

Assessing the Impact of El Niño on the Microfinance Portfolio

MICROFINANCE INDUSTRY NETWORK

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AT A GLANCE. Monsoon has advanced and rainfall has recovered across several key states since June, yet **52% of the industry portfolio still sits in rainfall-deficient districts** and localized **flood risk in excess-rainfall pockets has risen to 18.8%**. Members are advised to recalibrate disbursements in the worst-affected districts and prepare field teams for localized repayment stress.

Background

As part of continuous monitoring of macro economic and environmental risks affecting the microfinance sector, MFIN has been analysing current El Niño-induced rainfall deviations and their impact on the microfinance portfolio to ascertain possible implications. While recent data shows a marginal recovery in rainfall patterns across several regions, a significant portion of the industry portfolio remains highly exposed to severe rainfall departures.

High Vulnerability of the Rural & Agri-Allied Sector

High exposure to the rural and agri-allied sector makes the industry significantly vulnerable to climatic shocks. Indian agriculture being predominantly rainfed means monsoon-related anomalies have a high bearing on the microfinance sector. Key statistics:

83%

Rural Dominance

of the total microfinance portfolio is concentrated in rural areas

66.6%

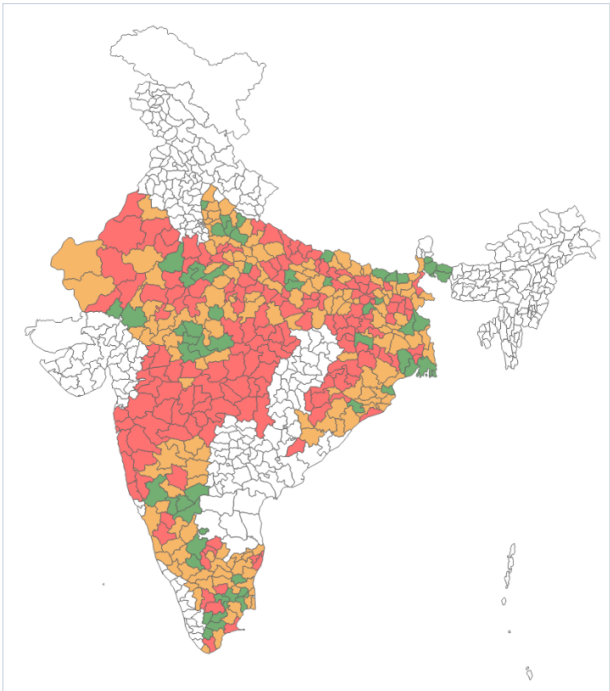
Agri-Allied Dependence

of total lending is in agriculture-allied activities (livestock, dairy, rural enterprises)

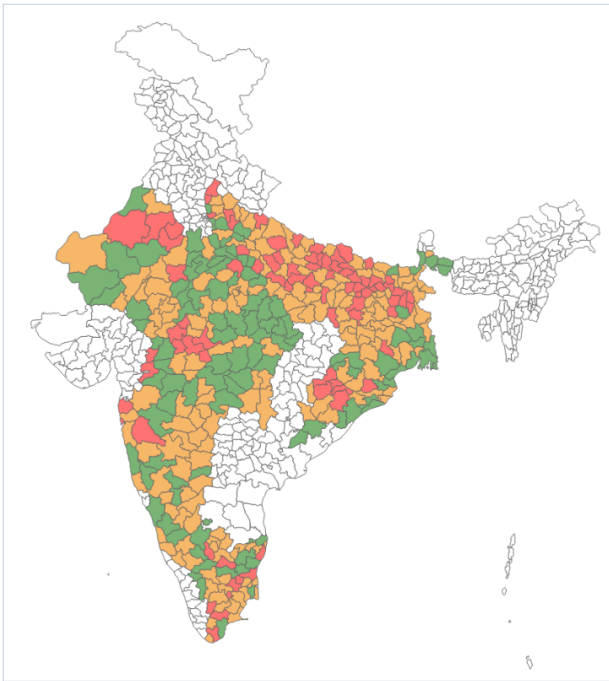
Implication. Any climatic event that severely disrupts the agricultural and rural economy creates an immediate slowdown in local economic velocity, directly compressing the cash flows of microfinance borrowers. Such events may therefore precipitate delinquency where the severity is high and the effect widespread.

Monsoon Trends & Portfolio Mapping

An analysis combining IMD district rainfall data with portfolio distribution across the top 10 states is presented below. Comparing last month's rainfall map with this month's, the monsoon has moved ahead and covered many states that were earlier witnessing a shortfall of rains. However, there remain pockets with high microfinance penetration undergoing severe rainfall shortage.



As on 22 June 2026 — widespread deficit (red)



As on 08 July 2026 — recovery, more normal (green)

District-level rainfall departure. Legend: **Deficit** **Below Normal** **Normal** **Excess** — colours are indicative of IMD departure categories.

The table below shows a comparison of monsoon performance and portfolio mapping as on **08 July** versus **22 June 2026**:

Deficit Risk — 5 2%. Compared with a staggering 31.5% of the portfolio in *Large Deficit* districts as on 22 June, by 08 July this has come down to 16.7%. The total portfolio in deficit-rainfall districts is nonetheless still 52%, down from 69% earlier.

Excess Risk — 18.8%. Conversely, 7.4% of the portfolio in *Excess* zones and 4.6% in *Large Excess* zones have risen to 12.5% and 6.3% respectively, exposing these pockets to localized flooding risk.

Normal Rainfall — 28.2%. Around 28.2% of the portfolio now resides in districts experiencing normal monsoon trends, up from 19% earlier.

Portfolio distribution by rainfall category

Category	% Rainfall Departure	GLP (Rs Cr)	22 Jun 26	08 Jul 26
Deficient	−59% to −20%	98,665	37.2%	36.3%
Large Deficient	−99% to −60%	45,493	31.5%	16.7%
No Rain	−100%	0	0.3%	0.0%
Normal	−19% to +19%	76,734	19.0%	28.2%
Excess	+20% to +59%	34,023	7.4%	12.5%
Large Excess	≥ +60%	17,135	4.6%	6.3%
Top 10 States		2,72,051		
Industry (total)		3,25,174		
Share of Top 10 States		83.7%		

Portfolio summary	22 Jun 26	08 Jul 26
Portfolio in districts with <i>deficient</i> rainfall	69.0%	53.0%
Portfolio in districts with <i>excess</i> rainfall	12.0%	18.8%
Portfolio in districts with any rainfall departure	81.0%	71.8%

Top 10 microfinance states — rainfall departure comparison

State	GLP (Rs Cr)	As on 22 Jun 2026				As on 08 Jul 2026			
		Act.	Norm.	%Dep	Cat	Act.	Norm.	%Dep	Cat
Bihar	53,171	54.2	94.4	−43%	D	118.9	252.2	−53%	D
Uttar Pradesh	39,649	28.1	49.5	−43%	D	91.9	152.1	−40%	D
Tamil Nadu	38,415	28.6	38.7	−26%	D	79.4	64.6	+23%	E
Karnataka	28,457	83.9	140.5	−40%	D	215.9	260.8	−17%	N
West Bengal	27,852	203.8	196.5	+4%	N	380.8	402.3	−5%	N
Maharashtra	23,998	24.6	133.9	−82%	LD	307.0	289.0	+6%	N
Madhya Pradesh	19,374	34.3	70.9	−52%	D	223.0	202.5	+10%	N
Odisha	17,225	70.9	137.2	−48%	D	333.7	285.8	+17%	N
Rajasthan	13,164	40.4	30.1	+34%	E	94.9	84.3	+13%	N
Jharkhand	10,746	38.1	112.1	−66%	LD	158.4	264.9	−40%	D

Act. = Actual rainfall (mm) · Norm. = Normal rainfall (mm) · %Dep = departure from normal · Cat: **LD** Large Deficient **D** Deficient **N** Normal **E** Excess.

Key Recommendations for Members

- 1. Cautious Disbursements.** Regulated Entities should recalibrate credit-appraisal mechanisms in the most severely affected *Large Deficient* and *Large Excess* districts. Credit extensions should focus tightly on essential and highly resilient income-generating activities.
- 2. Expect Repayment Stress.** Field teams should be sensitized to expect localized cash-flow constraints among clients. Empathy-led collection practices, early customer engagement, and close monitoring of localized stress indicators are strongly encouraged.

Issued by **MFIN**. This note is intended solely for MFIN Members and contains indicative analysis based on IMD district rainfall data and reported portfolio distribution as on the dates stated. It does not constitute regulatory direction. *Dated 09 July 2026.*