

India: Small Finance Banks & large NBFC MFIs



Image by <https://pixabay.com/users/pucho-161531>

...weaving jute mats – a livelihood in Covid times or simply a low productivity trap?

M-CRIL Meta-analysis 2

The effect of shocks on performance, 2009-10 to 2020-21



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inclusive microeconomics

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The effect of shocks on performance¹

This document follows from the previous M-CRIL infographic –
Meta-analysis 1: Size, Growth & Performance 2020-21
[November 2021]

Major shocks to microfinance practice in India



14 October 2010

Shock 1:
AP (Andhra Pradesh)
government clampdown



8 November 2016

Shock 2:
Demonetisation



24 March 2020

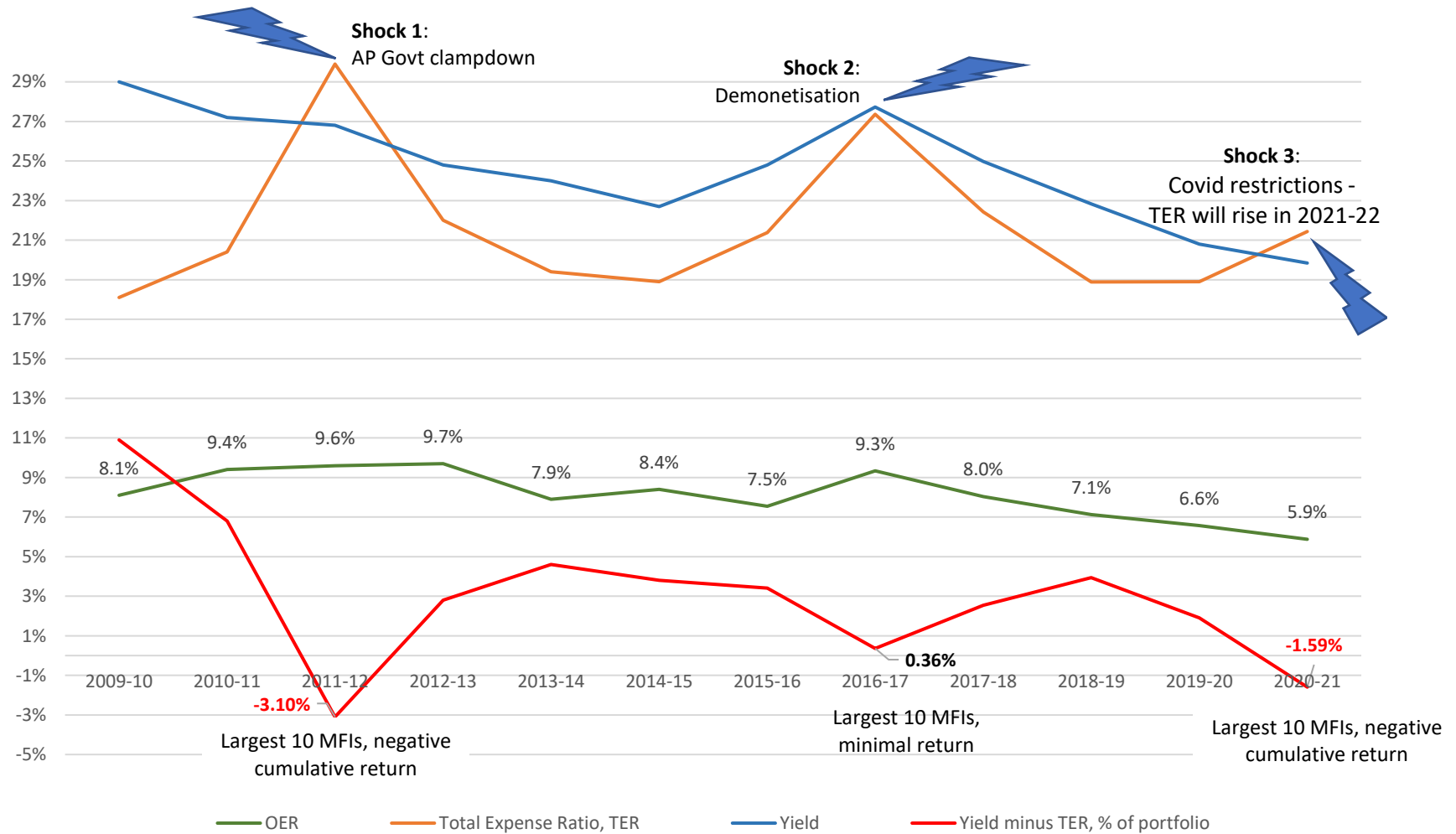
Shock 3:
Beginning of covid restrictions

+ Minor shocks – state-level waivers of agricultural &/or small loans

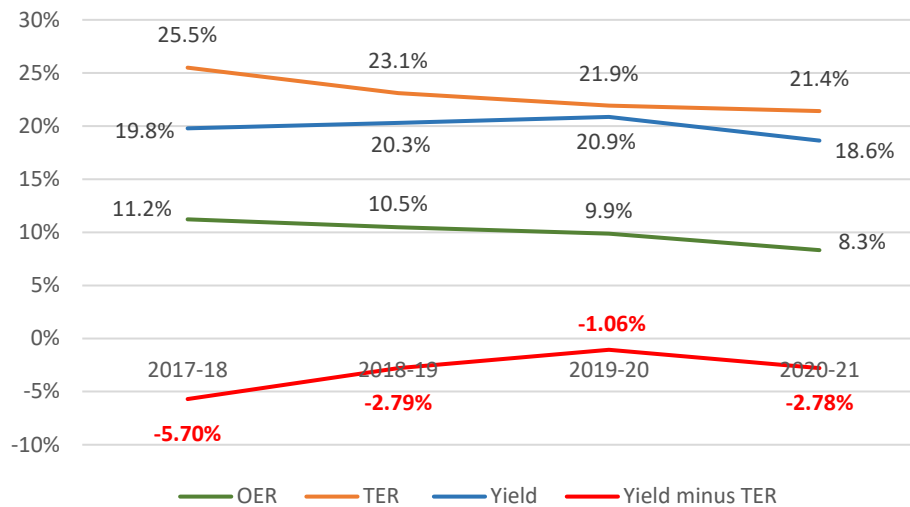
¹ All information used in this infographic is taken from public sources and/or the Annual Reports of the respective financial institutions. Since the presentation of numbers is not standardised across financial statements, M-CRIL has compiled these from various places in these reports. While every effort has been made to ensure accuracy, we do not claim that all numbers are correct to the last digit. Information in this document is indicative rather than definitive.

The effects of shocks on major microlending institutions – NBFCs

Largest 10 NBFC MFIs, gross loan portfolio – ₹54,660 crore/US\$7.4 billion



The effects of shocks on Small Finance Banks, gross loan portfolio, ₹73,200 crore/US\$9.9 billion²

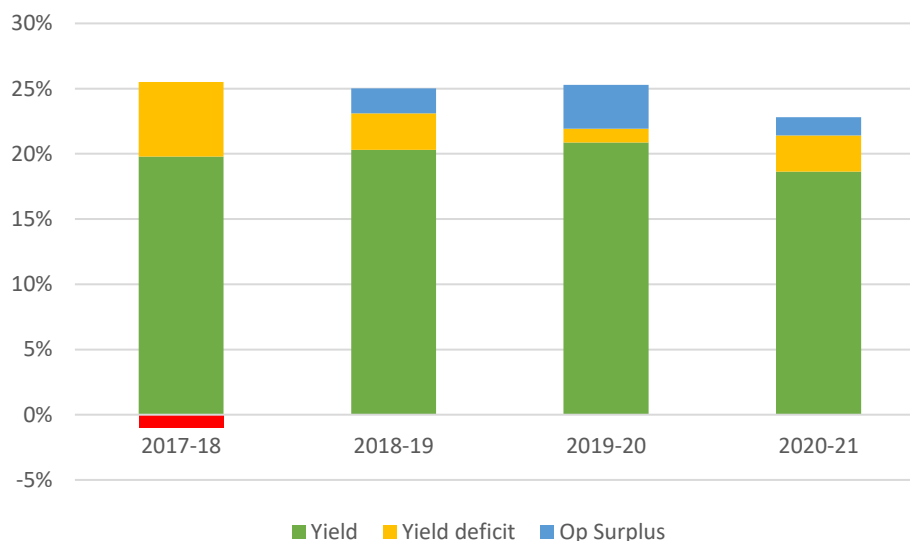


- **Large NBFC MFIs:** yields > total expenses
– except when shocks occur and loan loss provisions and operating expenses rise,
- **Small Finance Banks:** yields regularly < total expenses
(TER = total expenses as a proportion of average portfolio).

SFBs are only able to report **operating surpluses** due to **incomes other than yield** (from commission, exchange & brokerage and income on investments) – see figure below

SFBs reported

- **cumulative operating deficit** (even after accounting for other income) in the **post-demonetisation year, 2017-18** when loan loss provision was at a high of 4.29% of portfolio compared to 2.48% of portfolio in the pre-pandemic year, 2019-20
- in pandemic year 2020-21, loan loss provision again rose to 4.20%.



² Gross loan portfolio includes amounts written off during the year, end-March 2021