

Credit growth moderation to impact earnings

- **Credit growth likely to remain subdued making a case of weak earnings; NIMs to moderate**
- **Delinquencies in MFI and unsecured loans to remain elevated during the quarter**
- **Overall performance to remain modest; HDFCB, ICICIB and SBIN are our top picks**

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Loan growth to be moderate: We expect banks to report moderate earnings growth on the back of lower credit growth and moderate to stable NIMs with rise in loan loss provisions. This is likely to lead to a lower NII and PPop growth during the quarter. Credit growth for our coverage is expected to be at 11% YoY/3% QoQ for Q3FY25. Sequentially, banks such as IDFCB, SBI, AXISB, ICICIB and DCB is expected to report healthy credit growth (3.5-6%). For 3QFY25, earnings growth is likely to be 15% YoY/ -6% QoQ for our coverage universe. As per the RBI last fortnightly data, the systemic credit growth stood at ~11.5% YoY (declining ~190bps QoQ and ~850 bps YoY) from the recent high of ~16% owing to a slowdown in unsecured retail and demand moderation in certain other secured segments. Correspondingly, deposit growth for the system was at ~11.5% YoY (improving ~35bps QoQ & declining ~250bps YoY), thereby converging to the credit growth.

Asset quality to be in focus: Overall, we expect asset quality to remain stable sequentially. However, the banks with exposure to unsecured loans including MFIs may witness credit costs inching up for them. Hence, commentaries on asset quality and guidance for credit cost outlook would be key monitorables going ahead. Further, 1HFY25 saw a deterioration in asset quality for select lenders primarily in the unsecured segment which is expected to continue. We expect a marginal increase in the credit costs for BANDHAN and RBK while other banks under our coverage to witness flattish provisions sequentially.

Margins is expected to witness compression further, albeit at a slower pace: NIMs for most of the banks are likely to see sequential compression, whereas others would have stable NIMs. Few banks have increased rates on deposits, coupled with some repricing of old low-cost deposits. Additionally, some banks have also hiked their MCLR rates by ~200bps since March 2022. At the same time there has been upward pricing of the outstanding book. Hence given such situation, we believe that the NIMs would remain more or less stable during the quarter. Further, commentaries on the loan book growth with NIMs trajectory would be closely monitored.



Fig 1 – BOBCAPS Banking universe: Valuation snapshot

Ticker	CMP	Mcap (Rs bn)	P/ABV (x)		ROA (%)		ROE (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
HDFCB IN	1,713	12,993	2.7	2.5	1.8	1.8	14.5	14.8
ICICIBC IN	1,279	9,047	3.4	2.9	2.3	2.3	18.2	17.9
AXSB IN	1,068	3,344	2.0	1.7	1.8	1.7	16.9	15.4
KMB IN	1,772	3,531	3.1	2.7	2.3	2.2	13.6	12.9
IIB IN	984	763	1.2	1.0	1.4	1.9	12.3	17.4
FB IN	197	482	1.5	1.4	1.2	1.4	13.5	15.4
RBK IN	166	98	0.7	0.6	0.8	0.9	7.2	8.9
DCBB IN	117	37	0.9	0.7	1.0	0.5	14.3	7.5
BANDHAN IN	155	248	1.1	0.9	1.9	2.2	15.6	17.8
IDFCBK IN	62	456	1.3	1.3	0.6	0.6	5.8	5.8
SBIN IN	779	6,909	1.6	1.5	1.1	1.0	17.2	15.4
CBK IN	98	886	0.9	0.8	1.1	1.1	17.3	17.3

Source: Company, BOBCAPS Research. Priced as at 7 Jan 2025

Fig 2 – BOBCAPS Banking universe: Q3FY25 estimates

Ticker	NII (Rs mn)	YoY (%)	QoQ (%)	PPOP (Rs mn)	YoY (%)	QoQ (%)	PAT (Rs mn)	YoY (%)	QoQ (%)
HDFCB IN	3,07,650	8.1	2.2	2,51,255	6.3	1.7	1,69,993	3.8	1.1
ICICIBC IN	2,07,548	11.1	3.5	1,67,610	13.8	0.2	1,14,293	11.3	(2.7)
AXSB IN	1,38,527	10.5	2.7	1,04,407	14.2	(2.5)	64,030	5.5	(7.4)
KMB IN	71,446	9.0	1.8	52,112	14.1	2.2	33,928	12.9	1.5
IIB IN	54,055	2.1	1.1	37,248	(7.9)	3.5	13,658	(40.7)	2.6
FB IN	24,591	15.8	3.9	15,735	9.5	0.5	10,458	3.9	(1.0)
RBK IN	16,702	8.0	3.4	10,525	37.5	15.7	2,540	9.0	14.1
DCBB IN	5,331	12.5	4.7	2,337	10.5	(8.4)	1,372	8.4	(11.8)
BANDHAN IN	30,420	20.5	3.2	20,537	24.1	10.7	8,332	13.7	(11.1)
IDFCBK IN	49,654	15.8	3.7	20,272	29.7	3.3	4,912	(31.4)	144.8
SBIN IN	3,99,538	6.2	1.6	2,76,389	24.2	(5.6)	1,66,921	82.1	(8.9)
CBK IN	98,556	4.7	5.8	77,539	13.9	1.3	42,054	15.0	4.8

Source: BOBCAPS Research

Company-wise expectations

Fig 2 - HDFCB

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QOQ (%)
NII	3,07,650	2,84,713	3,01,139	8.1	2.2
Growth (YoY %)	8.1	23.9	10.0	-	-
Other Income	1,16,510	1,11,370	1,14,827	4.6	1.5
Net Income	4,24,159	3,96,084	4,15,966	7.1	2.0
Growth (YoY %)	7.1	25.8	9.2	-	-
Opex	1,72,904	1,59,611	1,68,909	8.3	2.4
PPOP	2,51,255	2,36,473	2,47,057	6.3	1.7
Growth (YoY %)	6.3	24.3	8.9	-	-
Provision	27,580	42,166	27,005	(34.6)	2.1
PAT	1,69,993	1,63,725	1,68,210	3.8	1.1
Growth (YoY %)	3.8	33.5	5.3	-	-
Advances	2,51,94,579	2,44,60,757	2,49,51,203	3.0	1.0
Growth (YoY %)	3.0	62.3	7.0	-	-
Deposits	2,56,35,000	2,21,39,770	2,50,00,882	15.8	2.5
Growth (YoY %)	15.8	27.7	15.1	-	-
NIM (%)	3.56	3.48	3.53	8bps	3bps
C-D Ratio (%)	98.3	110.5	99.8	(1,220bps)	(152bps)
C/I ratio (%)	40.8	40.3	40.6	47bps	16bps
Credit Cost	0.4	0.7	0.4	(27bps)	0bps
GNPA (%)	1.4	1.3	1.4	18bps	8bps

Source: Company, BOBCAPS Research

Fig 3 – ICICIBC

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QOQ (%)
NII	2,07,548	1,86,786	2,00,480	11.1	3.5
Growth (YoY %)	11.1	13.4	9.5	-	-
Other Income	67,987	60,971	71,767	11.5	(5.3)
Net Income	2,75,535	2,47,756	2,72,246	11.2	1.2
Growth (YoY %)	11.2	15.3	13.0	-	-
Opex	1,07,925	1,00,520	1,05,015	7.4	2.8
PPOP	1,67,610	1,47,236	1,67,232	13.8	0.2
Growth (YoY %)	13.8	10.9	17.5	-	-
Provision	15,624	10,494	12,331	48.9	26.7
PAT	1,14,293	1,02,715	1,17,459	11.3	(2.7)
Growth (YoY %)	11.3	23.6	14.5	-	-
Advances	1,32,68,367	1,15,37,710	1,27,72,404	15.0	3.9
Growth (YoY %)	15.0	18.5	15.0	-	-
Deposits	1,55,88,080	1,33,23,145	1,49,77,607	17.0	4.1
Growth (YoY %)	17.0	18.7	15.7	-	-
NIM (%)	4.31	4.50	4.33	(19bps)	(2bps)
C-D Ratio (%)	85.1	86.6	85.3	(148bps)	(16bps)
C/I ratio (%)	39.2	40.6	38.6	(140bps)	60bps
Credit Cost	0.5	0.4	0.4	10bps	8bps
GNPA (%)	2.2	2.3	2.0	(15bps)	18bps

Source: Company, BOBCAPS Research

Fig 4 – AXSB

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QOQ (%)
NII	1,38,527	1,25,322	1,34,832	10.5	2.7
Growth (YoY %)	10.5	9.4	9.5	-	-
Other Income	63,426	55,548	67,219	14.2	(5.6)
Net Income	2,01,953	1,80,870	2,02,051	11.7	(0.0)
Growth (YoY %)	11.7	12.2	16.5	-	-
Opex	97,547	89,457	94,926	9.0	2.8
PPOP	1,04,407	91,412	1,07,125	14.2	(2.5)
Growth (YoY %)	14.2	(1.5)	24.1	-	-
Provision	19,146	10,283	22,041	86.2	(13.1)
PAT	64,030	60,711	69,176	5.5	(7.4)
Growth (YoY %)	5.5	3.7	18.0	-	-
Advances	1,04,22,962	93,22,864	99,99,792	11.8	4.2
Growth (YoY %)	11.8	22.3	11.4	-	-
Deposits	1,14,05,609	1,00,48,995	1,08,67,440	13.5	5.0
Growth (YoY %)	13.5	18.5	13.7	-	-
NIM (%)	3.81	3.87	3.80	(6bps)	1bps
C-D Ratio (%)	91.4	92.8	92.0	(139bps)	(63bps)
C/I ratio (%)	48.3	49.5	47.0	(116bps)	132bps
Credit Cost	0.8	0.5	0.9	29bps	(15bps)
GNPA (%)	1.5	1.6	1.4	(9bps)	5bps

Source: Company, BOBCAPS Research

Fig 5 – KMB

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	71,446	65,535	70,196	9.0	1.8
Growth (YoY %)	9.0	15.9	11.5	-	-
Other Income	28,118	22,970	26,842	22.4	4.8
Net Income	99,565	88,505	97,038	12.5	2.6
Growth (YoY %)	12.5	14.2	12.7	-	-
Opex	47,453	42,843	46,046	10.8	3.1
PPOP	52,112	45,662	50,993	14.1	2.2
Growth (YoY %)	14.1	18.6	10.6	-	-
Provision	7,114	5,791	6,604	22.8	7.7
PAT	33,928	30,050	33,437	12.9	1.5
Growth (YoY %)	12.9	7.6	4.8	-	-
Advances	41,35,262	35,95,880	39,95,216	15.0	3.5
Growth (YoY %)	15.0	15.7	14.7	-	-
Deposits	48,01,473	40,86,360	46,14,542	17.5	4.1
Growth (YoY %)	17.5	18.6	15.1	-	-
NIM (%)	4.62	4.99	4.69	(38bps)	(7bps)
C-D Ratio (%)	86.1	88.0	86.6	(187bps)	(45bps)
C/I ratio (%)	47.7	48.4	47.5	(75bps)	21bps
Credit Cost	0.7	0.7	0.7	3bps	2bps
GNPA (%)	1.6	1.7	1.5	(16bps)	8bps

Source: Company, BOBCAPS Research

Fig 6 – IIB

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	54,055	52,956	53,473	2.1	1.1
Growth (YoY %)	2.1	17.8	5.3	-	-
Other Income	23,270	23,959	21,850	(2.9)	6.5
Net Income	77,326	76,916	75,322	0.5	2.7
Growth (YoY %)	0.5	17.0	2.4	-	-
Opex	40,077	36,492	39,324	9.8	1.9
PPOP	37,248	40,423	35,998	(7.9)	3.5
Growth (YoY %)	(7.9)	9.7	(7.9)	-	-
Provision	19,014	9,693	18,201	96.2	4.5
PAT	13,658	23,014	13,313	(40.7)	2.6
Growth (YoY %)	(40.7)	17.2	(39.5)	-	-
Advances	36,71,660	32,70,570	35,71,586	12.3	2.8
Growth (YoY %)	12.3	19.9	13.2	-	-
Deposits	40,95,700	36,87,930	41,23,968	11.1	(0.7)
Growth (YoY %)	11.1	13.4	14.7	-	-
NIM (%)	4.17	4.65	4.21	(48bps)	(4bps)
C-D Ratio (%)	89.6	88.7	86.6	96bps	304bps
C/I ratio (%)	51.8	47.4	52.2	439bps	(38bps)
Credit Cost	2.1	1.2	2.1	89bps	3bps
GNPA (%)	2.2	1.9	2.1	28bps	9bps

Source: Company, BOBCAPS Research

Fig 7 – FB

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	24,591	21,234	23,672	15.8	3.9
Growth (YoY %)	15.8	8.5	15.1	-	-
Other Income	9,352	8,626	9,640	8.4	(3.0)
Net Income	33,944	29,859	33,312	13.7	1.9
Growth (YoY %)	13.7	19.9	19.5	-	-
Opex	18,209	15,486	17,658	17.6	3.1
PPOP	15,735	14,373	15,654	9.5	0.5
Growth (YoY %)	9.5	12.8	18.2	-	-
Provision	1,753	912	1,584	92.2	10.7
PAT	10,458	10,067	10,567	3.9	(1.0)
Growth (YoY %)	3.9	25.3	10.8	-	-
Advances	23,72,293	19,91,850	23,03,120	19.1	3.0
Growth (YoY %)	19.1	18.4	19.4	-	-
Deposits	28,00,819	23,95,910	26,91,070	16.9	4.1
Growth (YoY %)	16.9	19.0	15.6	-	-
NIM (%)	3.03	3.11	3.02	(8bps)	2bps
C-D Ratio (%)	84.7	83.1	85.6	156bps	(88bps)
C/I ratio (%)	53.6	51.9	53.0	178bps	64bps
Credit Cost	0.3	0.2	0.3	11bps	2bps
GNPA (%)	2.1	2.3	2.1	(24bps)	(4bps)

Source: Company, BOBCAPS Research

Fig 8 – SBIN

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	3,99,538	3,98,157	4,16,195	0.3	(4.0)
Growth (YoY %)	0.3	4.6	5.4	-	-
Other Income	1,36,813	1,14,589	1,52,706	19.4	(10.4)
Net Income	5,36,351	5,12,746	5,68,901	4.6	(5.7)
Growth (YoY %)	4.6	3.5	13.1	-	-
Opex	2,83,798	3,09,386	2,75,964	(8.3)	2.8
PPOP	2,52,553	2,03,361	2,92,937	24.2	(13.8)
Growth (YoY %)	24.2	(19.4)	50.9	-	-
Provision	51,153	6,879	45,057	643.7	13.5
PAT	1,49,439	91,640	1,83,314	63.1	(18.5)
Growth (YoY %)	63.1	(35.5)	27.9	-	-
Advances	4,01,22,463	3,51,95,143	3,85,74,235	14.0	4.0
Growth (YoY %)	14.0	15.1	15.3	-	-
Deposits	5,28,60,650	4,76,22,207	5,11,72,849	11.0	3.3
Growth (YoY %)	11.0	13.0	9.1	-	-
NIM (%)	2.69	2.93	2.89	(24bps)	(20bps)
C-D Ratio (%)	75.9	73.9	75.4	200bps	52bps
C/I ratio (%)	52.9	60.3	48.5	(743bps)	440bps
Credit Cost	0.5	0.1	0.5	44bps	5bps
GNPA (%)	2.0	2.4	2.1	(39bps)	(10bps)

Source: Company, BOBCAPS Research

Fig 9 – RBK

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	16,702	15,459	16,150	8.0	3.4
Growth (YoY %)	8.0	34.6	9.5	-	-
Other Income	10,812	7,776	9,274	39.0	16.6
Net Income	27,514	23,234	25,423	18.4	8.2
Growth (YoY %)	18.4	31.5	16.7	-	-
Opex	16,989	15,582	16,324	9.0	4.1
PPOP	10,525	7,653	9,099	37.5	15.7
Growth (YoY %)	37.5	34.9	24.5	-	-
Provision	7,161	4,581	6,183	56.3	15.8
PAT	2,540	2,331	2,225	9.0	14.1
Growth (YoY %)	9.0	11.5	(24.3)	-	-
Advances	9,11,419	7,99,490	8,78,820	14.0	3.7
Growth (YoY %)	14.0	19.9	15.1	-	-
Deposits	10,67,630	9,27,460	10,79,587	15.1	(1.1)
Growth (YoY %)	15.1	13.5	20.2	-	-
NIM (%)	4.99	5.32	4.98	(33bps)	1bps
C-D Ratio (%)	85.4	86.2	81.4	(83bps)	397bps
C/I ratio (%)	61.7	67.1	64.2	(532bps)	(246bps)
Credit Cost	3.2	2.3	2.8	85bps	37bps
GNPA (%)	3.1	3.1	2.9	(0bps)	24bps

Source: Company, BOBCAPS Research

Fig 10 – DCBB

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	5,331	4,740	5,092	12.5	4.7
Growth (YoY %)	12.5	6.3	7.0	-	-
Other Income	1,785	1,237	2,046	44.3	(12.8)
Net Income	7,116	5,977	7,138	19.1	(0.3)
Growth (YoY %)	19.1	10.4	22.4	-	-
Opex	4,780	3,862	4,587	23.8	4.2
PPOP	2,337	2,115	2,551	10.5	(8.4)
Growth (YoY %)	10.5	9.0	21.2	-	-
Provision	488	410	456	19.1	7.0
PAT	1,372	1,266	1,555	8.4	(11.8)
Growth (YoY %)	8.4	11.2	22.6	-	-
Advances	4,63,517	3,89,510	4,44,652	19.0	4.2
Growth (YoY %)	19.0	18.2	19.3	-	-
Deposits	5,65,440	4,71,200	5,45,317	20.0	3.7
Growth (YoY %)	20.0	19.3	19.9	-	-
NIM (%)	3.20	3.40	3.20	(20bps)	0bps
C-D Ratio (%)	82.0	82.7	81.5	(69bps)	43bps
C/I ratio (%)	67.2	64.6	64.3	255bps	290bps
Credit Cost	0.4	0.4	0.4	(0bps)	1bps
GNPA (%)	3.3	3.4	3.3	(15bps)	(1bps)

Source: Company, BOBCAPS Research

Fig 11 – BANDHAN

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	30,420	25,254	29,483	20.5	3.2
Growth (YoY %)	20.5	21.4	20.7	-	-
Other Income	7,525	5,452	5,947	38.0	26.5
Net Income	37,945	30,705	35,430	23.6	7.1
Growth (YoY %)	23.6	(1.4)	18.7	-	-
Opex	17,408	14,152	16,879	23.0	3.1
PPOP	20,537	16,553	18,551	24.1	10.7
Growth (YoY %)	24.1	(13.9)	17.2	-	-
Provision	9,603	6,840	6,062	40.4	58.4
PAT	8,332	7,327	9,374	13.7	(11.1)
Growth (YoY %)	13.7	152.2	30.0	-	-
Advances	13,00,124	11,01,800	12,60,557	18.0	3.1
Growth (YoY %)	18.0	19.6	23.6	-	-
Deposits	14,09,990	11,74,200	14,25,095	20.1	(1.1)
Growth (YoY %)	20.1	14.8	27.2	-	-
NIM (%)	7.12	6.99	7.14	14bps	(2bps)
C-D Ratio (%)	92.2	93.8	88.5	(163bps)	375bps
C/I ratio (%)	45.9	46.1	47.6	(21bps)	(176bps)
Credit Cost	3.0	2.6	2.0	42bps	104bps
GNPA (%)	4.6	7.0	4.7	(243bps)	(9bps)

Source: Company, BOBCAPS Research

Fig 12 – IDFCBK

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	49,654	42,866	47,879	15.8	3.7
Growth (YoY %)	15.8	30.5	21.2	-	-
Other Income	17,473	15,166	17,273	15.2	1.2
Net Income	67,127	58,031	65,152	15.7	3.0
Growth (YoY %)	15.7	30.8	21.1	-	-
Opex	46,854	42,407	45,533	10.5	2.9
PPOP	20,272	15,625	19,619	29.7	3.3
Growth (YoY %)	29.7	23.9	29.9	-	-
Provision	13,851	6,548	17,319	111.5	(20.0)
PAT	4,912	7,157	2,007	(31.4)	144.8
Growth (YoY %)	(31.4)	18.4	(73.3)	-	-
Advances	22,81,687	18,55,030	21,50,613	23.0	6.1
Growth (YoY %)	23.0	26.1	23.0	-	-
Deposits	23,45,755	18,25,490	22,36,067	28.5	4.9
Growth (YoY %)	28.5	37.2	30.6	-	-
NIM (%)	6.34	6.75	6.39	(41bps)	(6bps)
C-D Ratio (%)	97.3	101.6	96.2	(435bps)	109bps
C/I ratio (%)	69.8	73.1	69.9	(328bps)	(9bps)
Credit Cost	2.5	1.5	3.3	105bps	(82bps)
GNPA (%)	2.0	2.0	1.9	(4bps)	8bps

Source: Company, BOBCAPS Research

Fig 13 – CBK

(Rs mn)	Q3FY25E	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
NII	98,556	94,171	93,152	4.7	5.8
Growth (YoY %)	4.7	9.5	4.6	-	-
Other Income	48,502	42,951	49,810	12.9	(2.6)
Net Income	1,47,058	1,37,122	1,42,962	7.2	2.9
Growth (YoY %)	7.2	8.9	5.6	-	-
Opex	69,519	69,067	66,424	0.7	4.7
PPOP	77,539	68,055	76,538	13.9	1.3
Growth (YoY %)	13.9	(2.1)	0.5	-	-
Provision	21,167	18,989	22,513	11.5	(6.0)
PAT	42,054	36,561	40,145	15.0	4.8
Growth (YoY %)	15.0	26.9	11.3	-	-
Advances	1,00,81,081	92,06,467	98,40,412	9.5	2.4
Growth (YoY %)	9.5	12.8	10.3	-	-
Deposits	1,38,03,832	1,26,29,306	1,34,73,467	9.3	2.5
Growth (YoY %)	9.3	8.5	9.3	-	-
NIM (%)	2.57	2.71	2.49	(14bps)	8bps
C-D Ratio (%)	73.0	72.9	73.0	13bps	(0bps)
C/I ratio (%)	47.3	50.4	46.5	(310bps)	81bps
Credit Cost	0.9	0.8	0.9	1bps	(8bps)
GNPA (%)	3.7	4.4	3.7	(73bps)	(7bps)

Source: Company, BOBCAPS Research

Glossary

Glossary of Abbreviations			
AUCA	Advance Under Collection Account	MSME	Micro, Small and Medium Enterprises
AIF	Alternative Investment Fund	MTM	Mark to Market
CASA	Current Account and Savings Account	NII	Net Interest Income
CAR	Capital Adequacy Ratio	NIM	Net Interest Margin
CET1	Common Equity Tier 1	NNPA	Net Non-Performing Assets
C-D	Credit-Deposit Ratio	PCR	Provision Coverage Ratio
CoF	Cost of Funds	PPOP	Pre-Provision Operating Profit
C/I	Cost-Income Ratio	PSU	Public Sector Unit
EBLR	External Benchmark-based Lending Rate	RBI	Reserve Bank of India
ECL	Expected Credit Loss	RWA	Risk-weighted Assets
GNPA	Gross Non-Performing Assets	SLR	Statutory Liquidity Ratio
LCR	Liquidity Coverage Ratio	SMA	Special Mention Account
MCLR	Marginal Cost of Funds-based Lending Rate	SME	Small and Medium-sized Enterprises
MFI	Microfinance Institution		

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