

Slower growth seen for NBFC-MFIs

SANGEETHA G
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Despite RBI increasing the lending limit for individual borrowers and households, industry observers project a slower growth for micro finance institutions (MFIs) in FY20 compared to FY19. Liability-side issues due to the NBFC crisis will keep the growth under check.

The assets under management (AUM) of NBFC-MFIs had grown by 47 per cent in FY19. Brickwork Ratings expects the AUM growth to be 40-45 per cent in FY20.

“Liability-side limitations due to the NBFC crisis will pose challenges for the industry. In the first two quarters, the growth has been subdued. Compared to the first half



of last year, MFIs are more cautious this time. Though growth could pick up in the subsequent quarters, it will limit the yearly growth below last year’s levels,” said Rajat Bahl, Chief Analytical Officer and Head-Financial Institutions, Brickwork Ratings.

In the June quarter, AUMs grew 4 per cent QoQ against 20 per cent in the same quarter last year. The YoY growth in June

quarter too was slower at 44 per cent against 77 per cent in the year-ago quarter. The total disbursements in the June quarter fell to Rs 16,137 crore from Rs 19,230 crore in the March quarter—a drop of 16 per cent.

Though MFIs have been receiving funds from banks, small MFIs have faced challenges in raising funds as these entities have been dependent on NBFCs. After the NBFC

crisis, some of the small MFIs have started working as business correspondents—partly or fully. As per the arrangement, these entities originate loans on behalf of the partner banks.

In order to boost lending at the bottom of the economic pyramid, RBI had recently increased the lending limit per borrower and household. The lending limit per eligible borrower has been raised from Rs 1 lakh to Rs 1.25 lakh. However, Brickwork does not expect any major incremental growth due to this announcement. “The number of loans which touch the current upper limit are not many. It will take some time for NBFC-MFIs to increase the average ticket size due to the liability challenges,” said Bahl.