



Documenting Microfinance Sectors' contribution to the Economy - MFIN and NCAER launch special report

Dr Rajiv Kumar, Vice Chairman, NITI Aayog releases the report at a virtual event

New Delhi, 2nd March, 2022: MFIN, the Association for microfinance entities and a Self-Regulatory Organisation today launched 'Present and Potential Contribution of Microfinance to India's Economy', along with NCAER, the National Council of Applied Economic Research. The report was released by Dr Rajiv Kumar, Vice Chairman, NITI Aayog amidst an august gathering comprising microfinance providers, investors and analysts, regulators, among others, on a virtual platform.

Speaking at the launch, **Dr Rajiv Kumar, Vice Chairman, Niti Aayog said,** *"I complement both MFIN and NCAER for bringing out a report that captures the contribution of the Microfinance sector on GVA and employment rather well. At the same time, I feel there could be some learnings for others in the way the model operates where the industry has managed to keep NPAs low despite the Covid impact."*

Vice Chairman also suggested that MFIN should take up a study documenting the impact of microfinance on women empowerment.

Dr Alok Misra, CEO & Director, MFIN said, *"This study presents an analysis of its contribution to the overall economy in terms of income or 'Gross Value Added', a measure of the national economic output and employment. Though the sector accounts for only a small part of the financial sector, the employment created is estimated to be about 1.28 crore jobs by the sector as a whole and 38.54 lakh jobs by the NBFC-MFIs alone, a significant contribution to the generation of employment."*

The MFIN-NCAER report points that during 2018-19, the contribution of microfinance sector as a whole, to India's GVA was 2.03%. The projected contributions of the microfinance sector to overall GVA, including the backward & forward linkages by 2025-26 would be a significant 2.7% in the base case scenario and nearly 3.5% in best case scenario.

On the release of the report, **Dr Poonam Gupta, Director General – NCAER, said,** *"Microfinance has emerged as a major instrument for meeting the needs of lower income households by linking them to the financial resources to meet both productive and critical needs of credit. NCAER is proud to be involved in chronicling the contributions of the microfinance sector to the economy and highlighting the importance of sustaining positive links between credit and livelihoods."*

India aims to become USD 5 Trillion economy by 2025. To achieve this target, it is imperative that all sectors of industry and all sections of society contribute to the Indian growth story. Micro and Small enterprises which form the backbone of rural and semi urban economy are also required to grow at a quick pace to contribute to the vision of USD 5 Trillion economy



and for the growth to be equitable. Microfinance Institutions have a close relationship with this section and are best suited to meet their funding requirements and to help them grow.

The sector's contribution to employment is huge particularly in rural areas which accounts for around 70% of the microfinance operations – future growth will lead to more job opportunities locally and promote entrepreneurship among women who form >95% of the microfinance client base.

About Microfinance Institutions Network

MFIN is a premier industry association comprising 56 NBFC-MFIs and 41 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. By virtue of bringing all microfinance entities under one common umbrella, MFIN acts as a bridge between them and the regulators to build a dialogue for greater transparency, better policy frameworks and stronger client protection standards for responsible lending, thus enabling the microfinance industry to partake in meeting the larger financial inclusion goals.

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