ECLGS Report

Methodology for calculating outstanding balance amount –

1. First, all loans in "RPT_AR_MAR2020" (2020 pull request) files are considered.
2. Loan accounts that were closed before 29 February 2020 are excluded.
3. Likewise, loan accounts that were opened after 29 February 2020 are removed.
4. Only fund-based facilities are considered for both individual and commercial customers. The fund-based facilities are identified using loan account type code.
5. Experian provides the balance amount for each active loan account at the end of the month. Therefore, the balance amounts of all active loan accounts on 29 February 2020 are added up per customer to compute customer-level outstanding balances.
6. Customers having total balance amount less than 50 crores are considered for subsequent steps.

Methodology for identification of ECLGS proxy –

1. All loans sanctioned between 23 May 2020 and 31 March 2022 to customers having balance lower than 25 crores are extracted from "RPT_AR_MAR2022" file (2022 pull request).
2. Furthermore, loans granted between 04 August 2020 and 31 March 2022 (ECLGS 1.0 extension) to customers with balances between 25 crores and 50 crores are also extracted.
3. The ECLGS 1.0 and 2.0 schemes allowed for a credit line facility of up to 20% of a borrower's fund-based outstanding as of 29 February 2020. However, if a borrower had loan accounts with multiple lenders, he/she could either take out the loan through one lender or split it among the current lenders proportionally, depending on the agreement between the borrower and the MLIs. Therefore, the borrower could choose to split up the loan or take the entire amount from a single lender.
4. Here, a strong assumption is made that if different lenders charge different interest rates, then borrower will choose lender charging lowest rate (considering benefit received from this is greater than cost of obtaining NOCs from other lenders). If all lenders offer same interest rates, then borrower would split up the loan. Assuming most of borrowers have faced former scenario, we define a window of 10% to 20% outstanding loan as of 29 Feb 2020. If borrower has taken any loan within this window, then the loan would be considered for subsequent steps.
5. The ECLGS scheme allows borrowers a moratorium period of one year, during which they are expected to make interest payments only. In an ideal scenario, the balance amount at the end of the one-year period should be equal to the original loan amount. However, if the borrower misses any interest payments, the balance amount would increase, and this would also be reflected in the past due amount.
6. Therefore, we calculate the difference between the balance amount and the past due amount at the end of one year, and our assumption is that it should be equal to the original loan amount. In some cases, financial institutions may misreport or fail to report past due amounts, which could lead to discrepancies between these two values. Hence, a tolerance of 5% of the original loan amount is taken into account.

7. Finally, loans that meet the above criteria are identified, and their corresponding borrowers are marked as ECLGS beneficiaries. All others with an outstanding balance of less than 50 crores as of Feb 2020 are classified as ECLGS non-beneficiaries.

**Assumptions and possible drawbacks in methodology –**

Weak assumptions -

1. The methodology considers the loan sanctioned date to calculate outstanding balance, which may not accurately proxy the actual loan disbursal date. This could affect borrowers' classification into beneficiaries vs non-beneficiaries.
2. If a borrower starts repaying the principal amount within 1 year of moratorium period, then such borrowers would be excluded in step 6. In addition, 5% of arbitrary cut-off may not balance effect of missing values in some cases.
3. Some data issues have been identified, but it is assumed that they do not impact the results.

Strong assumptions –

1. Due to absence of lender names, we cannot identify total number of lenders for a particular borrower. Thus, a window of 10% to 20% of outstanding balance for ECLGS loan amount might be inaccurate. This will lead to misclassification of those borrowers who have split up the ECLGS loan into multiple lenders (each lender providing amount less than 10%). Similarly, it might include loans taken by ECLGS non-beneficiaries, misclassifying them as beneficiaries. To address this, the results are recalculated using a window of 15% to 20% of outstanding balance to study the difference. The results don't change significantly.

Analysis

Total New Loans –
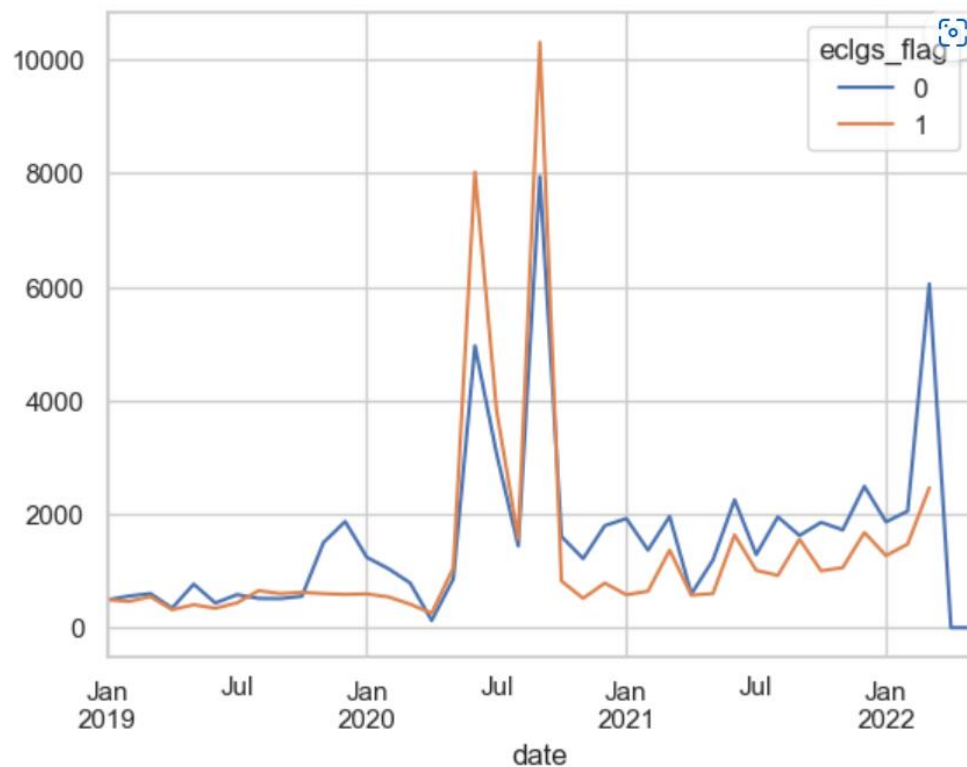
(0 – ECLGS non-beneficiary, 1 – ECLGS beneficiary)

- New loans include both types of facilities: fund based and non-fund based.
- Number of loans of ECLGS beneficiaries' spikes in June and September 2020, one month after announcement of ECLGS 1.0 and ECLGS 1.0 (extension).
- During the same period, there was also an increase in the number of loans obtained by non-beneficiaries of ECLGS, which could be due to either misclassification of certain borrowers as non-beneficiaries or the relaxation of COVID-19 lockdown measures by the government.
- Notice that post September 2020, non-beneficiaries have obtained higher number of loans than beneficiaries.

**Average number of new loans per borrower:**
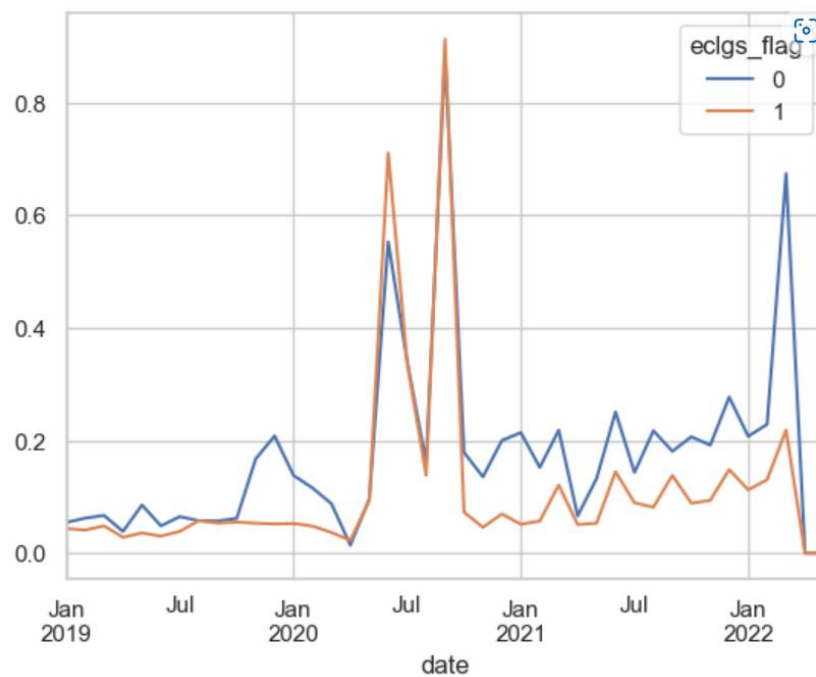
- Here, if customer has not taken a loan in particular month, then value of new loan is 0 for him/her.
- Similarly, average number of loans per borrowers also observe spikes in June and September 2020, bolstering our initial results.
- On an average, ECLGS non-beneficiaries have taken higher number of loans post September 2020 than ECLGS beneficiaries.
- Same can be validated from below results on average loan amount borrower per customer.
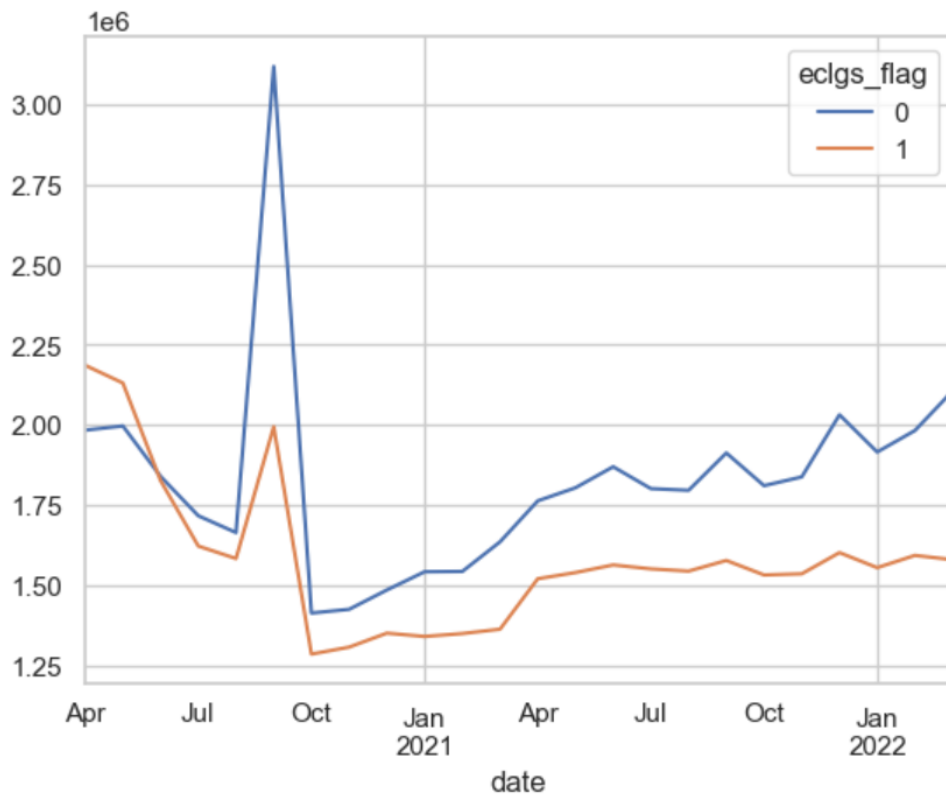
Total Loan Amount:
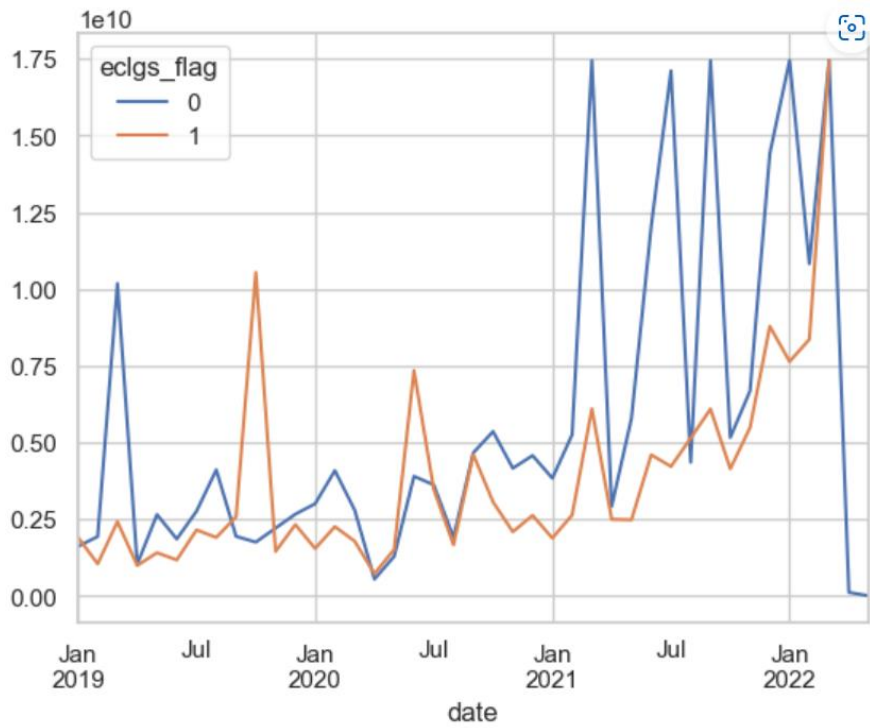
Average Loan Amount Borrowed per Customer:
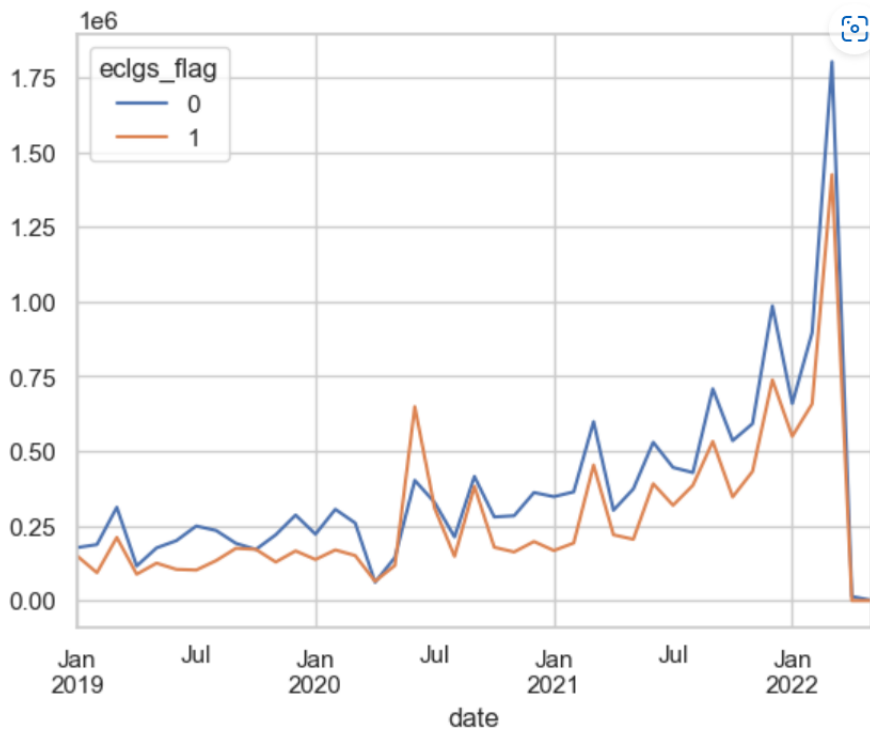
Average Outstanding Balance per Customer:

- This is graph of average outstanding balance per customer.
- The spike in September 2020 can be ignored as only few balances are recorded by Experian in this month.
- Overall, non-beneficiaries have maintained higher outstanding balances than beneficiaries. This can be due to additional loans borrowed by these customers.

Borrowers type wise avail rate:

| Type	% of Borrowers	Avail Rate
Micro	89.28%	55.40%
Small	9.87%	59.40%
Medium	0.83%	43.78%

- Borrower type has been defined using criteria used by CIBIL.
- The classification of borrowers according to their outstanding balance is as follows: those with exposure of up to 1 crore are considered micro, those with exposure between 1 crore and 10 crores are considered small, and those with exposure between 10 crores and 50 crores are considered medium-sized.
- 89% of the borrowers in the current dataset are micro borrowers.

NPA Rate:
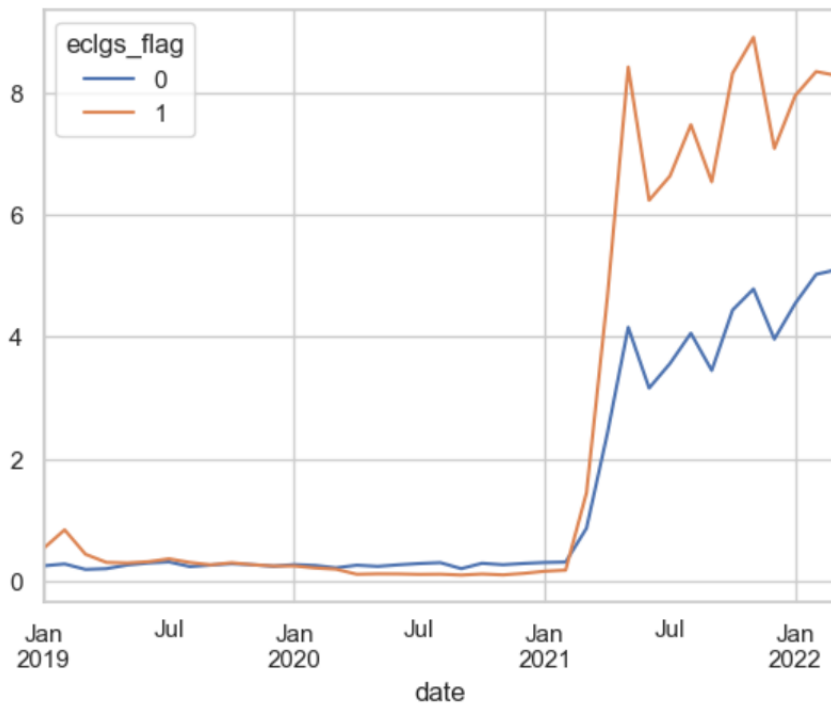
- All loans which are classified as sub-standard, doubtful, and lost are considered as NPAs.
- NPA rates of ECLGS beneficiaries are significantly greater than non-beneficiaries post March 2021.
- This shows that ECLGS non-beneficiaries were systematically better than beneficiaries in terms of covid impact, liquidity, and firm fundamentals, because of which they did not avail to ECLGS even though they were eligible.

Borrower type-wise NPA rate as of 31ˢᵗ March 2022:
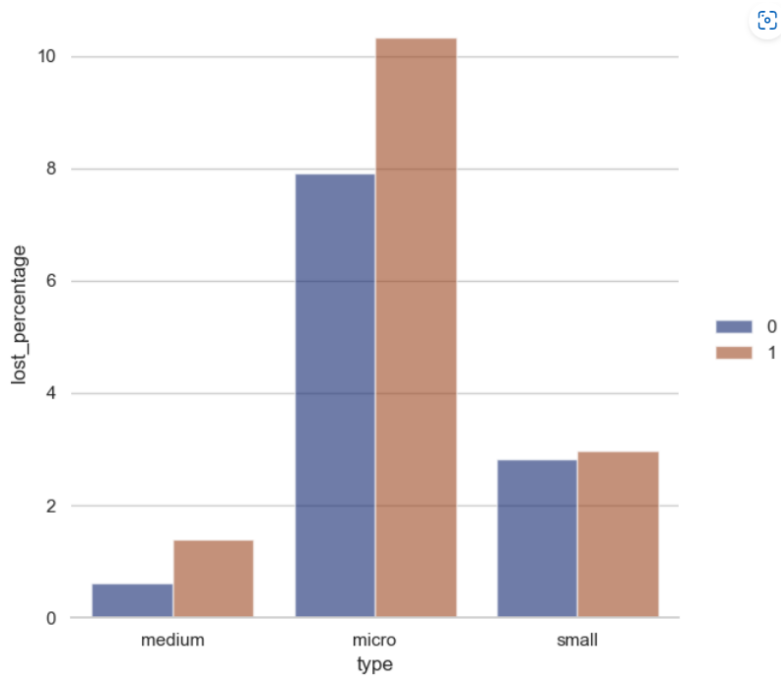
Borrower type-wise NPA rate as of 31ˢᵗ March 2021:
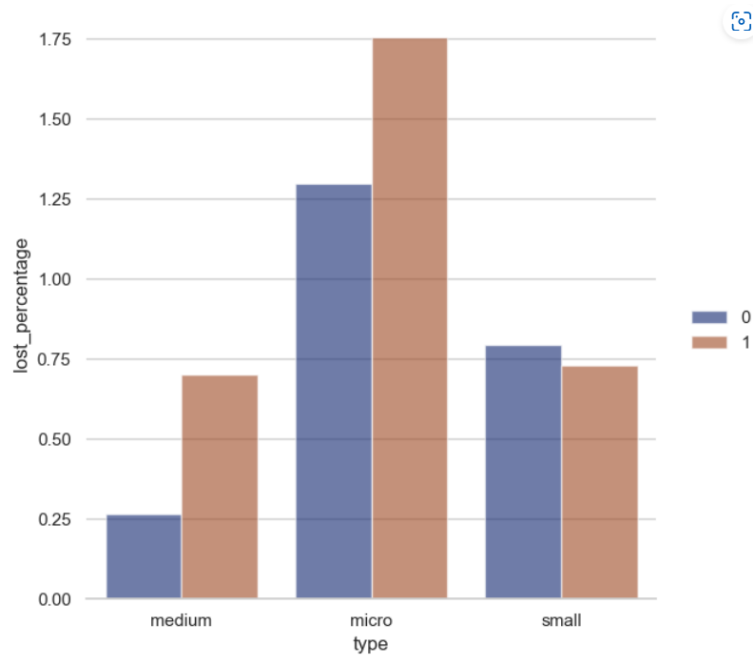
- Micro category has seen highest default rates (loans in non-standard categories).
- It can be inferred that the micro category experienced the highest degree of financial distress during the COVID-19 pandemic compared to all other categories.