

Nepal Laghubitta [MFI] Infographic 2076-77



image by Wei Zhu, courtesy Pixabay

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M-CRIL - incorporating EDA Rural Systems
inclusive microeconomics

542 JMD Megapolis
Sohna Road, Sector 48, Gurgaon 122018 INDIA
Tel: +91 124 491 1939, 491 1942
www.m-cril.com

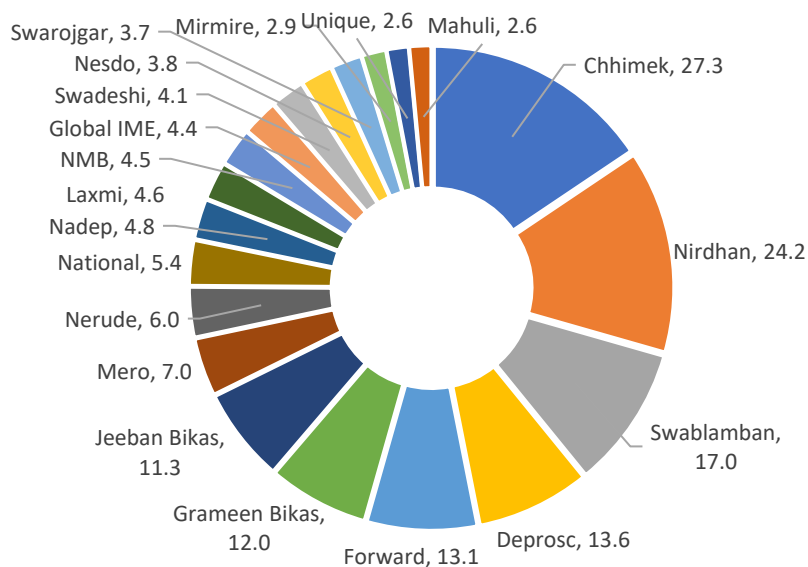
Nepal Laghubitta [MFI] Infographic, 2076-77

Some key indicators of market share, growth and performance

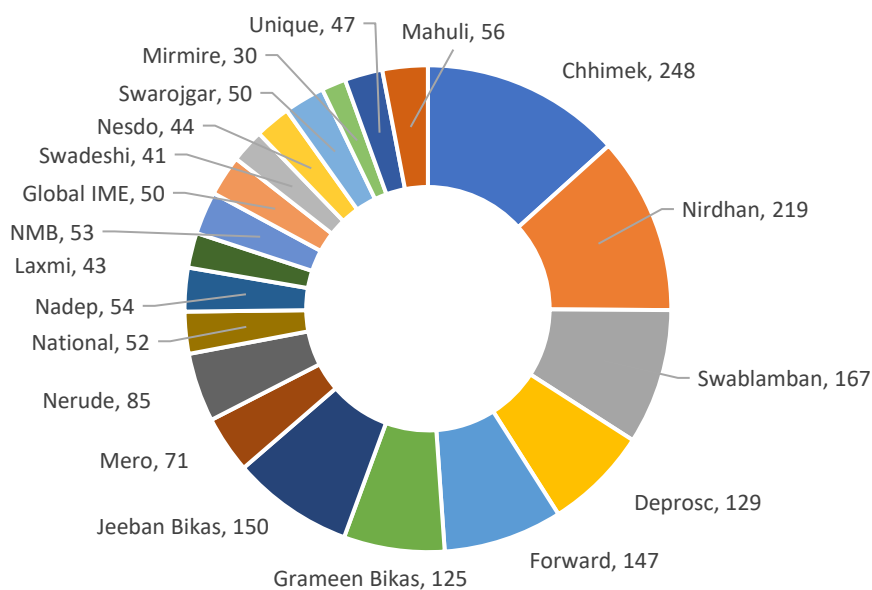
Nepali financial year 2076-77 (July 2019-July 2020); this infographic covers 20 of the largest MFIs in Nepal including all 8 classified as large and the 12 classified as medium sized MFIs¹

The eight largest Laghubitta Bittiya Sanstha (LBS/MFIs) account for 72% of assets and 67% of borrowers

Assets in billion, total NER 175 bn/17,500 crore



Borrower numbers in thousands, total 1.86 million

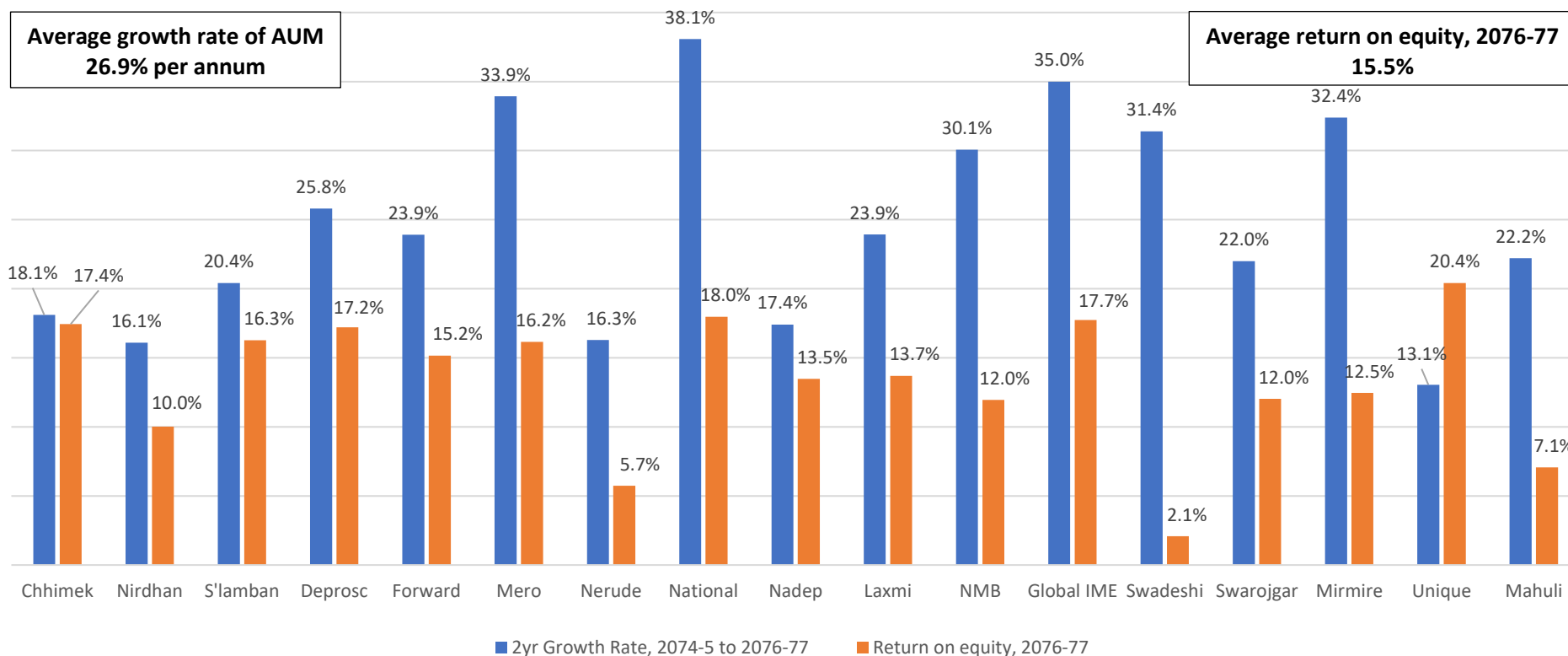


¹ This infographic compiles data from the 2076-77 Annual Reports of Nepal's LBS; it does not represent any judgement by M-CRIL on the size or performance of Nepali MFIs nor on the accuracy of the data.

Performance, two-year growth of assets
(2074-75 to 2076-77 or July 2018 to July 2020, % per annum)

Return on equity
(% for 2076-77 or 2019-2020)

There is no clear correlation between growth and profitability of individual LBS



[LBS arranged, left to right by size of Assets under Management (AUM)]

* Thanks are due to Vanshika Agarwal, Analyst, M-CRIL for her diligent work in supporting the compiling of data used for this document.

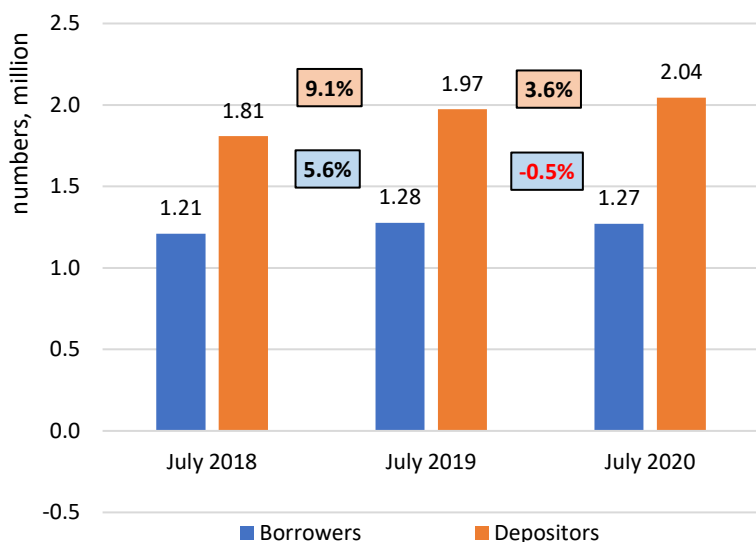
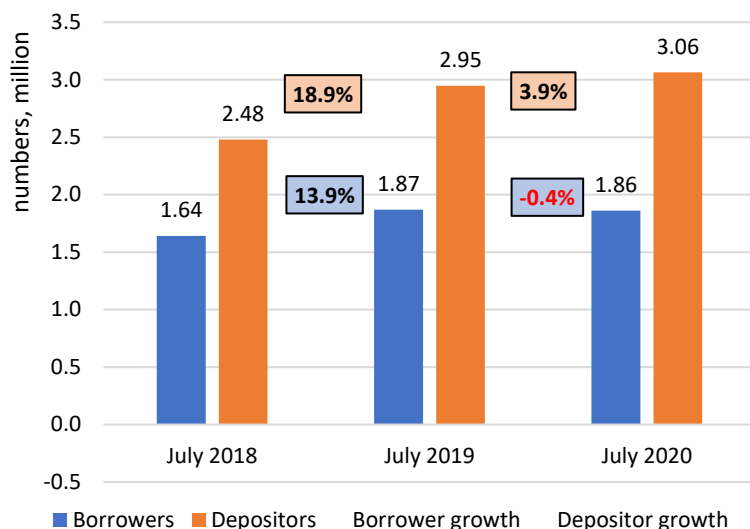
LBS borrowers & depositors

Twenty large & medium-sized LBS

Growth rates (in boxes)

% change in number of borrowers & depositors over previous year

Small decline in the number of borrowers and significant slowdown in the growth of depositors

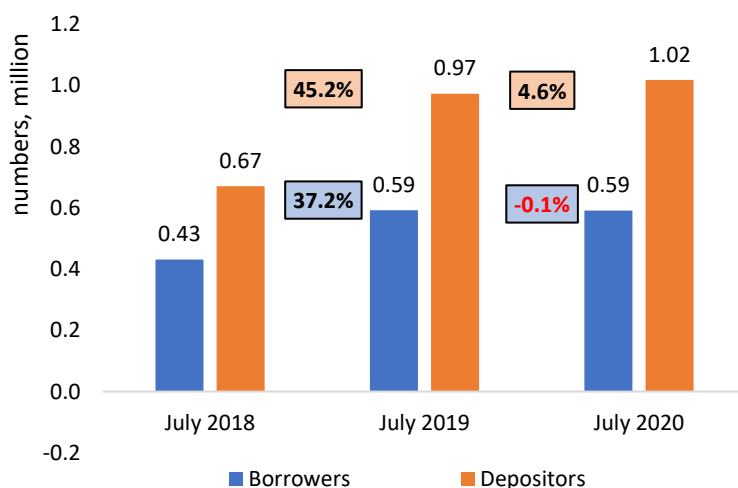


Eight large LBS

Small decline in number of borrowers and slowdown in the growth of depositor numbers

Twelve medium-sized LBS

Borrower numbers virtually stagnant; substantial decline in growth of number of depositors

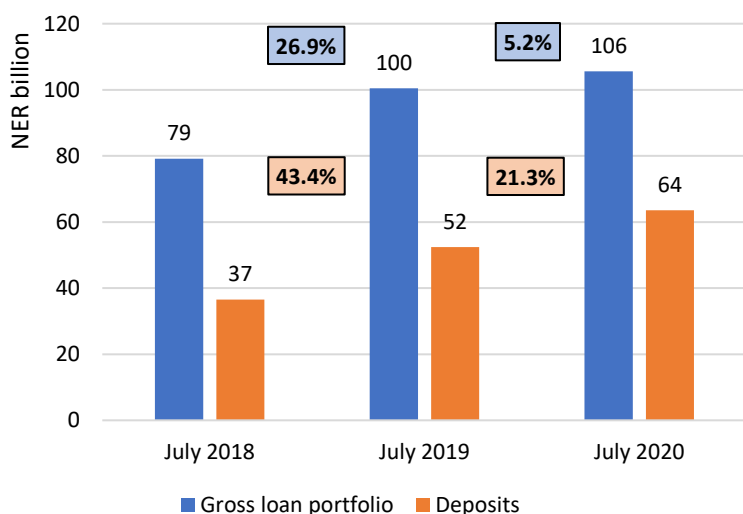
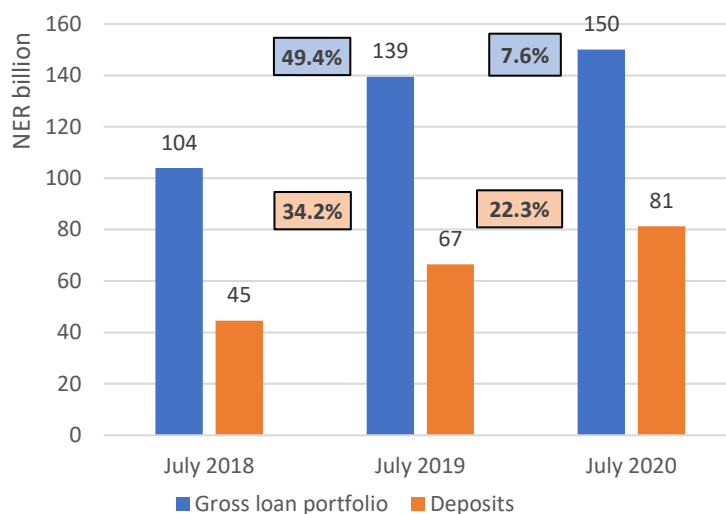


Gross loan portfolio & deposits

Twenty large & medium sized LBS

Growth rates (in boxes) % of GLP & deposit amounts over previous year

Strong slowdown in portfolio growth but less substantial slowdown in deposit growth

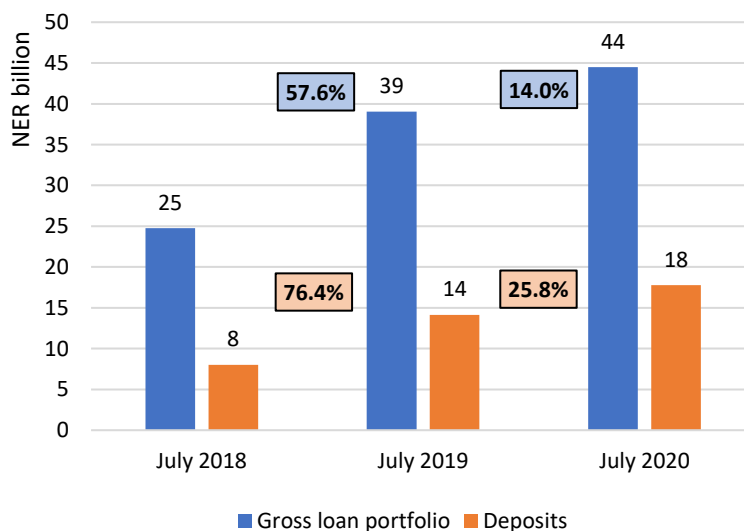


Eight large LBS

GLP was not growing so fast earlier so its slowdown is less remarkable but deposit growth has halved

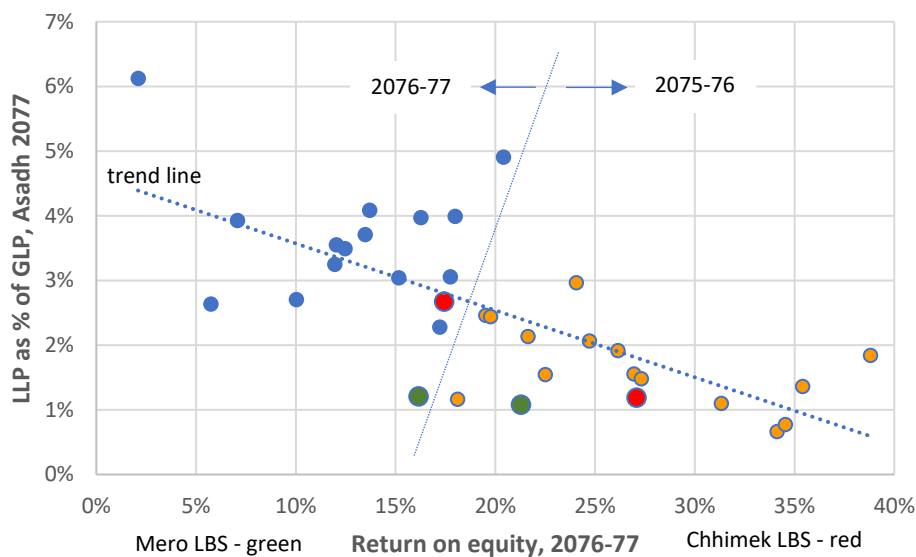
Twelve medium LBS

GLP was not growing so fast earlier so its slowdown is less remarkable but deposit growth has halved



There is a stark difference in the performance of LBS over the past two years between financial year 2075-76 (2018-19) and 2076-77 (2019-20).

The figure below plots LLP as % of GLP in Asadh 2076 and Asadh 2077 against the performance of each LBS during the year 2075-76 and 2076-77 respectively. It shows that all LBS (apart from a couple) are almost equally affected by the pandemic; the individual LBS performance markers have shifted virtually *en masse* up the trend line towards the low performance top left quadrant from the better performing bottom right quadrant of the graph.



LLP doubled in 2076-77 over the previous year and will likely multiply again in 2077-78

Clearly the difficulties caused to individual borrowers by Covid resulted in substantial increases in provisioning for loan losses; **LLP as % of GLP in Asadh 2077 was typically more than twice as much as that in Asadh 2076**; with the continuing pandemic, by Asadh 2078 (mid-July 2021) this is likely to go up to perhaps 3.0 to 3.5 times Asadh 2076 levels. At the same time, at 13.3% **the average RoE for 2076-77 has declined to half the level of the previous year 2075-76** when it was 26.7%. A further shift in performance markers for 2077-78 (2020-21) up to the top left of the graph – beyond its present scale (!) – is quite likely.