

MFIN/CC/06/25-26

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Press Release

Micro Finance Industry Network (MFIN) releases the 56th edition of Micrometer for Q3 FY 25-26 based on the industry position as on December 31, 2025.

MFIN is an industry association of Banks, NBFC-MFIs, SFBs and NBFCs providing microfinance and an RBI-recognized self-regulatory organization.

Report insights- portfolio decline arrested and credit quality improves

As of 31 December 2025, microfinance operations are spread across 36 states/UTs and 714 districts. Considering the slowdown in wholesale funding to NBFC-MFIs, the microfinance portfolio for the sector dipped to Rs 3,14,728 Cr as on December 31, 2025 - a decline of 7.3% over September 30, 2025. However, the portfolio numbers do not show two things; a) the rate of decline has been arrested to a large extent and b) the fall is accentuated by an approximate 5% shift (as a share of September 30, 2025 POS) from MFI to retail portfolios in Q3 FY26, with the majority of this shift driven by banks. NBFC-MFIs contribute 42.1% share making them the largest lenders in microfinance sector, followed by banks at 26.7% while SFB and NBFCs make up the remaining share of portfolio. The decline in portfolio has also led to substantial fall in number of clients being served; MFIN estimates that ~50 lakh clients have lost access to formal finance - a serious development policy issue.

Total disbursements in the sector inched up to Rs 60,350 Cr in Q3 marginally higher than Rs 56,677 Cr in Q1. The disbursements are mainly accounted for by banks and large NBFCs and NBFC-MFIs as the funding winter has led to extreme stress on liquidity position of small and medium MFIs. In Q3, within MFIN member base, medium MFIs disbursed Rs 995 Cr, Small MFIs could disburse only Rs 503 Cr.

Against these headwinds also, the striking thing is that sector's portfolio quality has bounced back towards normalcy. As on December 31, 2025, PAR 31-90 days was 1.6% as against 3.2% in December 2024 and PAR 91-180 days was 2% as compared to 3.3% last year. MFIN member NBFC-MFIs demonstrate financial resilience with a Debt to Equity ratio of 2.8 and a favourable ALM across all buckets.

Dr Alok Misra, CEO & Director, MFIN observed, "The moot point as of now is that despite normalisation of credit quality and strict implementation of MFIN guardrails to check any over-indebtedness, the sector continues to face liquidity issues. Hopefully, the earnest advocacy by MFIN will bear fruit in Q4 with the likely launch of Guarantee scheme for wholesale lending and the sector will enter the growth phase. On demand side, the good monsoon is creating pent up demand and Microfinance is well positioned to cater to this demand provided sufficient liquidity is available."