

MFIN/CC/03/25-26

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Press Release

Micro Finance Industry Network (MFIN) releases the 54th edition of Micrometer for Q1 FY 25-26 based on the industry position as on June 30, 2025.

Micro Finance Industry Network (MFIN) is an industry association of Banks, NBFC-MFIs, SFBs and NBFCs providing microfinance and an RBI-recognized self-regulatory organization.

Micrometer is the flagship publication of MFIN which covers progress of Indian Microfinance industry on a quarterly frequency, this is the **54th Issue**.

Report insights

As of 30th Jun,'25, microfinance operations were spread across 36 states/UTs and 721 districts providing financial services to around 7.5 crore unique clients. Data for Q1 FY 25-26 shows that on a YoY basis due to lower disbursements on account of liquidity constraints and stricter underwriting post guardrails, the sector's portfolio came down to Rs 3,53,233 Cr.

Despite lower disbursements seen from previous quarters, with Q1 disbursement of Rs. 56,677 crore, portfolio quality has started to show signs of improvement. PAR 31-60 days in end June 25 was 1.1% as compared to 1.6% in December 24. Similarly PAR 61-90 days has improved to 1.4% compared to 1.6% in December 24. NBFC-MFIs, despite sharp contraction, continue to be the market share leader with 39% share, followed by banks at 33%. The sector also contributes 36.6% of its outreach in Eastern and North-Eastern states - areas where financial inclusion is needed the most.

Other key positives are:

- Expansion in Branch Network: NBFC-MFIs reported 22,896 branches, marking an 8.0% year-over-year (YoY) increase from 21,205 in Q1 FY 24-25. This indicates continued investment in physical infrastructure to enhance outreach.
- Increase in Workforce of NBFC-MFIs: Employee count rose to 2,12,479, a 5.8% YoY growth from 2,00,894, supporting operational scalability and client servicing capabilities.

During the quarter, a positive development came from the RBI in the regulations for NBFC-MFIs by way of reduction in qualifying asset norm. This revised norm will help NBFC-MFIs avoid frequent breaches caused by liquidity inflow as well as provide an opportunity to NBFC-MFIs to diversify their product offering. The outcomes of this regulatory change will need to be monitored in the coming quarters.

Dr Alok Misra, CEO & Director, MFIN observed, “It is a sign of relief that despite a severe drop in flow of bank funding and the adoption of tighter underwriting, which has led to a contraction in the Gross Loan Portfolio, the credit quality on the mend. Over the last two quarters (Q3 FY 24-25 onwards) there has been a significant improvement in portfolio quality in the early PAR buckets (PAR 31-60 and PAR 61-90) indicating that fresh disbursements are exhibiting healthier quality. At this juncture, the sector is delicately poised and needs liquidity to sustain the improvement. I hope that the twin factors of RBI’s injection of liquidity and the improvement in credit quality, will together lead to better funding to the sector.”