|---|---|---|---|---|---|---|---|
| Maharashtra | 36 | 9% | 27% | 100% | 91% | 2% | 75% | 6% |
| NCT of Delhi | 1 | 1% | 11% | 93% | 100% | 0% | 100% | 0% |
| Tamil Nadu | 38 | 6% | 9% | 105% | 59% | 11% | 38% | 26% |
| Karnataka | 29 | 5% | 7% | 65% | 74% | 8% | 56% | 29% |
| Gujarat | 33 | 5% | 5% | 72% | 71% | 8% | 54% | 16% |
| Telangana | 34 | NA | 5% | 104% | 86% | 7% | 54% | 21% |
| Uttar Pradesh | 75 | 17% | 5% | 46% | 40% | 16% | 25% | 36% |

| State | No of districts | % share in overall population in India | Share in overall credit | Credit to deposit ratio | Concentration of credit in top 5 districts | % of credit in rural areas | Concentration of credit accounts in top 5 districts* | % of credit accounts in rural areas |
|---|---|---|---|---|---|---|---|---|
| Andhra Pradesh | 26 | 7% | 4% | 144% | 44% | 15% | 50% | 29% |
| West Bengal | 24 | 8% | 4% | 47% | 72% | 13% | 48% | 44% |
| Rajasthan | 33 | 6% | 3% | 81% | 53% | 13% | 42% | 29% |
| Kerala | 14 | 3% | 3% | 65% | 67% | 2% | 54% | 4% |
| Haryana | 22 | 2% | 3% | 57% | 64% | 9% | 49% | 19% |
| Madhya Pradesh | 52 | 6% | 3% | 72% | 54% | 12% | 33% | 25% |
| Punjab | 22 | 2% | 2% | 53% | 61% | 21% | 48% | 27% |
| Bihar | 38 | 9% | 2% | 45% | 47% | 21% | 41% | 47% |
| Odisha | 30 | 3% | 1% | 44% | 61% | 19% | 48% | 50% |
| Chhattisgarh | 27 | 2% | 1% | 69% | 74% | 8% | 50% | 22% |
| Assam | 33 | 3% | 1% | 52% | 53% | 22% | 39% | 40% |
| Jharkhand | 24 | 3% | 1% | 34% | 68% | 17% | 56% | 49% |
| Jammu and Kashmir | 20 | 1% | 1% | 55% | 59% | 35% | 51% | 49% |
| Chandigarh | 1 | 0% | 1% | 84% | 100% | 0% | 100% | 1% |
| Uttarakhand | 13 | 1% | 1% | 36% | 89% | 21% | 82% | 32% |
| Himachal Pradesh | 12 | 1% | 0% | 33% | 74% | 58% | 69% | 69% |
| Goa | 2 | 0% | 0% | 25% | 100% | 18% | 100% | 31% |
| Puducherry | 4 | 0% | 0% | 66% | 100% | 9% | 100% | 15% |
| Tripura | 8 | 0% | 0% | 43% | 78% | 28% | 79% | 34% |
| Meghalaya | 11 | 0% | 0% | 35% | 90% | 36% | 87% | 42% |
| Manipur | 16 | 0% | 0% | 77% | 83% | 30% | 82% | 28% |
| Nagaland | 12 | 0% | 0% | 52% | 82% | 22% | 80% | 28% |
| Arunachal Pradesh | 26 | 0% | 0% | 32% | 73% | 27% | 66% | 34% |
| Mizoram | 8 | 0% | 0% | 49% | 84% | 8% | 80% | 8% |
| Sikkim | 5 | 0% | 0% | 45% | 100% | 28% | 100% | 40% |
| Andaman and Nicobar Islands | 5 | 0% | 0% | 51% | 100% | 20% | 100% | 25% |
| Ladakh | 2 | NA | 0% | 44% | 100% | 37% | 100% | 45% |
| Lakshadweep | 1 | 0% | 0% | 11% | 100% | 40% | 100% | 40% |
| Dadra & Nagar Haveli and Daman & Diu | 3 | 0% | 0% | 38% | 100% | 3% | 100% | 5% |

*As of fiscal 2022

Note: Arranged in descending order of share in overall credit outstanding of banks, green indicates states which have higher share in overall credit as compared to its contribution to overall population in India and red indicates states which have lower share in overall credit as compared to its contribution to overall population in India

*Source: RBI, CRISIL MI&A Research*

Similarly, in terms of bank deposits, Odisha, Jharkhand, Assam, Himachal Pradesh, Sikkim, Meghalaya, and Jammu and Kashmir have more than 50% of deposit accounts in rural areas, compared with Maharashtra, Delhi, Kerala, Puducherry, Dadra & Nagar Haveli and Daman & Diu, and Chandigarh, where the share of accounts in rural areas is below 20%. In value terms, Maharashtra, Delhi, Kerala, Karnataka, Tamil Nadu, Telangana, Chandigarh, Haryana, Puducherry, and Dadra & Nagar Haveli and Daman & Diu have less than 10% of deposits in rural areas, while Sikkim, Tripura, Meghalaya, Manipur, Arunachal Pradesh, Himachal Pradesh, Lakshadweep, and Jammu and Kashmir have more than 25%.

Maharashtra, Delhi and Karnataka, among the bigger states having higher share in overall deposit, had more than 75% of total deposits concentrated in the top five districts as on third quarter of fiscal 2023.

**State-wise rural deposit accounts in banks and top five districts concentration (Q3 FY23)**

| State | No of district s | % share in overall population in India | % share in overall deposit | Concentration of deposit in top 5 districts | % of deposit in rural areas | Concentration of deposit accounts in top 5 districts* | % of deposit accounts in rural areas |
|---|---|---|---|---|---|---|---|
| Maharashtra | 36 | 9% | 21% | 87% | 3% | 56% | 18% |
| NCT of Delhi | 1 | 1% | 9% | 100% | 1% | 61% | 2% |
| Uttar Pradesh | 75 | 17% | 8% | 42% | 19% | 16% | 46% |
| Karnataka | 29 | 5% | 8% | 79% | 8% | 46% | 29% |
| Tamil Nadu | 38 | 6% | 7% | 63% | 8% | 33% | 24% |
| West Bengal | 24 | 8% | 6% | 70% | 16% | 43% | 48% |
| Gujarat | 33 | 5% | 6% | 63% | 10% | 43% | 26% |
| Kerala | 14 | 3% | 4% | 63% | 3% | 53% | 4% |
| Haryana | 22 | 2% | 4% | 69% | 9% | 41% | 25% |
| Telangana | 34 | NA | 4% | 91% | 6% | 81% | 25% |
| Rajasthan | 33 | 6% | 3% | 55% | 15% | 34% | 37% |
| Punjab | 22 | 2% | 3% | 57% | 22% | 47% | 32% |
| Madhya Pradesh | 52 | 6% | 3% | 53% | 12% | 24% | 32% |
| Bihar | 38 | 9% | 3% | 48% | 23% | 30% | 50% |
| Odisha | 30 | 3% | 2% | 60% | 23% | 36% | 57% |
| Andhra Pradesh | 26 | 7% | 2% | 48% | 15% | 50% | 28% |
| Jharkhand | 24 | 3% | 2% | 69% | 18% | 42% | 52% |
| Chhattisgarh | 27 | 2% | 1% | 65% | 17% | 38% | 44% |
| Assam | 33 | 3% | 1% | 59% | 22% | 32% | 54% |
| Uttarakhand | 13 | 1% | 1% | 85% | 23% | 75% | 44% |
| Jammu and Kashmir | 20 | 1% | 1% | 69% | 29% | 50% | 51% |
| Himachal Pradesh | 12 | 1% | 1% | 73% | 61% | 67% | 75% |
| Goa | 2 | 0% | 1% | 100% | 24% | 100% | 34% |
| Chandigarh | 1 | 0% | 1% | 100% | 1% | 100% | 3% |
| Tripura | 8 | 0% | 0% | 84% | 28% | 49% | 48% |
| Meghalaya | 11 | 0% | 0% | 92% | 27% | 82% | 55% |
| Puducherry | 4 | 0% | 0% | 100% | 6% | 100% | 17% |
| Arunachal Pradesh | 26 | 0% | 0% | 76% | 26% | 62% | 48% |
| Nagaland | 12 | 0% | 0% | 93% | 12% | 87% | 26% |

| State | No of district s | % share in overall population in India | % share in overall deposit | Concentration of deposit in top 5 districts | % of deposit in rural areas | Concentration of deposit accounts in top 5 districts* | % of deposit accounts in rural areas |
|---|---|---|---|---|---|---|---|
| Mizoram | 8 | 0% | 0% | 90% | 13% | 79% | 34% |
| Manipur | 16 | 0% | 0% | 88% | 27% | 74% | 41% |
| Sikkim | 5 | 0% | 0% | 100% | 30% | 100% | 52% |
| Ladakh | 2 | NA | 0% | 100% | 24% | 100% | 34% |
| Andaman and Nicobar Islands | 5 | 0% | 0% | 100% | 24% | 100% | 38% |
| Lakshadweep | 1 | 0% | 0% | 100% | 28% | 100% | 41% |
| Dadra & Nagar Haveli and Daman & Diu | 3 | 0% | 0% | 100% | 5% | 100% | 15% |

Note: Arranged in descending order of share in overall deposits. Rural and semi-urban areas have been considered to calculate the share of deposits and deposit accounts in rural areas; (*) indicates As of fiscal 2022; green indicates states which have higher share in overall deposits as compared to its contribution to overall population in India and red indicates states which have lower share in overall deposits as compared to its contribution to overall population in India

Source: RBI, CRISIL MI&A Research

### States with low financial penetration present a strong case for growth

Madhya Pradesh, Bihar, Uttar Pradesh have ample headroom for growth given low credit penetration and economic growth. Similarly, in the west, states such as Maharashtra and Gujarat have showcased good growth in terms of GDP, and Gujarat has a relatively low credit penetration, presenting a huge potential to be addressed.

Uttar Pradesh, Bihar, Jharkhand, Assam, Meghalaya and Chhattisgarh have the lowest credit account penetration among all other states in the country. These states also exhibit lower CRISIL Inclusix scores, indicating low financial inclusion.

With lower financial penetration, these states present a huge untapped market and potential for growth in the future, as their GDP gradually increases.

### State-wise GDP and GDP growth

| States | GSDP - constant prices in FY23 in Rs billion^ | Y-o-Y growth (%) | CAGR (FY18-FY23)** | Credit account penetration as of Dec FY22 | Deposit account penetration as of FY22 | Branch penetration as of Dec FY22* | ATM penetration as of Dec 2022* | CRISIL Inclusix score (FY16) |
|---|---|---|---|---|---|---|---|---|
| Maharashtra | 21,656 | 6.78 | 2.77 | 64% | 176% | 107 | 220 | 62.7 |
| Tamil Nadu | 14,531 | 8.03 | 5.24 | 47% | 186% | 147 | 347 | 77.2 |
| Gujarat* | 13,825 | 10.76 | 4.94 | 18% | 152% | 125 | 194 | 62.4 |
| Karnataka | 13,263 | 7.86 | 5.40 | 27% | 186% | 154 | 264 | 82.1 |
| Uttar Pradesh* | 11,814 | 9.64 | 2.26 | 9% | 130% | 78 | 103 | 44.1 |
| West Bengal | 8,540 | 8.41 | 4.21 | 14% | 160% | 91 | 124 | 53.7 |
| Rajasthan | 7,994 | 8.19 | 4.95 | 14% | 134% | 104 | 139 | 50.9 |
| Andhra Pradesh | 7,543 | 7.02 | 4.87 | 15% | 99% | 78 | 123 | 78.4 |
| Madhya Pradesh | 6,431 | 7.06 | 5.29 | 14% | 140% | 89 | 130 | 48.7 |
| Haryana | 6,084 | 7.10 | 4.77 | 23% | 202% | 178 | 239 | 67.7 |

| States | GSDP - constant prices in FY23 in Rs billion^ | Y-o-Y growth (%) | CAGR (FY18-FY23)** | Credit account penetration as of Dec FY22 | Deposit account penetration as of FY22 | Branch penetration as of Dec FY22* | ATM penetration as of Dec 2022* | CRISIL Inclusix score (FY16) |
|---|---|---|---|---|---|---|---|---|
| Delhi* | 5,978 | 9.14 | 1.98 | 36% | 289% | 191 | 396 | 86.1 |
| Kerala* | 5,736 | 12.01 | 2.13 | 30% | 211% | 176 | 285 | 90.9 |
| Odisha | 4,547 | 7.82 | 4.72 | 18% | 149% | 113 | 170 | 63 |
| Punjab | 4,492 | 6.08 | 3.65 | 20% | 207% | 203 | 236 | 70.9 |
| Bihar* | 4,281 | 10.98 | 4.47 | 10% | 126% | 64 | 78 | 38.5 |
| Assam | 2,892 | 10.16 | 5.63 | 12% | 141% | 84 | 124 | 47.9 |
| Chhattisgarh | 2,891 | 8.00 | 5.60 | 10% | 149% | 101 | 142 | 45.7 |
| Jharkhand* | 2,368 | 8.15 | 2.38 | 12% | 136% | 85 | 106 | 48.2 |
| Uttarakhand | 2,071 | 7.08 | 2.74 | 13% | 184% | 187 | 253 | 69 |
| Himachal Pradesh* | 1,244 | 8.35 | 2.60 | 12% | 189% | 216 | 275 | 72.3 |
| Tripura* | 405 | 8.69 | 4.11 | 17% | 141% | 140 | 136 | 66.2 |
| Meghalaya | 280 | 9.06 | 4.43 | 7% | 96% | 110 | 130 | 34.6 |
| Jammu and Kashmir | NA | NA | NA | 17% | 157% | 127 | 186 | 47.8 |

^As on March 15, 2023
*GSDP as of FY22
**CAGR for period FY18-22 is calculated for asterisk-marked states
Notes: 1) Credit account penetration is calculated as the total number of retail bank credit accounts/population of the state
2) Deposit account penetration is calculated as the total number of bank deposit accounts/population of the state
3) Branch penetration is calculated as the number of bank branches per million people
4) ATM penetration is calculated as the number of ATMs per million people
5) For credit and deposit account penetration, figures does not represent unique borrowers or depositors, total number of accounts have been considered

*Source: RBI, MoSPI, CRISIL MI&A Research*

CRISIL Inclusix, an index that measures the extent of financial inclusion at a geographical level across all districts in India, reported a score of 58.0 at the end of fiscal 2016 vs 50.1 in fiscal 2013 and 35.4 in fiscal 2009. The index scores each district in India on a scale of 0-100, with 0 being the worst and 100 being the best. The overall improvement of the score in fiscal 2016 was driven by JAM trinity: Jan Dhan Yojana, Aadhaar and Mobile.

Kerala had the highest CRISIL Inclusix score in fiscal 2016, with only one district having a score less than 70. Goa, Puducherry, Chandigarh, Delhi and Karnataka are other states with higher Inclusix scores and no districts having a score below 50. States such as Uttar Pradesh and Bihar, on the other hand, have an Inclusix score below 45, with a majority of districts — 50% in Uttar Pradesh and 65% in Bihar — having Inclusix scores below 40. Northeastern states such as Manipur, Nagaland and Meghalaya have the lowest Inclusix scores with hardly any district having a score more than 50.

| State | CRISIL Inclusix score (2016) | Number of districts with CRISIL Inclusix score in the stated range | | | | | |
|---|---|---|---|---|---|---|---|
| | | More than 70 | 60-70 | 50-60 | 40-50 | Less than 40 | Total number of districts |
| Kerala | 90.9 | 13 | 1 | 0 | 0 | 0 | 14 |
| Goa | 88.9 | 2 | 0 | 0 | 0 | 0 | 2 |
| Puducherry | 87.7 | 3 | 1 | 0 | 0 | 0 | 4 |
| Chandigarh | 86.7 | 1 | 0 | 0 | 0 | 0 | 1 |

| State | CRISIL Inclusix score (2016) | Number of districts with CRISIL Inclusix score in the stated range | | | | | |
|---|---|---|---|---|---|---|---|
| | | More than 70 | 60-70 | 50-60 | 40-50 | Less than 40 | Total number of districts |
| Delhi | 86.1 | 1 | 0 | 0 | 0 | 0 | 1 |
| Karnataka | 82.1 | 20 | 5 | 5 | 0 | 0 | 30 |
| Andhra Pradesh | 78.4 | 10 | 3 | 0 | 0 | 0 | 13 |
| Tamil Nadu | 77.2 | 22 | 8 | 2 | 0 | 0 | 32 |
| Telangana | 72.8 | 7 | 3 | 0 | 0 | 0 | 10 |
| Himachal Pradesh | 72.3 | 9 | 2 | 1 | 0 | 0 | 12 |
| Punjab | 70.9 | 9 | 10 | 1 | 2 | 0 | 22 |
| Uttarakhand | 69.0 | 3 | 7 | 3 | 0 | 0 | 13 |
| Haryana | 67.7 | 7 | 10 | 1 | 2 | 1 | 21 |
| Tripura | 66.2 | 2 | 1 | 0 | 5 | 0 | 8 |
| Andaman and Nicobar Islands | 63.9 | 1 | 0 | 0 | 0 | 2 | 3 |
| Odisha | 63.0 | 6 | 7 | 8 | 7 | 2 | 30 |
| Maharashtra | 62.7 | 9 | 6 | 8 | 11 | 2 | 36 |
| Gujarat | 62.4 | 10 | 5 | 4 | 7 | 7 | 33 |
| Daman and Diu | 60.7 | 0 | 1 | 1 | 0 | 0 | 2 |
| Dadra and Nagar Haveli | 60.2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Sikkim | 60.2 | 1 | 0 | 0 | 2 | 1 | 4 |
| West Bengal | 53.7 | 2 | 4 | 5 | 6 | 3 | 20 |
| Lakshadweep | 51.3 | 0 | 0 | 1 | 0 | 0 | 1 |
| Rajasthan | 50.9 | 2 | 3 | 10 | 10 | 8 | 33 |
| Madhya Pradesh | 48.7 | 3 | 3 | 12 | 15 | 18 | 51 |
| Jharkhand | 48.2 | 2 | 3 | 2 | 5 | 12 | 24 |
| Assam | 47.9 | 2 | 4 | 3 | 8 | 10 | 27 |
| Jammu and Kashmir | 47.8 | 1 | 2 | 3 | 7 | 9 | 22 |
| Chhattisgarh | 45.7 | 2 | 0 | 5 | 5 | 15 | 27 |
| Uttar Pradesh | 44.1 | 4 | 4 | 5 | 25 | 37 | 75 |
| Mizoram | 43.2 | 0 | 0 | 1 | 1 | 6 | 8 |
| Bihar | 38.5 | 1 | 0 | 0 | 12 | 25 | 38 |
| Arunachal Pradesh | 34.7 | 1 | 0 | 2 | 0 | 14 | 17 |
| Meghalaya | 34.6 | 0 | 0 | 1 | 0 | 10 | 11 |
| Nagaland | 32.4 | 0 | 1 | 0 | 2 | 8 | 11 |
| Manipur | 32.0 | 0 | 1 | 0 | 0 | 8 | 9 |
| **Total** | 58.0 | 156 | 96 | 84 | 132 | 198 | 666 |

*Source: CRISIL Inclusix, CRISIL MI&A Research*

# Global microfinance industry

As per the Global Outreach and Financial Performance Benchmark report, the total number of active microfinance borrowers grew to 120 million and the gross loan portfolio (GLP) stood at $112 billion at the end of fiscal 2017.

With 3,78,91,700 active borrowers and a GLP of $21,033 million, the number of borrowers of Indian microfinance institutions (MFIs) is the highest in the world.

**Top 10 countries by active microfinance borrowers – FY2017**

| Top 10 countries by active borrowers | | |
|---|---|---|
| **Country** | **Number of active borrowers '000** | **Gross loan portfolio (GLP) ($ million)** |
| India | 37,891.70 | 21,033.00 |
| Bangladesh | 26,916.40 | 7,896.50 |
| Vietnam | 7,317.30 | 8,675.80 |
| Mexico | 6,465.00 | 3,068.80 |
| Philippines | 5,187.40 | 1,043.60 |
| Pakistan | 5,062.20 | 1,681.20 |
| Peru | 4,921.40 | 12,443.30 |
| Colombia | 2,743.10 | 6,334.60 |
| Cambodia | 2,172.90 | 7,713.10 |
| Brazil | 2,090.80 | 998.6 |
| **Total** | **100,768.20** | **70,888.50** |

*Source: Global Outreach and Financial Performance Benchmark report, 2018; Data pertaining to 2017*

# Historical growth and development of the Indian microfinance industry

## Industry GLP surged at 21% CAGR between Mar-18 and Dec-2022

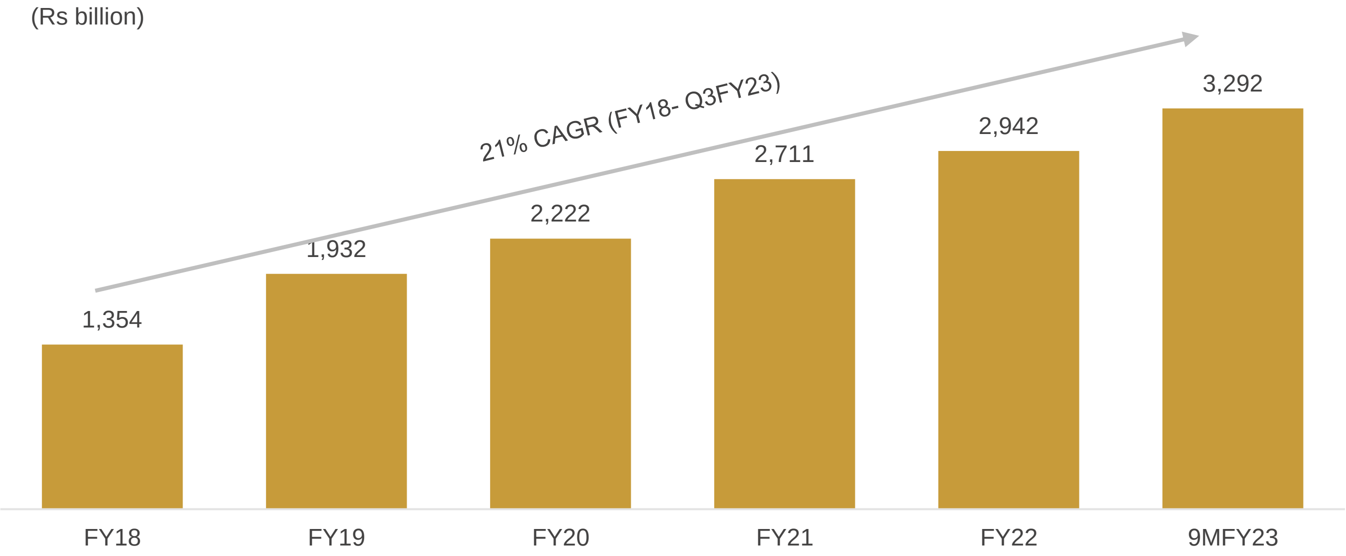
The microfinance industry's joint liability group (JLG) portfolio has recorded healthy growth in the past few years. The industry's GLP increased at 21% compound annual growth rate (CAGR) between Mar-18 and Dec-2022 to reach approximately Rs 3.3 trillion. The growth rate for non-banking finance institution (NBFC)-MFIs is the fastest as compared with other player groups.

In financial year 2021, the industry was adversely impacted by the onset of the Covid-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they picked up subsequently. Disbursements for NBFC-MFIs reached pre-Covid levels in the third and fourth quarter of fiscal 2021.

In the financial year 2022, the second wave led to a slow start in disbursements. The revised regulatory framework by the Reserve Bank of India (RBI), applicable from October 1, 2022 (post revision), has given flexibility to NBFC-MFIs and is expected to gain share from banks.

CRISIL MI&A estimates the overall microfinance industry to have grown 9% on-year at end of the financial year fiscal 2022 and a further 12% in the nine months of financial year 2023. Going forward, the overall microfinance industry will continue to see strong growth on back of the government's continued focus on strengthening the rural financial ecosystem, robust credit demand, and higher-ticket loans disbursed by microfinance lenders.

**GLP clocked 21% CAGR between fiscal 2018 and nine months ended financial year 2023**




Note: Data includes data for banks' lending through JLG, small finance banks (SFBs), NBFC-MFIs, other NBFCs, and non-profit MFIs. It excludes data for banks lending through self-help groups (SHG). The amounts are as of the end of the financial year.

*Source: Equifax, CRISIL MI&A Research*

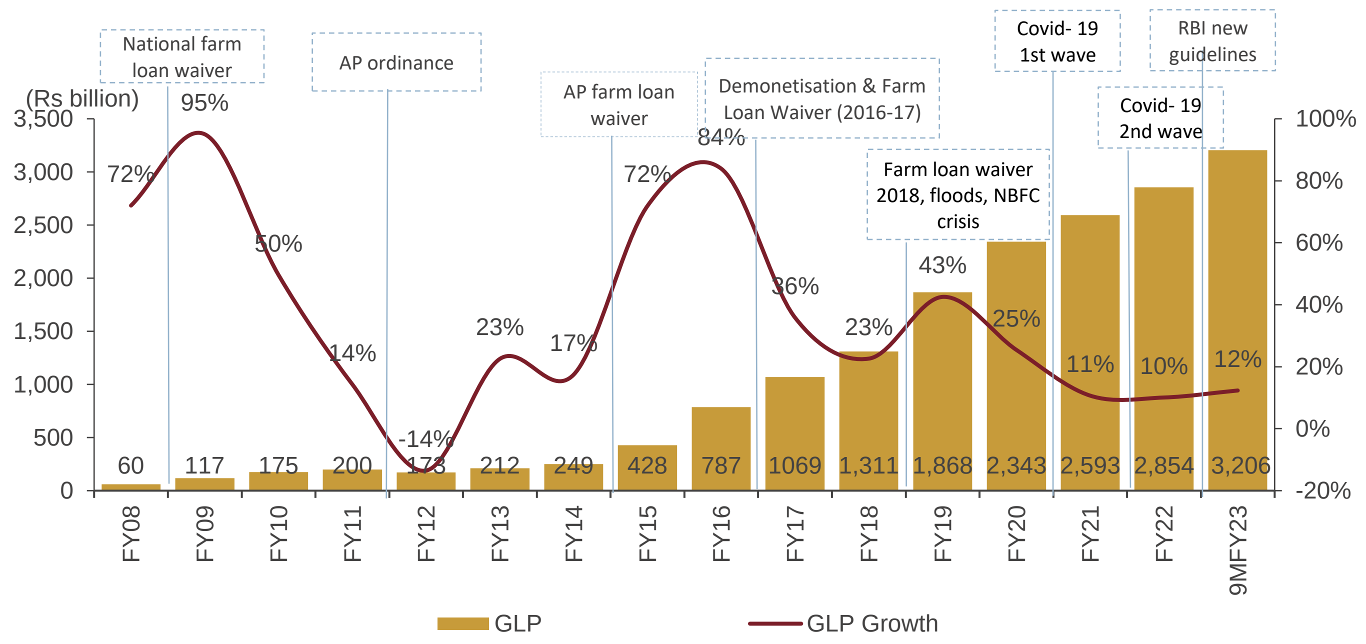
Historically, the micro finance industry has relied on priority sector loans from public and private sector banks. The industry has grown at a healthy pace over the past few years to reach a GLP (credit outstanding) of Rs 2.9 trillion in the financial year 2022 compared with other segments such as housing finance and auto finance with credit outstanding of Rs 26.2 trillion and Rs 9.1 trillion, respectively, in fiscal  2022. The microfinance industry's growth has been relatively higher despite the impact of various events such as demonetisation, farm loan waivers, natural calamities, the IL&FS crisis, and the pandemic.

## Industry resilient despite major setbacks and changing landscape

The microfinance industry has been growing despite facing various headwinds in the past decade, such as the national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetisation (2016), and farm loan waiver across some more states (2017 and 2018). Of these events, the Andhra Pradesh crisis of 2010 had a lasting impact on the industry. Some players had to undertake corporate debt restructuring and found it difficult to sustain business. Since then, however, no other event has affected a complete state to such a degree. While the demonetisation of Rs 500 and Rs 1,000 denomination banknotes in November 2016 hurt the industry, the impact was not as serious as the Andhra Pradesh crisis and was limited to certain districts. Portfolio at risk (PAR) data as of September 2018 indicates the industry recovered strongly from the aftermath of demonetisation. Furthermore, collections of loan disbursements since September 2017 remained healthy. The liquidity crisis in 2018, however, had a ripple effect on microfinance lending since smaller NBFC-MFIs with capital constraints and lenders relying on NBFCs for funding slowed down disbursements.

NBFC-MFIs faced initial hiccups at the start of fiscal 2021 due to the pandemic on account of uncertainty over collections and aversion by lenders to extend further funding to them. However, the situation improved gradually and most NBFC-MFIs, with the exception of a few, were able to improve the liquidity buffers during the course of the year by raising funds and after getting support from various government schemes. While the resurgence of Covid-19 led to a fresh bout of uncertainty with respect to collections in first quarter of fiscal 2022, the impact was not as pronounced as in the early part of the previous fiscal. The industry gradually rebounded in fiscal 2022 on account of increased disbursements. The industry grew in fiscal 2023 on account of the change in RBI guidelines, higher consumption demand and lower slippages

**MFI industry has shown resilience over the past decade**

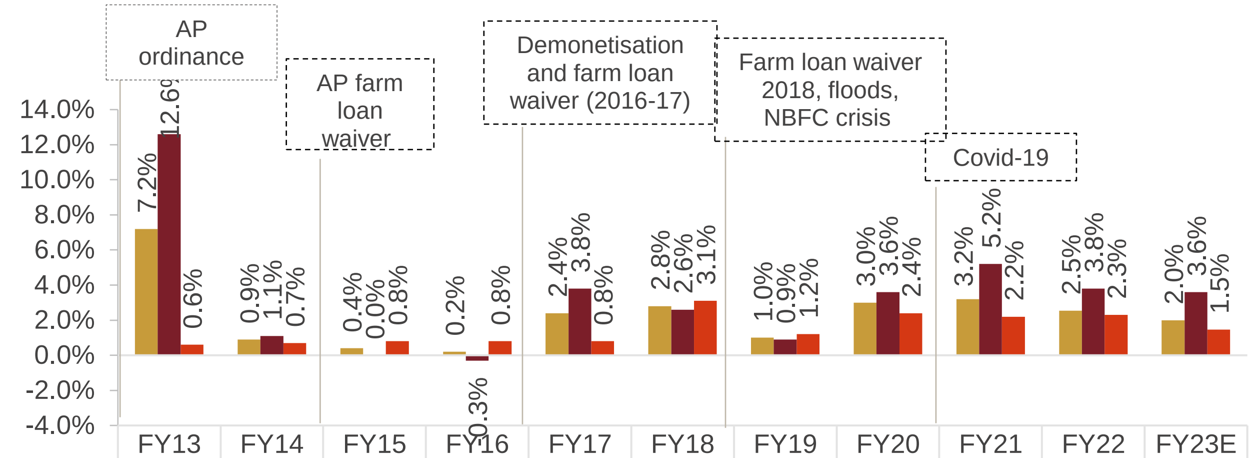



Note: Data includes numbers for banks lending through JLGs, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks lending through SHGs. The amounts are as at of the end of the financial year and as the end of quarter for Q3FY23

*Source: MFIN, CRISIL MI&A Research*

Over the years, MFIs have proven their resilience. They have played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Despite catering to a vulnerable audience, the MFIs have historically proven their ability to recover effectively from crisis situations within a few months such as demonetisation and have been able to maintain profitability over a cycle. Amidst the pandemic, MFIs have bolstered their capital position by raising fresh equity capital. The ability of these entities to raise capital, even in such uncertain times, can be attributed to the latent growth potential of the sector, ability of the industry to wade through periods of crisis by taking proactive steps, social impact of MFI lending, and healthy profitability over business cycles. Furthermore, MFI lending is closely regulated by the RBI. Over the years, the central bank has come out with various regulations to enable long-term sustainable growth in the sector and reduce systemic risks.

**Credit costs for microfinance industry across various events**




| | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Overall | 7.2% | 0.9% | 0.4% | 0.2% | 2.4% | 2.8% | 1.0% | 3.0% | 3.2% | 2.5% | 2.0% |
| MFIs | 12.6% | 1.1% | 0.0% | -0.3% | 3.8% | 2.6% | 0.9% | 3.6% | 5.2% | 3.8% | 3.6% |
| SFBs | 0.6% | 0.7% | 0.8% | 0.8% | 0.8% | 3.1% | 1.2% | 2.4% | 2.2% | 2.3% | 1.5% |

Note: E: Estimated, Data includes data for 12 MFIs (includes NBFC MFIs) and 8 SFBs which constitute more than 80% of industry. Jana SFB, North East SFB and Shivalik SFB has been excluded from analysis

*Source: Company Reports, CRISIL MI&A*

**Demonetisation (2016)**

On November 8, 2016, the Indian government announced the demonetisation of Rs 500 and Rs 1,000 notes. This shook the industry, since ~ 86% of the currency in value terms was removed from circulation while replacement of currency (with Rs 500 and Rs 2,000 notes) by the central bank was sluggish. As a consequence, the GLP of the MFI industry, which grew at ~70% in the first half of the financial year 2017, suddenly slumped to 36% by the end of the year. Disbursements were worst hit, down 29% in the second half compared with 60% growth in the first half.

Demonetisation affected asset quality, as PAR>90 days for the industry jumped to 5.9% as of March 2017 compared with 1.3% as of March 2016. Among various states, asset quality worsened especially in Uttar Pradesh, Maharashtra, Karnataka, and Madhya Pradesh. However, in these states as well, the deterioration in asset quality was largely on account of a few districts.

**Farm loan waivers in fiscals 2017 and 2018**

Uttar Pradesh, Maharashtra, Karnataka, and Punjab had announced farm loan waivers with varying coverage, which impacted collections initially. However, efforts by MFIs to educate borrowers about the applicability of the scheme have led to a gradual pick-up in loan collection. Even the government and industry associations helped players by making related announcements through media to educate borrowers.

| State | Total registered farmers (million) | % of marginal and small farmers in total registered farmers (%) | Extent of loan waiver (Rs billion) * | Key features of loan waiver |
|---|---|---|---|---|
| **Uttar Pradesh** | 23.3 | 92.5 | 363.59 | Crop loans up to Rs 0.1 million per farmer taken by small and marginal farmers until March 31, 2016 would be waived. |
| **Maharashtra** | 13.7 | 57.3 | 340.22 | Farm loans of all indebted farmers, regardless of their land holdings, whose loan accounts went into default from April 1, 2009 to June 30, 2016, would be waived with a cap of Rs 0.15 million per farmer.<br>Farmers with loans over Rs 0.15 million have been allowed to repay the loans in three instalments beyond June 30, 2017, with the government providing a one-time settlement by depositing the last instalment of Rs 0.15 million in their accounts.<br>A bonus of 25% of debt, capped at Rs 25,000, to farmers who have regularly repaid their loans until July 31, 2017.<br>*A one-time settlement scheme for farmers, whose loans have been restructured – the government would contribute Rs 0.15 million per account.* |
| **Karnataka** | 7.8 | 77.3 | 86.15 | *Crop loans of up to Rs 50,000 per farmer, if borrowed from co-operative banks, would be waived.* |
| **Punjab** | 1.1 | 34.1 | 100.00 | Crop loans of up to Rs 0.2 million per farmer would be waived. The scheme would mostly cover farmers having up to 5 acre of land.<br>*Overall, outstanding institutional crop loans of households, where a farmer has committed suicide, would be waived.* |

Note: The number of operational holdings assumed as a proxy for the number of registered farmers, *Reported by state governments in press statements

*Source: National Sample Survey Office (NSSO) situation assessment survey of agricultural households (2013), CRISIL MI&A*

It led to a slowdown in lending, and it was mostly due to lower repayments caused by a disturbance in the repayment cycle in the above-mentioned states. However, the impact on NBFC-MFIs was less as compared with banks due to being in regular touch with the customers, which helped them maintain a healthy collection rate.

### Impact of floods in Kerala and Odisha (2018-20)

In 2018, severe floods hit southern India, with Kerala being one of the worst affected areas. The microfinance industry in Kerala was adversely impacted, and the credit quality of most borrowers deteriorated due to the loss of income-generating businesses caused by the floods. In May 2019 and May 2020, Odisha witnessed its worst cyclones, Cyclone Fani and Cyclone Amphan. These cyclones impacted West Bengal and Odisha severely and resulted in a near-term spike in the PAR portfolio of NBFC-MFIs and SFBs.

### NBFC liquidity crisis

The liquidity crisis plaguing NBFCs in India had a minor ripple effect on micro-lenders. Lenders who relied on NBFCs for funding slowed down disbursement and started looking at different avenues to raise money. However, the impact of the crisis was not that profound since large NBFC-MFIs had a diversified funding mix and were able to leverage this to their advantage. The outstanding borrowings of NBFC-MFIs expanded at 24% CAGR from March 2019 to 9M FY23.

## Impact of the Covid-19 pandemic

The extended nationwide lockdown to contain the spread of Covid-19 affected the income-generation ability and the savings of borrowers accessing MFIs; typically, these borrowers have weaker credit profiles. About 50-60% of the micro loans were under moratorium as of August 2020. Also, because of the nationwide lockdown, and several state-imposed lockdowns thereafter, the normal operations of MFIs – loan origination and collections – were a challenge, especially during the first few months post the onset of the pandemic. This had an adverse impact on MFIs since their operations are field-intensive, involving high personal interactions, such as home visits and physical collection of cash.

Prior to the lockdown, many MFIs had managed to shore up their liquidity by March-end in fiscal 2020; majority of the collection had already happened before the lockdown was announced. In fact, collection efficiency was largely intact at 98-99%. The MFIs also drew down bank loans for the purpose of on-lending in the last week of March, which is typically a period marked by high business activity. However, planned disbursements did not happen on account of the lockdown. Disbursements reached the pre-Covid level in the third and fourth quarter of fiscal 2021 led by rural and semi-urban areas since the impact of the pandemic was relatively lower there.

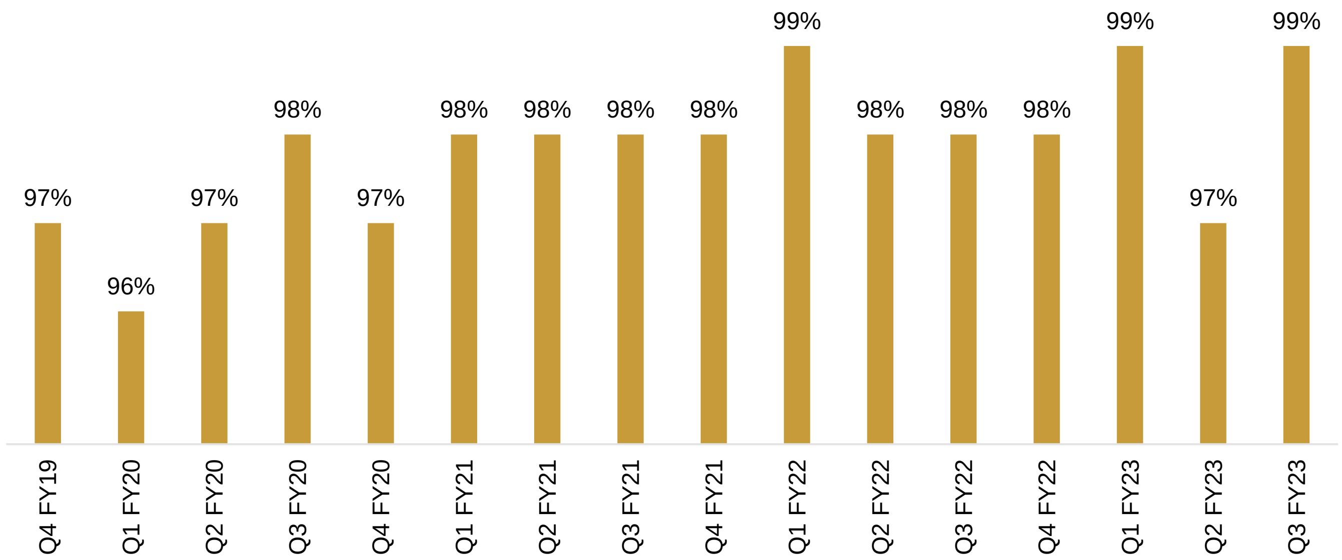
## Key steps taken by the government with respect to microfinance to counter the Covid-19 crisis

- **Reducing the debt servicing burden through a moratorium period:** The RBI initially permitted lending institutions to allow a moratorium of three months on repayment of instalments for term loans outstanding as on March 1, 2020 and defer interest payments due on working capital facilities outstanding. The moratorium was further extended by another three months till August 31. However, the banks were instructed to provide 10% additional provisioning for availing of this benefit, which could be later adjusted against the provisioning requirements for actual slippages. These measures were intended to boost confidence in the economy and provide relief to the borrowers.
- **Refinance support from RBI:** In April 2020, the RBI announced refinancing support of Rs 250 billion to the National Bank for Agriculture and Rural Development (NABARD), which provides support to NBFC-MFIs, rural regional banks and co-operative banks
- **Loan interest subvention scheme:** Under this scheme, the government provided 2% interest subvention to loans given under the Mudra-Shishu scheme. These loans were up to a ticket size of Rs 50,000, and are primarily given by NBFC-MFIs catering to low income groups.
- On May 5, 2021, the RBI announced that fresh lending by SFBs to NBFC-MFIs with asset size less than Rs 500 crore for on-lending to individual borrowers will be classified under priority sector lending (PSL). This encouraged flow of credit to smaller MFIs, which were facing relatively bigger funding-access challenges. The facility to SFBs was made available up to March 31, 2022.
- The RBI announced a special long-term repo operation (SLTRO) programme to the tune of Rs 100 billion for SFBs to soften the impact of the second wave. The first auction took place on May 17, 2021 and on subsequent months till the amount was fully utilised. The amount borrowed from this scheme was to be utilised to lend to small business units and other unorganised sectors.
- On June 28 2021, Minister of Finance announced the Credit Guarantee Scheme through MFIs for the first 2.5 million customers for a maximum tenure of 3 years. The 75% of guarantee was provided to scheduled commercial banks for a ticket size up to Rs. 1.25 lakh to new or existing NBFC-MFIs. This addressed the severe cash flow distress caused by the second wave of the pandemic to individuals and small businesses.

## Adoption of technology in Microfinance industry

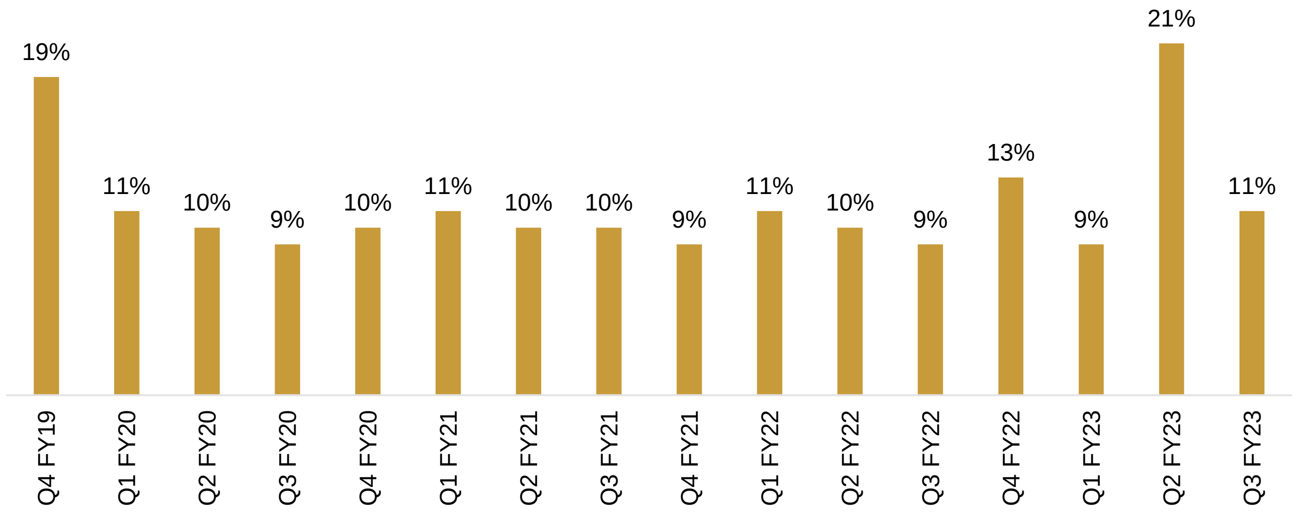
- The microfinance industry in India has witnessed a significant transformation with the advent of digital technology. Many players in the industry have adopted digital initiatives to enhance their operations and reach out to more customers. Some of the digital initiatives taken by players in the MFI industry include mobile-based applications, digitalisation of loan process, use of Aadhaar-based authentication, cashless transactions and digital financial education.
- MFIs have also partnered with fintech companies to enhance their digital capabilities and provide better services to customers. Fintech companies offer solutions such as digital payments, credit scoring and loan management systems that MFIs can leverage to improve their operational efficiency and expand their reach.
- Cashless disbursements and collections have become increasingly popular in the microfinance industry in India, as they promote transparency, reduce cash handling costs and improve customer experience.

**Trend in cashless disbursement**




Note: Based on sample set of 53 NBFC-MFIs
*Source: MFIN report, CRISIL MI&A Research*

**Trend in cashless collections**




Note: Based on sample set of 53 NBFC-MFIs
*Source: MFIN report, CRISIL MI&A Research*

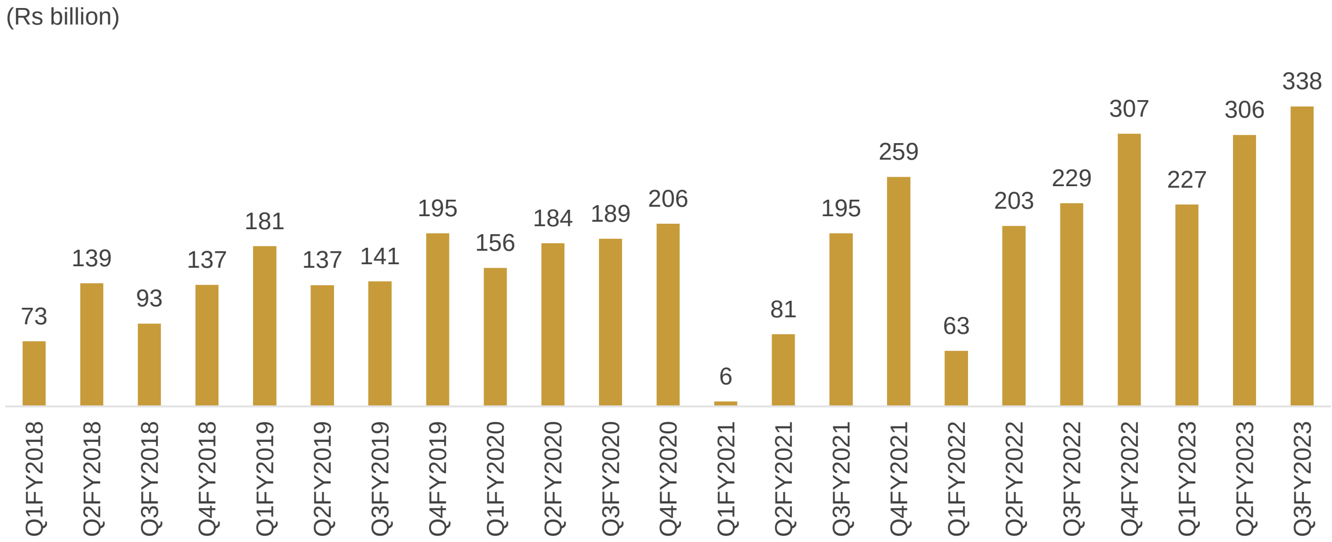
## Disbursements have surpassed pre-Covid levels

MFI loan disbursements dropped significantly in the first quarter of fiscal 2021 on account of negligible collections and focus of players on preserving liquidity. However, as borrowers were made aware of the impact of moratorium on their outflows and as lockdowns were eased, collections started picking up, giving comfort to lenders towards the sector.

Disbursements started to increase towards the second half of the second quarter of fiscal 2021, and by the third quarter, disbursements were back at pre-Covid levels. Disbursement grew 26% on-year in the fourth quarter of fiscal 2021. Though the disbursements declined in fiscal 2021, the impact was restricted on account of the moratorium provided (in the form of increased tenure), leading to lower quantum of repayments during the year.

Growth in disbursements was halted by the second wave of Covid-19, dropping by approximately 76% over the previous quarter in the first quarter of fiscal 2022. However, with the recovery in economy from July 2021, collections started to improve, and disbursements increased by 150% and 17% on-year in the second and third quarters of fiscal 2022 respectively. In the fourth quarter of fiscal 2022 as well, disbursements continued to remain robust and witnessed a growth of 19% on-year. Collection efficiency of most players reached 98-99% in the fourth quarter of fiscal 2022. In the first quarter of fiscal 2023, although the players were occupied with the new RBI regulations, they clocked healthy growth of 76% during nine months ended fiscal 2023 compared with the previous year period. Additionally, the increasing average ticket size will support disbursements.

**Disbursements gaining traction after Covid-19 impact**




Note: NBFC-MFI data

*Source: MFIN, CRISIL MI&A Research*

## Outlook for Indian microfinance industry

**Rising penetration to support continued growth of the industry**

Although India's household credit penetration on MFI loans has increased, it is still on the lower side. There is a huge untapped market available for MFI players. As of end of nine months ended 9M FY2023, the microfinance industry had clocked a CAGR of 21% since the financial year 2018. With economic revival and unmet demand in rural regions, CRISIL MI&A Research expects the overall portfolio size to reach ₹4.9 trillion by the end of the financial year 2025.

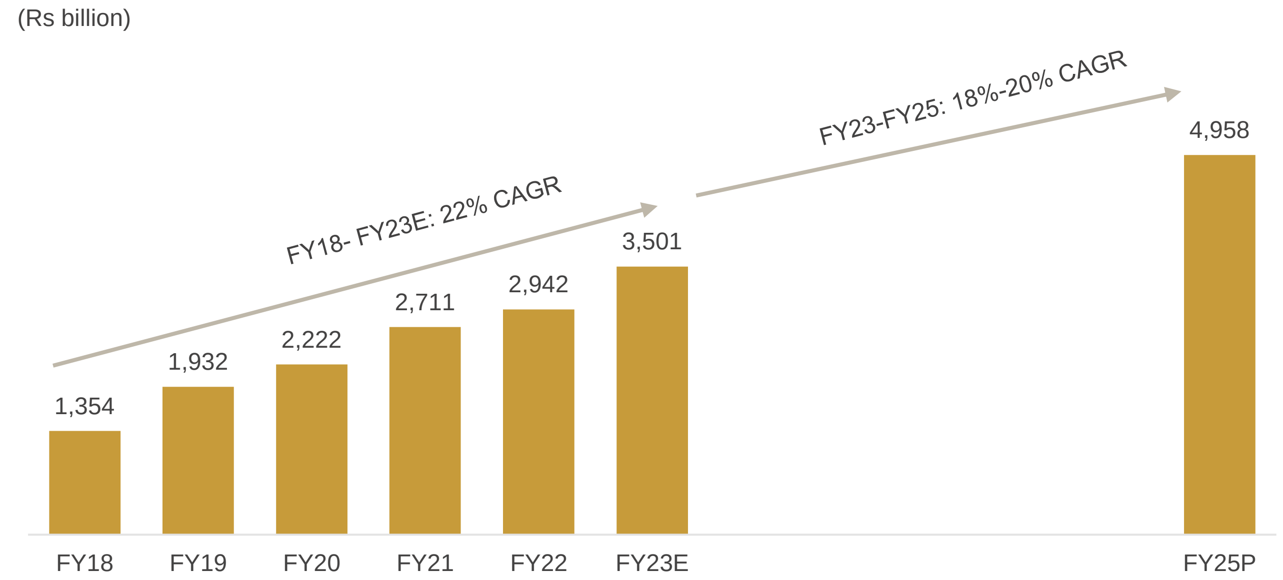
CRISIL MI&A Research expects the MFI industry to log 18-20% CAGR during FY 2023-2025. During the period, NBFC-MFIs are expected to grow at a much faster rate of 25-30% compared with the MFI industry. Key drivers behind the superior growth outlook include increasing penetration into the hinterland and expansion into newer states, faster growth in the rural segment, expansion in average ticket size, and support systems like credit bureaus. The presence of self-regulatory organisations like MFIN and Sa-Dhan is also expected to support sustainable growth of the industry going forward. Microfinance sector in India is regulated by the RBI. The RBI's new regulatory regime for microfinance loans effective April 2022 has done away with the interest rate cap applicable on loans given by NBFC-MFIs, and also supports growth by enabling players to calibrate pricing in line with customer risk.

**Key enablers for growth of microfinance industry**

- Digitalisation is expected to bring down costs, improve collection efficiency and profitability for MFIs. CRISIL MI&A Research expects that the lower cost of servicing customers, better productivity and lower credit costs through the use of technology will help MFIs improve their profitability
- MFIs have built a large distribution network in urban and rural India. Now these MFIs are leveraging this network to distribute financial and non-financial products, including insurance and product financing of other institutions to members at a cost lower than competition

- New regulations will help further deepen the penetration of microcredit in the nation. With enhancement of the household income threshold, MFIs are expected to reach many more households, and with a level playing field and increased competition, the end customer will benefit from this.

**MFI industry GLP to grow at 18-20% CAGR between FY22 and FY25**

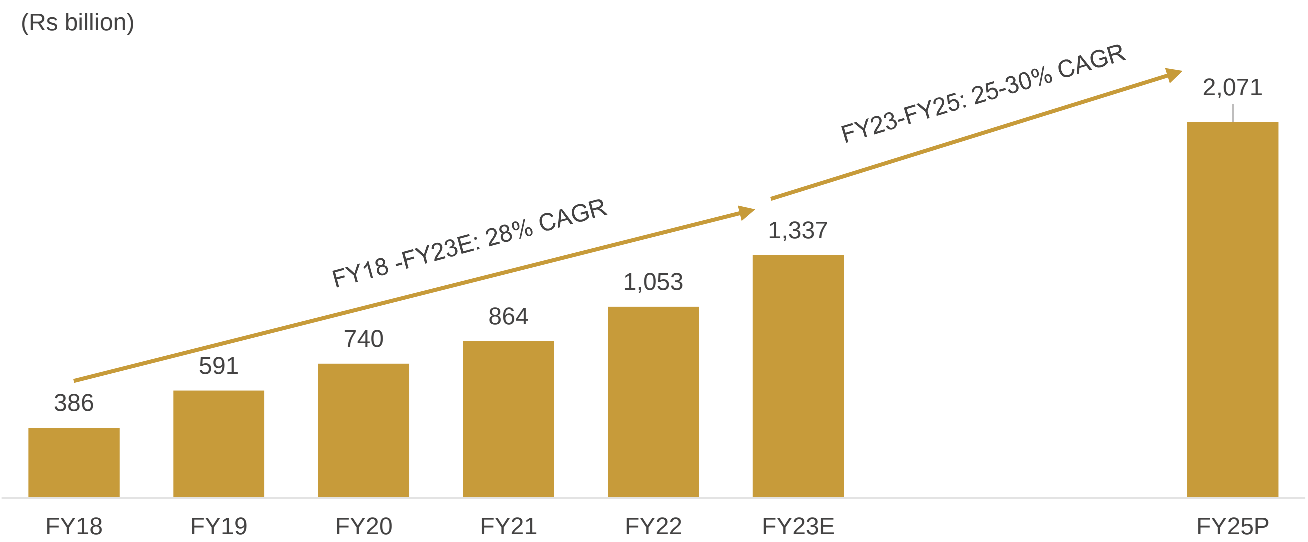



Note: Includes data for banks lending through JLGs, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs; excludes data on banks lending through SHGs. FY23 GLP estimated as per CRISIL MI&A. P: Projected; E: Estimated

*Source: Equifax, company reports, industry and CRISIL MI&A;*

Growth in the MFI business is expected to come from increasing presence in newer states, expanding client base, and gradual increasing of the ticket size.

**GLP of NBFC-MFI industry to grow faster than industry**

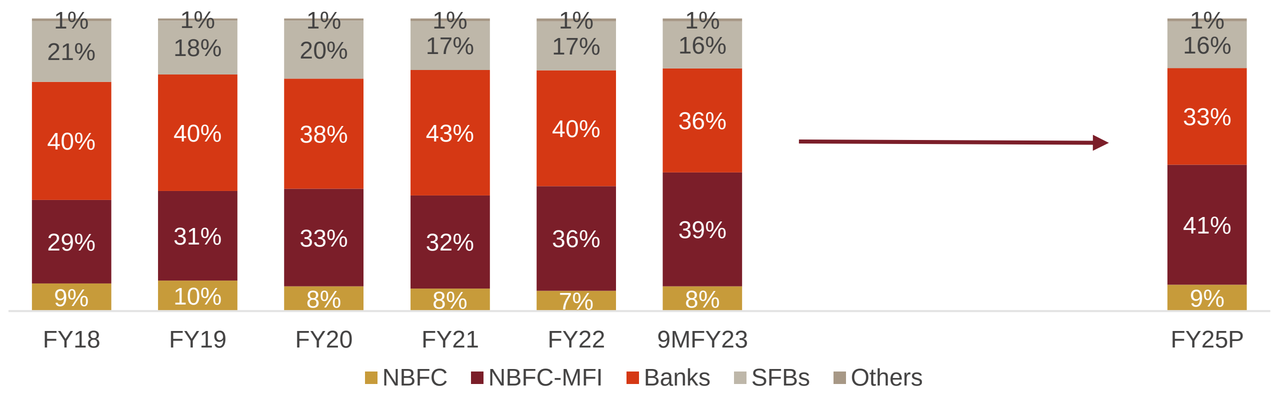



Notes: P: Projected; Data includes NBFC-MFI players

*Source: Equifax, CRISIL MI&A Research*

While growth of the MFI industry and NBFC-MFI portfolio is considerably lower than historical growth, incremental industry growth would be driven by continuous expansion in the client base of MFIs and increased penetration in rural areas. The share of NBFC-MFIs is expected to increase to 41% by fiscal 2025.

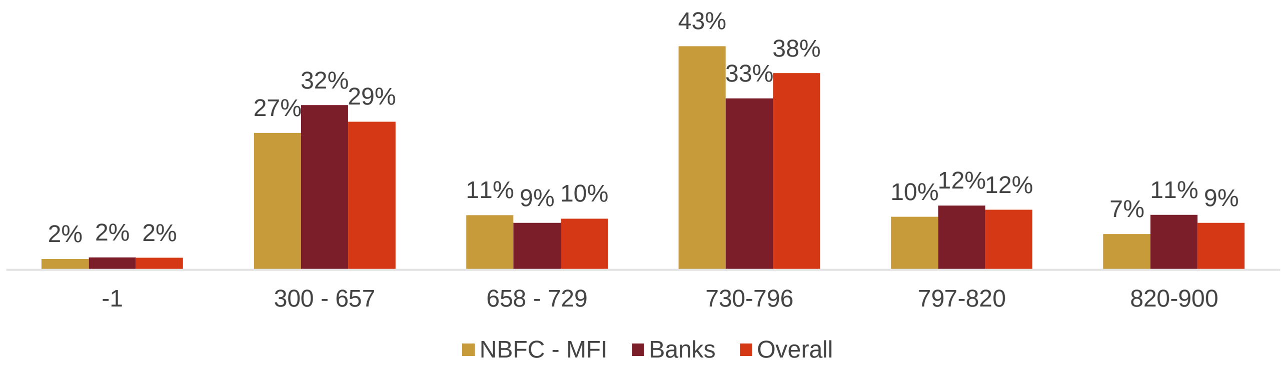
**NBFC-MFIs to gain market share between Q3FY23 and FY25 (GLP)**




Notes:
Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year
P: Projected
*Source: Equifax, CRISIL MI&A Research*

NBFC-MFIs have been experiencing more rapid growth compared to banks, while also maintaining a lower percentage of unique borrowers with lower credit scores. Specifically, the proportion of borrowers with CIBIL scores ranging from 300 to 657 stands at 27% for NBFC-MFIs, whereas it is 32% for banks..

**Credit score basis distribution among unique borrowers (December 2022)**




*Source: Equifax, CRISIL MI&A Research*

## Key success factors

**Ability to attract funds/raise capital and maintain healthy capital position**

The microfinance industry has seen rapid growth over the past few years owing to the small ticket size and doorstep disbursement. Despite the rapid growth, a large portion of the market remains underpenetrated, making it necessary for MFIs to raise funds at regular intervals to sustain growth. This remains a challenge for several MFIs owing to perceived risk of the borrower segment, their susceptibility to socio-political issues, and volatility in asset quality. The ability of MFIs to raise funding from diverse sources and maintain a capital position much higher than the prescribed regulatory minimum is vital for long-term sustainability.

**Geographically diversified portfolio helps MFIs mitigate risks**

A large, well-diversified portfolio in different geographies enables players to mitigate risks associated with a concentrated portfolio. Apart from this, a wider scale of operation helps them cut down on operating expenses as a percentage of outstanding loans. Rural areas are still under-penetrated in India; hence, players operating in and focused on rural areas would see faster growth in their portfolios.

**Ability to control asset quality and ageing of NPAs**

The vulnerability of MFIs' portfolios to local issues and events that impact the repayment ability of borrower households make it critical for them to have a strong hold on asset quality and regularly engage with borrowers to control ageing of NPAs. MFIs, thus, need to put in place methods and use analytics to understand and predict the quality of the portfolio, and minimise the frequency and size of asset quality-related risks.

**MFIs are focused on technology enablement**

MFIs play a crucial role in providing financial access to underserved segments in the country. There is a huge potential for providing products and services to consumers at the bottom of the pyramid. Considering the challenges, and also the latent growth opportunities in meeting consumer needs, it would be beneficial for MFIs to enter into partnerships with fintech companies and tap the digital medium for financial inclusion.

**Digitalisation to bring down costs, improve collection efficiency and profitability for MFIs**

Digitalisation has impacted almost all aspects of the financial services industry. However, it is far more critical to the MFI industry as lower operating cost can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers, and use analytics for portfolio monitoring and credit appraisal. As confirmed from the MFin report, In the third quarter of the financial year 2023, approximately 43 out of 53 NBFC-MFIs have reported 100% of their disbursement through cashless mode.

CRISIL MI&A Research expects that the lower cost of servicing customers, better productivity and lower credit costs through the use of technology will help MFIs improve their profitability.

**Credit risk mitigation by credit bureaus**

Credit bureaus, such as Equifax and Highmark, collect data from several MFIs and build a comprehensive database that captures the credit history of borrowers. These databases are updated weekly. The presence of credit bureaus ensures that MFIs have access to more data on their borrowers, helping them make informed lending decisions over the long run.

**Competitive dynamics**

CRISIL MI&A Research expects NBFC-MFIs to grow at a much faster rate vis-a-vis SFBs, on account of increasing focus of the latter towards product suites beyond the MFI loan portfolio and improving liquidity for NBFCs in the system.

### Comparison of different participants in microfinance lending business

| | Scheduled commercial banks | SFBs | MFIs |
|---|---|---|---|
| **Priority sector lending** | | | |
| **Targeted lending to sectors** | • 40% for priority sector lending of their adjusted net bank credit (ANBC) or equivalent off-balance sheet exposure (whichever is higher)<br>– 18% of ANBC to agriculture<br>– 7.5% of ANBC to micro-enterprises<br>– 12% of ANBC to weaker sections | • 75% for priority sector lending of their ANBC<br>– 18% of ANBC to agriculture<br>– 7.5% of ANBC to micro-enterprises<br>– 12% of ANBC to weaker sections<br>• At least 50% of loan portfolio should constitute loans and advances of up to ₹2.5 million | • 75% of loans should be qualifying microfinance assets<br>– Income generation loans > 50% of total loans |
| **Prudential norms** | | | |
| **Capital adequacy framework** | • Minimum Tier 1 capital: 7%<br>• Minimum capital adequacy ratio: 9% | • Minimum Tier 1 capital: 7.5%<br>• Minimum capital adequacy ratio: 15% | • Tier 1 capital > Tier 2 capital<br>• Minimum capital adequacy ratio: 15% |
| **Margin cap** | • No margin cap | • No margin cap | • No margin cap |
| **CRR / SLR** | • Maintenance of CRR/SLR mandatory | • Maintenance of CRR/SLR mandatory<br>• | • No such requirement |
| **Leverage ratio** | • Minimum leverage ratio of 4% | • Minimum leverage ratio of 4% | • No such requirement |
| **Liquidity coverage ratio/ net stable funding ratio (NSFR)** | • Mandatory requirement to maintain liquidity coverage ratio | • Minimum liquidity coverage ratio of 100% by Jan 1, 2021<br>• NSFR will be applicable to SFBs on par with scheduled commercial banks as and when finalised | • No such requirement |
| **Funding** | | | |
| **Deposits** | • Primarily rely on deposits for funding requirements<br>• | • Primarily rely on deposits for funding requirements<br>• Deposit ramp-up will take time | • Cannot accept deposits |
| **Bank loans / market funding** | • Access to broader array of market borrowings | • Access to broader array of market borrowings<br>• No access to bank loans | • Diversified funding sources, including bank loans, short- and long-term market borrowings. Funding from NABARD, MUDRA loans, etc |
| **Products** | | | |
| **Products offered** | • Full spectrum of banking, savings, investment and insurance products | • Can offer savings and investment products apart from credit products / loans<br>• Can act as corporate agent to offer insurance products<br>• Cannot act as business correspondent to other banks | • Can act as a business correspondent to another bank and offer savings, deposits, credit and investment products<br>• Can act as a corporate agent to offer insurance products |

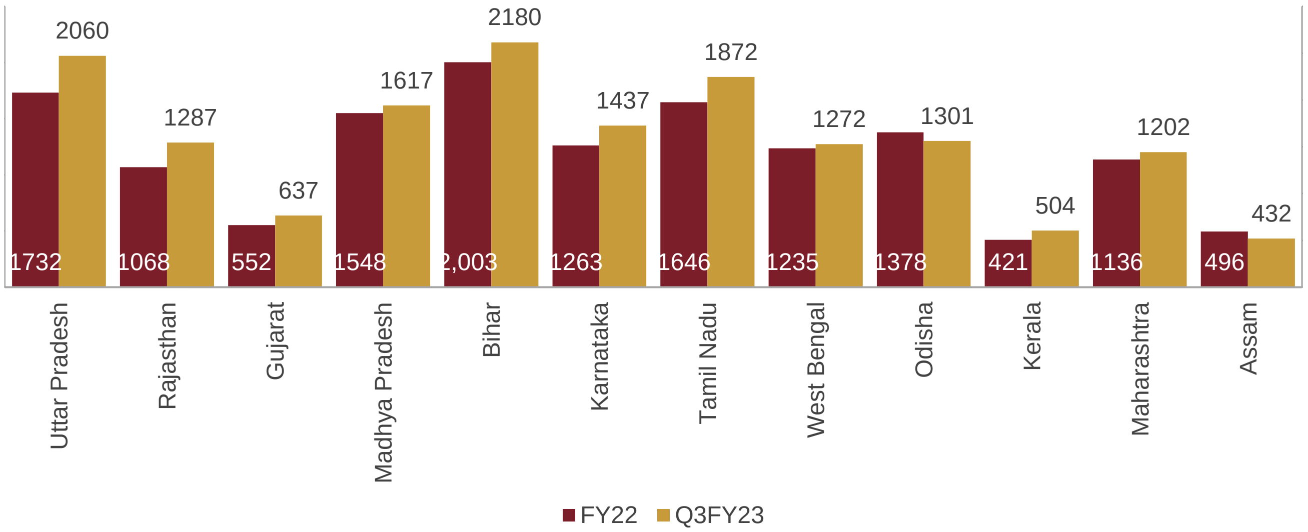
*Source: RBI, CRISIL MI&A Research*

Even though the above regulations related to MFIs seem to be less relaxed than others, they provide an opportunity to MFIs to maintain a singular focus on the customers they cater to and the products that they offer. The processes and systems can be built more efficiently and customised to the requirements of the customers, and deeper local understanding can be developed to handle nuances of different geographical areas. Other major advantage is the institution can be more flexible and react and adjust to various events faster. Also, being under the purview of the RBI provides separate identity to the institutions, and policy measures related to this segment get due focus.

**Players tapping newer states and districts to widen client base**

CRISIL MI&A has seen a significant jump in the number of MFIs operating in Uttar Pradesh, Rajasthan and Gujarat. Total number of branches in these states has significantly increased in recent years, leading to a jump in GLP for these states. The availability of borrower credit related data from credit information companies also ensured that MFIs have access to more data on borrowers, helping them make informed lending decisions.

**Total branches of MFIs in each state/UT**

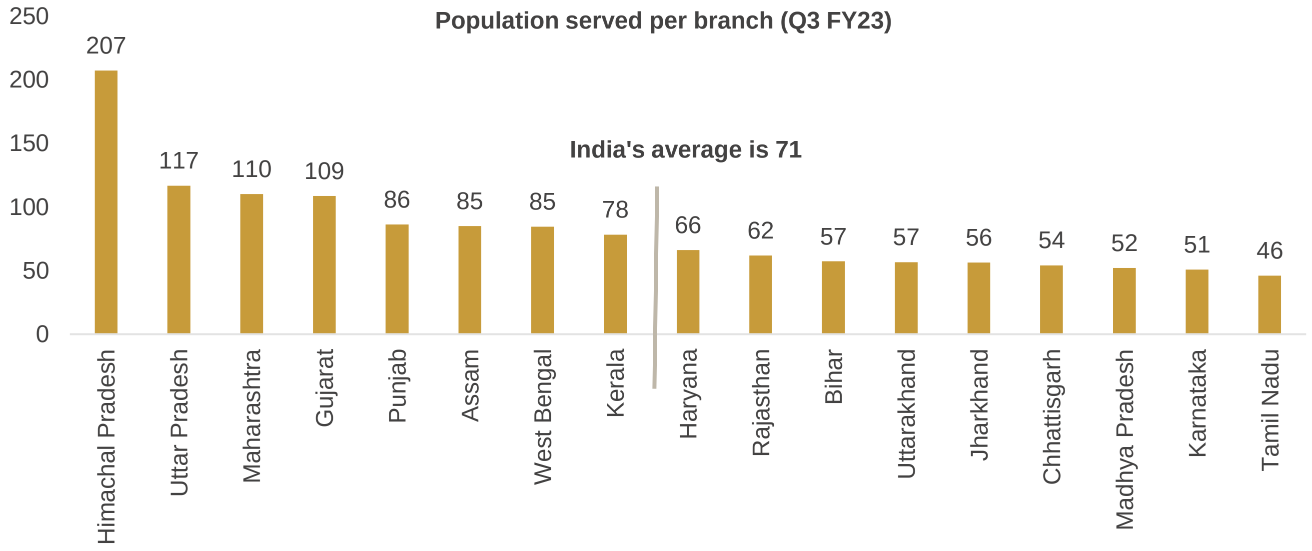



Note: Data includes only NBFC-MFI players and states where five or more MFIs are operating

*Source: MFIN, CRISIL MI&A*

In the last few years, many MFIs have opened branches in untapped districts, thus increasing their penetration. In states where the presence of MFIs and banks is strong, CRISIL MI&A has witnessed an increase in ticket size as well. Going forward, CRISIL MI&A expects penetration to deepen, which will further drive growth. Madhya Pradesh, Bihar and Tamil Nadu are the few states with large unserved population and, hence, provides an opportunity for existing players to improve their penetration and market share.

**Population served per branch in each state/UT**



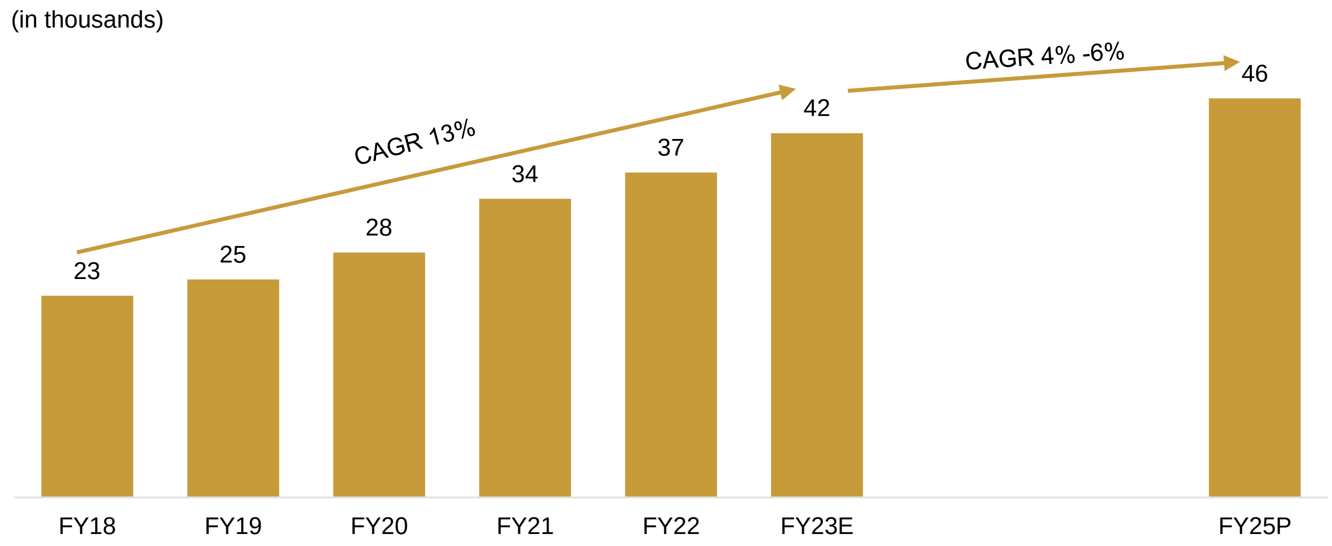

Note: Data includes only NBFC-MFI players and states where five or more MFIs are operating

*Source: MFIN, CRISIL MI&A*

**Average ticket size to expand due to higher loan eligibility under the new regulatory framework, but at a slower place**

Average ticket size for MFI players clocked ~13% CAGR, growing from Rs. 23,978 to Rs. 40,061, between financial year 2018 and nine months ended FY 2023. Going forward, average ticket size for the MFI industry is expected to clock 4-6% CAGR from fiscals 2023 to 2025 reaching ~Rs 46,000. Going forward, CRISIL MI&A expects MFI ticket size growth to be higher in newer underpenetrated states, but ticket size growth in other states with high penetration is expected to be lower. Further, growth would be faster in rural areas, where ticket sizes are relatively low. Consequently, increase in average ticket size at the industry level is projected to be much lower than in the past.

**Average ticket size of NBFC-MFI players**




Note: Data includes NBFC-MFI players; Average ticket size is based on disbursements

*Source: MFIN, CRISIL MI&A Research*

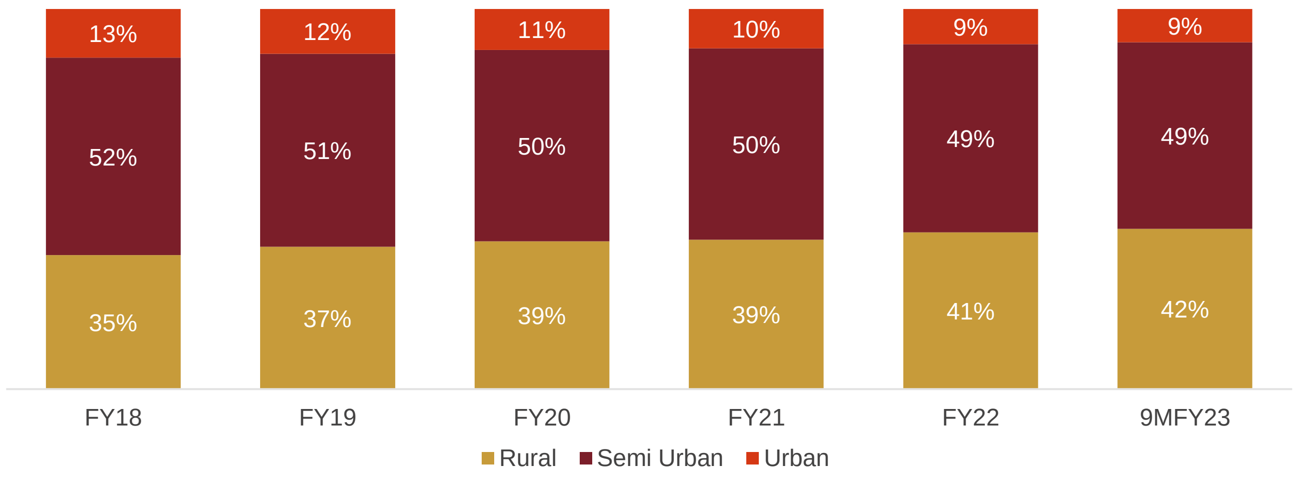
**Rural segment to drive MFI business**

CRISIL MI&A Research expects the share of rural segment in MFI business to remain higher, with increasing demand expected from this segment. Despite 65% of population and 45% of GDP contribution, the rural segment's share in credit remains fairly low at 9% of the bank credit outstanding as of December 2022, thereby opening up a huge opportunity for savings and loan products.

Although the rural economy has been adversely affected by the second wave of the Covid-19, it is structurally far more resilient and is expected to bounce back strongly. And, with the government's focus on financial inclusion, financial institutions are opening new branches in unbanked areas. CRISIL MI&A Research has observed that demand for loans is higher in rural areas. As of December 2022, the share of rural segment in overall MFI portfolio increased to 42% of the GLP from 35% in fiscal 2018. In case of NBFC-MFIs, the rural share increased to 45% as of December 2022 from 35%. This is due to less competition, lower credit penetration and less migration in rural areas. It also benefitted from overall better credit behaviour and, in turn, lower delinquency rates.

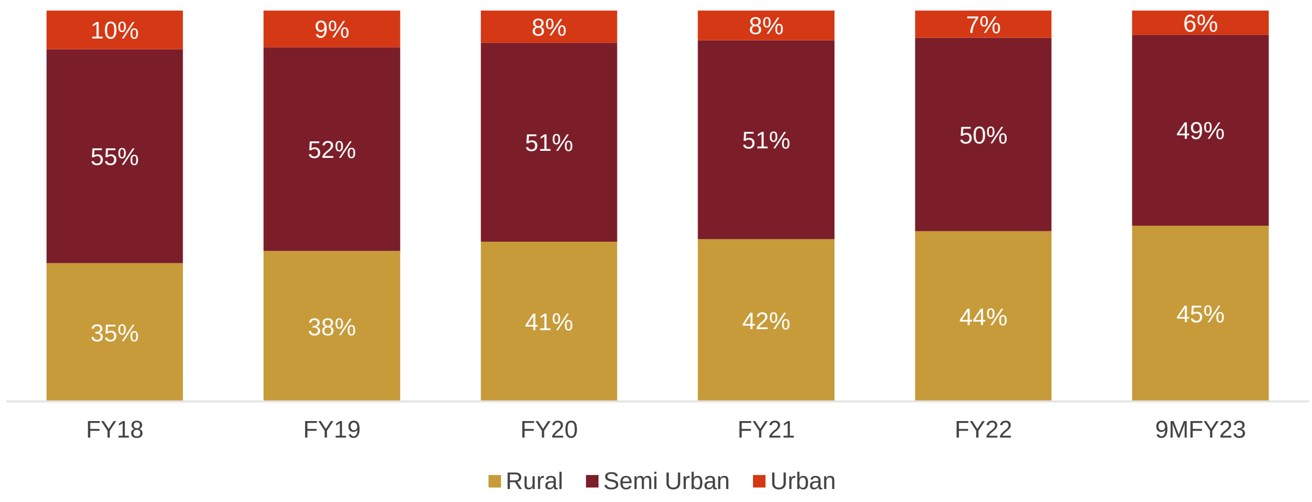
The significant under penetration of credit in rural areas offers strong potential for growth, and given the relatively deeper reach, existing client relationships and employee base, MFIs are well placed to address this demand, which is currently being met by informal sources such as local money lenders.

**Rural region accounts for ~42% share in overall MFI portfolio outstanding as of December 2022**




*Source: Equifax, CRISIL MI&A Research*

**Rural accounts for approximately 45% share in NBFC-MFI  portfolio outstanding as of December 2022**




*Source: Equifax, CRISIL MI&A Research*

**Advantages in rural focused business**

- **Huge market opportunity in the rural segment** – Despite its larger contribution to GDP of 45%, however, their share is abysmally low at 9% of total credit as of December 2022. This provides a huge market opportunity for MFI players present in the segment.
- **Less competition** – In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population with low competition. MFI players are better placed to tap this market.
- **Geographic diversification** – With increased focus on diversifying their portfolio and expanding their reach, MFI players are expected to log higher growth as they tap newer geographies.
- **Ability to manage local stakeholders** – With their microfinance experience, they have the ability to manage local stakeholders and maintain operational efficiency.
- **Lower delinquency rates** – Asset quality of rural regions is better than urban and semi-urban regions since fiscal 2017 due to better risk profile of customers and better credit discipline.
- **Loan recovery and control on aging NPAs** – MFI players are experienced in collecting and monitoring default risk. This will help them keep asset quality under check.

**Challenges in rural-focused business**

The microfinance industry mainly caters to the poor or marginalised section of the society, because of which it faces inherent challenges, especially in rural areas:

1. **High cost of reaching the customers**: Providing microfinance loans in rural India requires reaching people in remote and sparsely populated regions, where deploying manpower and requisite infrastructure for disbursing loans and for recovery can often be expensive. The high cost of reaching the customers, and the small volume and ticket size of transactions lengthens the breakeven period.

2. **Lack of financial awareness:** Lack of financial and product awareness is a major challenge for institutions in rural areas. They are faced with the task of educating people about the benefits of financial inclusion, product and services offered by them, and need to establish trust before selling a product.
3. **Vulnerability of household income to local developments:** Uncertainty and unpredictability faced by low income households, and vulnerability of their incomes to local developments affect their repayments.
4. **High proportion of cash collections:** Despite a large proportion of loans disbursed through the cashless mode, collections in unbanked and rural areas are still in cash. This leads to increased time spent on reconciliation, risk involved in handling cash, and higher turnaround time from the financier's perspective.

However, the rural economy proved to be resilient during the pandemic. India witnessed above-normal, timely and largely well-distributed monsoon since 2019, thus benefitting the agriculture industry in particular and rural India in general. Further, increase in the agriculture credit target and allocation of infrastructure fund for the development of Agriculture Produce and Livestock Market Committee reiterate the government's commitment to boost rural India.

## NBFC-MFI — regulation guidelines

**Potential harmonisation of regulations for MFI lending**

In February 2021, the RBI outlined the need to harmonise regulations governing the MFI lending industry, for which it had to reframe the regulatory framework. A potential harmonisation of regulations for MFI lending will positively impact NBFC-MFIs as banks and small finance banks (SFBs) will also be governed by the same regulations, hence eliminating the competitive edge they currently enjoy. The key proposals include (i) a common definition of microfinance loans for all regulated entities, (ii) a Board-approved policy for household income assessment, (iii) capping the outflow on account of repayment of loan obligations of a household to 50% of the household income, (iv) greater flexibility of repayment frequency for all microfinance loans, (v) no pre-payment penalty and no requirement of collateral, (vi) introduction of a standard simplified fact sheet on pricing of microfinance loans for better transparency, (vii) alignment of pricing guidelines for NBFC-MFIs with guidelines for NBFCs, and (viii) withdrawal of guidelines currently applicable to only NBFC-MFIs, including withdrawal of the two-lender norm for lending by NBFC-MFIs and withdrawal of all pricing-related instructions applicable to NBFC-MFIs.

**The new regulatory regime levels the playing field and benefits NBFC-MFIs**

The RBI, in its master directions on microfinance loans, released in March 2022, has done away with the interest rate cap applicable on loans given by NBFC-MFIs. Entities providing microfinance loans will have to put in place a Board-approved policy for the pricing of loans. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on interest rate and all other charges on MFI loans.

The RBI's move levels the playing field, with both NBFC-MFIs and banks/SFBs providing microfinance loans now being subject to the same rules, which was not the case in the earlier regime. This move is expected to positively impact NBFC-MFIs.

The increase in annual household income cap for microfinance borrowers (to Rs 3,00,000 in both urban and rural areas), removal of the two-lender norm for lending by NBFC-MFIs, and allowing NBFC-MFIs greater flexibility to offer non-MFI loans (MFI loans required to account for 75% of total assets for NBFC-MFIs, as per the new regulations) will increase the market opportunity available to MFIs and enable them to create a more balanced portfolio.

On the flip side, the increase in annual household income threshold could increase the maximum permissible indebtedness limit of borrowers from Rs 1,25,000. While the limit on the loan repayment obligation will act as a safeguard against excessive leveraging, the increased permissible debt limit and possibility of divergences in household income assessment criteria across lenders still pose risks. Proper data infrastructure would be required to analyse and estimate household incomes, especially in rural areas.

Subsequent to the RBI's revised regulations for MFI loans, effective October 1, 2022, some MFIs have increased interest rates for borrowers by 150-200 bps, especially those who are credit untested.

CRISIL MI&A Research expects the rates to slowly stabilise as MFIs begin to adapt to the new regime and put in place processes for household income, leverage and risk capture based on the new guidelines. Competitive forces would prevent a substantial spurt in rates for MFI customers, especially those with a good repayment track record and credit behaviour.

The key changes in the regulatory framework and their potential impact on NBFC-MFI are captured below:

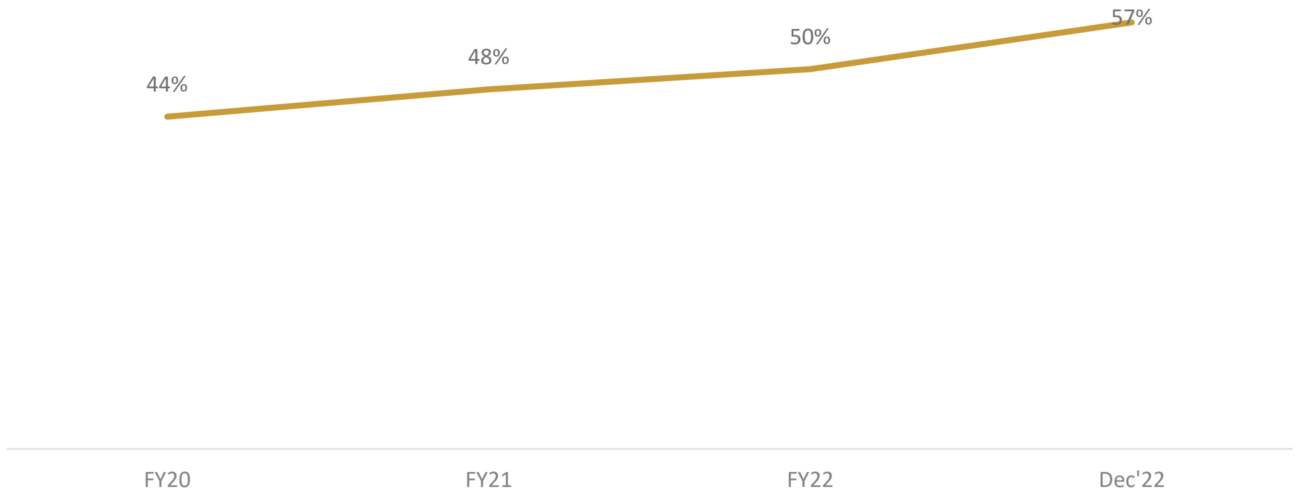
<table>
<tr><th rowspan="2">Area of regulation</th><th colspan="2">Existing regulations</th><th>Revised regulations (effective April 1, 2022)</th></tr>
<tr><th>For NBFC-MFIs</th><th>For banks and SFBs</th><th>For all regulated entities*</th></tr>
<tr><td>Loan pricing</td><td>Margin cap at 10% for large MFIs (loan portfolios > Rs 1 billion)<br>12% for small MFIs (loan portfolios < Rs 1 billion)</td><td rowspan="2">No restrictions for banks and SFBs</td><td rowspan="2">No pricing cap. Underwriting of loans to be done on a risk-based analysis, and a risk premium to be charged based on the borrower.<br>A Board-approved policy for pricing of loans to be put in place. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on the interest rate and all other charges on MFI loans.</td></tr>
<tr><td>Processing fees</td><td>Not more than 1% of gross loan amount</td></tr>
<tr><td>Qualifying criteria</td><td>85% loans unsecured</td><td>Have to meet the target set for priority sector loans</td><td>The minimum requirement of microfinance loans for NBFC-MFIs has been revised to 75% of an NBFC-MFI's total assets.<br>The maximum limit on microfinance loans for NBFCs other than NBFC-MFIs has been revised to 25% of the total assets from 10% previously.</td></tr>
<tr><td>Household income</td><td>Rural areas: Rs 125,000 per annum<br>Urban areas: Rs 200,000 per annum</td><td rowspan="3">No restrictions for banks and SFBs</td><td rowspan="3">Annual household income: Up to Rs 300,000 for urban as well as rural areas. (This amount is higher than what was stated in the consultation paper issued in June 2021 – up to Rs 125,000 for rural areas and Rs 200,000 for urban and semi-urban areas.)<br>Board-approved policy for the assessment of household income.</td></tr>
<tr><td>Ticket size of loans</td><td>Rs 75,000 in the first cycle and Rs 125,000 in the subsequent cycles</td></tr>
<tr><td>Tenure of loans</td><td>Not to be less than 24 months for loan amount in excess of Rs 30,000</td></tr>
<tr><td>Lending to the same borrower</td><td>Not more than two lenders allowed per borrower</td><td>More than two banks can lend to the same borrower</td><td rowspan="2">Limit on maximum loan repayment obligation of a household towards all loans: 50% of monthly household income.</td></tr>
<tr><td>Overall borrower indebtedness</td><td>Should not exceed Rs 125,000</td><td>No restrictions for banks and SFBs</td></tr>
</table>

*Regulated entities include all commercial banks (including SFBs, local area banks and regional rural banks), excluding payments banks; all primary (urban) co-operative banks, state co-operative banks and district central co-operative banks; and all NBFCs (including MFIs and housing finance companies)

*Source: RBI, CRISIL MI&A Research*

The removal of the restriction on NBFC-MFIs for issuing loans to multiple borrowers has resulted in an increase in the percentage of borrowers who take advantage of more than one MFI loan. This change is expected to have positive implications for the business landscape of NBFC-MFIs. It provides borrowers with greater flexibility in accessing multiple loans from different MFIs, which can help them fulfil their financial needs more effectively. This increased borrowing activity has the potential to contribute to the growth and expansion of the NBFC-MFI sector, thereby promoting economic development and financial inclusion.

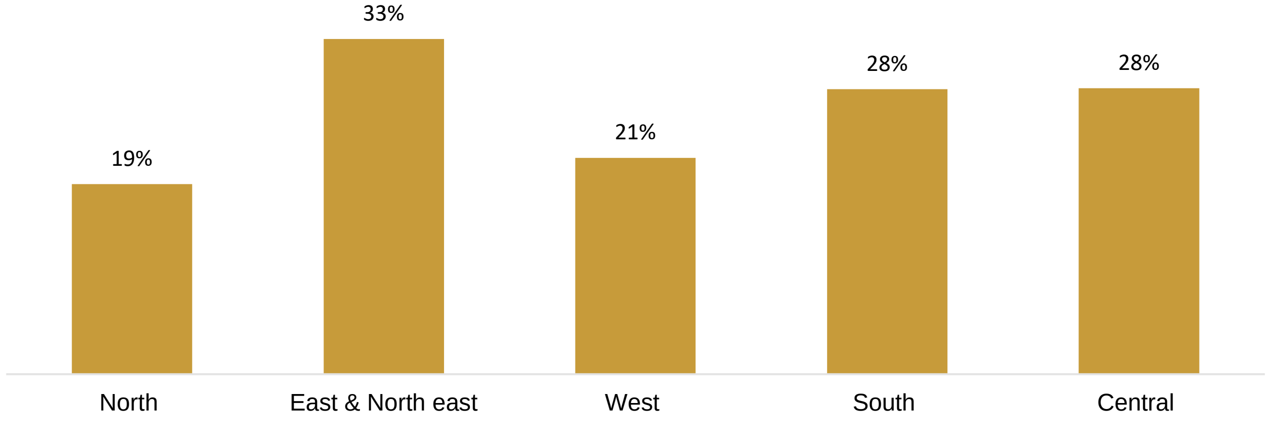
Percentage of borrowers with more than one MFI loan




Source: Equifax, CRISIL MI&A Research

## Region and state-wise analysis

**North and west region have lower penetration indicating probable growth potential(Dec 2022)**

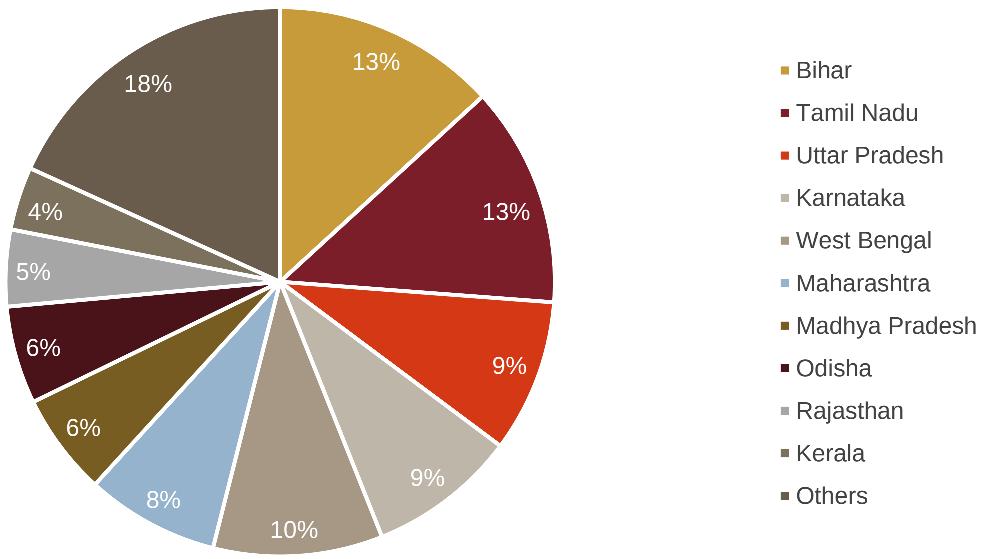



Note: Penetration has been computed by dividing the number of unique active MFI borrowers by the estimated number of households in the respective year

*Source: MFIN, secc.gov.in, CRISIL MI&A Research*

## Top 10 states contribute over 82% of MFI loans

**State-wise distribution of MFI loans portfolio outstanding (as of December 2022)**




Note: Data is for bank lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for bank lending through SHGs.

*Source: Equifax, CRISIL MI&A Research*

**State-wise distribution of MFI loan disbursement**

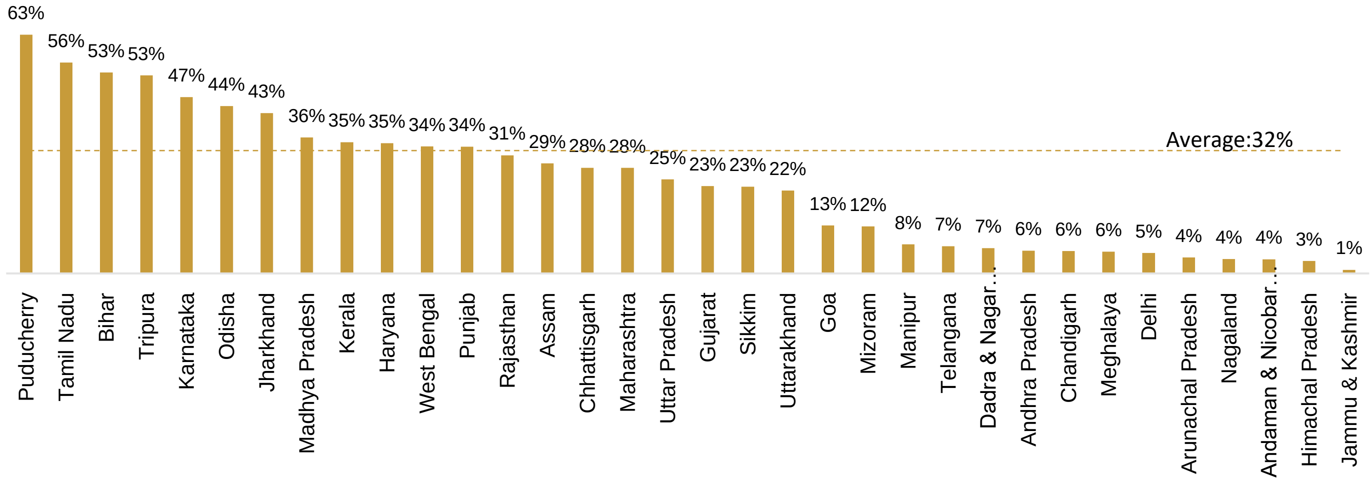
| Rs billion | FY18 | FY19 | FY20 | FY21 | FY22 | 9MFY23 | FY18-22 CAGR growth |
|---|---|---|---|---|---|---|---|
| Tamil Nadu | 29 | 54 | 77 | 61 | 96 | 90 | 35% |
| Gujarat | 9 | 14 | 16 | 12 | 21 | 23 | 24% |
| Karnataka | 43 | 102 | 20 | 76 | 91 | 80 | 21% |
| Rajasthan | 20 | 41 | 30 | 26 | 42 | 48 | 20% |
| Bihar | 56 | 100 | 95 | 61 | 105 | 129 | 17% |
| Punjab | 10 | 20 | 22 | 13 | 18 | 17 | 16% |
| Uttar Pradesh | 45 | 68 | 60 | 38 | 74 | 92 | 13% |
| Madhya Pradesh | 39 | 51 | 62 | 49 | 59 | 60 | 11% |
| Jharkhand | 18 | 26 | 12 | 17 | 24 | 30 | 7% |
| West Bengal | 38 | 83 | 63 | 32 | 48 | 64 | 6% |
| Maharashtra | 56 | 76 | 72 | 46 | 65 | 57 | 4% |
| Uttarakhand | 6 | 3 | 4 | 8 | 6 | 6 | 1% |
| Odisha | 68 | 89 | 65 | 42 | 67 | 92 | 0% |
| Kerala | 24 | 28 | 86 | 13 | 21 | 23 | -4% |
| Chhattisgarh | 26 | 19 | 21 | 15 | 17 | 16 | -10% |
| Assam | 10 | 28 | 24 | 7 | 5 | 8 | -16% |
| Haryana | 50 | 14 | 1 | 10 | 16 | 15 | -24% |

*Source: MFIN, CRISIL MI&A Research*

## Underpenetrated states to drive MFI growth

CRISIL MI&A Research expects growth in the MFI portfolio to be led by states that have a relatively lower penetration such as Uttar Pradesh, Gujarat, and Uttarakhand; along with some of the moderately penetrated states such as Rajasthan, Maharashtra, and Chhattisgarh.

**Underpenetrated states may have potential for growth and customer expansion (December 2022)**




Note: Penetration has been computed by dividing the number of unique active MFI borrowers by the estimated number of households in the respective year.

*Source: MFIN, CRISIL MI&A Research*

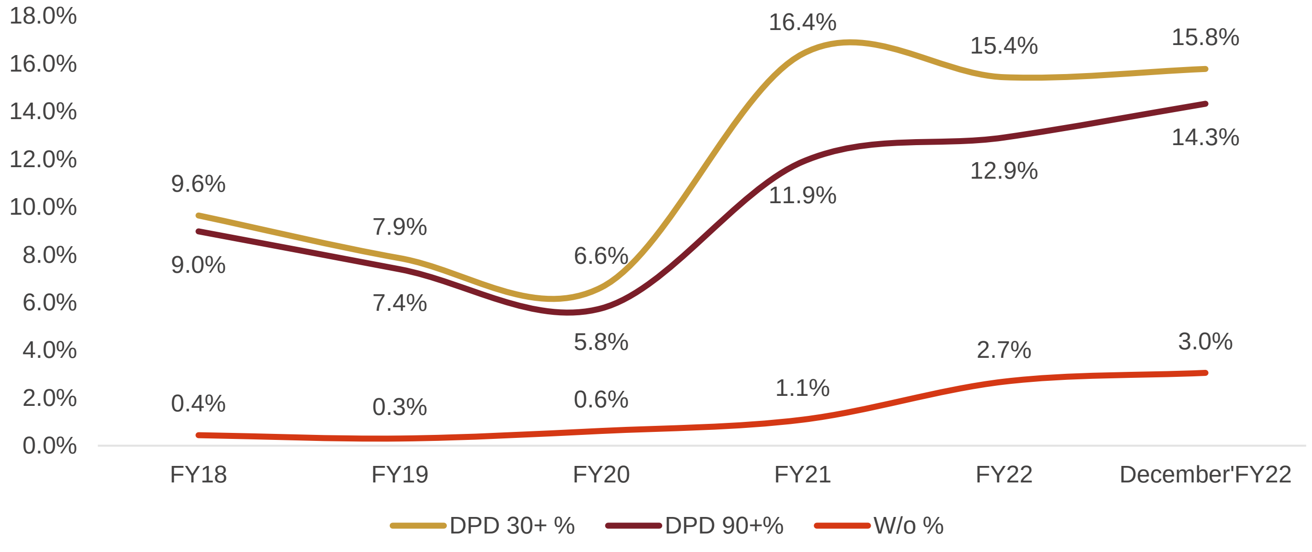
### Asset quality

In fiscal 2021, the industry's asset quality deteriorated sharply, reflecting the adverse impact of Covid-19 on the industry. The industry's PAR>30 and PAR>90 shot up to 16.4% and 11.9%, respectively, in March 2021, and deteriorated to 15.8% and 14,3% respectively, December 2022 vs. 15.4% and 12.9% in March 2022. This could be attributed to slippages from the restructured book for various MFI players. CRISIL MI&A Research believes that going forward, timely recoveries and controlling incremental slippages would be critical for the MFIs to keep their asset quality under check.

Among peer groups, NBFC-MFIs' PAR>30 and PAR>90 improved to 6.1% and 5.3% in the financial year 2020 from 9.7% and 9.0% in the financial year 2018, but again increased to 13.5% and 11.8% in March 2022 and has marginally improved to 12.5% and 11.5% in December of the year. Asset quality, although improving, remains moderate compared with the pre-pandemic level owing to additional slippages arising from the restructured portfolio. With collection efficiency back to pre-pandemic levels, asset quality is expected to improve in the coming fiscals.

While portfolio quality has deteriorated across rural, semi-urban and urban areas, closer analysis of long-term cycles indicates that asset quality tends to be much better in rural areas than in urban and semi-urban areas owing to strong farm income, good monsoon and resilience.

**Asset quality trend over the years**



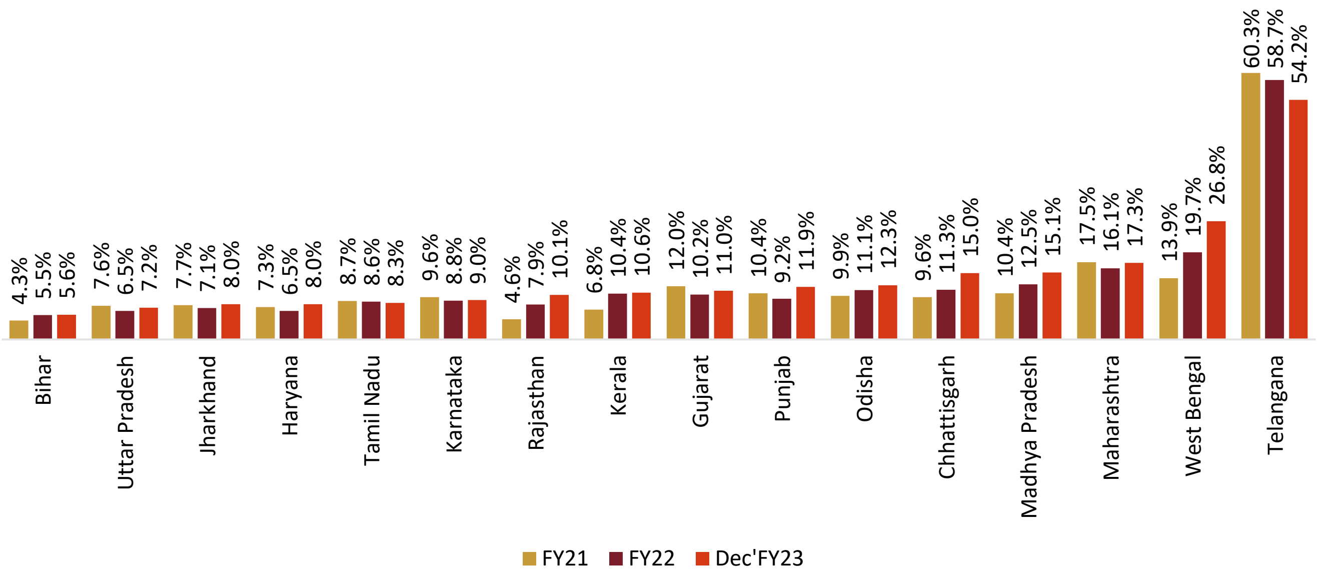

Note: PAR 30+ and PAR 90+ include delinquency beyond 180 days of the MFI industry.

*Source: Equifax, CRISIL MI&A Research*

## Industry's asset quality has weakened across states

Asset quality has worsened across states due to the pandemic. Assam has seen a sharp deterioration in asset quality with PAR 90+ increased to 60% in December 2022. West Bengal's PAR 90+ increased by more than 4-6 percentage points in the last 10 months. Bihar has exhibited best asset quality as of end-December 2022.

### Bihar ranks lowest in terms of PAR>90 among the top states

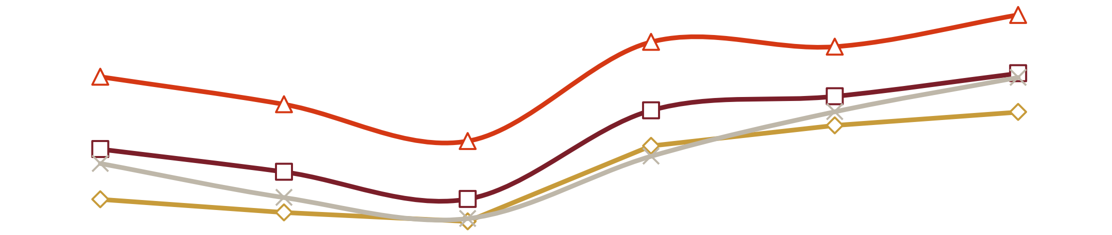



Notes:

- Data is for bank lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for bank lending through SHG. The amounts are as of fiscal-end.
- PAR 90+ includes delinquency beyond 180 days.

*Source: Equifax, CRISIL MI&A Research*

### Asset quality of rural region better than urban and semi-urban regions (PAR 90+)

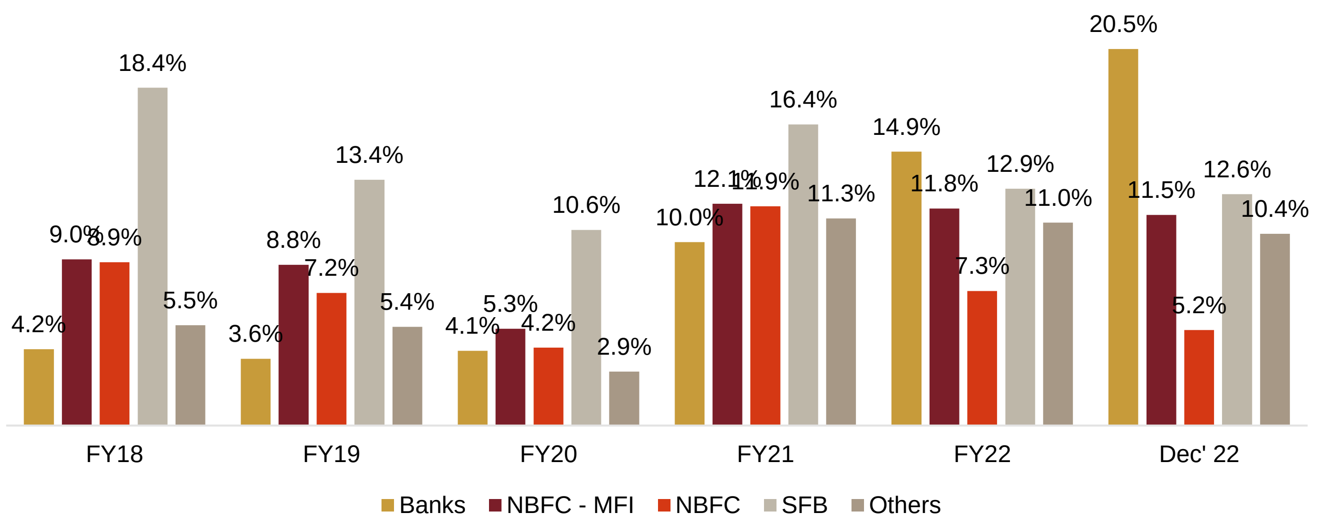


| | FY18 | FY19 | FY20 | FY21 | FY22 | December' FY22 |
|---|---|---|---|---|---|---|
| Rural | 5.9% | 5.0% | 4.3% | 9.8% | 11.3% | 12.3% |
| Semi urban | 9.6% | 7.9% | 5.9% | 12.4% | 13.5% | 15.1% |
| Urban | 14.9% | 12.9% | 10.2% | 17.4% | 17.1% | 19.4% |
| Others | 8.5% | 6.1% | 4.5% | 9.1% | 12.3% | 14.8% |

Note: PAR 90+ includes delinquency beyond 180 days of the MFI industry.

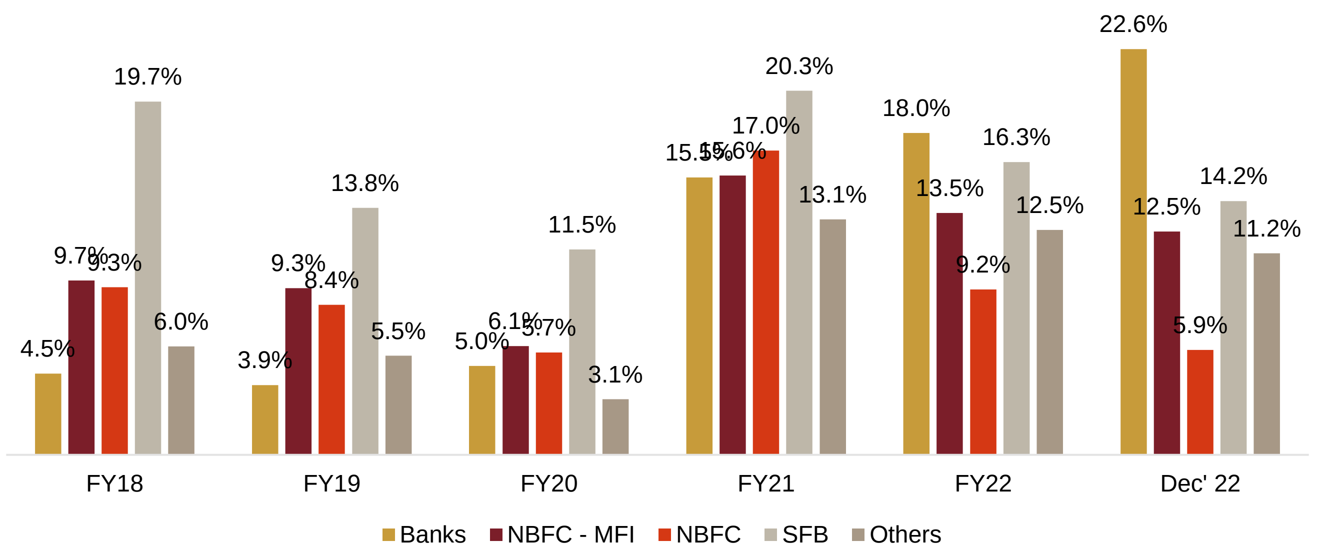
*Source: Equifax, CRISIL MI&A Research*

**NBFC-MFIs have performed better than other player groups (PAR 90+ days)**




Note: PAR 90+ includes delinquency beyond 180 days of the MFI industry.
*Source: Equifax, CRISIL MI&A Research*

**Asset quality of player groups in microfinance industry (PAR 30+ days)**




Note: PAR 30+ includes delinquency beyond 180 days of the MFI industry.
*Source: Equifax, CRISIL MI&A Research*

## MFI collection efficiency almost back to pre-pandemic levels

MFI collections, which had plunged to near zero in April 2020, because of the pandemic-induced nationwide lockdown, rebounded to 80-85% in September 2020, with restrictions being lifted gradually. In December 2020, the industry's collection efficiency rebounded further to 90-93%, as per CRISIL MI&A Research estimates. This is despite MFI borrowers having relatively weaker credit profiles and field-intensive operations involving high personal touch, such as home visits and physical collection of cash.

Borrowers in rural areas and those involved in essential sectors of animal husbandry and agriculture started paying their instalments. Lower number of Covid-19 infections in rural areas and a good harvest also had a positive impact on rural repayments. In the third quarter of fiscal 2021, collection efficiency for the industry rebounded further to 85-93%, as per CRISIL MI&A Research estimates. Subsequently, in the fourth quarter of fiscal 2021, collections improved to 92-95%.

The pandemic's second wave again dented collections in April and May 2021, due to localised lockdowns imposed by several states. The medical impact of the second wave was much worse than the first one. It was felt across rural and urban areas, unlike the first wave's largely urban-centric impact. Southern states witnessed a sharper fall in collections in May 2021, as the lifting of lockdowns was delayed till June, whereas northern states were impacted largely in April. Ground-level infrastructural and operational challenges, as well as restrictions on movement of people, impinged on the MFI sector's collection efficiency. As per CRISIL MI&A Research estimates, overall collection efficiency recovered from 80-85% in June 2021 and reached the pre-pandemic level of 95-98% in March 2022, as economic activity picked up pace.

Going forward, the trend in the restructured book would need to be closely monitored to assess incremental slippages. The microfinance sector restructured ~10% of its loan book under the Resolution Framework 2.0 announced by the RBI in the wake of the second wave.

**Monthly collection efficiency trend for MFIs**

| | Apr-20 | May-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | May-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Industry | <10% | <45% | 45-65% | 80-85% | 90-93% | 92-95% | 70-80% | 80-85% | 94-97% | 90-93% | 95-98% |

Note: 1) Collection efficiency numbers are estimated. 2) Monthly collection efficiency = {current + overdue collections (excluding prepayments)}/scheduled billing assuming no moratorium

*Source: Company information, CRISIL MI&A Research*

## Reduction in credit cost to boost profitability of MFIs in the medium term

In fiscals 2021 and 2022, the cost of borrowing remained stable despite the pandemic. However, with an increase in the repo rate in fiscal 2023, the cost of borrowing for MFIs is expected to increase, which is likely to be offset by steeper lending rates, thereby cushioning net interest margins (NIMs). Further, enhanced flexibility to set lending rates is one of the drivers supporting a revival in MFIs' profitability this fiscal. This emanates from the RBI's removal of the interest margin cap on lending rate under its new regulatory framework for microfinanciers.

Over fiscals 2021 and 2022, annual credit cost for the industry shot up to 4-5% because of pandemic-related provisioning. However, most MFIs increased provisioning levels to fortify their balance sheets against asset quality risks. CRISIL MI&A Research estimates credit cost to have decreased last fiscal because of lower provisions and improvement in repayment levels of borrowers.

Majority of microfinance borrowers are charged a fixed rate of interest by NBFC-MFIs due to shorter span of the loan, and any change in the repo rate is immediately passed on to the borrowers. However, the revised yields will be applicable only to new borrowers, as the older ones will still be under the previous rate structure. The rise in repo rate will push up yields, but on an aggregate basis we expect NIMs to remain rangebound. Going forward, CRISIL MI&A Research expects credit cost to decrease gradually this financial year, thereby augmenting the industry's profitability. In this context, the new RBI framework augurs well for MFIs owing to higher income eligibility threshold and enhanced flexibility to price loans.

**Profitability (return on assets) of MFIs to improve this fiscal**

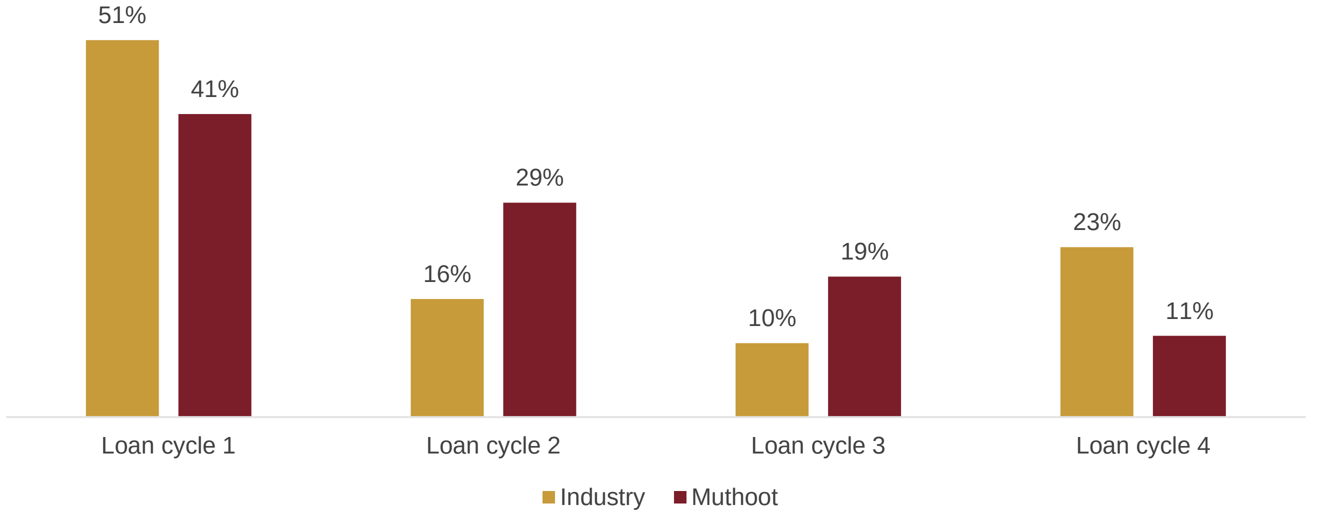
| RoA tree | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24P |
|---|---|---|---|---|---|---|---|
| Interest income | 17.7% | 18.1% | 17.0% | 15.5% | 15.9% | 17.2% | 17.9% |
| Interest expense | 8.9% | 8.5% | 7.7% | 7.4% | 7.1% | 8.1% | 8.9% |
| Net interest income | 8.8% | 9.7% | 9.4% | 8.2% | 8.8% | 9.0% | 9.0% |
| Opex | 5.1% | 5.3% | 5.0% | 4.4% | 4.9% | 4.7% | 4.7% |
| Other income | 1.4% | 1.9% | 1.9% | 1.4% | 1.7% | 1.7% | 1.6% |
| Credit cost | 1.6% | 0.6% | 1.3% | 4.9% | 3.8% | 3.2% | 2.5% |
| RoA | 2.2% | 4.1% | 3.4% | 0.1% | 1.3% | 2.2% | 2.6% |

Note: E: estimated; P: projected

*Source: CRISIL MI&A Research*

## Comparison of key portfolio characteristics for Muthoot Microfin Ltd vis-à-vis the industry

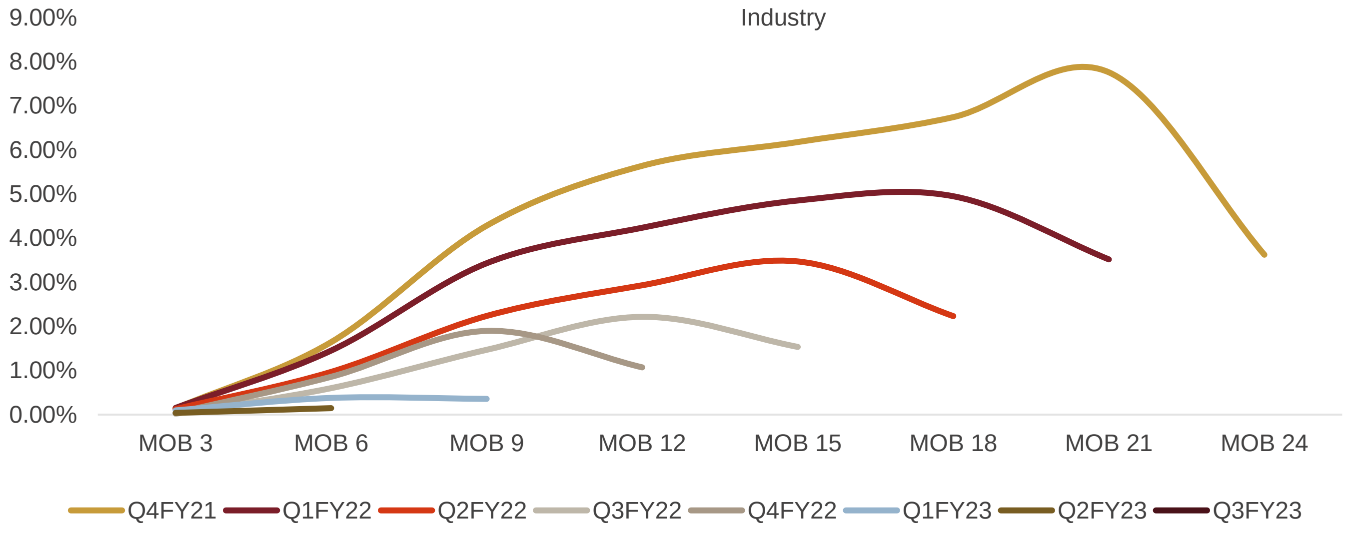
**Loan cycle-wise break up of disbursements in financial year 2022**

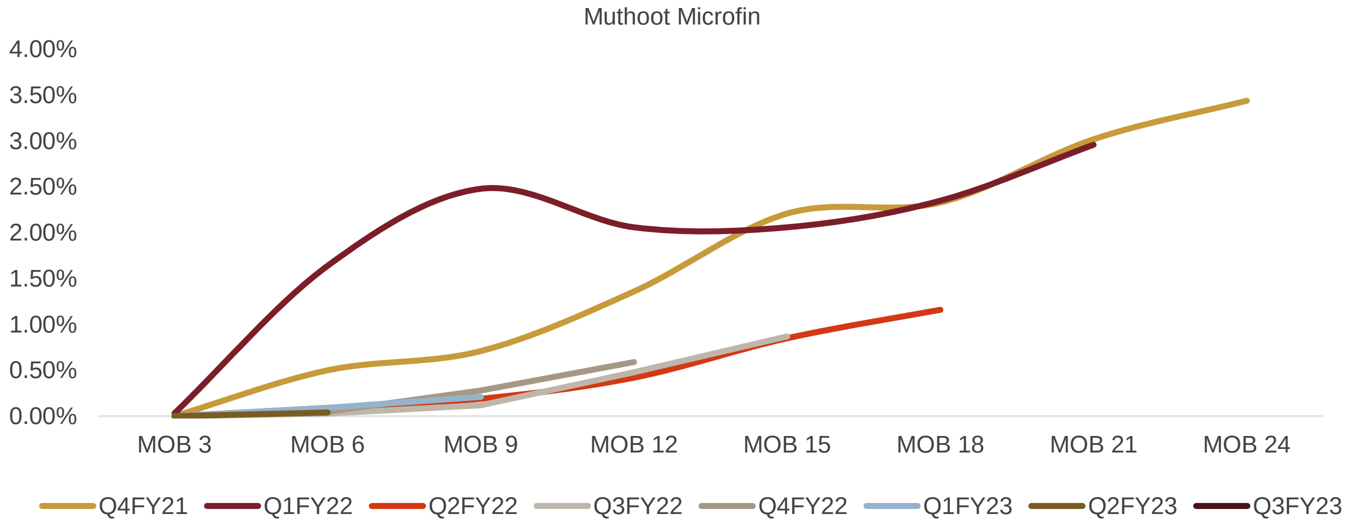



*Source: Equifax, company information, CRISIL MI&A Research*

Muthoot Microfin has a long-standing track record of high customer retention in loan cycles 2 and 3. Its well-balanced customer distribution across loan cycles indicates focus on acquiring new customers, as well as retaining existing ones. However, as it continues to acquire new customers, the portfolio share in cycle 1 may increase.

**Vintage curve analysis (PAR>90) for the industry vs Muthoot Microfin**

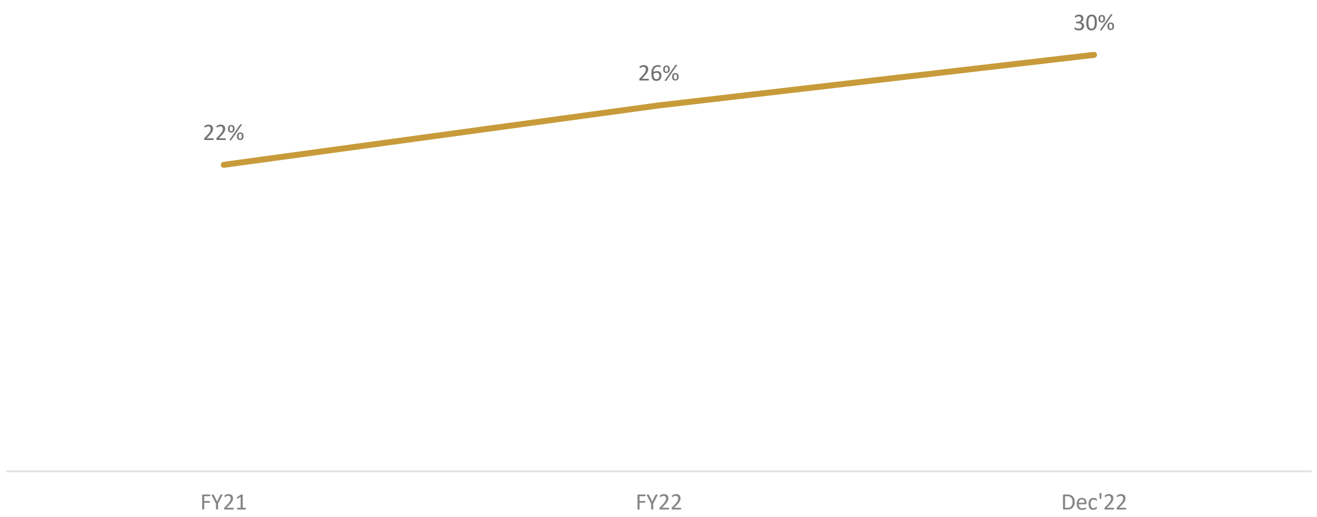





*Source: Equifax, company information, CRISIL MI&A Research*

Muthoot has a comparatively lower proportion of loans at each month-on-book stage, which implies that its loan portfolio is performing better than the industry.

**NBFC-MFI borrower penetration in retail loans as of December 2022**




*Source: Equifax, CRISIL MI&A Research*

With enhanced financial literacy and better financial standing, borrowers are increasingly availing other retail financial products. Muthoot Microfin already offers gold loans and business loans within the retail segment; increased penetration of these products presents an opportunity for the company to expand its loan book.

# Peer comparison

Muthoot Microfin is part of the Muthoot Pappachan Group as the promoters of the company / promoters family including ancestors anytime has business relation in M. George & Brothers, kozhencherry and Muthoot Bankers which were established by Mr. Mathew M Thomas (father of promoters of Muthoot Microfin) along with others in 1969 and 1986 respectively. Muthoot Microfinance is primarily involved in providing finance to low income group customers,

In this chapter, CRISIL MI&A Research has analysed the operational performance and key financial indicators of top 10 NBFC-MFI players in terms of gross loan portfolio (GLP), and some Small Finance Banks (SFBs) and Bandhan Bank that have loan portfolios inclined towards the MFI segment.

**Muthoot Microfin is the fourth largest NBFC-MFIs in India in terms of GLP as of end December 2022**

Muthoot Microfin has maintained the fourth position among leading players; although it showed significant growth in its portfolio in financial year 2022, it is within the striking distance of its nearest competitors, placed at the second and third positions.

Among banks and SFBs, Bandhan Bank leads in terms of GLP. However, Muthoot Microfin reported the highest 9M FY23 growth of 30.94%, followed by IIFL Samasta Finance and Fusion Micro Finance.

Among the top 10 NBFC-MFIs, Muthoot Microfin reported the third highest disbursement growth in the financial year 2022. Its growth rate turned positive to 80.90%, in financial year 2022. It stood fourth in terms of disbursement volume during 9M ended financial year 2023. During this period, NBFC-MFI players have shown an uptick in performance with its disbursements for majority of the players having surpassed the previous full year's numbers.

The largest states for Muthoot Microfin as per GLP is Kerala and Tamil Nadu. The company holds majority share in Kerala in terms of MFI market share which make them the largest in the state and almost 16% in Tamil Nadu, where Muthoot Microfin is a key player.  Also, in South India, Muthoot Microfin is the third largest amongst the NBFC-MFIs in terms of GLP[1]

**Comparison of key players in MFIs industry**

| GLP (Rs billion) | Market share* | GLP as of March 31 20 | GLP as of March 31, 21 | GLP as of March 31, 22 | GLP as of Dec 31,22 | GLP y-o-y growth FY20 | GLP y-o-y growth FY21 | GLP y-o-y growth FY22 | GLP growth 9M FY23 | GLP CAGR (FY20-FY22) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | | | | | |
| CreditAccess Grameen Ltd | 12.01% | 98.96 | 113.41 | 137.32 | 148.22 | 38.21% | 14.60% | 21.08% | 7.94% | 17.80% |
| Fusion Micro Finance Ltd | 7.01% | 36.57 | 46.38 | 66.54 | 86.54 | 38.52% | 26.83% | 43.47% | 30.06% | 34.89% |
| Asirvad Microfinance Ltd | 7.01% | 55.03 | 59.85 | 70.20 | 86.53 | 43.31% | 8.76% | 17.29% | 23.26% | 12.95% |
| **Muthoot Microfin Ltd** | **6.97%** | **49.32** | **49.77** | **65.67** | **85.99** | **13.38%** | **0.91%** | **31.95%** | **30.94%** | **15.39%** |
| IIFL Samasta Finance Ltd | 6.87% | 34.00 | 47.96 | 64.84 | 84.78 | 48.47% | 41.06% | 35.20% | 30.75% | 38.10% |
| Annapurna Finance Pvt Ltd | 6.50% | 40.09 | 48.08 | 65.49 | 80.14 | 32.75% | 19.93% | 36.21% | 22.37% | 27.81% |
| Svatantra Microfin Pvt Ltd | 5.66% | 26.02 | 35.64 | 54.47 | 69.82 | 111.54 % | 36.97% | 52.83% | 28.18% | 44.69% |
| Satin Creditcare Network Ltd | 5.51% | 72.66 | 72.75 | 64.09 | 67.98 | 14.07% | 0.12% | -11.90% | 6.07% | -6.08% |

[1] Based on corporate/admin office

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Spandana Sphoorty Financial Ltd | 5.38% | 68.29 | 81.39 | 61.51 | 66.37 | 56.27% | 19.18% | -24.43% | 7.90% | -5.09% |
| Belstar Microfinance Ltd | 4.33% | 23.59 | 32.99 | 43.65 | 53.40 | 28.14% | 39.85% | 32.31% | 22.34% | 36.03% |

*Source: MFIN, company reports, CRISIL MI&A Research*

| GLP (Rs billion) | Market share | GLP as of March 31, 20 | GLP as of March 31, 21 | GLP as of March 31, 22 | GLP as of Dec 31, 22 | GLP y-o-y growth FY20 | GLP y-o-y growth FY21 | GLP y-o-y growth FY22 | GLP growth 9M FY23 | GLP CAGR (FY20-FY22) |
|---|---|---|---|---|---|---|---|---|---|---|
| Bandhan Bank | NM | 718.46 | 870.43 | 993.38 | 977.90 | 81.23% | 21.15% | 14.13% | -1.56% | 17.59% |
| Equitas SFB | NM | 153.67 | 179.25 | 205.97 | 219.15 | 32.53% | 16.65% | 14.91% | 6.40% | 15.77% |
| Ujjivan SFB | NM | 141.53 | 151.40 | 181.62 | 218.95 | 28.09% | 6.97% | 19.96% | 20.55% | 13.28% |
| Jana SFB | NM | 101.37 | 118.51 | 132.50 | NA | 63.05% | 16.91% | 11.80% | - | 14.33% |
| ESAF SFB | NM | 66.06 | 84.15 | 121.31 | NA | 45.25% | 27.38% | 44.16% | - | 35.51% |
| Utkarsh SFB | NM | 66.60 | 84.08 | 106.31 | NA | 42.73% | 26.24% | 26.44% | - | 26.34% |
| Fincare SFB | NM | 53.45 | 53.01 | 70.36 | NA | 93.31% | -0.82% | 32.73% | - | 14.73% |
| Suryoday SFB | NM | 37.10 | 42.06 | 50.63 | 54.08 | 36.80% | 13.37% | 20.39% | 6.81% | 16.82% |

Notes:
NA – Not available; NM – Not meaningful
*Market share is based on December 2022 GLP of NBFC-MFIs; NBFC MFIs are arranged in order of December 2022 GLP
^For SFBs, total loan advances have been considered as GLP

*Source: MFIN, company reports, CRISIL MI&A Research*

| Disbursement (Rs billion) | FY20 | FY21 | FY22 | 9MFY23 | Growth y-o-y FY20 | Growth y-o-y FY21 | Growth y-o-y FY22 | Growth 9M y-o-y FY23 |
|---|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | | | |
| CreditAccess Grameen Ltd | 103.89 | 96.41 | 128.33 | 95.51 | 26.39% | -7.20% | 33.11% | 16.69% |
| Fusion Micro Finance Ltd | 35.73 | 36.76 | 60.58 | 60.93 | 26.66% | 2.88% | 64.80% | 47.39% |
| Asirvad Microfinance Ltd | 47.80 | 36.20 | 85.57 | 140.06 | 11.42% | -24.27% | 136.38% | 136.19% |
| **Muthoot Microfin Ltd** | **40.66** | **25.81** | **46.69** | **56.37** | **-10.83%** | **-36.52%** | **80.90%** | **103.43%** |
| IIFL Samasta Finance Ltd | 30.79 | 36.95 | 57.10 | 62.76 | 27.23% | 20.01% | 54.53% | 106.24% |
| Annapurna Finance Pvt Ltd | 40.13 | 30.86 | 53.23 | 51.91 | 28.21% | -23.10% | 72.49% | 56.69% |
| Svatantra Microfin Pvt Ltd | 24.86 | 24.14 | 47.30 | 45.69 | 119.64% | -2.91% | 95.94% | 55.83% |
| Satin Creditcare Network Ltd | 80.45 | 43.94 | 40.31 | 48.43 | 28.72% | -45.38% | -8.26% | 100.95% |
| Spandana Sphoorty Financial Ltd | 80.04 | 64.26 | 31.42 | 46.53 | 61.05% | -19.72% | -51.10% | NA |
| Belstar Microfinance Ltd | 26.19 | 24.35 | 35.46 | 36.62 | 45.75% | -7.03% | 45.63% | 59.84% |

*Source: MFIN, company reports, CRISIL MI&A Research*

**Muthoot Microfin recorded fourth highest number of clients as on December'22, among top 10 NBFC-MFIs**

Muthoot Microfin reported the second highest clientele growth of 23.81% as on third quarter of financial year 2023 among the top NBFC-MFIs. This in turn has propelled to the fourth position from seventh in financial year 2022. In terms of CAGR growth, Svatantra Microfin and Fusion Micro Finance witnessed a stronger clientele growth of 29.74% and 26.03%, respectively, between financial year 2020 and 2022, as against Muthoot Microfin which grew at 5.13%.

| | No of Clients (million) | | | | Client growth | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Client outreach** | **As of March 31, 20** | **As of March 31, 21** | **As of March 31, 22** | **As of Dec,22** | **FY20** | **FY21** | **FY22** | **9M Dec,22** | **CAGR (FY20-FY22)** |
| **Top 10 NBFC-MFIs** | | | | | | | | | |
| CreditAccess Grameen Ltd | 2.90 | 2.90 | 2.90 | 3.13 | 17.41% | 0.00% | 0.00% | 7.90% | 0.00% |
| Fusion Micro Finance Ltd | 1.70 | 2.10 | 2.70 | 3.40 | 9.68% | 23.53% | 28.57% | 25.93% | 26.03% |
| Asirvad Microfinance Ltd | 2.37 | 2.40 | 2.60 | 2.90 | 30.94% | 1.27% | 8.33% | 11.54% | 4.74% |
| **Muthoot Microfin Ltd** | **1.90** | **1.90** | **2.10** | **2.60** | **19.50%** | **0.00%** | **10.53%** | **23.81%** | **5.13%** |
| Annapurna Finance Pvt Ltd | 1.75 | 1.85 | 2.31 | 2.40 | 15.89% | 5.71% | 24.86% | 3.90% | 14.89% |
| IIFL Samasta Finance Ltd | 1.54 | 1.60 | 1.80 | 2.10 | 52.48% | 3.90% | 12.50% | 16.67% | 8.11% |
| Satin Creditcare Network Ltd | 3.10 | 2.70 | 2.50 | 2.40 | -1.59% | -12.90% | -7.41% | -4.00% | -10.20% |
| Svatantra Microfin Pvt Ltd | 1.01 | 1.30 | 1.70 | 2.10 | 71.19% | 28.71% | 30.77% | 23.53% | 29.74% |
| Spandana Sphoorty Financial Ltd | 2.57 | 2.40 | 2.30 | 2.10 | 4.47% | -6.61% | -4.17% | -8.70% | -5.40% |
| Belstar Microfinance Ltd | 1.20 | 1.40 | 1.80 | 2.20 | 76.47% | 16.67% | 28.57% | 22.22% | 22.47% |
| **Banks and SFBs** | | | | | | | | | |
| Bandhan Bank | 20.1 | 23 | 26.3 | 28.6 | 21% | 14.43% | 14.35% | 8.75% | 14.39% |
| Equitas SFB | 2.4 | 3.9 | 5.68 | NA | NM | 62.50% | 45.64% | NM | 53.84% |
| Ujjivan SFB | 5.25 | 5.92 | 6.48 | 7.30 | 14% | 12.76% | 9.46% | 12.65% | 11.10% |
| Jana SFB | 3.07 | NA | NA | NA | 36% | NM | NM | NM | NM |
| ESAF SFB | 2.86 | 3.89 | 4.50 | NA | -13% | 35.73% | 15.80% | NM | 25.37% |
| Utkarsh SFB | 2.5 | NA | 3 | NA | 25% | NM | NM | NM | 9.54% |
| Fincare SFB | 2.55 | NA | 3.2 | NA | 65% | NM | NM | NM | 12.02% |
| Suryoday SFB | 1.46 | 1.49 | 1.92 | 2.19 | 27% | 2.05% | 28.86% | 14.06% | 14.68% |

Notes: (1) For ESAF SFB, microloan borrowers are considered as clients, and for others, overall customer base is considered as clients
(2) NA – Not available; NM – Not meaningful

*Source: MFIN, company reports, CRISIL MI&A Research*

**Muthoot Microfin has demonstrated comparatively stronger performance in key productivity metrics.**

Muthoot Microfin showcased considerable improvement in a number of parameters as on Dec, 22 compared with the previous year. In terms of number of employees, it reached the fifth position from eighth, and fifth from sixth in terms of clients per employee. Muthoot Microfin was able to translate a higher employee strength into better client conversion for business growth. Similarly, it reached the fifth position from sixth in terms of both number of branches and clients per branch. In terms of number of clients per loan officer also its position improved to fourth from fifth, while number of loans disbursed per loan officer remained stable at the sixth position. Cross-selling strategy has helped Muthoot Microfin improve its efficiency levels.

| Reach and efficiency parameters | No of employees as on Dec,22 | No of branches as on Dec,22 | Clients per employee for 9M Dec,22 | Clients per branch for 9M Dec,22 | Clients per loan officer for 9M Dec,22 | No of loans disbursed per loan officer for 9M Dec, 22 |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 13,172 | 1,251 | 676 | 7114 | 960 | 298 |
| Fusion Micro Finance Ltd | 9,456 | 1,003 | 1005 | 9472 | 1538 | 268 |
| Asirvad Microfinance Ltd | 16,155 | 1,665 | 508 | 4925 | 876 | 305 |
| **Muthoot Microfin Ltd** | **9,714** | **1,088** | **741** | **6,618** | **1,199** | **258** |
| Annapurna Finance Pvt Ltd | 10,117 | 1,160 | 712 | 6207 | 1130 | 154 |
| IIFL Samasta Finance Ltd | 11,127 | 1,110 | 566 | 5676 | 1098 | 259 |
| Satin Creditcare Network Ltd | 8,801 | 1,057 | 807 | 6717 | 1241 | 200 |
| Svatantra Microfin Pvt Ltd | 7,097 | 802 | 831 | 7357 | 1298 | 268 |
| Spandana Sphoorty Financial Ltd | 8,320 | 1,044 | 733 | 5843 | 956 | 154 |
| Belstar Microfinance Ltd | 7,649 | 821 | 784 | 7308 | 1396 | 213 |

*Source: MFIN, company reports, CRISIL MI&A Research*

| Reach and efficiency parameters (FY22) | No of employees | No of branches | Clients per employee | Clients per branch | Clients per loan officer | No of loans disbursed per loan officer |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 11,951 | 1,164 | 244 | 2,510 | 354 | 414 |
| Fusion Micro Finance Ltd | 8,716 | 900 | 312 | 3,020 | 324 | 202 |
| Asirvad Microfinance Ltd | 12,581 | 1,525 | 205 | 1,688 | 343 | 292 |
| **Muthoot Microfin Ltd** | **8,003** | **905** | **256** | **2,266** | **364** | **242** |
| Annapurna Finance Pvt Ltd | 8,606 | 984 | 269 | 2,253 | 399 | 228 |
| IIFL Samasta Finance Ltd | 10,730 | 807 | 163 | 2,171 | 299 | 248 |
| Satin Creditcare Network Ltd | 10,736 | 1,029 | 229 | 2,385 | 348 | 136 |
| Svatantra Microfin Pvt Ltd | 5,957 | 692 | 282 | 2,431 | 485 | 364 |
| Spandana Sphoorty Financial Ltd | 8,379 | 1,049 | 271 | 2,168 | 366 | 112 |
| Belstar Microfinance Ltd | 5,939 | 729 | 308 | 2,511 | 555 | 307 |

*Source: MFIN, company reports, CRISIL Research*

| Reach and efficiency parameters (FY21) | No of employees | No of branches | Clients per employee | Clients per branch | Clients per loan officer | No of loans disbursed per loan officer |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 10,625 | 964 | 270 | 2,979 | 385 | 360 |
| Fusion Micro Finance Ltd | 6,406 | 710 | 331 | 2,987 | 506 | 273 |
| Asirvad Microfinance Ltd | 7,233 | 1,062 | 334 | 2,273 | 538 | 276 |
| **Muthoot Microfin Ltd** | **6,961** | **755** | **267** | **2,461** | **402** | **165** |
| Annapurna Finance Pvt Ltd | 7,304 | 870 | 253 | 2,126 | 412 | 191 |
| IIFL Samasta Finance Ltd | 6,835 | 618 | 237 | 2,618 | 398 | 268 |
| Satin Creditcare Network Ltd | 10,612 | 1,011 | 250 | 2,627 | 408 | 204 |
| Svatantra Microfin Pvt Ltd | 4,613 | 512 | 279 | 2,518 | 522 | 268 |
| Spandana Sphoorty Financial Ltd | 8,644 | 1,052 | 283 | 2,324 | 364 | 211 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Belstar Microfinance Ltd | 4,562 | 649 | 303 | 2,127 | 656 | 336 |

*Source: MFIN, company reports, CRISIL MI&A Research*

| Reach and efficiency parameters (FY20) | No of employees | No of branches | Clients per employee | Clients per branch | Clients per loan officer | No of loans disbursed per loan officer |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 10,824 | 929 | 268 | 3,127 | 376 | 673 |
| Fusion Micro Finance Ltd | 5,490 | 591 | 301 | 2,800 | 468 | 339 |
| Asirvad Microfinance Ltd | 6,206 | 1,042 | 381 | 2,272 | 709 | 632 |
| **Muthoot Microfin Ltd** | **7,265** | **692** | **259** | **2,721** | **396** | **258** |
| Annapurna Finance Pvt Ltd | 5,953 | 718 | 295 | 2,443 | 494 | 321 |
| IIFL Samasta Finance Ltd | 5,865 | 561 | 263 | 2,750 | 438 | 321 |
| Satin Creditcare Network Ltd | 11,148 | 1,140 | 276 | 2,704 | 468 | 388 |
| Svatantra Microfin Pvt Ltd | 3,927 | 446 | 257 | 2,265 | 479 | 327 |
| Spandana Sphoorty Financial Ltd | 8,224 | 1,010 | 313 | 2,541 | 421 | 382 |
| Belstar Microfinance Ltd | 4,425 | 603 | 271 | 1,996 | 579 | 409 |

*Source: MFIN, company reports, CRISIL MI&A Research*

**Banks and SFBs**

| Reach and efficiency parameters (FY22) | No of employees | No of branches | Clients per employee | Clients per branch | Clients per loan officer | No of loans disbursed per loan officer |
|---|---|---|---|---|---|---|
| Bandhan Bank | 60,211 | 5,639 | 437 | 4,664 | NM | NM |
| Equitas SFB | 17,607 | 869 | 323 | 6,545 | NM | NM |
| Ujjivan SFB | 16,895 | 575 | 384 | 11,270 | NM | NM |
| Jana SFB | NA | NA | NA | NA | NM | NM |
| ESAF SFB | 4,141 | 575 | 1,087 | 7,826 | NM | NM |
| Utkarsh SFB | 12,617 | 686 | 238 | 4,373 | NM | NM |
| Fincare SFB | 11,733 | 919 | NA | NA | NM | NM |
| Suryoday SFB | 5,252 | 565 | 366 | 3,398 | NM | NM |

Notes: (1) For ESAF SFB, microloan borrowers are considered as clients, and for others, overall customer base is considered as clients
(2) NM – Not meaningful

*Source: MFIN, company reports, CRISIL MI&A Research*

**Muthoot Microfin ranked sixth among the selected NBFC-MFIs based on its presence in states and eight based on its presence in districts as on Dec' 22.**

| Geographical presence of select players (As of Dec'22) | No of states | No of districts | No of branches per state |
|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | |
| CreditAcess Grameen Ltd | 14 | 327 | 89 |
| Fusion Micro Finance Ltd | 20 | 385 | 50 |

| Geographical presence of select players (As of Dec'22) | No of states | No of districts | No of branches per state |
|---|---|---|---|
| Asirvad Microfinance Ltd | 23 | 441 | 72 |
| **Muthoot Microfin Ltd** | **18** | **314** | **60** |
| Annapurna Finance Pvt Ltd | 20 | 383 | 58 |
| IIFL Samasta Finance Ltd | 18 | 327 | 62 |
| Satin Creditcare Network Ltd | 23 | 378 | 46 |
| Svatantra Microfin Pvt Ltd | 19 | 336 | 42 |
| Spandana Sphoorty Financial Ltd | 18 | 294 | 58 |
| Belstar Microfinance Ltd | 18 | 210 | 58 |
| **Banks and SFBs (FY22)** | | | |
| Bandhan Bank | 34 | 566 | 166 |
| Equitas SFB | 18 | NA | 48 |
| Ujjivan SFB | 24 | 248 | 24 |
| Jana SFB | NA | NA | NA |
| ESAF SFB | 21 | NA | 27 |
| Utkarsh SFB | 22 | 224 | 31 |
| Fincare SFB | 17 | 246 | 54 |
| Suryoday SFB | 14 | NA | 8 |

Notes:
NA – Not available

*Source: MFIN, company reports, CRISIL MI&A Research*

**Muthoot Microfin ranked 5th among top NBFC-MFIs as of Dec' FY23 in terms of GLP per customer**

As on Dec, 22 GLP per customer improved in absolute terms, but in terms of ranking, it declined from fourth to the fifth position, although quite close to third and fourth placed NBFCs. In terms of GLP per loan officer, Muthoot Microfin ranked fourth among the top NBFC-MFIs, as on Dec, 22 and also in financial year 2022.

| Productivity metrics | GLP per employee (Rs. million) | | | | GLP per customer (Rs) | | | | GLP per loan officer (Rs. million) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Top 10 NBFC-MFIs | As of March 31,20 | As of March 31, 21 | As of March 31, 22 | As of Dec 31, 22 | As of March 31,20 | As of March 31, 21 | As of March 31, 22 | As of Dec 31, 22 | As of March 31,20 | As of March 31, 21 | As of March 31, 22 | As of Dec 31, 22 |
| CreditAccess Grameen Ltd | 9.14 | 10.67 | 11.49 | 11.25 | 34,124 | 39,107 | 47,352 | 47,370 | 12.83 | 15.22 | 16.63 | 15.99 |
| Fusion Micro Finance Ltd | 6.70 | 7.20 | 7.60 | 9.20 | 21,512 | 22,086 | 24,644 | 25,453 | 10.34 | 11.07 | 7.92 | 9.77 |
| Asirvad Microfinance Ltd | 8.87 | 8.27 | 5.58 | 5.36 | 23,219 | 24,938 | 27,000 | 29,838 | 16.49 | 13.33 | 9.35 | 9.27 |
| **Muthoot Microfin Ltd** | **6.79** | **7.15** | **8.21** | **8.85** | **25,958** | **26,195** | **31,271** | **33,073** | **10.37** | **10.77** | **11.65** | **14.32** |
| IIFL Samasta Finance Ltd | 5.80 | 7.00 | 6.00 | 7.60 | 22,078 | 29,975 | 36,022 | 40,371 | 9.66 | 11.81 | 11.06 | 14.78 |
| Annapurna Finance Pvt Ltd | 6.73 | 6.58 | 7.61 | 7.92 | 22,909 | 25,989 | 28,351 | 33,392 | 11.28 | 10.70 | 11.27 | 12.57 |
| Svatantra Microfin Pvt Ltd | 6.63 | 7.73 | 9.14 | 9.84 | 25,762 | 27,415 | 32,041 | 33,248 | 12.35 | 14.44 | 15.69 | 15.36 |
| Satin Creditcare Network Ltd | 6.52 | 6.86 | 5.97 | 7.72 | 23,439 | 26,944 | 25,636 | 28,325 | 11.03 | 11.17 | 9.08 | 11.88 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Spandana Sphoorty Financial Ltd | 8.30 | 9.42 | 7.30 | 7.98 | 26,572 | 33,913 | 26,743 | 31,605 | 11.19 | 12.11 | 9.89 | 10.40 |
| Belstar Microfinance Ltd | 5.33 | 7.23 | 7.35 | 7.00 | 19,658 | 23,564 | 24,250 | 24,273 | 11.35 | 15.67 | 13.23 | 12.42 |
| **Banks and SFBs^** | | | | | | | | | | | | |
| Bandhan Bank | 18.07 | 17.60 | 16.50 | 15.78 | 35,744 | 37,845 | 37,771 | 35,929 | NM | NM | NM | NM |
| Equitas SFB | 9.54 | 10.83 | 11.70 | 12.45 | 64,029 | 45,962 | 36,262 | - | NM | NM | NM | NM |
| Ujjivan SFB | 7.93 | 9.14 | 10.75 | 13.06 | 26,017 | 30,710 | 28,028 | 29,993 | NM | NM | NM | NM |
| Jana SFB | 6.97 | 7.83 | - | - | 36,803 | - | - | - | NM | NM | NM | NM |
| ESAF SFB | 19.62 | 21.48 | 28.10 | - | 22,870 | 21,018 | 25,860 | - | NM | NM | NM | NM |
| Utkarsh SFB | 7.54 | 8.12 | 8.43 | - | 26,640 | - | 35,436 | - | NM | NM | NM | NM |
| Fincare SFB | 7.26 | 5.99 | 6.00 | - | 20,961 | - | 21,988 | - | NM | NM | NM | NM |
| Suryoday SFB | 7.90 | 8.20 | 9.64 | 8.87 | 25,411 | 28,228 | 26,372 | 24,695 | NM | NM | NM | NM |

Notes: ^For SFBs, total loan advances have been considered as GLP
NM – Not meaningful
*Source: MFIN, company reports, CRISIL MI&A Research*

| **Productivity metrics** | **GLP per branch (Rs. million)** | | | | **GLP per district (Rs. million)** | | | |
|---|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | **As of March 31,20** | **As of March 31, 21** | **As of March 31, 22** | **As of Dec 31, 22** | **As of March 31,20** | **As of March 31, 21** | **As of March 31, 22** | **As of Dec 31, 22** |
| CreditAccess Grameen Ltd | 106.52 | 117.65 | 117.97 | 118.48 | 430.26 | 459.15 | 456.21 | 453.27 |
| Fusion Micro Finance Ltd | 61.88 | 65.32 | 73.93 | 86.28 | 129.22 | 143.59 | 184.32 | 224.78 |
| Asirvad Microfinance Ltd | 52.81 | 56.36 | 46.03 | 52.30 | 175.25 | 183.59 | 172.06 | 196.21 |
| **Muthoot Microfin Ltd** | **71.27** | **65.92** | **72.56** | **79.03** | **201.31** | **199.88** | **233.70** | **273.85** |
| IIFL Samasta Finance Ltd | 60.60 | 77.60 | 80.30 | 76.40 | 149.12 | 190.32 | 225.14 | 259.27 |
| Annapurna Finance Pvt Ltd | 55.84 | 55.26 | 66.55 | 69.10 | 137.29 | 150.25 | 189.28 | 209.24 |
| Svatantra Microfin Pvt Ltd | 58.34 | 69.61 | 78.71 | 87.06 | 117.74 | 144.29 | 179.77 | 207.80 |
| Satin Creditcare Network Ltd | 63.74 | 71.96 | 62.28 | 64.31 | 189.71 | 195.56 | 171.36 | 179.84 |
| Spandana Sphoorty Financial Ltd | 67.61 | 77.37 | 58.64 | 63.57 | 243.89 | 288.62 | 209.22 | 225.75 |
| Belstar Microfinance Ltd | 39.12 | 50.83 | 59.88 | 65.04 | 152.19 | 194.06 | 234.68 | 254.29 |
| **Banks and SFBs^** | | | | | | | | |
| Bandhan Bank | 157.59 | 163.92 | 176.16 | 170.87 | NA | NA | 1755.09 | 1,707.60 |
| Equitas SFB | 179.94 | 208.19 | 237.02 | 276.53 | NA | NA | NA | NA |
| Ujjivan SFB | 246.14 | 263.30 | 315.86 | 366.14 | 580.04 | 610.48 | 732.34 | 782.62 |
| Jana SFB | 170.19 | 198.50 | 0.00 | NA | NA | NA | NA | NA |
| ESAF SFB | 144.22 | 147.70 | 202.38 | 0.00 | NA | NA | NA | NA |
| Utkarsh SFB | 130.30 | 150.81 | 154.97 | 0.00 | 381.85 | 447.61 | 474.59 | NA |
| Fincare SFB | 75.18 | 65.53 | 76.56 | 0.00 | 301.98 | 195.61 | 286.02 | NA |
| Suryoday SFB | 77.78 | 71.64 | 84.09 | 94.71 | NA | NA | NA | NA |

Notes:
^For SFBs, total loan advances have been considered as GLP
NA – Not available
*Source: MFIN, company reports, CRISIL MI&A Research*

Ticket size of Muthoot Microfin based on disbursements increased at a steady 9MYTD growth rate of 6% in FY23. Average portfolio outstanding per account also increased by 16% during the same period. Muthoot Microfin ranked lower in terms of average ticket size based on disbursements, however, ranks fourth in terms of average portfolio outstanding per account as of Dec'FY23.

| Productivity metrics | Average ticket size based on disbursements (Rs) | | | | Average portfolio outstanding per account (Rs) | | | |
|---|---|---|---|---|---|---|---|---|
| Top 10 NBFC-MFIs | FY20 | FY21 | FY22 | 9MFY23 | As of FY20 | As of FY21 | As of FY22 | 9MFY23 |
| CreditAccess Grameen Ltd | 20,000 | 35,938 | 37,576 | 34,592 | 17,920 | 26,884 | 30,223 | 26,442 |
| Fusion Micro Finance Ltd | 29,801 | 32,113 | 35,668 | 36,793 | 19,539 | 21,550 | 23,873 | 24,789 |
| Asirvad Microfinance Ltd | 22,628 | 29,268 | 39,070 | 49,040 | 14,570 | 15,866 | 19,749 | 22,952 |
| **Muthoot Microfin Ltd** | **33,164** | **33,855** | **34,252** | **36,461** | **21,833** | **21,840** | **22,889** | **26,520** |
| IIFL Samasta Finance Ltd | 27,279 | 33,900 | 39,294 | 42,220 | 18,653 | 23,734 | 29,770 | 15,560 |
| Annapurna Finance Pvt Ltd | 35,207 | 35,989 | 40,198 | 52,915 | 22,672 | 23,537 | 24,469 | 31,995 |
| Svatantra Microfin Pvt Ltd | 36,252 | 36,517 | 37,399 | 37,512 | 10,661 | 13,114 | 26,581 | 24,999 |
| Satin Creditcare Network Ltd | 31,486 | 33,113 | 42,113 | 42,223 | 19,974 | 24,419 | 24,246 | 27,278 |
| Spandana Sphoorty Financial Ltd | 34,308 | 45,318 | 45,025 | 47,382 | 22,300 | 31,012 | 24,753 | 29,847 |
| Belstar Microfinance Ltd | 30,747 | 34,430 | 35,025 | 39,978 | 13,723 | 18,635 | 23,686 | 18,502 |

*Source: MFIN, company reports, CRISIL MI&A Research*

**Muthoot Microfin stood fifth in terms of branches per district among top 10 NBFC-MFIs in FY22 and Dec'FY23**

Muthoot Microfin had the fifth highest number of branches per district of 3.46 as on Dec' FY23 and of 3.22 in financial year 2022, which indicates that there still exists scope for the financier to increase its penetration in existing states.

| Productivity metrics | No of branches per district | | | |
|---|---|---|---|---|
| Top 10 NBFC-MFIs | As of March 31,20 | As of March 31,21 | As of March 31,22 | As of Dec,22 |
| CreditAccess Grameen Ltd | 4.04 | 3.90 | 3.87 | 3.83 |
| Fusion Micro Finance Ltd | 2.09 | 2.20 | 2.49 | 2.61 |
| Asirvad Microfinance Ltd | 3.32 | 3.26 | 3.74 | 3.78 |
| **Muthoot Microfin Ltd** | **2.82** | **3.03** | **3.22** | **3.46** |
| IIFL Samasta Finance Ltd | 2.46 | 2.45 | 2.80 | 3.39 |
| Annapurna Finance Pvt Ltd | 2.46 | 2.72 | 2.84 | 3.03 |
| Svatantra Microfin Pvt Ltd | 2.02 | 2.07 | 2.28 | 2.39 |
| Satin Creditcare Network Ltd | 2.98 | 2.72 | 2.75 | 2.80 |
| Spandana Sphoorty Financial Ltd | 3.61 | 3.73 | 3.57 | 3.55 |
| Belstar Microfinance Ltd | 3.89 | 3.82 | 3.92 | 4.97 |

*Source: MFIN, CRISIL MI&A Research*

**Muthoot Microfin Ltd exhibited better customer retention than the median of leading players as on March 22**

The customer retention ratio, which indicates how many customers an MFI is able to retain over a specified time period, is an important indicator of business stability. As per Equifax, the median customer retention ratio for the top 15 players (four banks, eight NBFC-MFIs and NBFCs, three SFBs and 1 NBFC) declined from 75.6% as of March 2021 (March 21 vs March 20) to 71.8% as of March 2022 (March 22 vs March 21). Muthoot Microfin Ltd has a better corresponding ratio than the industry median at 86% and 84% respectively.

Muthoot Microfin had the second lowest credit cost in FY22 among top 10 NBFC-MFIs indicating its ability to effectively manage its credit risk and in turn maintain a robust portfolio quality

| **FY22** | **Yields on advances** | **Cost of borrowing** | NIM | **Opex ratio** | **Cost to income ratio** | **Credit costs** |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 19.16% | 8.18% | 9.72% | 3.94% | 35.99% | 3.27% |
| Fusion Micro Finance Ltd | 20.56% | 9.72% | 8.66% | 4.76% | 44.26% | 5.62% |
| Asirvad Microfinance Ltd | 22.14% | 11.22% | 9.64% | 6.51% | 49.65% | 6.28% |
| **Muthoot Microfin Ltd** | **18.04%** | **9.70%** | **7.50%** | **6.69%** | **65.02%** | **2.27%** |
| IIFL Samasta Finance Ltd | 20.54% | 8.96% | 10.91% | 8.65% | 74.77% | 1.83% |
| Annapurna Finance Pvt Ltd | 21.33% | 10.16% | 6.62% | 5.75% | 63.07% | 3.00% |
| Svatantra Microfin Pvt Ltd | 17.48% | 9.56% | 6.37% | 5.18% | 54.33% | 3.03% |
| Satin Creditcare Network Ltd | 21.31% | 10.47% | 7.46% | 5.58% | 64.44% | 2.30% |
| Spandana Sphoorty Financial Ltd | 20.81% | 11.64% | 9.69% | 4.56% | 39.55% | 6.13% |
| Belstar Microfinance Ltd | 20.84% | 9.17% | 9.61% | 5.76% | 52.91% | 3.73% |
| **Banks and SFBs** | | | | | | |
| Bandhan Bank | 13.88% | 4.88% | 6.86% | 2.78% | 30.54% | 6.21% |
| Equitas SFB | 17.33% | 6.75% | 7.89% | 6.60% | 66.12% | 1.91% |
| Ujjivan SFB | 16.73% | 5.70% | 8.07% | 6.80% | 71.68% | 5.19% |
| Jana SFB | 19.60% | 7.58% | 7.08% | 5.80% | 66.46% | 2.90% |
| ESAF SFB | 17.44% | 5.99% | 7.64% | 5.74% | 63.69% | 2.78% |
| Utkarsh SFB | 17.85% | 6.92% | 7.80% | 5.41% | 59.11% | 3.15% |
| Fincare SFB | 21.45% | 7.07% | 9.28% | 6.85% | 60.01% | 4.51% |
| Suryoday SFB | 18.72% | 6.31% | 7.85% | 5.55% | 60.93% | 5.26% |

*Source: Company reports, CRISIL MI&A Research*

| **FY21** | **Yields on advances** | **Cost of borrowing** | **NIM** | **Opex ratio** | **Cost to income ratio** | **Credit costs** |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 19.67% | 8.92% | 9.74% | 4.60% | 41.65% | 5.54% |
| Fusion Micro Finance Ltd | 20.92% | 10.13% | 8.98% | 4.37% | 44.26% | 4.38% |
| Asirvad Microfinance Ltd | 20.22% | 10.15% | 8.52% | 4.93% | 46.66% | 5.11% |
| **Muthoot Microfin Ltd** | **20.67%** | **10.08%** | **7.77%** | **6.20%** | **64.61%** | **3.18%** |
| IIFL Samasta Finance Ltd | 21.77% | 9.25% | 12.28% | 7.93% | 62.59% | 2.41% |
| Annapurna Finance Pvt Ltd | 22.67% | 11.63% | 7.52% | 5.17% | 58.50% | 3.64% |
| Svatantra Microfin Pvt Ltd | 17.92% | 10.53% | 5.68% | 5.25% | 59.08% | 2.48% |
| Satin Creditcare Network Ltd | 20.17% | 11.34% | 6.64% | 5.19% | 59.47% | 3.66% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Spandana Sphoorty Financial Ltd | 22.71% | 10.16% | 12.72% | 3.22% | 21.96% | 8.96% |
| Belstar Microfinance Ltd | 20.79% | 9.99% | 9.65% | 6.05% | 56.77% | 2.70% |
| **Banks and SFBs** | | | | | | |
| Bandhan Bank | 14.69% | 5.89% | 7.32% | 2.73% | 29.39% | 3.70% |
| Equitas SFB | 18.96% | 7.66% | 8.17% | 6.04% | 59.99% | 1.70% |
| Ujjivan SFB | 18.22% | 6.93% | 8.91% | 6.34% | 60.58% | 4.08% |
| Jana SFB | 21.34% | 8.30% | 7.60% | 6.30% | 69.90% | 2.21% |
| ESAF SFB | 20.03% | 7.60% | 8.45% | 5.79% | 60.24% | 2.53% |
| Utkarsh SFB | 19.12% | 8.23% | 7.79% | 5.06% | 56.54% | 2.33% |
| Fincare SFB | 22.70% | 8.63% | 9.29% | 6.14% | 55.93% | 2.90% |
| Suryoday SFB | 17.73% | 8.09% | 6.80% | 5.44% | 67.50% | 2.42% |

*Source: Company reports, CRISIL MI&A Research*

| FY20 | Yields on advances | Cost of borrowing | NIM | Opex ratio | Cost to income ratio | Credit costs |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 20.69% | 8.99% | 11.70% | 4.30% | 35.87% | 2.62% |
| Fusion Micro Finance Ltd | 22.54% | 11.42% | 9.76% | 5.09% | 50.84% | 2.36% |
| Asirvad Microfinance Ltd | 22.75% | 10.65% | 9.91% | 4.61% | 33.88% | 1.82% |
| **Muthoot Microfin Ltd** | **22.30%** | **10.85%** | **8.34%** | **7.46%** | **49.36%** | **7.14%** |
| IIFL Samasta Finance Ltd | 24.73% | 10.15% | 14.48% | 8.77% | 49.81% | 2.03% |
| Annapurna Finance Pvt Ltd | 22.81% | 11.33% | 8.10% | 6.06% | 62.00% | 1.28% |
| Svatantra Microfin Pvt Ltd | 18.22% | 11.25% | 11.72% | 7.10% | 60.34% | 2.65% |
| Satin Creditcare Network Ltd | 21.07% | 12.07% | 7.24% | 6.09% | 51.27% | 2.73% |
| Spandana Sphoorty Financial Ltd | 24.87% | 11.88% | 14.60% | 4.19% | 20.89% | 5.03% |
| Belstar Microfinance Ltd | 24.40% | 10.48% | 12.39% | 7.12% | 50.97% | 1.01% |
| **Banks and SFBs** | | | | | | |
| Bandhan Bank | 17.85% | 7.82% | 8.54% | 3.28% | 30.83% | 1.88% |
| Equitas SFB | 19.10% | 7.96% | 8.52% | 6.73% | 66.37% | 1.40% |
| Ujjivan SFB | 20.34% | 8.14% | 10.16% | 8.20% | 67.45% | 1.50% |
| Jana SFB | 22.66% | 9.41% | 8.57% | 9.87% | 80.58% | 2.12% |
| ESAF SFB | 22.32% | 8.72% | 9.58% | 7.27% | 64.93% | 0.83% |
| Utkarsh SFB | 21.78% | 8.82% | 9.32% | 6.09% | 57.58% | 0.58% |
| Fincare SFB | 24.92% | 9.66% | 10.96% | 7.55% | 55.76% | 2.59% |
| Suryoday SFB | 22.49% | 8.09% | 10.75% | 5.96% | 47.08% | 3.33% |

*Source: Company reports, CRISIL Research*

**Muthoot Microfin reported third highest growth rate in total income between FY20 and FY22**

Muthoot Microfin reported the third highest total income growth of 30.20% between fiscals 2020 and 2022 among the peers.

| Growth (y-o-y) | Total income | | | |
|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | **FY20** | **FY21** | **FY22** | **CAGR (FY20-FY22)** |
| CreditAccess Grameen Ltd | 36.1% | 20.6% | 12.8% | 16.63% |
| Fusion Micro Finance Ltd | 46.94% | 19.55% | 37.60% | 28.26% |
| Asirvad Microfinance Ltd | 48.70% | -2.16% | 29.94% | 12.75% |
| **Muthoot Microfin Ltd** | **15.50%** | **-19.67%** | **21.06%** | **30.20%** |
| IIFL Samasta Finance Ltd | 71.33% | 20.63% | 45.25% | 32.37% |
| Annapurna Finance Pvt Ltd | 50.52% | 25.33% | 17.98% | 21.60% |
| Svatantra Microfin Pvt Ltd | 119.36% | 42.97% | 48.33% | 45.63% |
| Satin Creditcare Network Ltd | 1.97% | -9.07% | -0.88% | -5.06% |
| Spandana Sphoorty Financial Ltd | 38.37% | 1.62% | -4.99% | -1.74% |
| Belstar Microfinance Ltd | 36.07% | 10.42% | 31.74% | 20.61% |
| **Banks and SFBs** | | | | |
| Bandhan Bank | 61.34% | 16.98% | 14.76% | 16.00% |
| Equitas SFB | 21.82% | 23.38% | 10.67% | 17.00% |
| Ujjivan SFB | 48.49% | 2.73% | 0.58% | 2.00% |
| Jana SFB | 77.21% | 12.70% | 11.62% | 12.16% |
| ESAF SFB | 35.54% | 14.37% | 21.44% | 17.85% |
| Utkarsh SFB | 49.78% | 21.28% | 19.22% | 20.00% |
| Fincare SFB | 80.11% | 13.38% | 19.53% | 16.42% |
| Suryoday SFB | 43.06% | -0.19% | 21.45% | 10.10% |

*Source: Company reports, CRISIL MI&A Research*

### Muthoot Microfin reported fifth fastest growth in PPOP among top 10 NBFC-MFIs between FY20 and FY22

| Growth (y-o-y) | NII | | | | PPOP | | | |
|---|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | **FY20** | **FY21** | **FY22** | **CAGR (FY20-FY22)** | **FY20** | **FY21** | **FY22** | **CAGR (FY20-FY22)** |
| CreditAccess Grameen Ltd | 28.54% | 7.88% | 17.55% | 12.61% | 34.74% | 2.59% | 27.71% | 9.22% |
| Fusion Micro Finance Ltd | 78.26% | 18.05% | 25.63% | 21.78% | 116.29% | 43.55% | 41.65% | 18.21% |
| Asirvad Microfinance Ltd | 29.90% | -0.77% | 21.87% | 9.97% | 98.20% | -27.72% | 26.20% | -67.26% |
| **Muthoot Microfin Ltd** | **11.48%** | **1.24%** | **13.92%** | **7.39%** | **7.48%** | **-51.85%** | **25.20%** | **8.82%** |
| IIFL Samasta Finance Ltd | 85.82% | 30.52% | 35.74% | 33.10% | 109.96% | -17.52% | -5.84% | -3.52% |
| Annapurna Finance Pvt Ltd | 48.96% | 18.62% | 8.04% | 13.21% | 38.83% | 26.43% | 12.49% | -18.28% |
| Svatantra Microfin Pvt Ltd | 134.22% | -21.21% | 68.03% | 15.06% | 218.59% | 26.67% | 79.55% | -20.83% |
| Satin Creditcare Network Ltd | -7.20% | -0.38% | 13.87% | 6.51% | 12.14% | -33.77% | -11.61% | 34.44% |
| Spandana Sphoorty Financial Ltd | 24.61% | 14.84% | -18.91% | -3.50% | 67.03% | -4.96% | -35.11% | -16.88% |
| Belstar Microfinance Ltd | 43.53% | 2.10% | 33.57% | 16.78% | 27.92% | -11.80% | 49.45% | 13.21% |
| **Banks and SFBs** | | | | | | | | |
| Bandhan Bank | 40.66% | 19.60% | 15.21% | 17.39% | 45.30% | 24.28% | 18.39% | 15.41% |

| Growth (y-o-y) | NII | | | | PPOP | | | |
|---|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | **FY20** | **FY21** | **FY22** | **CAGR (FY20-FY22)** | **FY20** | **FY21** | **FY22** | **CAGR (FY20-FY22)** |
| Equitas SFB | 29.80% | 20.26% | 13.41% | 16.79% | 15.45% | 48.28% | -1.53% | 3.14% |
| Ujjivan SFB | 47.65% | 5.81% | 2.63% | 4.21% | 106.01% | 25.74% | -26.17% | -6.00% |
| Jana SFB | 131.43% | 24.92% | 10.03% | 17.24% | -148.66% | 60.73% | 27.46% | NM |
| ESAF SFB | 38.12% | 16.37% | 24.47% | 20.35% | 41.61% | 28.52% | 17.96% | 21.91% |
| Utkarsh SFB | 46.57% | 15.12% | 26.40% | 20.63% | 52.29% | 19.36% | 21.55% | 13.36% |
| Fincare SFB | 64.48% | 13.28% | 24.99% | 19.00% | 125.39% | 7.98% | 18.08% | 9.00% |
| Suryoday SFB | 44.77% | -16.31% | 42.38% | 9.16% | -48.26% | 0.00% | 67.41% | -11.42% |

*Source: Company reports, CRISIL MI&A Research*

**Muthoot Microfin registered positive PAT growth in financial 2022, after negative growth over previous two years, while top players such as Fusion Micro Finance Ltd and Asirvad Microfinance Ltd continued to report negative PAT growth**

| Growth (y-o-y) | PAT | | |
|---|---|---|---|
| **Top 10 NBFC-MFIs** | **FY20** | **FY21** | **FY22** |
| CreditAccess Grameen Ltd | 1.78% | -56.52% | 168.38% |
| Fusion Micro Finance Ltd | 37.55% | -36.86% | -50.62% |
| Asirvad Microfinance Ltd | 55.01% | -92.82% | -20.44% |
| **Muthoot Microfin Ltd** | **-90.94%** | **-61.25%** | **571.93%** |
| IIFL Samasta Finance Ltd | 101.69% | -37.91% | -24.04% |
| Annapurna Finance Pvt Ltd | 32.62% | -97.80% | 841.21% |
| Svatantra Microfin Pvt Ltd | 75.23% | -7.55% | 73.57% |
| Satin Creditcare Network Ltd | -19.45% | NM | NM |
| Spandana Sphoorty Financial Ltd | 9.04% | -61.71% | -63.85% |
| Belstar Microfinance Ltd | 35.85% | -52.83% | -3.26% |
| **Banks and SFBs** | | | |
| Bandhan Bank | 54.96% | -27.07% | -94.30% |
| Equitas SFB | 15.69% | 57.73% | -26.87% |
| Ujjivan SFB | 75.65% | -97.63% | NM |
| Jana SFB | NM | NM | -93.59% |
| ESAF SFB | 110.88% | -44.65% | -48.07% |
| Utkarsh SFB | 98.93% | -40.12% | -45.04% |
| Fincare SFB | 40.66% | -21.13% | -92.16% |
| Suryoday SFB | 28.11% | -89.31% | NM |

Note: NM: Not Meaningful
*Source:/ Company reports, CRISIL MI&A Research*

**Muthoot Microfin reported fifth highest ROE and fourth highest ROA among top 10 NBFC-MFIs in FY22**

| | ROE (%) | ROA (%) |
|---|---|---|

| Players | FY20 | FY21 | FY22 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 12.99% | 4.51% | 10.09% | 3.63% | 1.22% | 2.78% |
| Fusion Micro Finance Ltd | 7.63% | 3.60% | 1.68% | 1.77% | 0.87% | 0.33% |
| Asirvad Microfinance Ltd | 25.49% | 1.61% | 1.26% | 4.62% | 0.29% | 0.21% |
| **Muthoot Microfin Ltd** | **2.03%** | **0.79%** | **4.26%** | **0.48%** | **0.17%** | **0.97%** |
| IIFL Samasta Finance Ltd | 27.67% | 11.50% | 6.14% | 4.67% | 1.88% | 0.94% |
| Annapurna Finance Pvt Ltd | 11.98% | 0.24% | 2.20% | 2.01% | 0.03% | 0.26% |
| Svatantra Microfin Pvt Ltd | 11.43% | 5.94% | 6.50% | 1.49% | 0.85% | 0.98% |
| Satin Creditcare Network Ltd | 12.00% | -0.92% | 2.60% | 2.26% | -0.18% | 0.53% |
| Spandana Sphoorty Financial Ltd | 14.98% | 4.84% | 1.62% | 6.21% | 1.80% | 0.61% |
| Belstar Microfinance Ltd | 22.03% | 8.98% | 6.46% | 4.33% | 1.56% | 1.12% |
| **Banks and SFBs** | | | | | | |
| Bandhan Bank | 22.91% | 13.53% | 0.72% | 4.08% | 2.13% | 0.10% |
| Equitas SFB | 9.75% | 12.51% | 7.35% | 1.39% | 1.75% | 1.09% |
| Ujjivan SFB | 14.04% | 0.26% | -13.97% | 2.18% | 0.04% | -1.89% |
| Jana SFB | 3.51% | 7.77% | 0.46% | 0.26% | 0.51% | 0.03% |
| ESAF SFB | 19.25% | 8.65% | 3.97% | 2.30% | 0.97% | 0.36% |
| Utkarsh SFB | 20.84% | 9.37% | 4.18% | 2.39% | 1.04% | 0.45% |
| Fincare SFB | 18.28% | 11.78% | 0.80% | 2.54% | 1.50% | 0.09% |
| Suryoday SFB | 11.40% | 0.89% | -6.00% | 2.43% | 0.20% | -1.25% |

*Source: Company reports, CRISIL MI&A Research*

| Growth (y-o-y) | Earnings Per Share | | |
|---|---|---|---|
| **Top 10 NBFC-MFIs** | **FY20** | **FY21** | **FY22** |
| CreditAccess Grameen Ltd | 22.78 | 9.52 | 24.54 |
| Fusion Micro Finance Ltd | 10.47 | 5.56 | 2.67 |
| Asirvad Microfinance Ltd | 44.14 | 3.17 | 2.52 |
| **Muthoot Microfin Ltd** | **1.59** | **0.62** | **4.15** |
| IIFL Samasta Finance Ltd | 5.47 | 2.38 | 1.22 |
| Annapurna Finance Pvt Ltd | 12.08 | 0.26 | 2.40 |
| Svatantra Microfin Pvt Ltd | 1.23 | 0.79 | 0.88 |
| Satin Creditcare Network Ltd | 29.07 | (2.19) | 5.76 |
| Spandana Sphoorty Financial Ltd | 53.85 | 20.05 | 7.22 |
| Belstar Microfinance Ltd | 26.39 | 12.43 | 12.01 |
| Banks and SFBs | | | |
| Bandhan Bank | 18.78 | 13.7 | 0.78 |
| Equitas SFB | 2.39 | 3.53 | 2.43 |

| Growth (y-o-y) | Earnings Per Share | | |
|---|---|---|---|
| Top 10 NBFC-MFIs | FY20 | FY21 | FY22 |
| Ujjivan SFB | 2.19 | 0.05 | -2.40 |
| Jana SFB | 6.21 | 16.62 | 1.06 |
| ESAF SFB | 4.45 | 2.46 | 1.22 |
| Utkarsh SFB | 2.49 | 1.46 | 0.70 |
| Fincare SFB | 24.43 | 5.55 | 0.38 |
| Suryoday SFB | 13.38 | 1.32 | -8.76 |

*Source: Company reports, CRISIL MI&A Research*

**Muthoot Microfin had third highest capital adequacy among top 10 NBFC-MFIs in FY22**

Muthoot Microfinance had the third highest capital adequacy among the peers in financial year 2022. Spandana Sphoorty had the highest capital adequacy of 50.74%.

| Growth (y-o-y) | Debt to equity ratio (x) | | | Capital adequacy ratio (%) | | | |
|---|---|---|---|---|---|---|---|
| Top 10 NBFC-MFIs | As of FY20 | As of FY21 | As of FY22 | As of FY20 | As of FY21 | As of FY22 | As of Dec,22 |
| CreditAccess Grameen Ltd | 2.93 | 2.42 | 2.66 | 23.60 | 31.75 | 26.54 | 28.40 |
| Fusion Micro Finance Ltd | 2.48 | 3.56 | 4.32 | 35.82 | 27.26 | 21.94 | 28.15 |
| Asirvad Microfinance Ltd | 4.22 | 4.38 | 5.19 | 25.37 | 23.33 | 20.81 | 21.60 |
| **Muthoot Microfin Ltd** | 3.22 | 3.39 | 2.99 | 29.09 | 22.55 | 28.75 | 22.96 |
| IIFL Samasta Finance Ltd | 3.81 | 5.49 | 5.26 | 25.80 | 18.60 | 17.83 | NA |
| Annapurna Finance Pvt Ltd | 5.10 | 6.40 | 7.83 | 26.74 | 27.71 | 29.78 | 26.48 |
| Svatantra Microfin Pvt Ltd | 6.57 | 5.36 | 5.53 | 20.55 | 21.88 | 25.65 | 22.28 |
| Satin Creditcare Network Ltd | 3.35 | 4.04 | 3.40 | 23.60 | 25.30 | 27.84 | 27.00 |
| Spandana Sphoorty Financial Ltd | 1.16 | 1.91 | 1.20 | 47.44 | 39.20 | 50.74 | 39.13 |
| Belstar Microfinance Ltd | 3.81 | 5.16 | 4.16 | 25.67 | 22.24 | 24.06 | 22.74 |

*Source: Company reports, CRISIL MI&A Research*

| Growth (y-o-y) | Tier 1 Capital Ratio (%) | | |
|---|---|---|---|
| Top 10 NBFC-MFIs | As of FY20 | As of FY21 | As of FY22 |
| CreditAccess Grameen Ltd | 22.30 | 30.50 | 25.87 |
| Fusion Micro Finance Ltd | 33.08 | 25.52 | 19.93 |
| Asirvad Microfinance Ltd | 24.32 | 19.64 | 16.40 |
| **Muthoot Microfin Ltd** | **27.44** | **21.8** | **28.38** |
| IIFL Samasta Finance Ltd | 20.97 | 15.14 | 15.85 |
| Annapurna Finance Pvt Ltd | 20.36 | 21.94 | 25.07 |
| Svatantra Microfin Pvt Ltd | 16.63 | 17.43 | 16.96 |
| Satin Creditcare Network Ltd | 22.08 | 19.73 | 23.25 |
| Spandana Sphoorty Financial Ltd | 47.27 | 39.74 | 50.55 |

| Growth (y-o-y) | Tier 1 Capital Ratio (%) | | |
|---|---|---|---|
| **Top 10 NBFC-MFIs** | **As of FY20** | **As of FY21** | **As of FY22** |
| Belstar Microfinance Ltd | 21.50 | 16.64 | 20.96 |
| Banks and SFBs | | | |
| Bandhan Bank | 25.19 | 22.48 | 18.89 |
| Equitas SFB | 22.44 | 23.23 | 24.53 |
| Ujjivan SFB | 28.01 | 25.06 | 17.70 |
| Jana SFB | 13.12 | 11.75 | 11.83 |
| ESAF SFB | 20.99 | 21.54 | 16.16 |
| Utkarsh SFB | 19.41 | 19.98 | 18.08 |
| Fincare SFB | 23.46 | 24.91 | 19.48 |
| Suryoday SFB | 34.30 | 47.23 | 34.44 |

*Source: Company reports, CRISIL MI&A Research*

**NBFC-MFIs raised funds during the COVID-19 pandemic to maintain liquidity and support their operations, through various sources, mainly banks and financial institutions**

Muthoot Microfin has third lowest gearing amongst its peers as on March 22

| Total borrowings (Rs. million) | FY20 | FY21 | FY22 | Gearing as on March 31,22(x) | Growth y-o-y FY20 | Growth y-o-y FY21 | Growth y-o-y FY22 |
|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | | |
| CreditAccess Grameen Ltd | 78,220 | 87,807 | 104,851 | 2.66 | 66.14% | 12.26% | 19.41% |
| Fusion Micro Finance Ltd | 29,720 | 44,323 | 57,758 | 4.30 | 1.50% | 49.13% | 30.31% |
| Asirvad Microfinance Ltd | 43,843 | 46,272 | 55,588 | 5.20 | 32.70% | 5.54% | 20.13% |
| **Muthoot Microfin Ltd** | **29,214** | **30,157** | **39,966** | **3.00** | **19.92%** | **3.23%** | **32.53%** |
| IIFL Samasta Finance Ltd | 19,403 | 35,649 | 52,589 | 5.30 | 24.50% | 83.73% | 47.52% |
| Annapurna Finance Pvt Ltd | 39,074 | 48,844 | 62,124 | 7.00 | 42.25% | 25.00% | 27.19% |
| Svatantra Microfin Pvt Ltd | 22,065 | 30,650 | 48,043 | 5.50 | 231.36% | 38.90% | 56.75% |
| Satin Creditcare Network Ltd | 48,650 | 60,256 | 54,628 | 3.40 | 3.62% | 23.86% | -9.34% |
| Spandana Sphoorty Financial Ltd | 30,161 | 51,975 | 36,315 | 1.20 | 2.42% | 72.33% | -30.13% |
| Belstar Microfinance Ltd | 18,954 | 27,956 | 35,570 | 4.20 | 19.76% | 47.50% | 27.24% |

*Source: Company reports, CRISIL MI&A Research*

**Muthoot Microfinance had second lowest GNPA ratio among the selected NBFC-MFIs as on Dec,FY22**

| GNPA | As of FY20 | As of FY21 | As of FY22 | As of Dec'FY23 |
|---|---|---|---|---|
| CreditAccess Grameen Ltd | 1.57% | 4.38% | 3.12% | 1.48% |
| Fusion Micro Finance Ltd | 1.12% | 5.50% | 5.70% | 3.69% |
| Asirvad Microfinance Ltd | 1.60% | 2.50% | 1.67% | 6.70% |
| **Muthoot Microfin Ltd** | **8.10%** | **7.39%** | **6.26%** | **3.26%** |
| IIFL Samasta Finance Ltd | 2.80% | 1.80% | 3.07% | NA |

| GNPA | As of FY20 | As of FY21 | As of FY22 | As of Dec'FY23 |
|---|---|---|---|---|
| Annapurna Finance Pvt Ltd | 1.36% | 7.36% | 9.80% | 6.88% |
| Svatantra Microfin Pvt Ltd | 1.29% | 2.13% | 3.38% | NA |
| Satin Creditcare Network Ltd | 1.57% | 8.40% | 8.01% | 3.92% |
| Spandana Sphoorty Financial Ltd | 0.35% | 5.76% | 17.70% | 5.10% |
| Belstar Microfinance Ltd | 1.03% | 2.72% | 6.75% | 7.37% |
| **Banks and SFBs** | | | | |
| Bandhan Bank | 1.48% | 6.81% | 6.46% | 7.20% |
| Equitas SFB | 2.72% | 3.59% | 4.24% | 3.46% |
| Ujjivan SFB | 0.90% | 7.10% | 7.10% | 3.40% |
| Jana SFB | 2.80% | 6.71% | 4.98% | NA |
| ESAF SFB | 1.53% | 6.70% | 7.83% | 7.24% |
| Utkarsh SFB | 0.71% | 3.75% | 6.10% | 0.00% |
| Fincare SFB | 0.90% | 6.42% | 7.80% | 3.65% |
| Suryoday SFB | 2.80% | 9.40% | 11.80% | 4.20% |

*Source: Company reports, CRISIL MI&A Research*

**Muthoot Microfin had second lowest net NPA ratio among the selected NBFC-MFIs as on Dec' FY23**

| NNPA | As of FY17 | As of FY18 | As of FY19 | As of FY20 | As of FY21 | As of FY22 | As of Dec'FY23 |
|---|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | | |
| CreditAccess Grameen Ltd | 0.00% | 0.03% | 0.17% | 0.37% | 1.37% | 0.94% | 0.42% |
| Fusion Micro Finance Ltd | 0.14% | 0.16% | 0.56% | 0.39% | 2.20% | 1.60% | 0.98% |
| Asirvad Microfinance Ltd | 1.30% | 0.00% | 0.00% | 0.00% | 0.00% | 0.32% | 1.70% |
| **Muthoot Microfin Ltd** | **0.26%** | **1.97%** | **1.21%** | **4.05%** | **1.42%** | **1.55%** | **0.88%** |
| IIFL Samasta Finance Ltd | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | NA |
| Annapurna Finance Pvt Ltd | 0.03% | 0.30% | 0.65% | 0.84% | 2.79% | 2.63% | 2.59% |
| Svatantra Microfin Pvt Ltd | 0.00% | 0.66% | 0.55% | 0.68% | 1.13% | 1.51% | NA |
| Satin Creditcare Network Ltd | 0.25% | 4.90% | 2.30% | 0.37% | 4.75% | 2.47% | 1.49% |
| Spandana Sphoorty Financial Ltd | 1.59% | 0.08% | 0.02% | 0.07% | 3.26% | 12.10% | 2.30% |
| Belstar Microfinance Ltd | 0.01% | 0.31% | 0.14% | 0.42% | 0.59% | 1.48% | 2.03% |
| **Banks and SFBs** | | | | | | | |
| Bandhan Bank | 0.30% | 0.58% | 0.58% | 0.58% | 3.51% | 1.66% | 1.90% |
| Equitas SFB | 1.51% | 1.46% | 1.44% | 1.66% | 1.52% | 2.37% | 2.07% |
| Ujjivan SFB | 0.03% | 0.69% | 0.30% | 0.20% | 2.90% | 0.60% | 0.10% |
| Jana SFB | 0.60% | 27.72% | 4.39% | 1.30% | 4.84% | 3.43% | NA |
| ESAF SFB | 0.25% | 2.69% | 0.77% | 0.64% | 3.88% | 3.92% | 3.78% |
| Utkarsh SFB | 0.00% | 1.09% | 0.12% | 0.18% | 1.33% | 2.31% | NA |
| Fincare SFB | 0.38% | 0.81% | 0.34% | 0.40% | 2.80% | 3.60% | 2.63% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Suryoday SFB | 3.80% | 1.86% | 0.44% | 0.60% | 4.70% | 5.90% | 5.00% |

Note: NNPA ratio is net NPAs to net advances as reported by the company

*Source: Company reports, CRISIL MI&A Research*

Most NBFC-MFIs had high average interest rate of 19-22% yearly on a declining balance basis. However, these interest rates are much lower than those charged by village moneylenders (typically 30-45%). Muthoot Microfin is one of the youngest NBFC-MFI players with a relatively strong credit rating of CRISIL 'A+'. Muthoot Microfin has also been graded as M1C1 in capacity assessment and code of conduct assessment by CRISIL.

| Top 10 NBFC-MFIs | Date of incorporation | NBFC-MFI / SFB status date | Credit rating as of March 2023 | Weighted average interest rate (March 2022) |
|---|---|---|---|---|
| CreditAccess Grameen Ltd | 1991 | 2013 | ICRA AA-, CRISIL A+, IND AA- | 19.14% |
| Fusion Micro Finance Ltd | 1994 | 2014 | CRISIL A, ICRA A, CARE A | 21.01% |
| Asirvad Microfinance Ltd | 2007 | 2007 | CRISIL AA- | 20.50% |
| **Muthoot Microfin Ltd** | **1992*** | **2015** | **CRISIL A+, IND A** | **20.25%** |
| IIFL Samasta Finance Ltd | 1995 | 2008 | CRISIL AA-, ICRA A+ | 21.62% |
| Annapurna Finance Pvt Ltd | 1986 | 2013 | CRISIL A-, ICRA A-, CARE A- | 20.88% |
| Svatantra Microfin Pvt Ltd | 2012 | 2013 | CRISIL A+, ICRA A+, CARE AA-, | 20.70% |
| Satin Creditcare Network Ltd | 1990 | 2013 | ICRA A-, CARE BBB+ | 21.70% |
| Spandana Sphoorty Financial Ltd | 2003 | 2015 | CRISIL A , ICRA A-, IND A, | 21.34% |
| Belstar Microfinance Ltd | 1988 | 2013 | CRISIL AA-, ACUITE AA, CARE AA-, ICRA A+ | 18.77% |

*Source: MFIN, CRISIL MI&A Research*

**Competitive technological advantage with presence of customer app for Muthoot's customer acquisition**

| | Name of the customer app | No of downloads |
|---|---|---|
| **NBFC-MFIs** | | |
| CreditAccess Grameen Ltd | NA | - |
| Fusion Micro Finance Ltd | NA | - |
| Satin Creditcare Network Ltd | Satin Creditcare Network LLP | 5 lakh+ |
| Asirvad Microfinance Ltd | Asirvad OGL | 10K+ |
| **Muthoot Microfin Ltd** | **Muthoot Mahila Mitra** | **5 lakh+** |
| IIFL Samasta Finance Ltd ., | IIFL Samasta Sakhi | 1 lakh+ |
| Annapurna Finance Pvt Ltd | NA | - |
| Svatantra Microfin Pvt Ltd | NA | - |
| Spandana Sphoorty Financial Ltd | NA | - |
| Belstar Microfinance Ltd | Belstar-Samrithi | 1 lakh+ |
| **Banks and SFBs** | | |
| Bandhan Bank | Mbandhan | 10 lakh+ |
| Equitas Small Finance Bank Ltd | Equitas mobile banking | 10 lakh+ |
| Ujjivan Small Finance Bank Ltd | Ujjivan mobile banking | 10 lakh+ |
| Fincare Small Finance Bank Ltd | Fincare Mobile banking | 10 lakh+ |
| Utkarsh SFB | Utkarsh Mobile | 1 lakh+ |
| Suryoday SFB | Suryoday mobile banking | 1 lakh+ |
| ESAF SFB | ESAF bank | 5 lakh+ |

*Source: CRISIL MI&A Research*
*Note: Downloads data as at on 11$^{th}$ May 2023*

**Muthoot Finance has automated and digitalised the loan process**

Muthoot Microfin has undertaken digitalization across multiple stages of its lending process, including sourcing, underwriting, and disbursement. In terms of sourcing, it has implemented digital channels and platforms to facilitate the collection of customer information and loan applications. Through online portals, mobile applications, and other digital touchpoints, customers can initiate the loan application process.

Digitalization has also played a crucial role in underwriting at Muthoot Microfin. The company has leveraged technologies and developed automated scorecards, to automate and optimize its underwriting processes. By analyzing applicant data, including financial records, credit history, and other relevant parameters, the digital underwriting system can assess creditworthiness more accurately and efficiently.

Additionally, digitalization has transformed the disbursement process at Muthoot Microfin. Through digital payment systems and electronic fund transfers, loan disbursements are executed swiftly and securely. This eliminates the need for physical cash transactions, reducing the associated risks and providing greater convenience to borrowers. Muthoot Microfin provides a range of digital payment methods to facilitate convenient and secure transactions for its customers. This includes UPI, Mahila Mitra App, Web Link, QR code, Whatsapp, Assist (SMS), UPI (Unified Payments Interface)

**Muthoot Microfin has a diversified portfolio with funding through financial institutions, debentures, commercial papers and securitisation. Its dependence on financial institutions have reduced from 81.88% in FY17 to 72.81% in FY22 on account of newer sources of borrowings such as securitisation**

| Borrowing mix (FY22) | Bonds & debentures | Loans from banks & financial institutions | Bank overdraft | ECB | Commercial paper | Others |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 13.09% | 84.91% | - | 2.00% | - | - |
| Fusion Micro Finance Ltd | 16.38% | 82.15% | - | 1.46% | - | - |
| Asirvad Microfinance Ltd | 30.67% | 69.33% | - | - | - | - |
| **Muthoot Microfin Ltd** | **15.64%** | **72.81%** | - | - | **1.24%** | **10.31%** |
| Annapurna Finance Ltd | 34.82% | 56.40% | - | 8.73% | - | 0.05% |
| IIFL Samasta Finance Ltd | 11.99% | 87.48% | 0.05% | - | 0.48% | - |
| Satin Creditcare Network Ltd | 25.25% | 55.80% | 3.55% | 5.64% | 0.45% | 9.30% |
| Svatantra Microfin Pvt Ltd | 4.46% | 86.63% | - | - | - | 8.91% |
| Spandana Sphoorty Financial Ltd | 48.42% | 51.58% | - | - | - | - |
| Belstar Microfinance Ltd | 14.63% | 85.37% | - | - | - | - |

*Source: Company reports, CRISIL MI&A Research*

| Borrowing mix (FY17) | Bonds & debentures | Loans from banks & financial institutions | Bank overdraft | ECB | Commercial paper | Others |
|---|---|---|---|---|---|---|
| **Top 10 NBFC-MFIs** | | | | | | |
| CreditAccess Grameen Ltd | 28.10% | 71.90% | 0.00% | 0.00% | 0.00% | 0.00% |
| Fusion Micro Finance Ltd | 38.83% | 61.16% | 0.00% | 0.00% | 0.00% | 0.01% |
| Asirvad Microfinance Ltd | 33.97% | 64.41% | 1.57% | 0.00% | 0.00% | 0.06% |
| **Muthoot Microfin Ltd** | **18.12%** | **81.88%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** |
| IIFL Samasta Finance Ltd | 27.47% | 72.34% | 0.00% | 0.00% | 0.00% | 0.19% |
| Satin Creditcare Network Ltd | 20.14% | 75.59% | 0.17% | 1.61% | 2.49% | 0.00% |
| Svatantra Microfin Pvt Ltd | 0.00% | 81.48% | 18.52% | 0.00% | 0.00% | 0.00% |
| Spandana Sphoorty Financial Ltd | 0.00% | 99.90% | 0.00% | 0.00% | 0.00% | 0.10% |
| Belstar Microfinance Ltd | 9.19% | 89.78% | 1.02% | 0.00% | 0.00% | 0.00% |

*Source: Company reports, CRISIL MI&A Research*

| Asset-Liability Mismatch (FY22) | Positive/Negative at overall level |
|---|---|
| **Top 10 NBFC-MFIs** | |
| CreditAccess Grameen Ltd | Positive |
| Fusion Micro Finance Ltd | Positive |
| Asirvad Microfinance Ltd | Negative to the extent of less than 0.5% of its liabilities |

| | |
|---|---|
| **Muthoot Microfin Ltd** | **Positive** |
| Annapurna Finance Pvt Ltd | NA |
| IIFL Samasta Finance Ltd | Positive |
| Satin Creditcare Network Ltd | Positive |
| Svatantra Microfin Pvt Ltd | Negative to the extent of ~2% of its liabilities |
| Spandana Sphoorty Financial Ltd | Positive |
| Belstar Microfinance Ltd | Positive |

*Note: Negative ALM is calculated as a percentage of liabilities*
*Source: Company reports, CRISIL MI&A Research*

### Muthoot Microfin has a strong leadership team

| | Date of incorporation | Team size of key managerial personnel (KMP) | Average of total experience (years) | Total Directors* | Proportion of Independent directors |
|---|---|---|---|---|---|
| **NBFC-MFIs** | | | | | |
| CreditAccess Grameen Ltd | 1991 | 16 | 22 | 7 | 57% |
| Fusion Micro Finance Ltd | 1994 | 8 | 20 | 6 | 50% |
| Satin Creditcare Network Ltd | 1990 | 12 | 23 | 8 | 63% |
| Asirvad Microfinance Ltd | 2007 | 3 | 19 | 12 | 67% |
| **Muthoot Microfin Ltd** | **1992** | **7** | **16** | **10** | **40%** |
| IIFL Samasta Finance Ltd | 1995 | 8 | 18 | 7 | 57% |
| Annapurna Finance Pvt Ltd | 1986 | 18 | Not Found | 14 | 21% |
| Svatantra Microfin Pvt Ltd | 2012 | 10 | 19 | 6 | 33% |
| Spandana Sphoorty Financial Ltd | 2003 | 7 | 18 | 10 | 40% |
| Belstar Microfinance Ltd | 1988 | 13 | 21 | 11 | 36% |
| **Banks and SFBs** | | | | | |
| Bandhan Bank | 2014 | 17 | 25 | 12 | 75% |
| Equitas Small Finance Bank Ltd | 1993 | 12 | Not Found | 12 | 75% |
| Ujjivan Small Finance Bank Ltd | 2016 | 16 | 25 | 9 | 56% |
| Fincare Small Finance Bank Ltd | 1995 | 11 | 26 | 11 | 45% |
| Utkarsh SFB | 2016 | 12 | Not Found | 8 | 63% |
| Suryoday SFB | 2008 | 3 | Not Found | 9 | 67% |
| ESAF SFB | 2016 | 12 | Not Found | 9 | 67% |

Note: *As of March 2022

*Source: Company reports, CRISIL MI&A Research*

**Of the top 10 NBFC-MFIs, Muthoot Microfin, Annapurna Finance Pvt Ltd and Satin Creditcare Network Ltd are the NBFC-MFIs where original promoters have retained ownership and control over the business. However, among these, Annapurna Finance Pvt Ltd has the least shareholding amongst its peers.**

Muthoot Microfin Ltd operates on a promoter driven model wherein not only is the majority of the shareholding with promoters but also within the promoter holding, the entire portion is held by flagship company, Muthoot Fincorp and its individual promoters

| | FY22 | | | |
|---|---|---|---|---|
| **NBFC-MFIs** | **Promoter shareholding** | **Promoter shareholding through promoter group/ financial sponsors** | **Listed /Unlisted** | **Change in promoter** |
| CreditAccess Grameen Ltd | 73.85% | Entire shareholding is held with CreditAccess India NV | Yes | Founder is not active in the business* |
| Fusion Micro Finance Ltd | 85.57% | Of the total 85.57%, 6.59% is held by Mr.Devesh Sachdev, Rest is with Honey Rose Investments Ltd (48.65%),Creation Investments Fusion (29.97%) and others | Yes | **Yes.** Incorporated as Ambience Fincap Pvt Ltd and later, in 2009, after takeover by Devesh Sachdev, company name was changed to Fusion Micro Finance Ltd |
| Asirvad Microfinance Ltd | 99.43% | Of the total 99.43%, 1.92% is held by Mr. S.V.Raja Vidyanathan (Founder) and rest by Manappuram Finance Ltd | No | **Yes.** Manappuram Finance Ltd took over the company in 2015 |
| **Muthoot Microfin Ltd** | **74.79%** | Of the total 74.79%, 54.46% is held by Muthoot Fincorp Ltd and remaining by individual promoters | **In process** | **No change in promoters** |
| Annapurna Finance Pvt Ltd | 9.93% | Information not available | No | No change in promoters |
| IIFL Samasta Finance Ltd | 74.75% | Of the total 74.75%, 74.71% is held by IIFL Finance Ltd and remaining by Narayanaswamy Venkatesh | No | **Yes.** IIFL acquired stake in Samasta Microfinance in 2017 |
| Satin Creditcare Network Ltd | 36.69% | Of the total 36.69%, 33.96% is held by Trishashna Holdings & Investments Private Ltd and remaining by other promoters and promoter groups | No | No change in promoters |
| Svatantra Microfin Pvt Ltd | 82.46% | Entire shareholding is with Ms. Ananyashree Birla | No | **Yes**. In 2019, 98.02% shareholding was transferred to Ananyashree Birla from investment companies of Aditya Birla Group |
| Spandana Sphoorty Financial Ltd | 62.62% | Of the total 62.62%, 42.41% is held by Kangchenjunga Ltd, Padmaji Ganjireddy (promoter) holds 14.91% and remaining is held by other promoter and promoter group | Yes | **Yes.** The founder promoter resigned in 2021 |

| | | | | |
|---|---|---|---|---|
| Belstar Microfinance Ltd | 14.29% | Of the total 14.29%, 13.45% is held by Sarvam Finance Inclusion Trust, and remaining by promoter and other promoter group | No | **Yes.** The company was acquired by the Hand in Hand Group, a non-governmental organisation, in September 2008 and then Muthoot Finance acquired ~60% share (as of March 2022) in 2016 |

Note:* Mrs. Vinatha Reddy (founder) is no longer part of the board. The company is professionally managed.
*Source: Company reports, CRISIL MI&A Research*

### Muthoot Microfin and other NBFC-MFIs are professionally managed

| NBFC-MFI | CEO | COO | CTO | CRO | CFO |
|---|---|---|---|---|---|
| **NBFC-MFIs** | | | | | |
| CreditAccess Grameen Ltd | Uday Hebbar<br>Master's degree in Commerce with over 35 years of experience | NA | Sudesh Puthran<br>BE, MFM with over 25 years of experience | Firoz Anam<br>BTech and MBA with over 20 years of experience | Balaksrishna Kamath<br>BCom, ACA, ACS |
| Fusion Micro Finance Ltd | Devesh Sachdev<br>MBA with over 23 years of experience | Kamal Kaushik<br>CA with 21 years of experience | Naveen Mangle<br>MBA with over 19 years of experience | Sanjay Vishwanath Choudhary<br>CA having 23 years of experience | Gaurav Maheshwari<br>CA, MBA with over 18 years of experience |
| Asirvad Microfinance Ltd | V P Nandakumar<br>Post graduate in Science with over 30 years of experience | Ravindra Goud<br>MBA with over 23 years of experience | Joshy K G<br>MBA, CA | Umasankar Srinivasan<br>MBA with over 25 years of experience | Rajesh Namboodiripad<br>CA with over<br>20 years of experience |
| Annapurna Finance Pvt Ltd | Gobinda Chandra Pattanaik<br>20+ years of work experience | Sanjaya Pattanaik | Dilip Khuntia<br>10+years of experience in technology management | Anoop T<br>MBA with over 9 years of experience | Satyajit Das |
| Muthoot Microfn Ltd | Sadaf Sayeed MBA with over 19 years of experience | Udeesh Ullas MBA with over 19 years of experience | Linson C Paul<br>MS in Computer Science, MBA with over 22 years of experience | Jinshu Joseph<br>CA with over 12 years of experience | Praveen T<br>CA with over 12 years of experience |
| IIFL Samasta Finance Ltd | NA | Gaurav Kumar<br>MDP with over 20 years of experience | D Shivaprakash<br>Over 20 years of experience | NA | Anantha Kumar T<br>CA with over<br>11 years of experience |
| Satin Creditcare Network Ltd | NA | Thangaraju M.Com with over 22 years of experience | NA | Dhiraj Jha<br>BCA, Post Graduate in Economics, PG Diploma in Financial Advising with over 17 years of experience | Rakesh Sachdeva<br>CA with over 30 years of experience |
| Svatantra Microfin Pvt Ltd | Anujeet Varadkar<br>Graduate in Agriculture Science and post-graduate in Management studies with more than 20 years of experience | NA | NA<br>Pranay Singh (Senior VO-IT) | NA<br>Vikas Kalibaug (Senior VP-Risk) | Vrushali Mahajan , CA with over 19 years of experience |

| NBFC-MFI | CEO | COO | CTO | CRO | CFO |
|---|---|---|---|---|---|
| **NBFC-MFIs** | | | | | |
| Spandana Sphoorty Financial Ltd | Shalabh Saxena | NA | Vinoth Shivam | Amit Anand MBA with over 19 years of experience | Ashish Kumar Damani, Post Graduate Diploma in BA, AGMP from IIMA with over 22 years of experience |
| Belstar Microfinance Ltd | NA | NA | Dhanasekaran BE, MBA from Finland with more than 23 years of experience | Parthasarathy Mathematics major, MBA, Bachelor of Law with over 18 years of experience | Lakshmanan Muralidharan CA with over 13 years of experience |
| **Banks and SFBs** | | | | | |
| Bandhan Bank | Chandra Shekhar Ghosh M.Sc. in Statistics with over 30 years of experience | NA | Manoj Kumar Mauni | Biswajit Das MBA with more than 30 years of experience | Sunil Samdani CA with over 23 years of experience |
| Equitas SFB | Vasudevan Pathangi Narasimhan Bachelors in Science (Physics),Company Secretary | NA | Vivek Dhavale | Sibi PM | Sridharan N |
| Ujjivan SFB | Ittira Davis MBA with over 40 years of experience | Martin Pampilly Computer Science Graduate with over 25 years of experience | NA | Arunava Banerjee MA (Economics) | Ramesh Murthy CA, General Management Program from Harvard Business School with over 30 years of experience |
| Jana SFB | Ajay Kanwal Master of Management Studies with over 32 years of experience | Rajesh Rao MBA and a certified Associate of Indian Institute of Bankers (CAIIB) with 28 years of experience | NA | Satish Ramachandran Engineer, PGDM with over 20 years of experience | Buvanesh Tharashankar CA with over 26 years of experience |
| Utkarsh SFB | Govind Singh Graduate, certified associate of the Indian Institute of Bankers | Arun Raman, BE | NA | Alok Pathak BSc, Banking Compliance Professional Examination (IIBF) | Sarjukumar Pravi CA with over 2 years of experience |
| ESAF SFB | Kadambelil Paul Thomas | NA | Ali Mohammad Saquib | Wilson Cyriac | Gireesh CP |
| Fincare SFB | Rajeev Yadav IIT Kanpur and Post graduate diploma in management from IIM Ahmedabad | Shreejith Menon CA with over 21 years of experience | Srinath S MCA with over 21 years of experience | Manmohan Singh CA with over 21 years of experience | Keyur Doshi, MBA, BSC Mathematics with over 26 years of experience |
| Suryoday SFB | Baskar Babu Ramachandran | | Vishal Singh | Yogesh Dixit | Kanishka Chaudhary |

NA – Information not available
*Source: Company report, CRISIL MI&A Research*

## Annexure:

### List of formulae

| | |
|---|---|
| RoA: | Profit after tax / average of total assets on book |
| RoE: | Profit after tax / average net worth |
| NIM: | (Interest income – interest paid) / average of total assets on book |
| Yield on advances: | Interest earned on loans and advances / average of advances on book |
| Cost of borrowing | Interest paid / (average of borrowings) |
| Cost to income: | Operating expenses / (net interest income + other income) |
| Opex ratio: | Operating expenses (Employee benefit expenses+ Depreciation expenses+ Other expenses)/ average total assets on book |
| Credit cost: | Provisions / average total assets on book |
| PPOP: | Total Income-Interest paid-Opex |

## About CRISIL Market Intelligence & Analytics

CRISIL Market Intelligence & Analytics, a division of CRISIL, provides independent research, consulting, risk solutions, and data & analytics. Our informed insights and opinions on the economy, industry, capital markets and companies drive impactful decisions for clients across diverse sectors and geographies.

Our strong benchmarking capabilities, granular grasp of sectors, proprietary analytical frameworks and risk management solutions backed by deep understanding of technology integration, make us the partner of choice for public & private organisations, multi-lateral agencies, investors and governments for over three decades.

## About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong, UAE and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: LINKEDIN | TWITTER | YOUTUBE | FACEBOOK | INSTAGRAM

## CRISIL Privacy Notice

CRISIL respects your privacy. We may use your personal information, such as your name, location, contact number and email id to fulfil your request, service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com/privacy.