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BANKS WITH HIGH MFI EXPOSURE TO BE HIT MOST

SFBs may Face ₹7kcr Liquidity Gap: M-CRIL

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Kolkata: Small finance banks (SFBs) are likely to face an aggregate liquidity shortfall of ₹7,000 crore in the next six months despite registering a record growth in deposit mobilisation, according to M-CRIL, a global rating and advisory firm for microfinance lenders.

The shortfall for the 10 top microfinance institutions would be in the range of₹ 3,000 crore, it said.

SFBs with high concentration of micro loans are likely to be the worst hit among their peers as this segment saw cash flow squeezed due to lockdown.

"Even with improvements in the microloan recovery rates during June, investors and lenders will need to provide funds of the order of₹300-3,300 crore ($40-450 million) per SFB (equivalent to 5-20% of overall funds) currently available to them," M-CRIL said in an advisory note.

SFBs are mostly microfinance institutions which transformed into banks but still have a significant portion of their assets in mostly unsecured micro loans.

ET has reviewed the note.

SFBs though are pressured by their assets side, have done well on liabilities side with them attracting a lot of deposits due to their higher interest rates than full-fledged banks. They have seen nearly 50 per cent growth in mobilisation in the last fiscal. Most SFBs have an average two years of deposit maturity profile with 10-18 % coming for maturity by September.

M-CRIL's note is an update of its previous report and studied the magnitude of the liquidity shortfall resulting from the current six-month moratorium till August. With nearly 90% of micro-borrowers having opted for it till May there's literally no cash flow, it said, adding that the top 10 MFIs would need to make provision for ₹150-700 crore each since they also have to revive their businesses after the moratorium period, the report said.