

# East, north-east take the lead in NBFC-MFI loan portfolio

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Harsh Srivastava, CEO, MFIL

But experts say defaults are likely due to increasing competition in the region

## KOLKATA, OCTOBER 12

Talk microfinance and it was the southern States of Andhra Pradesh, Karnataka and Tamil Nadu that featured on top of the list – both in terms of the number of borrowers and gross loan portfolio. But now, east and north-eastern States are clearly taking the lead.

According to the Micrometer report, released by Microfinance Institutions Network (MFIN), east and north-east account for nearly 35 per cent of the total NBFC-MFI portfolio as on June 2018 against 16 per cent two years ago (June 2016). The share of South India, which stood at 35 per cent in 2016, has come down to 26 per cent in 2018.

“East and north-east were typically under-penetrated markets. However, a number of MFIs are now expanding into the region, extending credit to more customers, which has created employment opportunities and economic growth and development in the region,” Harsh Srivastava, CEO, MFIN, told *BusinessLine*.

The eastern States of Odisha, Bihar and West Bengal, which were witnessing 11 per cent, 13 per cent and 15 per cent growth, respectively, in loan portfolio, in 2016, have seen a sharp spike. As on June 2018, Odisha grew 69 per cent to ₹5,849 crore, Bihar by 69 per cent to ₹5,457 crore, and West Bengal by 70 per cent to ₹3,937 crore. The total asset base of NBFC-MFIs, as on June 2018, stood at ₹53,181 crore.

According to Kuldeep Maity, MD & CEO, Village Financial Services, the growth is supported by the increase in number of borrowers and not by the higher ticket-size of the loan given to them.

## ‘Demo effect’

MFIs had witnessed a substantial drop in collection rates and a rise in non-performing assets after demonetisation in November 2016.

The problem was more intense in the west and North India and also in some pockets of South India. However, eastern and north-eastern States were fairly resilient, and the asset quality was better compared to other States, said Supreeta Nijjar, Vice-President and Sector Head, Financial Sector Ratings, ICRA.

“This (better repayment record) encouraged a number of MFIs to expand into the region, thereby giving a spurt to growth,” she said.

However, while the eastern and north-eastern States have not witnessed any widespread default till now, increasing competition and higher concentration could lead to over-leveraging of borrowers, causing over-indebtedness and defaults, an industry expert said.

“Odisha and Bihar, unlike West Bengal, do not have a very good credit absorption capacity, so one needs to be careful,” he pointed out.

According to Manoj Kumar Nambiar, MD, Arohan, the industry is coming up with a mutually agreed code of conduct to prescribe certain healthy lending practices to be voluntarily followed by all players, including NBFC-MFIs, NBFCs, banks and small finance banks, to ensure that borrowers are not over-leveraged. The draft would be ready by December.

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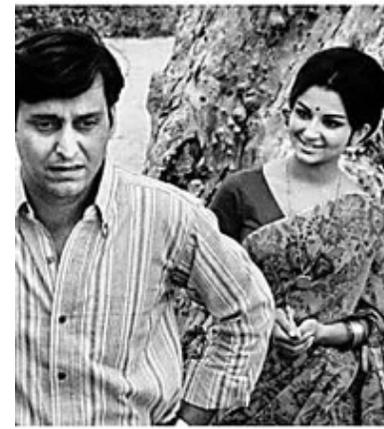
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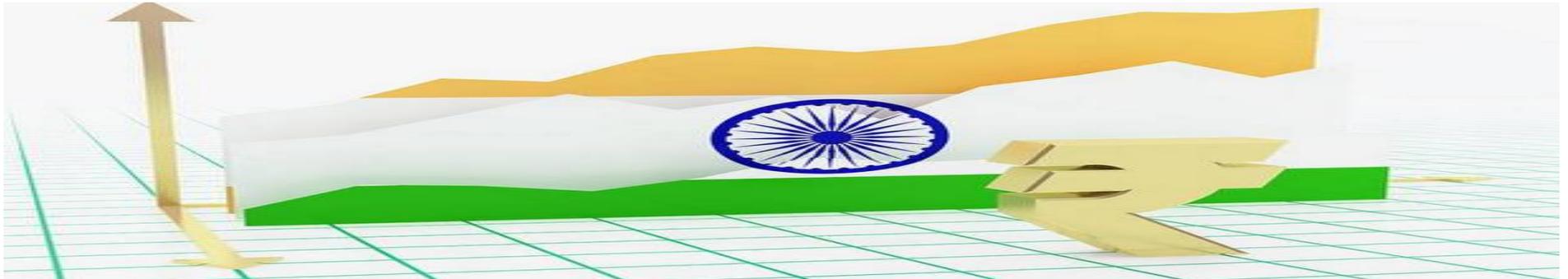
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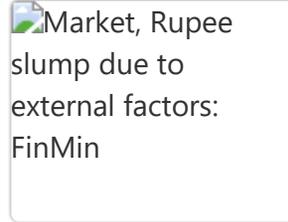
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