



HomeIndustryBanking financeMFI sector worth seen trebling at Rs 4.3 trn in 4 years: ICRA

# MFI sector worth seen trebling at Rs 4.3 trn in 4 years: ICRA

The country's microfinance sector will grow nearly three-fold to reach up to Rs 4.3 trillion over the next three years on account of expansion into newer segments and enhanced average loan sizes.

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“If the ticket sizes were to double from the current levels over the next 3-4 years and MFIs were to increase their presence in under-penetrated areas, the microfinance market could reach Rs 3.3–4.3 trillion over the next 3 to 4 years,” its senior vice president Kalpesh Gada said.

The estimate includes micro credit across self-help groups, microfinance institutions and banks, it said, adding that the assumption on the doubling of ticket sizes is based on improving income levels, inflation, higher eligibility of borrowers moving to higher loan cycles.

It said the Indian microfinance institution (MFI) sector grew 40 per cent in 2015-16 to Rs 1.4 trillion (including the Bandhan Bank) as against a 38 per cent growth in the previous fiscal, while the average ticket sizes were Rs 20-25,000.

The MFI loan growth was on the back of a 72 per cent growth in the portfolio of MFIs, small finance bank licensees and banks, it said adding the SHG bank linkage credit grew only 11 per cent.

The MFI sector, excluding Bandhan Bank and the SFBs, will need external capital of Rs 16-47 billion over the next three to four years, it said.

The rating agency said while the business opportunity is exciting, there is a need for establishing a credit culture in the new geographies and strengthening the credit appraisal processes.

It said the two operational credit bureaus have helped the sector maintain its asset quality, there are a few issues yet to be addressed like limited coverage of SHG bank linkage programme data, issues related to multiple identity cards being used by borrowers for availing loans from more than two MFIs and interlinking of retail credit.

The overall stress of credit which is due for more than a day stood at 0.35 per cent as of March 31, 2016, helped by regulatory decisions like data sharing through credit bureaus, cap of Rs 1 lakh for overall borrowing and the stipulation for not more than two MFIs to lend to a single borrower, it said.