

# Research Report on Micro Finance Industry

15<sup>th</sup> May 2026

## Disclaimer

This report is prepared by CARE Analytics and Advisory Private Limited (CareEdge Research). CareEdge Research has taken utmost care to ensure veracity and adequacy of the information while developing this report based on information available in CareEdge Research's proprietary database, and other sources including the information in public domain, considered by CareEdge Research as reliable after exercise of reasonable care and diligence. The views and opinions expressed herein do not constitute the opinion of CareEdge Research to buy or invest in this industry, sector or companies operating in this sector or industry and is also not a recommendation to enter into any transaction in this industry or sector in any manner whatsoever.

This report has to be seen in its entirety; the selective review of portions of the report may lead to inaccurate assessments. All forecasts in this report are based on assumptions considered to be reasonable by CareEdge Research at the time of issuance of this report; however, the actual outcome may be materially affected by changes in the industry and economic circumstances, which could be different from the projections.

Nothing contained in this report is capable or intended to create any legally binding obligations on the sender or CareEdge Research. The subscriber/user assumes the entire risk of any use made of this report or data herein. This report is for the information of the authorized recipient in India only and any reproduction of the report or part of it would require explicit written prior approval of CareEdge Research. CareEdge Research shall reveal the report to the extent necessary and called for by appropriate regulatory agencies, viz., SEBI, RBI, Government authorities, etc., if it is required to do so. By accepting a copy of this report, the recipient accepts the terms of this Disclaimer, which forms an integral part of this report.

## Table of Contents

<b>1 Macro-Economic &amp; Digital Economy Trends .....</b>	<b>9</b>
1.1 Trend of GDP growth in comparison with other major economies.....	9
1.2 Outlook on GDP growth for India .....	11
1.2.1 Resilience to External Shocks remains Critical for Near-Term Outlook .....	11
1.2.2 GDP Growth Outlook (April 2026).....	11
1.3 Consumer Price Index (CPI).....	12
1.4 Trend in Household Savings.....	13
1.5 Structural reforms that drive future growth.....	16
1.6 Overview on Key Demographic Parameters.....	17
1.7 Digitalizing of payments .....	19
1.8 India's credit penetration in comparison to other countries .....	21
1.9 Gross National Savings as a % of GDP.....	22
<b>2 Financial Inclusion.....</b>	<b>23</b>
2.1 Financial Penetration to rise with increase in awareness and access to financial products .....	23
2.2 Under penetration of the Indian banking sector provides opportunities for growth .....	24
2.3 Financial Inclusion on a fast path in India .....	26
2.4 Rural sector supporting India Growth story .....	27
2.5 Population group wise share of credit and deposit.....	31
2.6 Digital Public Infrastructure reforms by government of India .....	32
2.7 Micro-insurance.....	49
<b>3 Retail lending in India .....</b>	<b>53</b>
3.1 Overview .....	53
3.2 Factors supporting growth of retail credit .....	55
3.3 Impact of Digitization on retail credit.....	56
3.4 ROA amongst retail loan segments of NBFCs .....	58
3.5 Trend in Mix of secured and unsecured in retail NBFC credit .....	58
3.6 NBFC Credit landscape .....	59
3.6.1 NBFC Retail Credit.....	60
3.6.2 Sectoral Distribution of NBFC Credit .....	60
3.6.3 Growth of asset classes .....	61
3.7 Outlook of credit growth in Rural areas .....	62
3.8 Rural Retail lending .....	62
3.8.1 Overview .....	62
3.8.2 Rural Retail Banking Credit has increased share to 8.00% as of 9MFY26.....	63
3.8.3 Rural Retail Banking Credit Split.....	63
3.8.4 Retail banking credit state wise.....	64
<b>4 Indian Microfinance industry.....</b>	<b>65</b>
4.1 Landscape of Indian MFI Industry .....	65
4.2 Role of RBI as regulator of the MFI industry .....	69
4.3 Harmonised Regulatory Regime ensures level playing field and benefits NBFC-MFIs.....	71
4.4 State cannot regulate MFIs registered with the RBI as per the High Court .....	73
4.5 Comparison of different types of lenders in microfinance industry .....	75
4.6 NBFC-MFIs have been maintaining market share between 21.68% to 25.27% in overall MFI industry .....	76
4.7 NBFCs Credit towards Microfinance is amongst the fastest growing retail loan segments in India .....	78

4.8	NBFC-MFIs witnessed highest average write-offs .....	78
4.9	MFI Industry resilient despite major setbacks and Changing landscape.....	79
4.10	Impact of Major Disruptive Events on Asset Quality in the Microfinance Sector.....	85
4.11	Impact of COVID on rural and urban market.....	87
4.12	Key government steps that supported MFIs during the Covid-19 crisis.....	87
4.13	RBI's Cease and Desist (C&D) orders to Microfinance Institutions (MFIs), update and measures or steps taken post supervisory restrictions.....	88
4.13.1	Overview of RBI Cease & Desist Actions .....	88
4.13.2	Landscape Analysis: Actions Over the Past Five Years.....	89
4.13.3	NBFCs & Microfinance Institutions: Pricing and Asset Quality .....	89
4.13.4	Resolution & Recovery: The path to exiting C&D .....	90
4.14	MFI industry growth drivers pointing towards a sustained recovery in the sector.....	91
4.15	Trend in number of active MFI loan accounts and unique borrowers.....	92
4.16	NBFC-MFIs diversifying their portfolio .....	96
4.17	NBFC-MFIs' disbursements grew at CAGR of 7.88% during FY20 and 9MFY26.....	97
4.18	Market share mix of lenders.....	100
4.19	Asset quality trend of NBFC MFIs vs other players in the MFI space.....	101
4.20	Forward flow rate trends.....	105
4.21	MFI industry largely caters to rural areas .....	105
4.22	Implications of a rural centred MFI business .....	106
4.23	Market opportunity for NBFC-MFIs.....	107
4.24	State wise analysis .....	108
4.24.1	Bihar, Uttar Pradesh, Tamil Nadu and West Bengal have highest number of loan accounts as of 9MFY26 ...	109
4.24.2	Bihar has been recording highest loan disbursements by NBFC-MFIs between FY23 and 9MFY26 .....	110
4.24.3	Tamil Nadu, West Bengal and Karnataka recorded highest average loan outstanding per account as of 9MFY26 111	
4.24.4	Gujarat, Karnataka, Rajasthan and Odisha reported highest PAR 90 in the top 15 states .....	111
4.24.5	Northern and western region are underpenetrated in microfinance.....	112
4.24.6	Players tapping newer states and districts to widen client base .....	112
4.25	State wise and region wise (North, East, West and South) .....	114
4.26	Challenges in Serving Rural Customers and the Strengths Required to Address Them.....	114
4.27	Trend in Profitability of MFI Sector .....	115
4.28	Borrowing Mix of NBFC-MFIs Over the years .....	116
4.29	From Cash to Cashless.....	118
4.30	Adoption of technology in MFI industry .....	118
4.31	Leveraging technology for process validation in the loan lifecycle .....	119
4.32	Strategy of diversification.....	119
4.33	Major growth drivers .....	121
4.34	Key success factors of MFI lenders .....	122
4.35	Role of Self-Regulatory Organisation (SRO).....	122
4.36	MFIN Guardrail.....	123
4.37	Other Institutions .....	123
<b>5</b>	<b>Peer Comparison.....</b>	<b>125</b>
5.1	Comparison of key players in the MFI industry .....	127
5.2	Disbursement data for top 12 NBFC-MFIs .....	128
5.3	Client Outreach decreased throughout the microfinance sector .....	130

5.4	Arohan Financial Services has the second highest Clients per Loan Officer as of FY25 .....	131
5.5	Arohan Financial Services has presence in 17 states as of 9MFY26 .....	133
5.6	Arohan has increased its presence from 254 districts in FY23 to 320 districts in 9MFY26.....	135
5.7	Share of MFI portfolio in overall AUM .....	137
5.8	Productivity Metrics of key players in the MFI space .....	138
5.9	Asset liabilities Management of NBFC-MFI players in FY25 (Rs. Million).....	153
5.10	Approval from the Government to perform Aadhar authentication under the Aadhaar Act .....	155
5.11	Product offerings .....	156
5.12	ISO & Great place to work certifications as of December 2025 .....	157
5.13	Experience of leadership team .....	157
<b>6</b>	<b>KPIs .....</b>	<b>159</b>

## List of Charts

Chart 1:	Global Growth Outlook Projections (Real GDP, Y-O-Y change in %).....	9
Chart 2:	Trend in Real Indian GDP growth rate (Base Year 2022-23) .....	11
Chart 3:	Consumer Price Index.....	12
Chart 4:	RBI historical Repo Rate .....	13
Chart 5:	Household Savings grew at a CAGR of 8.78% from FY18 to FY24.....	13
Chart 6:	Savings in physical assets contribute to 67.29% of total household saving as of FY25 (FRE) .....	15
Chart 7:	Shift in Household Financial Savings from Bank Deposits to Mutual Funds.....	15
Chart 8:	Household Borrowings grew at a CAGR of 14.36% between FY20-FY25.....	16
Chart 9:	Age-Wise Break Up of Indian population (% of working-age population).....	18
Chart 10:	Urbanization Trend in India .....	19
Chart 11:	Digital payment in volume grew at a CAGR of 50.12% from FY21 to FY25 .....	20
Chart 12:	India’s Credit Penetration at 59.50% (Sept’25) Indicates Structural Headroom for Growth Compared to other nations .....	21
Chart 13:	India’s Gross National Savings Remain Strong at 31.51% of GDP as of 2025 .....	22
Chart 14:	Number of Commercial Bank Branches per 100,000 Adults (CY) .....	24
Chart 15:	Bank Account Ownership (% of Adults Aged 15 and above) .....	25
Chart 16:	Share of India’s Population Borrowing from Formal Financial Sources as of 2024 (%) .....	26
Chart 17:	Pradhan Mantri Jan Dhan Yojana deposits grew at a CAGR of 17.09% from Mar’20 to Mar’26 .....	26
Chart 18:	Rural and semi urban India accounts for only 22.15% of banking credit and ~24.72% of deposits .....	31
Chart 19:	Bank Credit accounts in rural accounts grow at a CAGR of 14.55% .....	32
Chart 20:	Rural Internet Penetration .....	34
Chart 21:	Indian Retail Market Size expected to grow at 8-9% CAGR from FY25 to FY28 .....	35
Chart 22:	Online retail expected to grow at 24-25% CAGR from FY25 to FY28 .....	35
Chart 23:	Volume of credit card transactions grew at a CAGR of 19.72% from FY17 to FY26 .....	37
Chart 24:	Value of credit card transactions grew at a CAGR of ~27.83% from FY17 to FY26 .....	38
Chart 25:	Trend in Number of E-KYC Transactions.....	38
Chart 26:	Government schemes being delivered through digital adoption – Direct Benefit Transfer .....	39
Chart 27:	Trend in DBT Beneficiaries (Non unique).....	40
Chart 28:	Per capita credit of overall population is the highest for western region (FY25 E).....	41
Chart 29:	Per capita deposit of overall population is the highest for western region (FY25 E) .....	42
Chart 30:	Growth in Gross Value added in agricultural sector (Based on 2011-12 series) .....	45
Chart 31:	Increasing per capita income (Constant Price: Base year 2022-23) .....	47
Chart 32:	Increasing penetration of MFI business .....	48

Chart 33: New business premium (Group) growing at 46.22% .....	50
Chart 34: Number of lives covered under Micro Insurance stands at Rs 136.45 million.....	50
Chart 35: Private players have increased market share in micro insurance by increasing their focus on group business 51	
Chart 36: Increasing number of micro insurance agents (Life).....	51
Chart 37: Systemic Credit by Banks and NBFCs to grow at 13-14% CAGR from FY26 to FY30 .....	53
Chart 38: Share of NBFC credit in systemic credit by banks and NBFCs to reach around 25.81% by FY30 .....	54
Chart 39: Nominal GDP Growth and Credit Growth Trends in India .....	54
Chart 40: Retail segment expected to account for 42.56% of systemic credit by banks and NBFCs as of FY30 .....	55
Chart 41: MFI is expected to contribute to ~3.91% in FY30 in NBFCs' retail assets.....	57
Chart 42: Share of secured loans expected to reach ~49.15% by FY30 .....	58
Chart 43: Gross Credit Deployed by NBFCs grew at 21.26% Y-O-Y in Sep'25 .....	59
Chart 44: NBFC retail credit is expected to grow at a CAGR of 22%-22.5% from FY25 to FY30 .....	60
Chart 45: MFI is expected to contribute to 1.89% in FY30 .....	60
Chart 46: Rural credit growth of banks is expected to grow at 12-14% CAGR from FY26 to FY30.....	62
Chart 47: GLP clocked 9.98% CAGR between FY20 and 9MFY26 .....	65
Chart 48: JLG accounts for majority of market share in microfinance gross loan portfolio.....	68
Chart 49: NBFC MFIs account for 22.52% of the total gross loan portfolio as of 9MFY26 .....	77
Chart 50: GLP of SBLP and NBFC-MFIs witnessed significant CAGR between FY20-9MFY26.....	77
Chart 51: Retail segments of NBFCs have witnessed high CAGR during FY20-H1FY26 in terms of loan portfolio .....	78
Chart 52: Average write-offs and average loan assets recovered by NBFC-MFIs .....	78
Chart 53: Percentage of average write-offs done by NBFC-MFIs witness significant uptick in FY25 .....	79
Chart 54: MFI industry has shown resilience over past 2 decades .....	84
Chart 55: Impact of Various Events on Credit Costs for Microfinance Industry .....	85
Chart 56: Active MFI loan accounts witnessed decline in FY25 and 9MFY26 reflecting tighter underwriting .....	92
Chart 57: Average active loan accounts per unique borrower have been declining since FY24 .....	93
Chart 58: NBFC-MFIs have highest number of active loan accounts and grew fastest (FY20 to 9MFY26) among other types of lenders .....	93
Chart 59: Share of NBFC-MFIs in active loan accounts increased from 36.57% as of FY20 to 40.95% as of 9MFY26... 94	
Chart 60: NBFC-MFIs reported fastest growth in number of unique borrowers among other types of lenders .....	95
Chart 61: Share of NBFC-MFIs in number of unique borrowers increased from 32.83% as of FY20 to 38.55% as of 9MFY26 .....	95
Chart 62: Trend in number of clients for NBFC-MFIs .....	96
Chart 63: Share of qualifying assets in owned portfolio of NBFC-MFIs have witnessed decline following changes in RBI regulations.....	96
Chart 64: NBFC-MFIs' disbursements grew at CAGR of 7.88% during FY20 and 9MFY26.....	97
Chart 65: Average MFI loan ticket size of NBFC-MFI players is lower as compared to the other industry players.....	98
Chart 66: GLP of overall MFI Industry to grow at 13%-14% CAGR over 9MFY26-FY30.....	99
Chart 67: GLP of NBFC-MFIs expected to recover soon and experience a period of rapid expansion over the next few years 100	
Chart 68: NBFCs have the highest average loan outstanding per account between FY23 and 9MFY26 .....	100
Chart 69: NBFC-MFIs have highest number of active loan accounts between FY23 to 9MFY26 .....	101
Chart 70: Asset quality (PAR> 90) for overall industry has deteriorated in FY25 and 9MFY26 .....	102
Chart 71: Overleveraging and challenges faced during FY25 in Gross NPAs for NBFC- MFIs .....	102
Chart 72: Delinquencies witnessed decline in 9MFY26 (PAR 31-180).....	103
Chart 73: Net Forward Flow% (based on total active loans) has shown improvement since Oct'25 .....	105
Chart 74: Disbursement and number of borrowers in rural areas .....	105

Chart 75: Share of rural area in overall disbursements regained to 78% in FY25 which had declined to 72% in FY23 106

Chart 76: Share of rural areas in GLP of NBFC-MFIs has increased from 75.0% as of FY20 to 83.8% as of 9MFY26 . 106

Chart 77: Underpenetrated states to drive growth for MFIs in the coming years ..... 108

Chart 78: State-wise distribution of industry GLP (as of 9MFY26) ..... 109

Chart 79: Eastern states have highest penetration of microfinance as of 9MFY26 ..... 112

Chart 80: Total branches of MFIs in major States/UTs ..... 112

Chart 81: GLP per branch of MFIs in Major States/UTs (Rs Billion)..... 113

Chart 82: East and North-East continue to account for over a third of GLP ..... 114

Chart 83: Borrowing mix of NBFC-MFIs ..... 116

Chart 84: Borrowing mix of NBFC-MFIs across different bucket size..... 117

Chart 85: NBFC-MFIs’ Cost of Borrowing ..... 117

Chart 86: Trend in cashless disbursements for NBFC-MFIs ..... 118

**List of Tables**

Table 1: India is one of the fastest growing major economies (Real GDP, Y-o-Y change in %) ..... 9

Table 2: Sectoral Growth (Y-o-Y % Growth) - at Constant Prices..... 10

Table 3: GDP Growth Outlook (Y-o-Y %) ..... 11

Table 4: Gross domestic savings trend..... 14

Table 5: India’s dependency ratio is projected to reduce from 54.13% in FY13 to 45.42% in FY27..... 17

Table 6: Rural Monthly Per Capita Household Consumption Expenditure (MPCE) has more than doubled since 2011-12  
29

Table 7: Average MPCE for each State and UT in FY24 ..... 29

Table 8: Trend in percentage composition of MPCE since 2011-12 (% share in total MPCE) ..... 36

Table 9: PMJDY Beneficiary Coverage and Deposit Base (In Million) ..... 36

Table 10: Region wise share of banking deposits and credit..... 40

Table 11: State wise share of banking credit and concentration of top five districts as of December 2025..... 42

Table 12: State wise GDP and GDP growth ..... 44

Table 13: State wise Rural population spread along with Agriculture contribution (FY25) (Based on 2011-12 series) .. 46

Table 14: Per Capita Net State Domestic Product (Constant Prices) (In Rs) ..... 47

Table 15: Consumer durables had the best asset quality as of FY25 among selected sectors..... 57

Table 16: ROA of Microfinance loans expected to increase in FY26 ..... 58

Table 17: NBFCs accounts for 29.00% of MFI portfolio and it delivers 14.30% CAGR from FY20-FY25..... 61

Table 18: Housing Finance accounted for the highest share in Rural Retail Banking Credit as of 9MFY26 ..... 63

Table 19: Top 5 states account for 55.88% share in Overall Retail Banking Credit as of 9MFY26 ..... 64

Table 20: Delinquency by number of lender association ..... 103

Table 21: Delinquency by ticket size ..... 103

Table 22: Regional distribution of Total GLP across top 10 states ..... 109

Table 23: State-wise number of loan accounts ..... 110

Table 24: Bihar, Uttar Pradesh and Tamil Nadu continue to have highest active MFI Clients..... 110

Table 25: State-wise distribution of loans disbursements by NBFC-MFIs (Rs Billion)..... 110

Table 26: Average loan outstanding per account in top 10 states ..... 111

Table 27: Majority of states have witnessed deteriorated NBFC-MFIs asset quality (9MFY26) ..... 111

Table 28: NBFC-MFIs which received approval of Ministry of Finance to perform Aadhar authentication under the Aadhaar Act 155

Table 29: Arohan Financial Services Ltd ..... 159

Table 30: CreditAccess Grameen Ltd ..... 160

Table 31: Muthoot Microfin Ltd.....	161
Table 32: Satin Creditcare Network Ltd.....	162
Table 33: Fusion Finance Ltd.....	163
Table 34: Spandana Sphoorty Financial Ltd.....	165
Table 35: Bandhan Bank.....	166
Table 36: Ujjivan Small Finance Bank Ltd.....	167
Table 37: Jana SFB.....	168
Table 38: Utkarsh SFB.....	169
Table 39: ESAF SFB.....	170
Table 40: Suryoday SFB.....	171

DRAFT

# 1 Macro-Economic & Digital Economy Trends

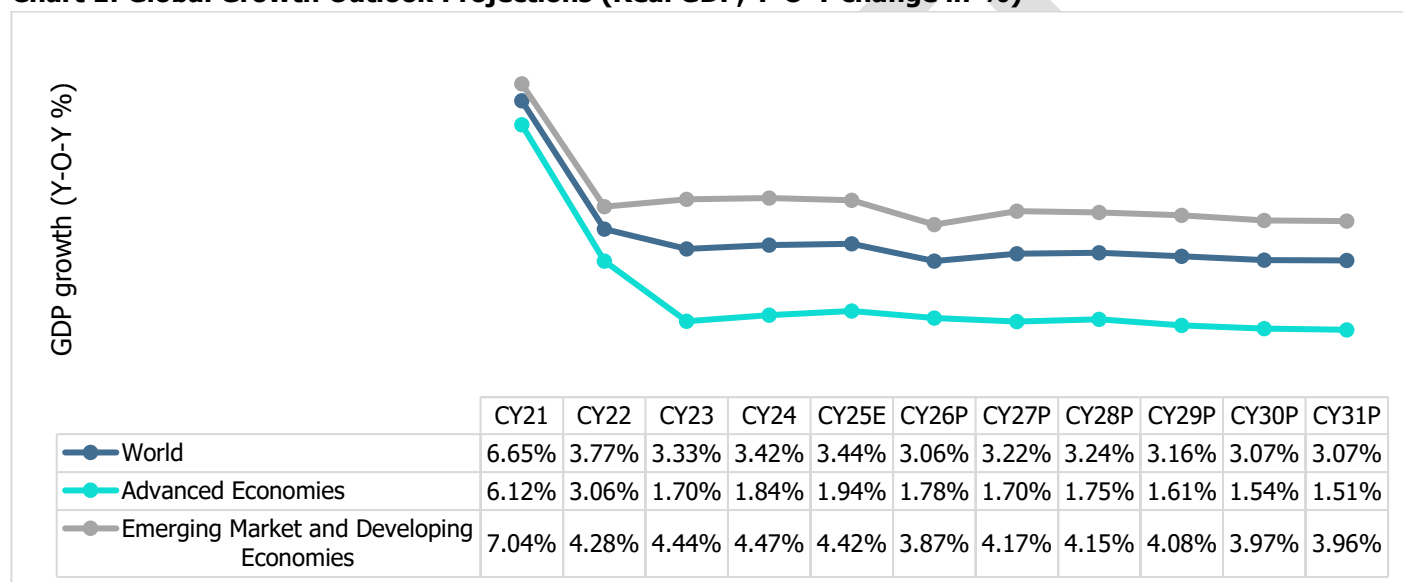
## 1.1 Trend of GDP growth in comparison with other major economies

### Global economic growth expected to sustain at ~3% in near term

Global economic growth is projected to moderate to around 3.06% in 2026, reflecting the impact of geopolitical tensions and disruptions in energy and trade flows. The ongoing Middle East conflict poses downside risks, with prolonged disruptions potentially reducing growth further to 2.50% or lower.

However, supportive factors such as continued investment momentum and policy support are helping offset some of these pressures.

**Chart 1: Global Growth Outlook Projections (Real GDP, Y-O-Y change in %)**



Source: IMF – World Economic Outlook, April 2026; Notes: E-Estimate, P-Projections

**Table 1: India is one of the fastest growing major economies (Real GDP, Y-o-Y change in %)**

	Real GDP (Y-o-Y Change in %)										
	CY21	CY22	CY23	CY24	CY25E	CY26P	CY27P	CY28P	CY29P	CY30P	CY31P
India	9.70	7.60	7.20	7.10	7.60	6.50	6.50	6.50	6.50	6.50	6.50
China	8.60	3.10	5.40	5.00	5.00	4.40	4.00	4.00	3.70	3.30	3.30
Indonesia	3.70	5.30	5.00	5.00	5.10	5.00	5.10	5.20	5.20	5.20	5.20
Saudi Arabia	6.50	12.00	0.50	2.60	4.50	3.10	4.50	3.60	3.50	3.50	3.60
Middle East and Central Asia	4.70	6.40	2.60	2.80	3.60	1.90	4.60	4.00	4.00	3.80	3.80
Latin America	7.50	4.30	2.30	2.40	2.40	2.30	2.70	2.90	2.90	2.70	2.60
Brazil	4.80	3.00	3.20	3.40	2.30	1.90	2.00	2.40	2.50	2.50	2.50
Euro Area	6.40	3.60	0.40	0.90	1.40	1.10	1.20	1.40	1.20	1.10	1.10
United States	6.20	2.50	2.90	2.80	2.10	2.30	2.10	2.10	1.90	1.80	1.80

Source: IMF- World Economic Outlook Database (April 2026)

Note: E-Estimate, P- Projections E-Estimated; India's fiscal year (FY) aligns with the IMF's calendar year (CY). For instance, FY24 corresponds to CY23.

India's growth trajectory is underpinned by multiple structural and cyclical factors that are collectively strengthening domestic demand, enhancing productivity, and improving external competitiveness. The key macroeconomic drivers supporting GDP expansion are outlined below:

- Manufacturing and Industrial Expansion:** The manufacturing sector continues to serve as a key engine of GDP growth, supported by production-linked incentive (PLI) schemes, infrastructure investments, and supply chain diversification. Increased domestic capacity creation, rising exports in select segments, and a focus on value-added manufacturing are strengthening India's industrial base and contributing to higher output and employment generation.
- Technology and Digital Economy:** Rapid digital adoption across sectors, including fintech, e-commerce, IT services, and digital public infrastructure, is enhancing productivity and expanding economic participation. Continued innovation, growth in digital services exports, and technology-driven efficiency gains across industries are supporting higher economic output and improving competitiveness.
- Trade Integration and Strategic Trade Agreements:** Strengthening trade partnerships and recent progress in agreements with key economies such as the European Union and the United States are expected to improve market access and boost exports. Enhanced integration into global value chains and diversification of export destinations are likely to provide sustained support to external demand.
- Infrastructure Development:** Continued public capital expenditure on roads, railways, ports, logistics, and urban infrastructure is creating multiplier effects across sectors. Improved connectivity and logistics efficiency are reducing transaction costs, encouraging private investment, and supporting long-term economic growth.
- Domestic Consumption and Rural Demand:** A recovery in rural incomes, improving labour market conditions, and rising urban consumption are strengthening aggregate demand. Stable inflation and targeted policy measures are further supporting household spending, thereby reinforcing overall GDP growth momentum.

Gross Value Added (GVA) is the measure of the value of goods and services produced in an economy. GVA gives a picture of the supply side whereas GDP represents consumption. India's recovery in FY25 was powered by a broad-based rebound across sectors. The gap between GDP and GVA growth stood at 0.2 percentage point in FY25, with GDP growing at 7.10% and GVA at 7.30%, as per MoSPI's provisional estimates released in March 2026.

In FY26 (SAE), real GVA growth of 7.70% is primarily led by services (9.00%), with financial, real estate and professional services estimated to grow 9.90%, and trade, hotels, transport, communication and broadcasting at 10.10%, indicating broad-based tertiary momentum. Industry is estimated at 9.10%, supported by a pickup in manufacturing and construction (11.50% and 7.10% respectively).

**Table 2: Sectoral Growth (Y-o-Y % Growth) - at Constant Prices**

At constant Prices	FY24 (FRE)	FY25 (PE)	FY26 (FAE)
<b>Agriculture, Forestry &amp; Fishing</b>	<b>2.60</b>	<b>4.20</b>	<b>2.40</b>
<b>Industry</b>	<b>10.90</b>	<b>8.30</b>	<b>8.80</b>
Mining & Quarrying	2.40	11.70	4.10
Manufacturing	12.70	9.30	11.50
Electricity, Gas, Water Supply & Other Utility Services	10.70	2.90	1.50
Construction	9.90	7.30	7.10
<b>Services</b>	<b>7.00</b>	<b>7.90</b>	<b>9.00</b>
Trade, Hotels, Transport, Communication & Broadcasting	10.10	6.60	10.10

At constant Prices	FY24 (FRE)	FY25 (PE)	FY26 (FAE)
Financial, Real Estate & Professional Services	5.50	10.00	9.90
Public Administration, Defence and Other Services	6.80	5.00	5.80
<b>GVA at Basic Price</b>	<b>7.20</b>	<b>7.30</b>	<b>7.70</b>

Source: MOSPI

Note: 1. Growth rates for FY24-FY26 are based on base year 2022-23.

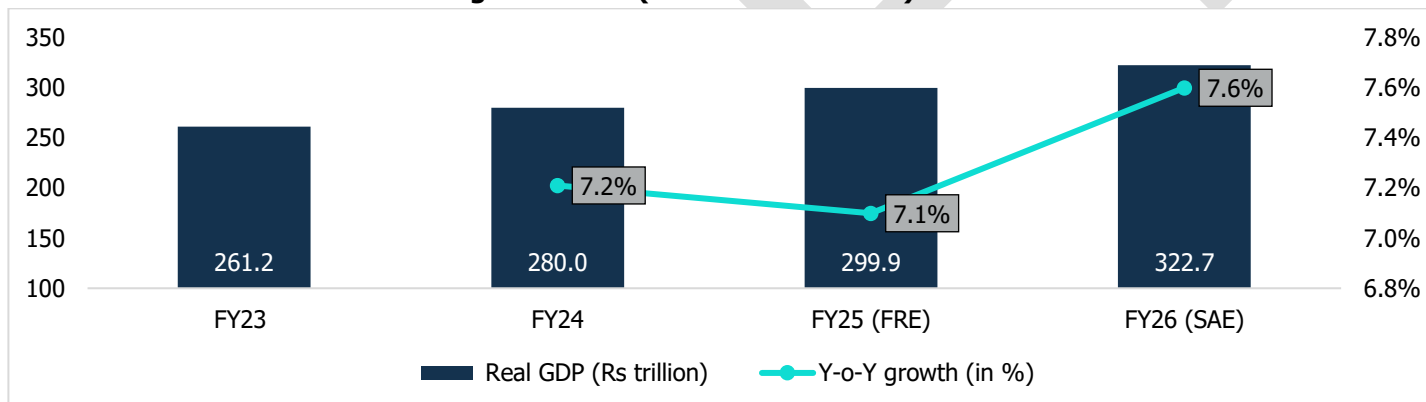
2. FRE: First Revised Estimates; PE: Provisional Estimate; FAE: First Advance Estimate

## 1.2 Outlook on GDP growth for India

### 1.2.1 Resilience to External Shocks remains Critical for Near-Term Outlook

India's real GDP grew by 7.21% in FY24 (Rs 280.01 trillion) and as per first revised estimates at 7.10% in FY25 (Rs 299.89 trillion), largely driven by growth in the Manufacturing sector, Construction sector and Financial, Real Estate & Professional Services. This growth is also led by growth in private consumption and government spending. Real GDP growth is projected at 7.60% in FY26, driven by strong rural demand, improving employment, and robust business activity.

**Chart 2: Trend in Real Indian GDP growth rate (Base Year 2022-23)**



Source: MOSPI

Note: 1. Trend for FY23-FY26 are based on new series base year 2022-23

2. FRE: First Revised Estimates; SAE: Second Advance Estimates

### 1.2.2 GDP Growth Outlook (April 2026)

**FY27 GDP Outlook:** The RBI projects real GDP growth at 6.90% for 2026–27, elevated energy and other commodity prices, as well as the disruptions in the Strait of Hormuz are likely to affect the growth in this year. However, the government is working towards minimizing the impact of the supply chain towards critical sectors to ensure minimal interruptions.

On the other hand, services sector has maintained momentum, agricultural sector has strong reservoir levels, and the private consumption is expected to remain uplifted by discretionary spending.

**Table 3: GDP Growth Outlook (Y-o-Y %)**

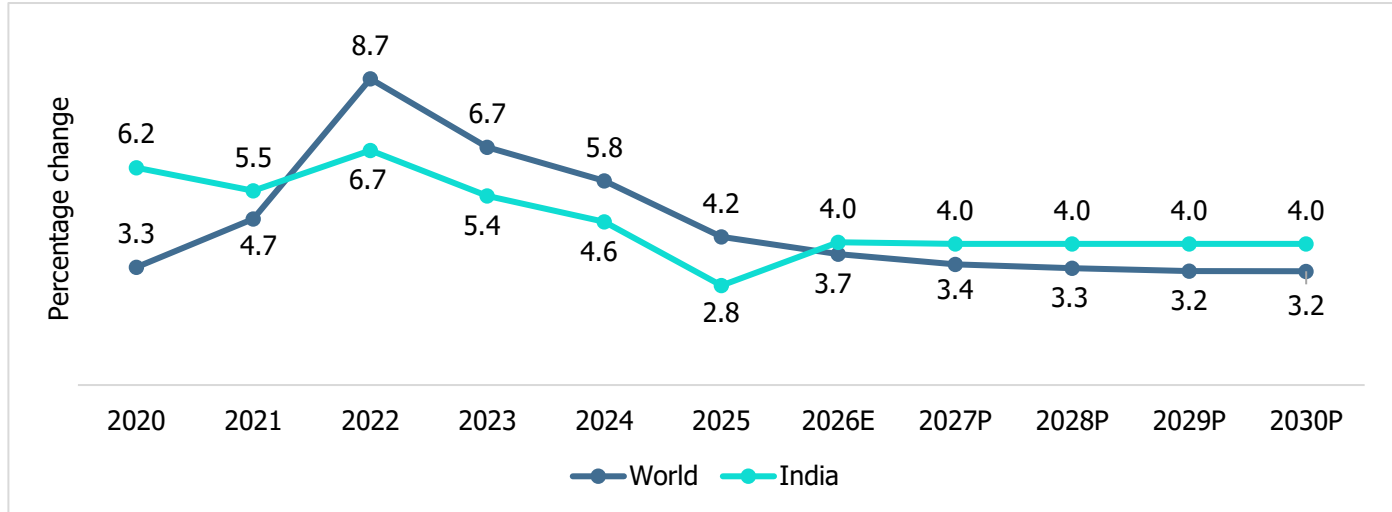
FY27P (complete year)	Q1FY27P	Q2FY27P	Q3FY27P	Q4FY27P
6.90%	6.80%	6.70%	7.00%	7.20%

Source: Reserve Bank of India; Note: P-Projected

Note: Based on 2022-23 series

### 1.3 Consumer Price Index (CPI)

Chart 3: Consumer Price Index



Source: IMF, CareEdge Research

Note: The CPI is based on period average; E indicates Estimated and P indicates Projected

India’s inflation trajectory has broadly mirrored global trends, with both experiencing a sharp acceleration in 2022, reflecting common supply-side shocks and heightened commodity price pressures. However, India’s inflation has remained consistently above the world average in 2020-2021, pointing to stronger domestic demand dynamics and structural price rigidities.

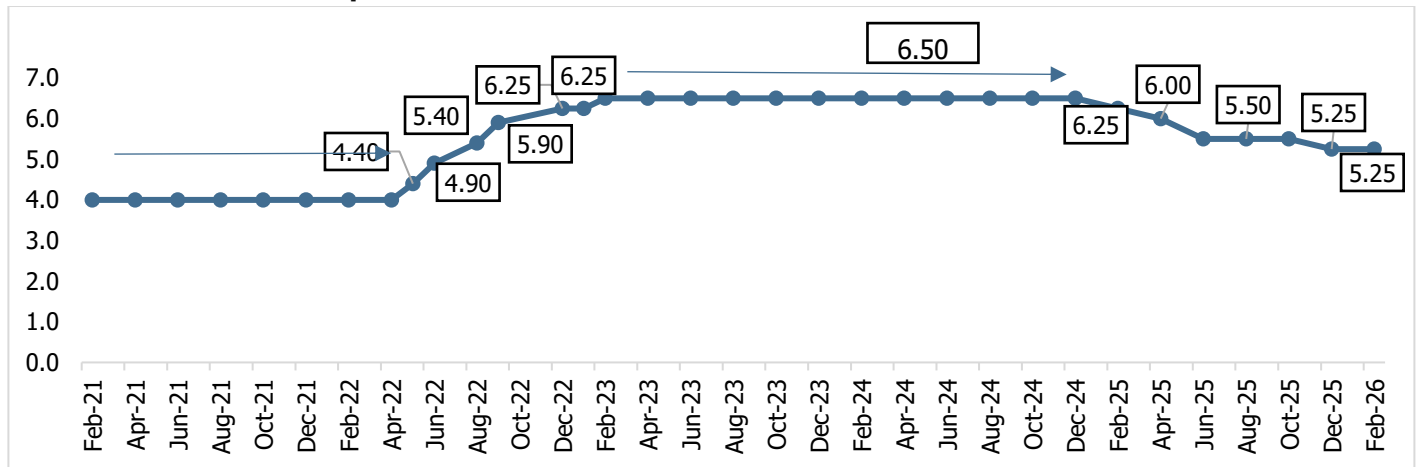
Post-2022, both global and Indian inflation show a gradual and sustained moderation, with world inflation easing from elevated levels and India’s inflation converging toward a stable medium-term range around 4.00%, consistent with its inflation-targeting framework.

Globally, the reopening of economies led to a sharp rebound in demand at a time when supply chains were still constrained due to logistics bottlenecks, labour shortages, and production disruptions. This imbalance pushed up prices of goods, freight, and key commodities. In India, imported inflation played a significant role, particularly through higher crude oil and commodity prices, given the country’s reliance on energy imports. Supply-side factors such as weather-related disruptions affecting food production also contributed to food inflation at various points.

As supply chains normalised, commodity prices stabilised, and monetary policy tightening was undertaken globally and domestically, inflationary pressures began to ease, leading to the gradual moderation observed after 2022.

The CPI of India is primarily factored in by RBI while preparing their bi-monthly monetary policy. At the bi-monthly meeting held in February 2026, RBI projected inflation at 2.10% for FY26 with inflation during Q4FY26 at 3.20%, Q1FY27 at 4.00% and Q2FY27 at 4.20%.

**Chart 4: RBI historical Repo Rate**

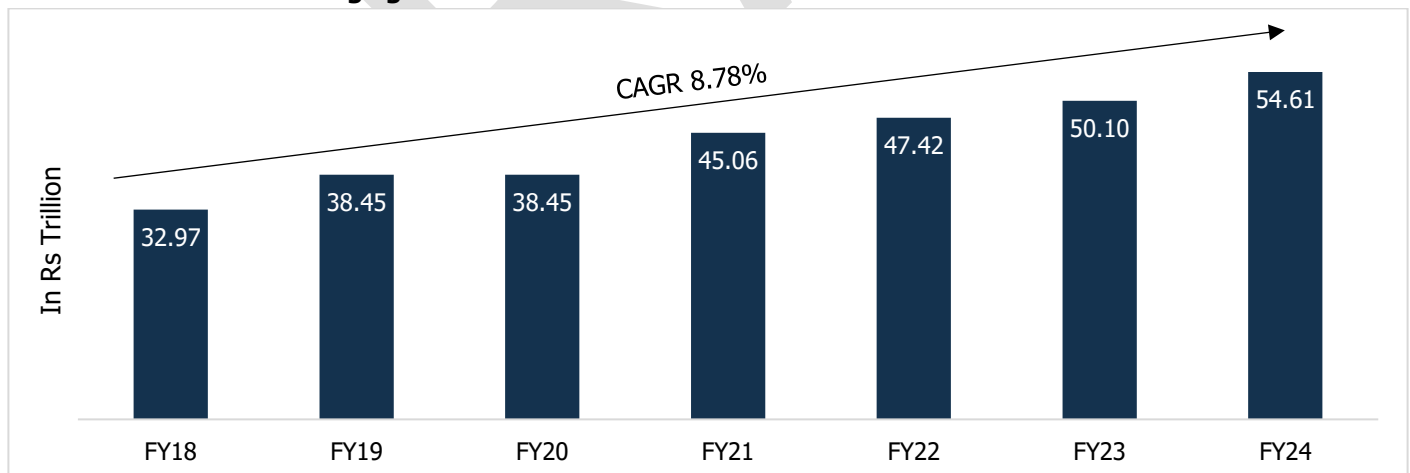


Source: RBI

The RBI undertook a series of monetary easing measures during 2025, cumulatively reducing the policy repo rate from 6.50% to 5.25%. This easing cycle was aimed at supporting economic growth amid moderating inflation and improving macroeconomic conditions. The repo rate was progressively reduced through multiple Monetary Policy Committee (MPC) decisions during the year, with the rate reaching 5.25% by Dec'25, where it has since been maintained. Considering the current inflation situation, the RBI has maintained the repo rate at 5.25% in the February 2026 meeting of the MPC. The RBI maintained a 'neutral' monetary policy stance, continuing to signal confidence that India's economic growth would remain resilient, underpinned by robust private consumption and sustained expansion in fixed capital formation, while also emphasising persistent external risks. The domestic demand conditions remain supportive even as global uncertainties prevail. The RBI has adopted for a non-inflationary growth with the foundations of strong demand and supply with a good macroeconomic balance. The domestic growth and inflation curve require the policies to be supportive with the volatile trade conditions.

**1.4 Trend in Household Savings**

**Chart 5: Household Savings grew at a CAGR of 8.78% from FY18 to FY24**



Source: MOSPI

Household savings represent the portion of disposable income that remains after consumption expenditure by the household sector. This surplus is invested in financial assets such as deposits, insurance, and securities, as well as physical assets like real estate and gold. Household savings in India have grown at an 8.78% CAGR since FY18, reaching

Rs 54.61 trillion in FY24. A shift toward physical assets, reflects a preference for tangible investments amid high inflation and slow growth in monetary assets.

**Table 4: Gross domestic savings trend**

Parameter (Rs Billion)	FY23	FY24	FY25 (FRE)
GDS	77,729.17	95,174.50	111,133.24
Household sector savings (net financial savings, savings in physical assets and in the form of gold and silver ornaments)	52,254.37	59,635.50	69,006.02
Household sector savings as proportion of GDS (%)	67.23%	62.66%	62.09%
Gross financial savings	29,822.79	35,756.57	38,283.61
Net financial savings (% of Household sector savings)	26.52%	28.45%	32.71%
Savings in physical assets (% of Household sector savings)	70.32%	68.66%	64.13%
Savings in the form of gold and silver ornaments (% of Household sector savings)	3.16%	2.89%	3.16%

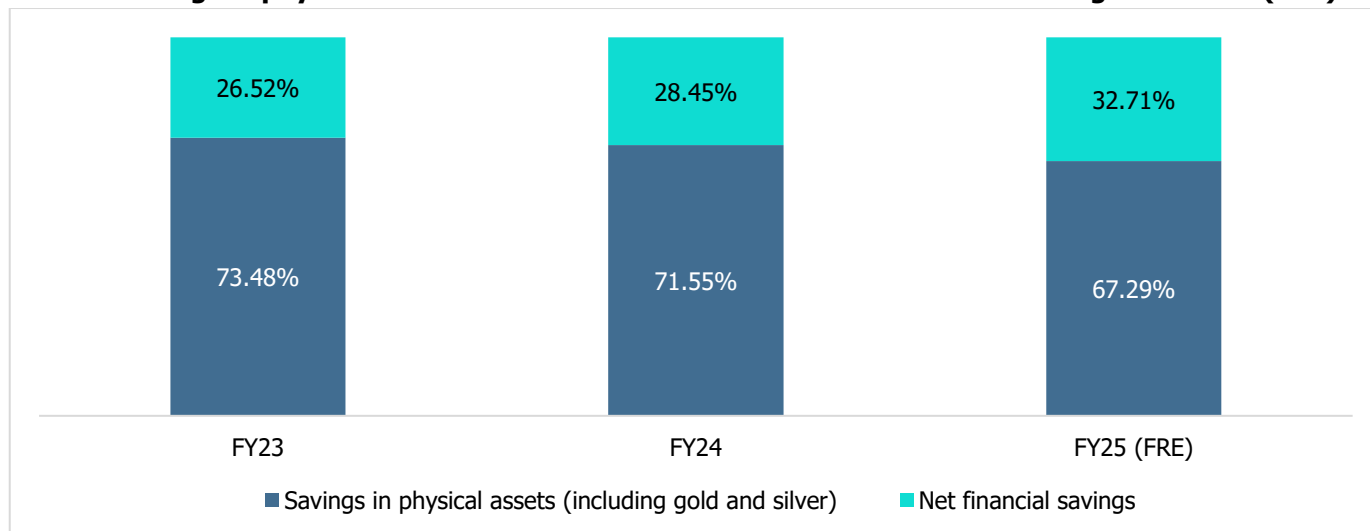
Note: Net financial savings is financial savings after excluding financial liabilities, Physical assets are those held in physical form excluding gold and silver; FRE indicates First Revised Estimate

Source: Second Advance Estimates of Annual gross domestic product for 2025-26, MOSPI, CareEdge Research

The share of household savings in physical assets declined from 70.32% in FY23 to 64.13% in FY25 (FRE). This moderation suggests a gradual shift away from physical assets toward financial instruments. At the same time, the proportion of net financial savings increased from 26.52% in FY23 to 32.71% in FY25, indicating improved preference for financial investments. Elevated inflation in the post-pandemic period and relatively better returns on financial products likely encouraged households to allocate a larger share of savings to financial assets, resulting in a decline in the share of physical assets. At the same time, households have shown a preference for holding higher cash balances following the pandemic shock. Mutual fund investments have grown at a faster pace compared to previous years, with systematic investment plan (SIP) contributions continuing to increase in FY25. Overall, there is a gradual shift within financial savings from traditional bank deposits toward equities, mutual funds, and small savings instruments.

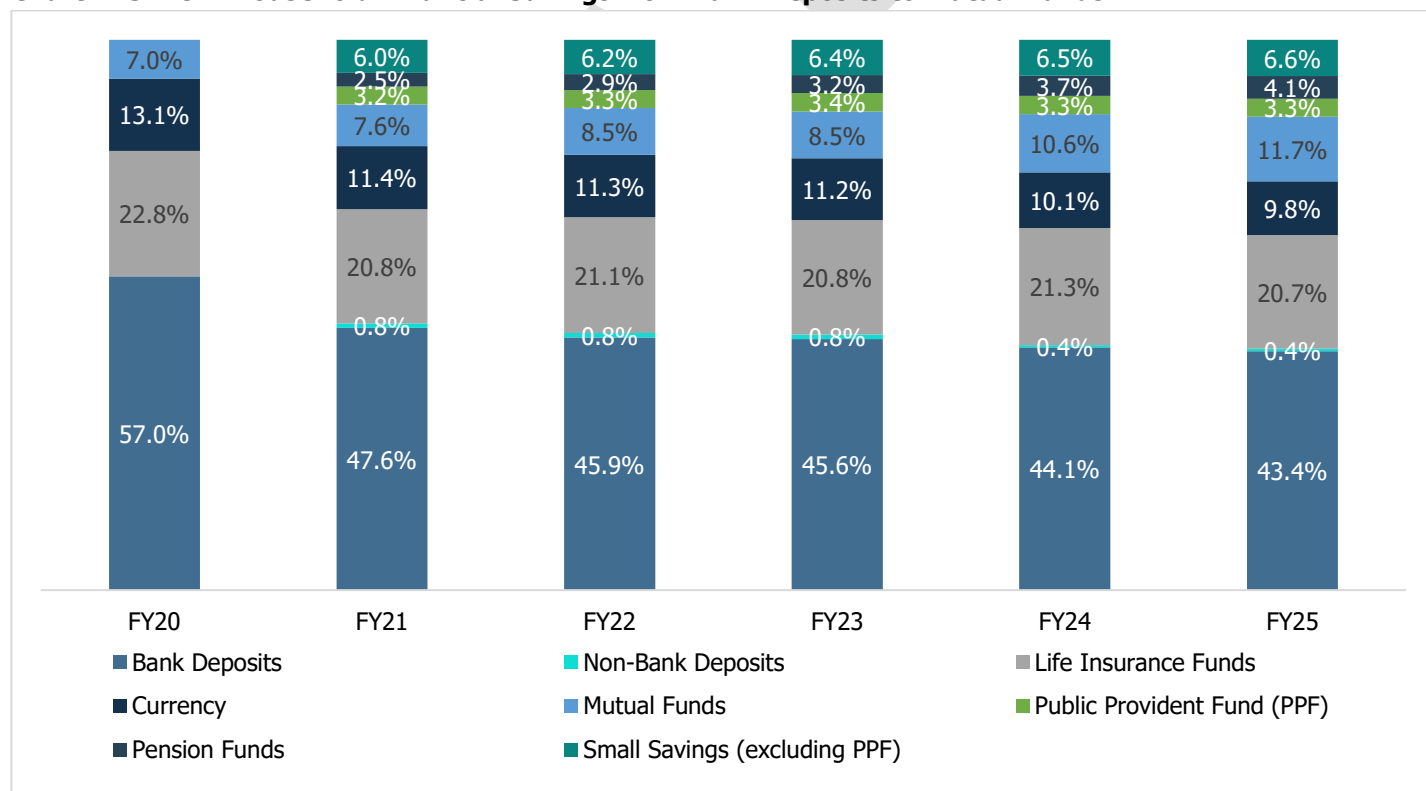
Savings in mutual funds and life insurance also grew, with an 11.50% and 13.60% y-o-y increase, respectively, while investment in equities and capital market instruments rose as they offer higher returns than bank deposits.

**Chart 6: Savings in physical assets contribute to 67.29% of total household saving as of FY25 (FRE)**



Source: Second Advance Estimates of Annual gross domestic product for 2025-26 MOSPI, CareEdge Research  
 Note: FRE indicates First Revised Estimate

**Chart 7: Shift in Household Financial Savings from Bank Deposits to Mutual Funds**

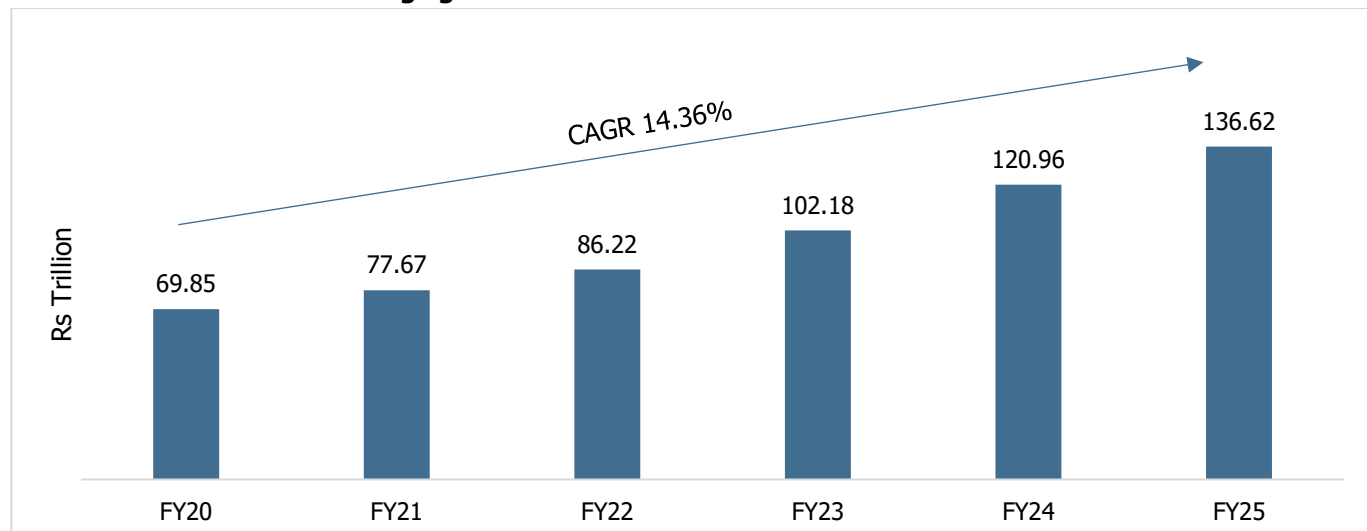


Source: RBI, CareEdge Research  
 Note: For FY20, detailed break-up is not available

The composition of household financial savings indicates a gradual shift in investment preferences. The share of bank deposits declined from 57.00% in FY20 to 43.43% in FY5, while the share of mutual funds increased from 7.04% to 11.71% over the same period. This trend suggests a gradual movement of household savings from traditional fixed

deposits towards market-linked investment avenues such as mutual funds, reflecting increasing financial awareness and participation in capital market-linked instruments.

**Chart 8: Household Borrowings grew at a CAGR of 14.36% between FY20-FY25**



Source: RBI, CareEdge Research

Household borrowings have increased steadily from Rs. 69.85 trillion in FY20 to Rs. 136.62 trillion in FY25, reflecting a CAGR of 14.36% over the period. This trend indicates a sustained expansion in household credit, supported by increased access to formal financial channels, rising consumption needs, and growing penetration of retail lending products.

The steady increase in household borrowings has been supported by several structural and economic factors such as:

- **Expansion of retail lending:** Banks and NBFCs have increasingly focused on retail lending segments such as housing, vehicle loans, and personal loans, improving credit availability to households.
- **Digitisation of credit processes:** The adoption of digital onboarding, credit scoring models, and faster loan approvals has improved accessibility and reduced turnaround time for retail borrowers.
- **Rising household incomes and consumption demand:** Growth in income levels and aspirations has supported higher demand for housing, vehicles, and consumer durables, leading to increased borrowing.
- **Improved financial inclusion:** Greater access to formal financial services through initiatives such as Jan Dhan accounts and digital payment infrastructure has enabled more households to access institutional credit.

### 1.5 Structural reforms that drive future growth

Structural policy measures are increasingly focused on building productive capacity, improving capital efficiency, and enabling sustained economic expansion. The following represent key structural reform highlights as outlined in the Union Budget 2026-27:

**Power and Renewable Energy Reforms**

Key measures in the union budget include rationalisation of customs duties on renewable energy inputs such as battery storage systems and raw materials for solar manufacturing, which is expected to reduce costs and catalyse investment in domestic clean energy value chains. The budget also allocates significant resources toward Carbon Capture, Utilisation and Storage (CCUS) initiatives to decarbonise hard-to-abate sectors such as power generation, cement, steel and refineries, with an outlay of Rs 20,000 crore. In Energy sector, the basic customs duty exemption given to capital goods used for manufacturing Lithium-Ion Cells for batteries will be extended and the basic customs duty on import of sodium antimonate for use in manufacture of solar glass will be exempted. These reforms are designed to support grid modernisation, enhance renewable integration and propel India’s transition to a low-carbon economy, aligning with national climate goals and broader energy infrastructure priorities.

**Public Capital Expenditure and Infrastructure**

In the Union Budget 2026-27, the public capex has increased from Rs 2 trillion in FY15 to an allocation of Rs 11.2 trillion in Budget Estimates for FY26 and proposed to further raise it to Rs 12.2 trillion in FY27 to continue the investment trajectory. This sustained high level of capital outlay is intended to accelerate asset creation across roads, railways, ports, urban infrastructure and energy, strengthen connectivity in Tier-II and Tier-III cities, and catalyse private sector participation through new financing mechanisms such as Infrastructure Investment Trusts (InVITs) and Asset Monetisation frameworks. Such elevated capex is key to enhancing productivity, generating employment, and underpinning long-term economic resilience.

**Financial Sector**

The 2026-27 Budget laid out structural reforms aimed at strengthening the financial ecosystem to support sustained economic growth and credit expansion. As part of the Viksit Bharat roadmap, the government articulated a strategic direction for NBFCs with emphasis on expanded credit access, technology adoption and institutional resilience, alongside proposals to restructure major financial institutions. It also laid the groundwork for a market-making framework for corporate bond indices and enhanced access to derivatives and corporate bond instruments, which are expected to improve liquidity and broaden investor participation in debt markets. These reforms, alongside a proposed review of the Foreign Exchange Management (Non-debt Instruments) Rules to modernise investment frameworks, collectively aim to deepen financial markets, improve credit flows, and attract long-term capital.

**1.6 Overview on Key Demographic Parameters  
Population growth and Urbanization**

**Table 5: India’s dependency ratio is projected to reduce from 54.13% in FY13 to 45.42% in FY27**

	2013		2024		2025E		2026F		2027F	
	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)
India	1.30	54.13	1.45	46.56	1.46	46.14	1.48	45.76	1.49	45.42
Singapore	0.01	27.02	0.01	33.94	0.01	34.95	0.01	36.07	0.01	37.20
Thailand	0.07	39.49	0.07	43.09	0.07	43.74	0.07	44.43	0.07	45.14

	2013		2024		2025E		2026F		2027F	
	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)	Total Population (Billion)	Age dependency ratio (%)
South Africa	0.05	51.46	0.06	48.31	0.06	48.39	0.07	48.48	0.07	48.61
Indonesia	0.26	50.04	0.28	46.81	0.29	46.61	0.29	46.36	0.29	46.09
Brazil	0.20	44.18	0.21	44.33	0.21	44.65	0.21	44.98	0.21	45.32
Italy	0.06	54.44	0.06	57.52	0.06	58.12	0.06	58.82	0.06	59.64

Source: World Bank Database, MOSPI; Note; E- Estimated, F- Forecasted

Note: Age dependency ratio is a percentage of working age population (15 to 64 years)

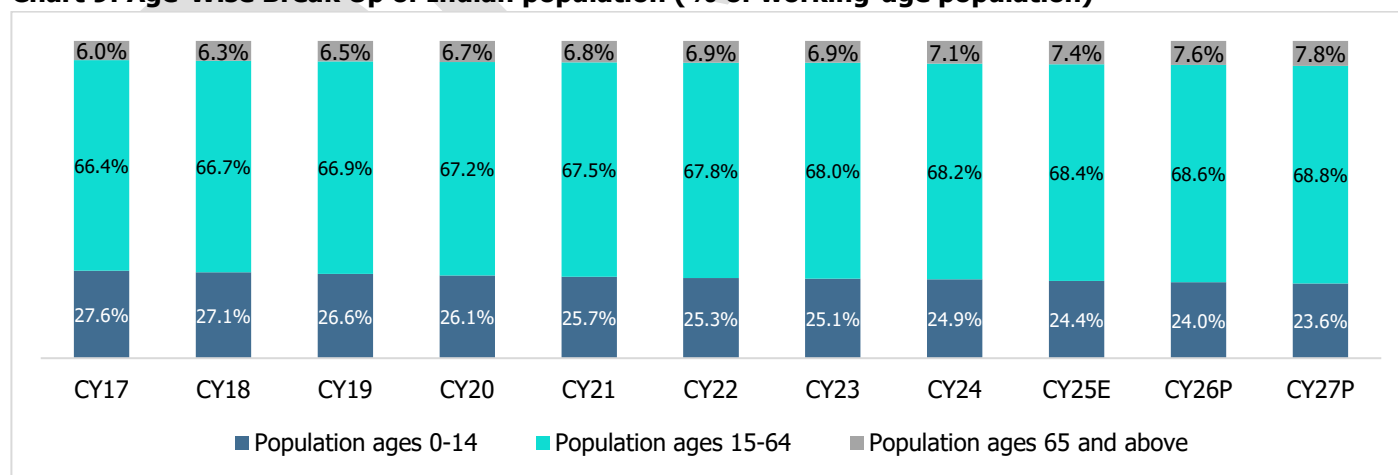
The trajectory of economic growth of India and private consumption is driven by socio-economic factors such as demographics and urbanization. According to the world bank, India’s population in CY22 surpassed 1.42 billion, slightly higher than China’s population (1.41 billion) and became the most populous country in the world.

Age Dependency Ratio is the ratio of dependents to the working age population, i.e., 15 to 64 years, wherein dependents are population younger than 15 and older than 64. This ratio has been on a declining trend. Declining dependency means the country has an improving share of working-age population generating income, which is a good sign for the economy.

In 2013, India’s age dependency ratio stood at 54.14%, which has steadily declined to 46.56% in 2024 and is projected to moderate further to 45.42% by 2027. With a population projected to increase from 1.30 billion in 2013 to 1.49 billion by 2027, India combines scale with a demographic dividend - a key driver of consumption, savings, and long-term economic growth.

Compared with other emerging economies, India is demographically better positioned. Countries such as Italy are witnessing rising dependency ratios (from 54.44% to 59.64%), reflecting ageing populations and shrinking labor force participation potential. Singapore and Thailand also show steadily increasing dependency ratios, indicating demographic ageing pressures. While South Africa and Indonesia have relatively moderate ratios, India’s large and expanding working-age cohort provides a stronger structural advantage. Brazil shows a gradually rising ratio as well, suggesting limited incremental demographic tailwinds.

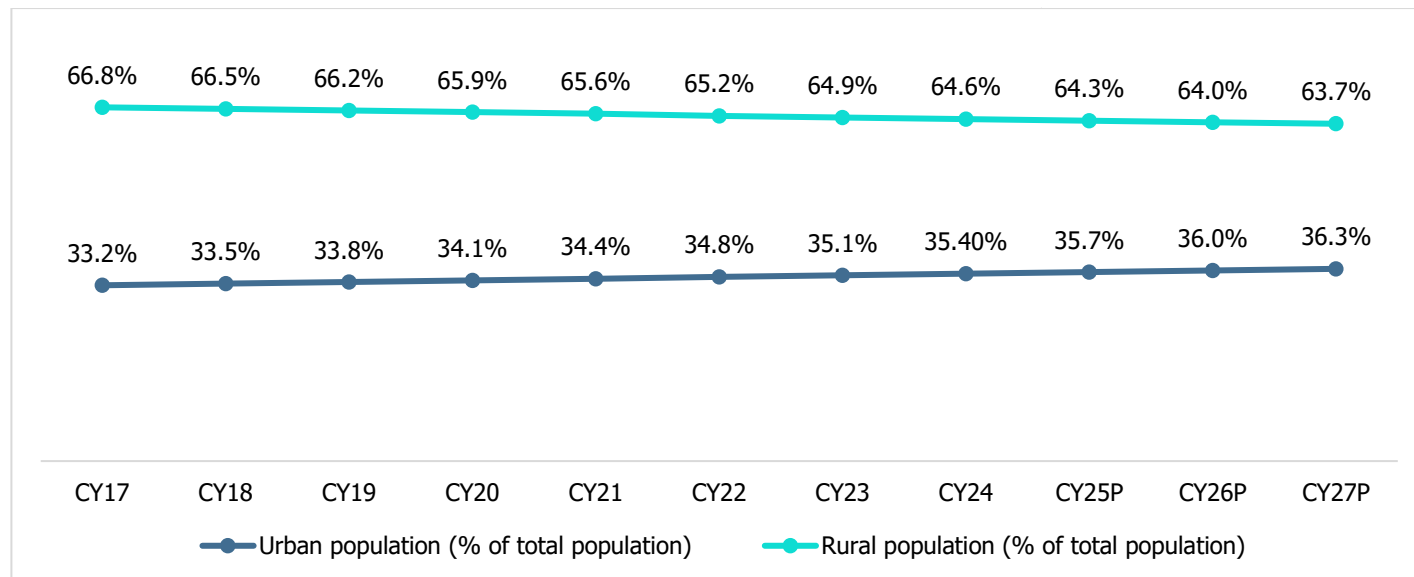
**Chart 9: Age-Wise Break Up of Indian population (% of working-age population)**



Source: World Bank Database; Note; E- Estimated, F- Forecasted

A decline in the dependency ratio to 45.40% by CY27 as per the world bank, reflects India’s young and growing workforce, especially in newly urbanised towns and will continue to drive income growth and consumer demand. This presents strong opportunities for sectors like consumer electronics, transportation, and railways. Rising employment, urbanisation, and government investment in rural development and digital infrastructure will further boost demand, while increased tech adoption supports long-term consumption growth across both urban and rural markets.

**Chart 10: Urbanization Trend in India**



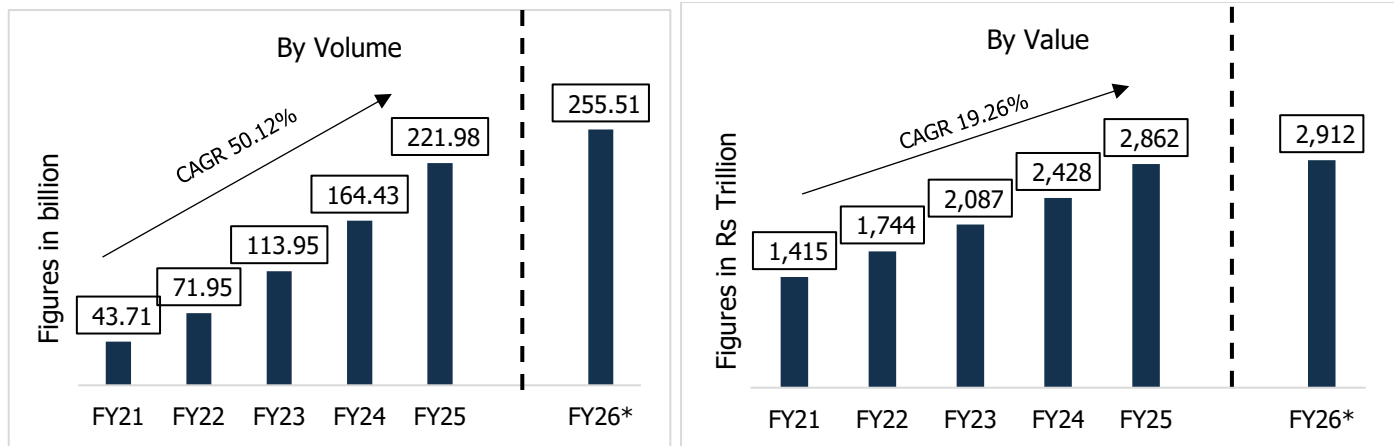
Source: World Bank Database; Note; E- Estimated, F- Forecasted

The urban population is significantly growing in India. The urban population in India is estimated to have increased from 423 million (32.20% of total population) in CY14 to 513 million (35.40% of total population) in the year CY24 and is projected to increase to 36.30% in CY27. This shift is driven by factors such as improved standard of living, supported by better access to education, healthcare, physical and digital infrastructure, and essential public services along with increased employment opportunities in urban areas and government initiatives aimed at urban development, and government initiatives aimed at urban development. This rapid urbanisation might necessitate substantial investments in infrastructure, housing, and transportation.

**1.7 Digitalizing of payments**

Digital payments in India grew in volume from 43.71 billion in FY21 to 221.98 billion in FY25, with a CAGR of 50.12%. Digital payments in value grew from Rs 1,415 trillion in FY21 to Rs 2,862 trillion in FY25, with a CAGR of 19.26%. As of FY26 (till February), digital payments transactions by value stand at Rs 2,912 trillion and volume at 255.51 billion.

**Chart 11: Digital payment in volume grew at a CAGR of 50.12% from FY21 to FY25**



Source: RBI; Note: FY26\* data is till February 2026.

India's digital transformation is driven by factors like expanding broadband, affordable data, and government initiatives. The launch of UPI revolutionized payments in turn enhancing financial inclusion. With over 647 banks integrated and more than 350 million unique users, UPI has become the country's largest digital payment network BHIM further advanced cashless transactions, while platforms like COWIN showcased digital infrastructure's role in public health. Furthermore, DigiLocker improved paperless governance by securely storing documents and FASTag automated toll payments, supporting the cashless economy.

The Digital India initiative, launched in 2015, focuses on digital infrastructure, governance, and empowerment, making services more accessible and promoting financial inclusion. Additionally, this initiative has also made stock market and mutual fund investments more accessible, efficient, and transparent for a wider audience. As of March 2025, the RBI's Digital Payments Index (DPI) reached 493.22, reflecting a 6.0% growth, driven by advancements in payment performance and infrastructure.

The JAM Trinity — Jan Dhan (Pradhan Mantri Jan Dhan Yojana), Aadhaar, and Mobile connectivity is a flagship digital framework of the Government of India that underpins financial inclusion, transparency, and efficient delivery of public services.

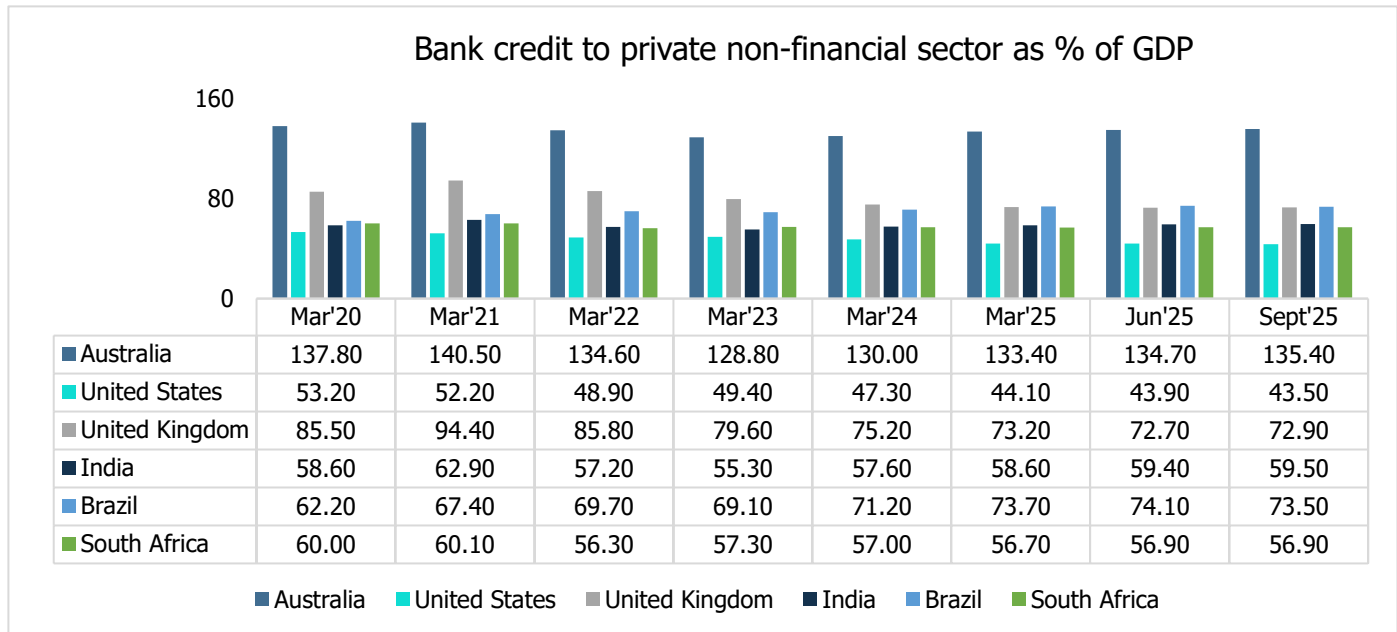
Under this framework:

- **Jan Dhan bank accounts** ensure universal access to basic financial services for individuals across the country, particularly the underserved.
- **Aadhaar**, India's unique biometric identity system, enables accurate and secure authentication of beneficiaries. Customers can scan their thumb impression, which fetches the KYC identifier, ensuring 100% authenticity and eliminating the cumbersome manual process of customer verification.
- **Mobile phones** act as the primary channel through which citizens access financial services and receive government benefits digitally. Together, the JAM Trinity eliminates intermediaries, reduces leakages, and enables DBT of welfare subsidies and payments directly into beneficiaries' bank accounts. This integration has helped bring millions into the formal financial system and ensured targeted delivery of government support.

India Stack complements the JAM Trinity by acting as the DPI that operationalises these components at scale. It consists of interoperable digital layers including Aadhaar-based e-KYC, payments architecture such as UPI, and other digital interfaces — that enable paperless, presence-less, and cashless service delivery nationwide. By linking identity (Aadhaar), financial access (Jan Dhan), mobile connectivity, and payments technology, India Stack ensures that citizens can interact with public and private services efficiently and securely through digital means.

**1.8 India's credit penetration in comparison to other countries**

**Chart 12: India's Credit Penetration at 59.50% (Sept'25) Indicates Structural Headroom for Growth Compared to other nations**



Source: BIS, CareEdge Research

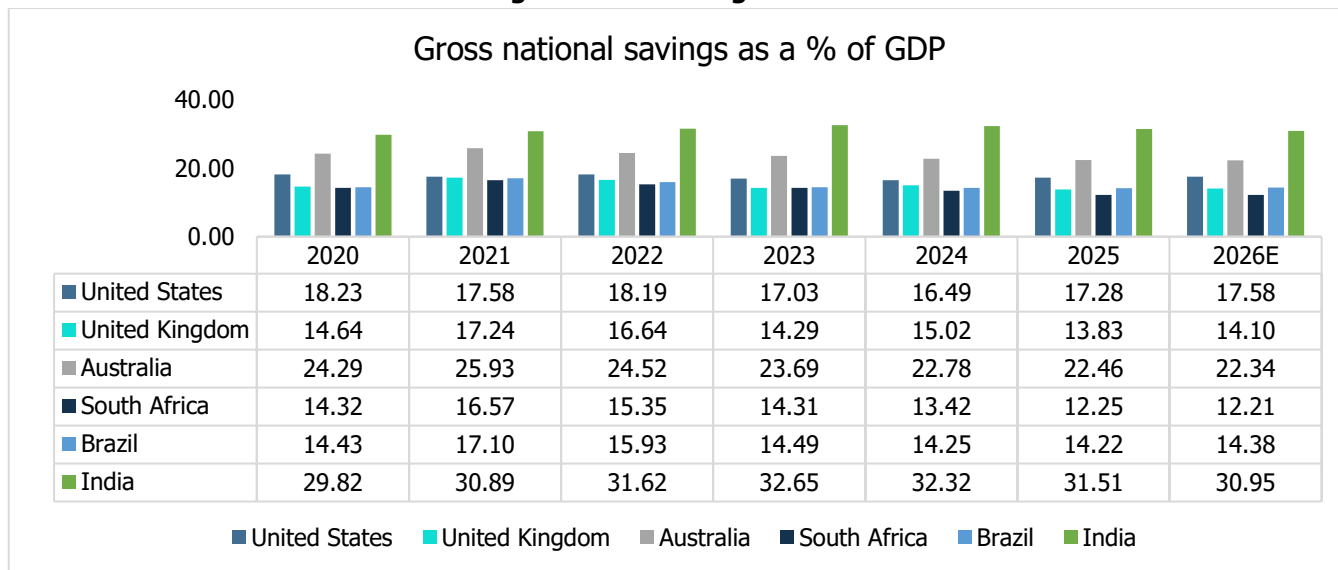
India's bank credit to the private non-financial sector, measured as a percentage of GDP, remains moderate in comparison with both developed and select emerging economies. While the ratio has shown a gradual upward trend in recent years, it is still significantly lower than credit-intensive developed markets such as Australia and the United Kingdom.

The lower share of bank credit to the private non-financial sector in the United States reflects the structure of its financial system. A large portion of financing is routed through capital markets and non-bank institutions, such as bond markets and private credit funds, reducing reliance on traditional bank loans. Regulatory tightening post the global financial crisis and greater use of market-based funding have further shifted credit intermediation outside banks.

Compared with peer emerging economies, India's credit penetration is broadly comparable to that of South Africa and lower than Brazil, which has witnessed a sharper expansion in bank credit relative to GDP. The relatively lower ratio in India reflects structural factors such as historically conservative credit intermediation, lower household leverage, and a larger role of self-financing and informal funding in parts of the economy. However, the steady increase in recent years indicates progressive financial deepening, supported by formalisation, digital credit delivery, and expanding retail and MSME lending. This suggests that India retains significant headroom for further credit penetration over the medium term as income levels rise and access to formal finance continues to broaden.

**1.9 Gross National Savings as a % of GDP**

**Chart 13: India’s Gross National Savings Remain Strong at 31.51% of GDP as of 2025**



Source: IMF, CareEdge Research

India’s savings profile stands out in a cross-country context, with gross national savings consistently exceeding 30% of GDP (From FY22 onwards), significantly higher than levels observed in other economies. In comparison, advanced economies such as the United States and the United Kingdom report savings ratio largely between 14% - 18%, while emerging peers such as Brazil and South Africa also remain below 20% of GDP. This structurally high savings base reflects India’s demographic profile, precautionary saving behaviour, and the continued importance of household savings in financing domestic investment.

The combination of elevated savings and lower leverage suggests significant headroom for credit deepening, particularly in retail and household segments, as financial inclusion expands and formal credit penetration improves. Compared with countries where consumption and growth are more credit-driven, India’s growth model remains more savings-supported, indicating a more conservative household balance sheet and a structurally under-leveraged credit environment, which supports the medium-term case for sustainable credit growth.

## 2 Financial Inclusion

### 2.1 Financial Penetration to rise with increase in awareness and access to financial products

Financial inclusion in India continues to be a central component of the government's economic policy aimed at fostering inclusive growth, reducing socioeconomic disparities, and bringing underserved populations into the formal financial ecosystem. Over the past decade, India has witnessed significant progress in expanding access to financial services, supported by government-led flagship schemes, regulatory initiatives, and technological innovation.

Recent developments include:

- **Nationwide Saturation Campaign for Financial Inclusion (2025)**

In July 2025, the Department of Financial Services (DFS) under the Ministry of Finance launched a three-month Financial Inclusion Saturation Campaign to deepen outreach of key schemes such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), and the Atal Pension Yojana (APY) across all Gram Panchayats and Urban Local Bodies. Within two weeks of commencement, 43,447 camps were conducted nationwide to facilitate enrolment, re-verification of KYC, updating of account details, and awareness activities. During this period, nearly 0.14 million new PMJDY accounts were opened, and over 0.54 million enrolments were recorded under the three social security schemes, alongside financial literacy programming on digital fraud awareness and grievance redressal mechanisms.

- **Strengthening Citizen Engagement — “Your Money, Your Right” Initiative (2025)**

A nationwide outreach campaign titled - “Your Money, Your Right” was implemented between October and December 2025 to help citizens identify and claim unclaimed financial assets held across banks, insurance companies, mutual funds, dividends, shares, and pension accounts. Coordinated by the Department of Financial Services with regulators including the RBI, IRDAI, SEBI, IEPFA and PFRDA, this initiative combined digital platforms and district-level facilitation. Outreach camps were organized in 668 districts, and efforts resulted in nearly Rs 20,000 million being returned to rightful owners, strengthening the connection between citizens and the formal financial system by encouraging documentation upkeep, KYC compliance, and broader awareness of financial entitlements.

- **Integration with Digital Financial Infrastructure**

The progress of financial inclusion in India has been significantly supported by the integration of digital financial infrastructure, which has enabled scalable and efficient delivery of financial services. The use of digital identification and electronic KYC has simplified account opening and reduced entry barriers, while interoperable digital payment systems have facilitated low-cost, real-time transactions across individuals, businesses, and government platforms. Assisted digital models, including banking correspondents, have strengthened last-mile access, particularly in rural and underserved areas. This integrated ecosystem has also enhanced the effectiveness of welfare transfers, reduced transaction leakages, and encouraged sustained usage of formal financial services. Overall, digital infrastructure has shifted financial inclusion from mere access to deeper engagement, improved transparency, and broader participation in the formal financial system.

- **Pradhan Mantri Mudra Yojana (PMMY)**

It is operational since April 2015 and finances micro and small enterprises in manufacturing, trading, services, and allied agricultural activities. PMMY was launched with the mandate to 'fund the unfunded'. By October 2025, the scheme had disbursed over Rs 36.18 trillion across 554.5 million loan accounts. Significantly, more than 100 million accounts belong to first-time borrowers, underscoring its catalytic role in bringing new entrepreneurs into the formal financial system rather than merely refinancing existing businesses. Under PMMY, women entrepreneurs accessed 69% of all microloans, amounting to Rs 13.8 trillion across 348 million accounts.

- **PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi)**

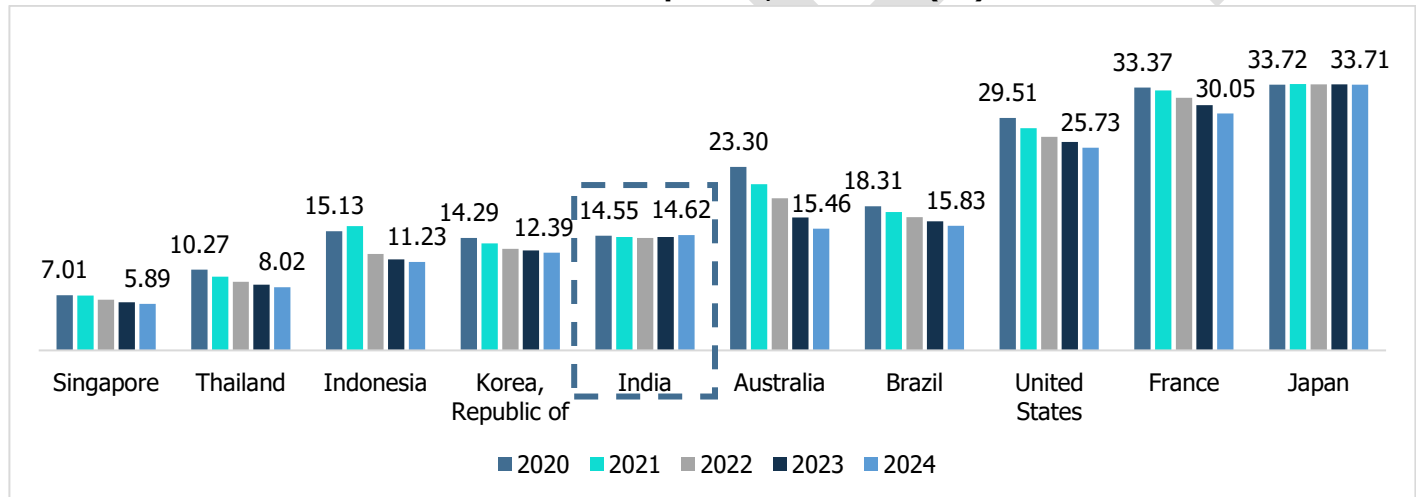
This was launched in CY20, providing collateral-free working capital loans to street vendors. The average annualised business income among SVANidhi borrowers increased by 20% between 2023 and 2025, outperforming India's nominal GDP growth of 9-10% and the MSME Gross Value-Added growth of 16.9%. The welfare effects of PM SVANidhi extend beyond enterprise metrics. Improved incomes have led to housing upgrades for 39% of households, better food access for 55%, more affordable healthcare for 44%, and enhanced educational opportunities for 50%.

- **Pradhan Mantri Awas Yojana (PMAY)**

The Government of India launched Pradhan Mantri Awas Yojana (PMAY) in 2015 under the vision of "Housing for All" to address the housing shortage among economically weaker and low-income households. Implemented by the Ministry of Housing and Urban Affairs, the scheme provides financial assistance to eligible beneficiaries for construction or improvement of houses in urban and rural areas. It focuses on affordable housing for Economically Weaker Sections (EWS), Low Income Groups (LIG), and Middle-Income Groups (MIG), while promoting access to basic amenities such as water, sanitation, and electricity.

## 2.2 Under penetration of the Indian banking sector provides opportunities for growth

**Chart 14: Number of Commercial Bank Branches per 100,000 Adults (CY)**

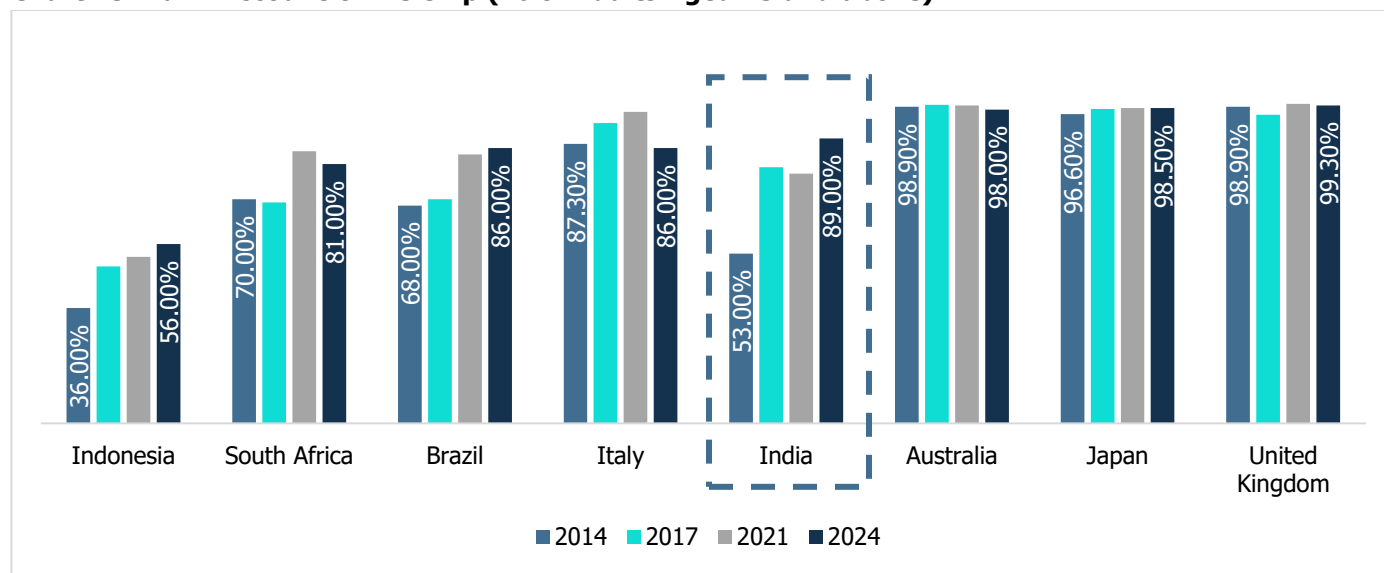


Source: IMF, CareEdge Research

At around 14 - 15 commercial bank branches per 100,000 adults, India trails significantly behind countries such as Japan, France, and the United States, which maintain branch densities exceeding 25 - 30 branches per 100,000 adults. This gap not only reflects differences in income levels, financial system maturity, and banking penetration but also demonstrates the untapped potential in India.

At the same time, India's branch density is broadly comparable to several emerging market peers, such as Indonesia and Korea, and higher than certain Southeast Asian economies like Thailand and Singapore. The relatively stable trend in India over recent years suggests that physical branch expansion has been complemented by rapid digital adoption, rather than aggressive brick-and-mortar growth.

**Chart 15: Bank Account Ownership (% of Adults Aged 15 and above)**



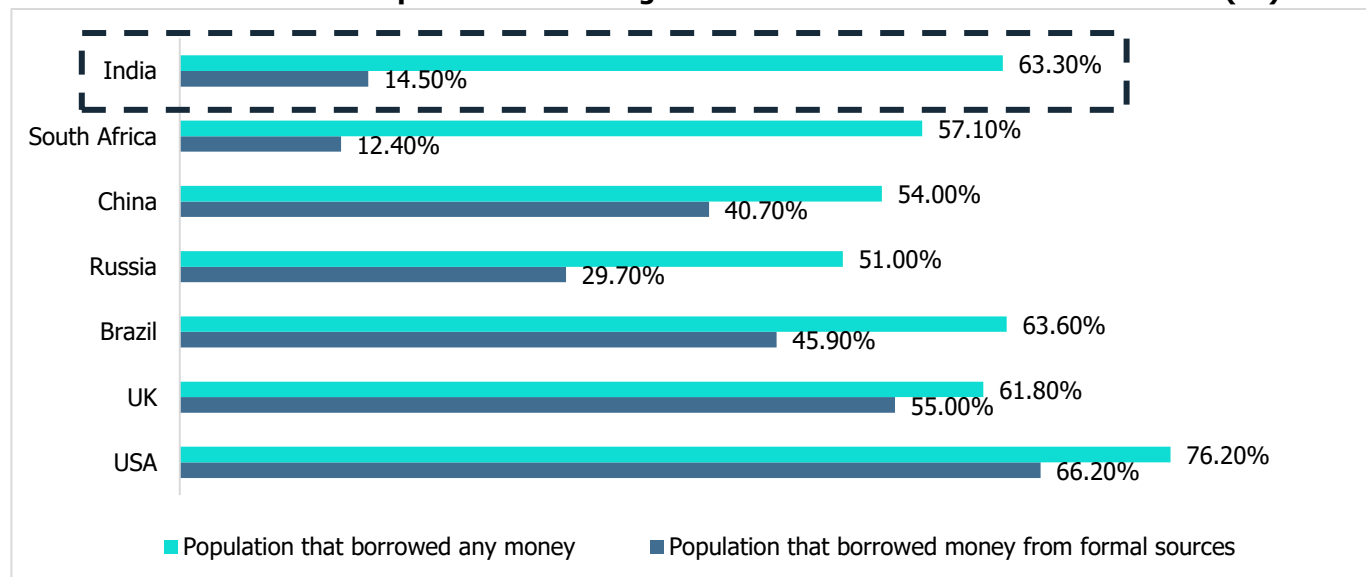
Source: World Bank, CareEdge Research

While India has made significant progress in expanding access to formal financial services, the depth and effective usage of banking products remain relatively limited, indicating under-penetration of the banking sector. As per Global Findex Database 2025, approximately 78% of adults (age 15+) in India own an account with a financial institution or mobile money provider; however, around 16% of these account holders do not have an active account, compared with an average of about 4% across other low - and middle-income economies (Defined by the World Bank based on GNI per capita as economies with per capita income up to USD 13,935, comprising low-income ( $\leq$  USD 1,135), lower-middle-income (USD 1,136–4,495), and upper-middle-income (USD 4,496–13,935) groups).

India’s progress between 2014 and 2024 stands out relative to peers, reflecting the impact of large-scale inclusion initiatives, digital identification, and expanded access to basic banking services. By 2024, India’s account ownership rate compares favourably with countries such as Brazil and South Africa, underscoring a significant broadening of formal financial access. However, despite this progress, a gap remains vis-à-vis advanced economies such as Australia, Japan, and the United Kingdom, where near-universal account ownership has been sustained over time.

### 2.3 Financial Inclusion on a fast path in India

**Chart 16: Share of India’s Population Borrowing from Formal Financial Sources as of 2024 (%)**

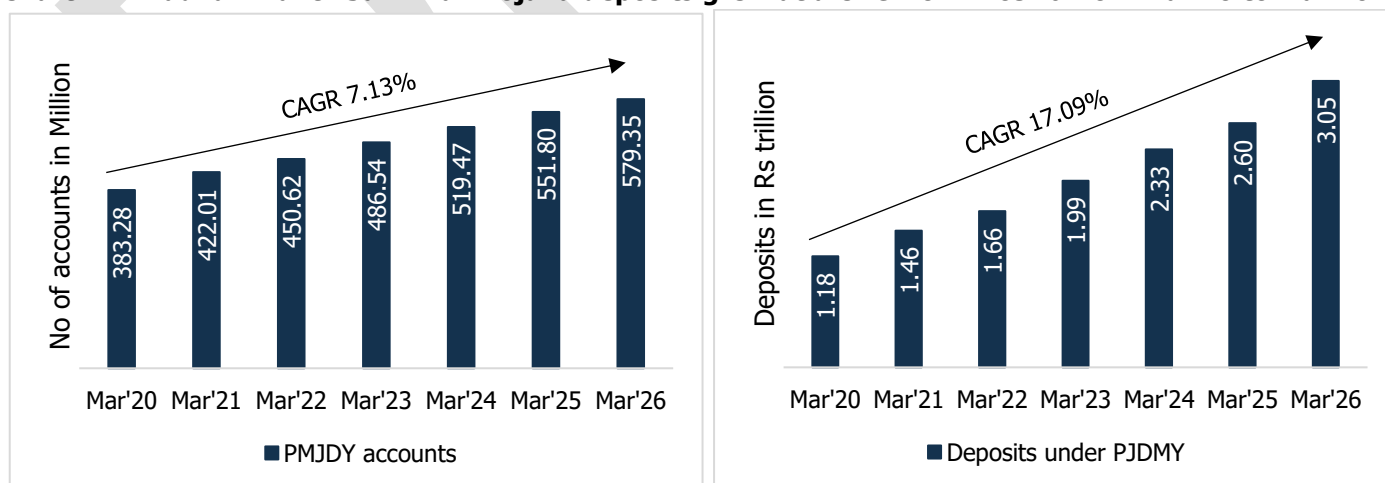


Source: World Bank, CareEdge Research

Note: Data is for the population with the age of 15+ years

As per Global Findex Database 2025, Financial inclusion in India continues to progress at a rapid pace, as reflected in improving account usage and narrowing gender disparities. While men still represent a higher share of active account holders, the gender gap in active account ownership has declined markedly, falling from 12% in 2021 to 7% in 2024. This acceleration in inclusion has been accompanied by a significant rise in digital engagement among women, particularly through government-to-person (G2P) transfers. The share of women receiving G2P payments digitally increased from 13% in 2021 to 24% in 2024, with coverage expanding from 59% to 81% of women beneficiaries over the same period. These trends indicate that policy-driven digital delivery mechanisms are strengthening account activity and usage, reinforcing the momentum of financial inclusion in India. However, while India has made significant progress in expanding access to formal financial services, the depth and effective usage of banking products remain relatively limited, indicating under-penetration of the banking sector.

**Chart 17: Pradhan Mantri Jan Dhan Yojana deposits grew at a CAGR of 17.09% from Mar’20 to Mar’26**



Source: PMJDY

Number of accounts opened through Pradhan Mantri Jan Dhan Yojana (PMJDY) grew at a CAGR of 7.13% between Mar’20 to Mar’26, reflecting steady growth and improving financial inclusion. Notably, deposit amount in PMJDY accounts grew at a CAGR of 17.09% over the same period, indicating strong and consistent growth in funds. Around 66.6% of PMJDY accounts have been opened in rural and semi-urban areas, and 55.7% of accounts are held by women, indicating deep penetration among underserved segments. PMJDY accounts have served as foundational access points for other financial schemes and welfare transfers. For instance, the Jan-Dhan-Aadhaar-Mobile (JAM) framework has facilitated direct benefit transfers worth Rs 6.90 trillion into beneficiary accounts during FY 2024-25.

The composite FI Index value rose to 67.00 in March 2025 from 64.20 in March 2024, with all sub-indices registering steady growth.

#### 2.4 Rural sector supporting India Growth story

Rural credit growth has been supported by structural improvements in financial access, rising income levels, and sustained policy focus on rural development. Increased digitisation, infrastructure expansion, and targeted lending initiatives have strengthened credit penetration and demand in rural

- **Expansion of Digital Financial Infrastructure:** Increased penetration of bank accounts, Aadhaar-enabled services, mobile banking, and digital payment systems has improved access to formal finance in rural areas, reduced transaction costs, and accelerated loan processing and disbursement.
- **Rising Rural Incomes:** Growth in agricultural output, diversification into allied activities (dairy, fisheries, poultry), and increased non-farm employment opportunities have strengthened household cash flows and repayment capacity.
- **Infrastructure Development:** Improved rural connectivity through roads, electrification, housing construction, and irrigation projects have enhanced economic activity and credit absorption potential in rural markets.
- **Policy Support and Targeted Lending:** Priority Sector Lending (PSL) norms and focused credit programmes for agriculture, MSMEs, housing, and self-employment. PSL encourages bridging the gap between rural and urban credit and hence lower regional imbalances.
- **Financial Inclusion Initiatives:** Broader inclusion efforts have brought first-time borrowers into the formal banking system, expanding the addressable credit base and deepening penetration across underserved geographies.

Initiatives	Description
<b>Pradhan Mantri Jan Dhan Yojana (PMJDY)</b>	The PMJDY remains the cornerstone of India’s financial inclusion agenda, providing basic banking services to previously unbanked populations. As of Dec’25, over 570 million PMJDY accounts have been opened, with aggregate deposits of approximately Rs 2.8 trillion. Most of these accounts are held by women (about 55.7%) and are located in rural and semi-urban areas (66.6%), indicating the scheme’s deep outreach among under-served segments. Additionally, as of Jan’26, over 390 million RuPay debit cards have been issued, enhancing access to digital transactions and financial services.
<b>Direct Benefit Transfer (DBT)</b>	DBT has emerged as a critical mechanism for financial inclusion by leveraging bank accounts and digital infrastructure to deliver government benefits efficiently and transparently. The Public

Initiatives	Description
	<p>Financial Management System (PFMS) enabled DBT for over 1,206 schemes in FY25, processing approximately 1,816.4 million transactions and disbursing around Rs 2.23 trillion to beneficiaries. In FY26 (up to 31 December 2025), 966 schemes were covered under the DBT initiative, with 2,105.6 million transactions reported and Rs 2.87 trillion paid to beneficiaries. Cumulatively, since its inception, DBT has processed a substantial volume of transactions and facilitated the transfer of benefits across a wide range of social welfare programmes.</p>
<p><b>Atal Pension Yojana (APY) and National Pension System (NPS)</b></p>	<p>The APY, aimed at extending pension coverage to workers in the unorganised sector, has achieved substantial enrolment growth, reflecting broader financial security inclusion. As of January 2026, APY subscribers have reached 72.3 million, underscoring the increasing uptake of formal pension products among low-income and informal sector populations. In addition, The National Pension System (NPS) has enrolled over 21.3 million subscribers, reflecting the expanding adoption of formal pension coverage across demographics. Complementing this, NPS Vatsalya, which promotes early pension planning for minors, is gradually extending pension coverage to younger age groups.</p>
<p><b>Small Saving Schemes</b></p>	<p>Small savings schemes, administered through the Ministry of Finance and postal/banking channels, play an important role in engaging households with formal financial products, encouraging savings, and supporting long-term financial planning. These schemes, including instruments such as Public Provident Fund (PPF), National Savings Certificates (NSC), and others, offer stable returns and are accessible across rural and urban areas, thereby reinforcing savings habits and financial security, particularly among lower-income groups.</p>
<p><b>Pradhan Mantri Kaushal Vikas Yojana</b></p>	<p>PMKVY is a flagship scheme of the Government of India launched in July 2015 under the Skill India Mission to provide industry-aligned skill training and certification to youth, thereby enhancing employability and supporting wage and self-employment opportunities. Implemented by the Ministry of Skill Development and Entrepreneurship, the scheme offers Short-Term Training (STT) and Recognition of Prior Learning (RPL) aligned with the National Skills Qualifications Framework (NSQF). The scheme is currently being implemented under PMKVY 4.0 (FY 2022–26) with a greater focus on quality, industry linkage, and future-ready skills.</p>
<p><b>Kisan Credit Card (KCC)</b></p>	<p>The KCC facility provides farmers with flexible revolving credit for crop cultivation, allied activities, and consumption needs at</p>

Initiatives	Description
	concessional interest rates with interest subvention benefits. It also simplifies access to institutional credit through streamlined documentation and renewal processes, thereby reducing dependence on informal sources of finance.
<b>Pradhan Mantri Awas Yojana – Gramin (PMAY-G)</b>	A flagship rural housing programme under the Ministry of Rural Development, aimed at providing pucca houses with basic amenities (toilet, LPG connection, electricity) to eligible rural households. It enhances rural housing stock, improves living standards, and stimulates demand for formal housing credit in rural areas. As of August 2025, 4.12 crore houses have been allocated to States under the scheme, of which 2.9 crore houses have already been constructed.

**Table 6: Rural Monthly Per Capita Household Consumption Expenditure (MPCE) has more than doubled since 2011-12**

	Average MPCE (In Rs)		
	2011-12	2022-23	2023-24
Rural	1,430	3,773	4,122
Urban	2,630	6,459	6,996
Difference as % of Rural MPCE	83.90%	71.20%	69.70%

Source: HCES (2023-24), CareEdge Research

This reflects a steady and significant increase in rural monthly household income over time, as indicated by the rise in Average MPCE. Rural MPCE increased from Rs 1,430 in 2011–12 to Rs 3,773 in 2022–23, and further to Rs 4,122 in 2023–24, indicating a strong improvement in rural purchasing power and economic capacity.

At the same time, the urban–rural consumption gap has narrowed, with the difference as a percentage of rural MPCE declining from 83.90% in 2011–12 to 69.70% in 2023–24. This suggests that rural consumption has grown at a faster pace than urban consumption, pointing to a gradual convergence in income levels and improved resilience of rural households over the period.

**Table 7: Average MPCE for each State and UT in FY24**

State/UT	Average MPCE (Rs.)	
	Rural	Urban
Andhra Pradesh	5,327	7,182
Arunachal Pradesh	5,995	9,832
Assam	3,793	6,794
Bihar	3,670	5,080
Chhattisgarh	2,739	4,927
Delhi	7,400	8,534
Goa	8,048	9,726
Gujarat	4,116	7,175
Haryana	5,377	8,428

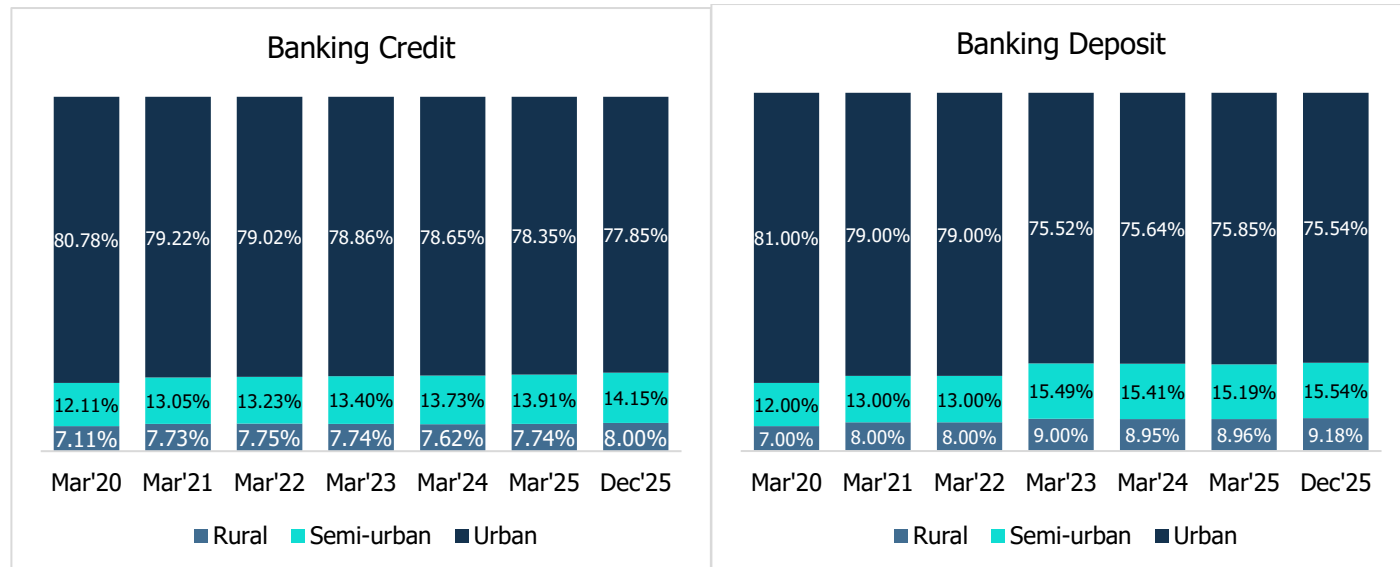
State/UT	Average MPCE (Rs.)	
	Rural	Urban
Himachal Pradesh	5,825	9,223
Jharkhand	2,946	5,393
Karnataka	4,903	8,076
Kerala	6,611	7,783
Madhya Pradesh	3,441	5,538
Maharashtra	4,145	7,363
Manipur	4,531	5,945
Meghalaya	3,852	7,839
Mizoram	5,963	8,709
Nagaland	5,155	8,022
Odisha	3,357	5,825
Punjab	5,817	7,359
Rajasthan	4,510	6,574
Sikkim	9,377	13,927
Tamil Nadu	5,701	8,165
Telangana	5,435	8,978
Tripura	6,259	8,034
Uttar Pradesh	3,481	5,395
Uttarakhand	5,003	7,486
West Bengal	3,620	5,775
Andaman & N Islands	7,771	10,453
Chandigarh	8,857	13,425
Dadra & Nagar Haveli and Daman & Diu	4,311	6,837
Jammu & Kashmir	4,774	6,327
Ladakh	5,010	7,533
Lakshadweep	6,350	6,377
Puducherry	7,598	8,637
<b>All-India</b>	<b>4,122</b>	<b>6,996</b>

Source: HCES (2023-24), CareEdge Research

Several States and UTs report higher urban MPCE relative to rural counterparts, consistent with greater income opportunities and cost of living in urban centres. Smaller UTs such as Chandigarh and Sikkim record comparatively higher per capita expenditure levels, while several larger States show moderate expenditure levels aligned with their demographic and economic profiles. Overall, the data highlights regional disparities in consumption patterns across the country, influenced by differences in income levels, urbanisation, economic structure, and cost dynamics.

## 2.5 Population group wise share of credit and deposit

**Chart 18: Rural and semi urban India accounts for only 22.15% of banking credit and ~24.72% of deposits**



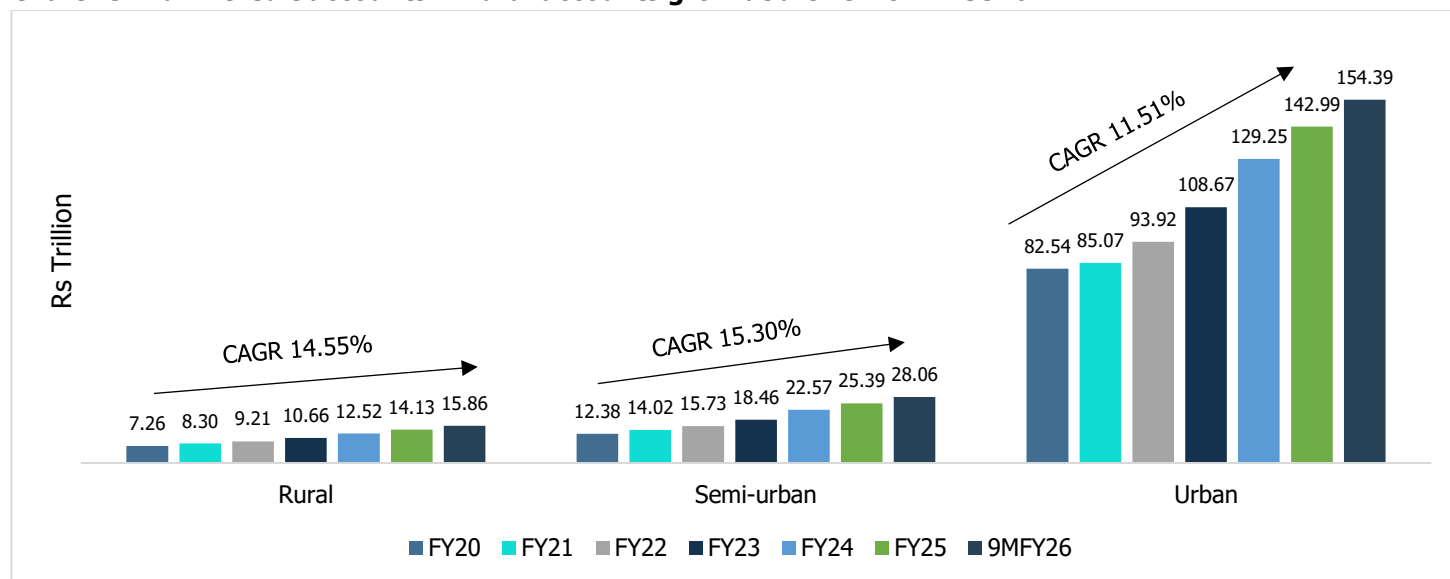
Source: RBI, CareEdge Research

Note: Urban includes metropolitan population

The dominance of urban areas in bank credit and deposits largely reflects the concentration of economic activity, formal employment, and corporate demand in cities, which generates stronger and lower-risk credit opportunities for banks. Rural credit demand, by contrast, is more fragmented and seasonal, closely linked to agriculture and allied activities, and subject to higher income volatility.

While government initiatives such as PMJDY, DBT, Priority Sector Lending norms, Kisan Credit Cards, and financial inclusion saturation campaigns have significantly improved account ownership and deposit mobilisation in rural and semi-urban areas, credit deployment has grown more slowly due to risk considerations, smaller ticket sizes, and limited absorptive capacity. As a result, deposits in non-urban regions have increased faster than credit, leading to a persistent urban skew in banking activity despite continued policy efforts to deepen rural financial inclusion.

**Chart 19: Bank Credit accounts in rural accounts grow at a CAGR of 14.55%**



Source: RBI, CareEdge

Note: Urban includes metropolitan population

Bank credit growth has been relatively stronger in rural and semi-urban areas compared with urban centres over FY20–9MFY26. Rural credit expanded at a CAGR of 14.55%, rising from Rs 7.26 trillion to Rs 15.86 trillion, while semi-urban credit grew at a CAGR of 15.30%, increasing from Rs 12.38 trillion to Rs 28.06 trillion. In comparison, urban credit recorded a lower CAGR of 11.51%. This trend indicates increasing financial deepening and credit penetration in rural and semi-urban markets.

RBI’s priority sector lending (“PSL”) policy in India under which commercial banks need to ring-fence 40% of the bank’s adjusted net bank credit or equivalent off-balance-sheet exposure (whichever is higher) for priority sector lending. The RBI’s PSL policy ensures credit flow to underserved segments of the population through banks. PSL also encourages bridging the gap between rural and urban credit and hence lower regional imbalances.

**2.6 Digital Public Infrastructure reforms by government of India**

Beyond payments and identity, DPI reforms have expanded into areas such as digital consent-based data sharing, e-governance platforms, and financial market infrastructure, enabling faster onboarding, simplified KYC processes, and real-time service access. These reforms have lowered transaction costs, improved ease of access to financial services, and enhanced the reach of government programmes. Overall, India’s DPI framework is increasingly viewed as a foundational enabler of inclusive growth, supporting both public service delivery and private sector innovation in a scalable and secure manner.

The growth drivers are:

**Universal Digital Identity Coverage (Aadhaar)**

The near-universal coverage of Aadhaar has been a foundational driver of DPI growth by enabling reliable digital identity verification at scale. As per the government disclosures, over 1.38 billion Aadhaar numbers have been issued, covering almost the entire adult population. This has enabled seamless digital onboarding, simplified KYC processes, and direct authentication for banking, welfare delivery, and financial services, significantly reducing entry barriers to the formal system.

**Rapid Expansion of Digital Payments Infrastructure**

The scale and growth of digital payments particularly through UPI, have been a major catalyst for DPI adoption. The RBI data indicates that UPI transactions exceeded 175 billion transactions during 9MFY26, reflecting widespread acceptance of real-time, low-cost digital payments. The availability of interoperable payment rails has accelerated digital transactions across households, merchants, and government

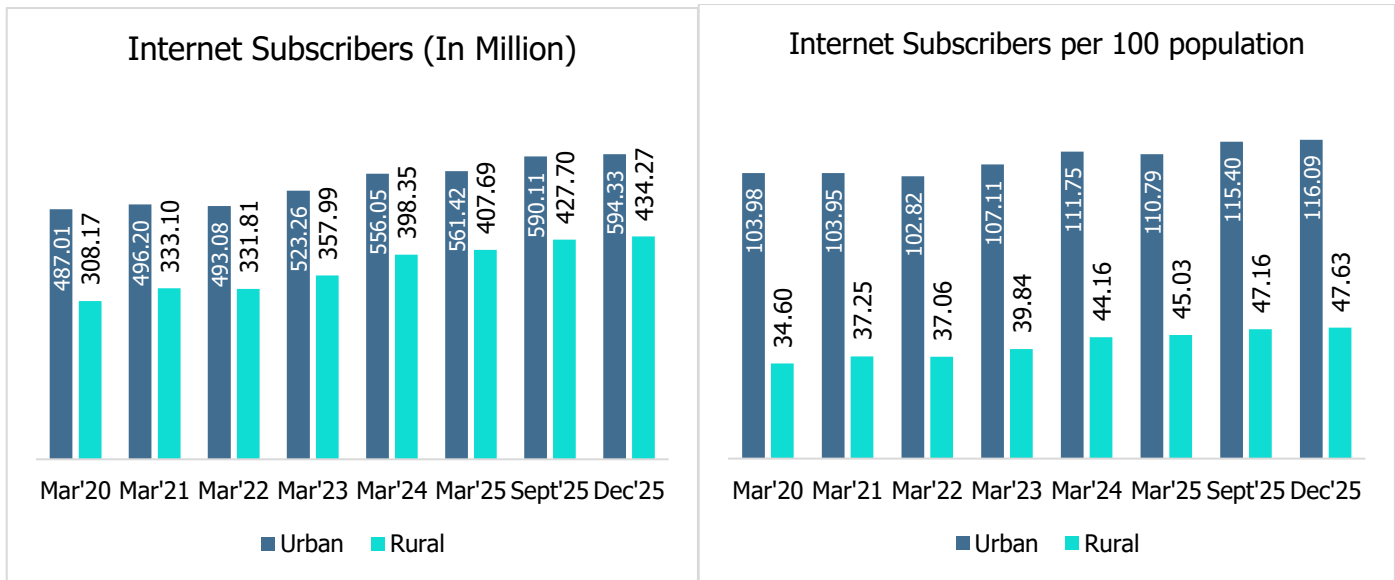
**High Mobile and Internet Penetration**

The rapid growth in mobile connectivity has enabled last-mile access to DPI platforms. This is supported by widespread smartphone adoption and low data costs. This connectivity has facilitated access to mobile banking, digital payments, and government services, enabling DPI to scale beyond urban centres.

**Integration with Governance and Service Delivery**

The embedding of DPI within governance frameworks such as digital subsidies, pensions, insurance enrolments, and compliance processes has strengthened adoption. The increasing digitisation of public services has reduced transaction costs, improved transparency, and reinforced habitual use of digital platforms, thereby sustaining DPI growth over time.

**Chart 20: Rural Internet Penetration**



Source: TRAI, CareEdge Research

There is a consistent improvement in rural internet penetration over the period, reflecting expanding digital access across non-urban India. Rural internet subscribers increased from 308.17 million in Mar'20 to 434.27 million by Dec'25, while rural internet penetration rose steadily from 34.60 to 47.63 subscribers per 100 population. This indicates that a growing proportion of the rural population is gaining access to internet services, although penetration levels remain materially lower than in urban areas.

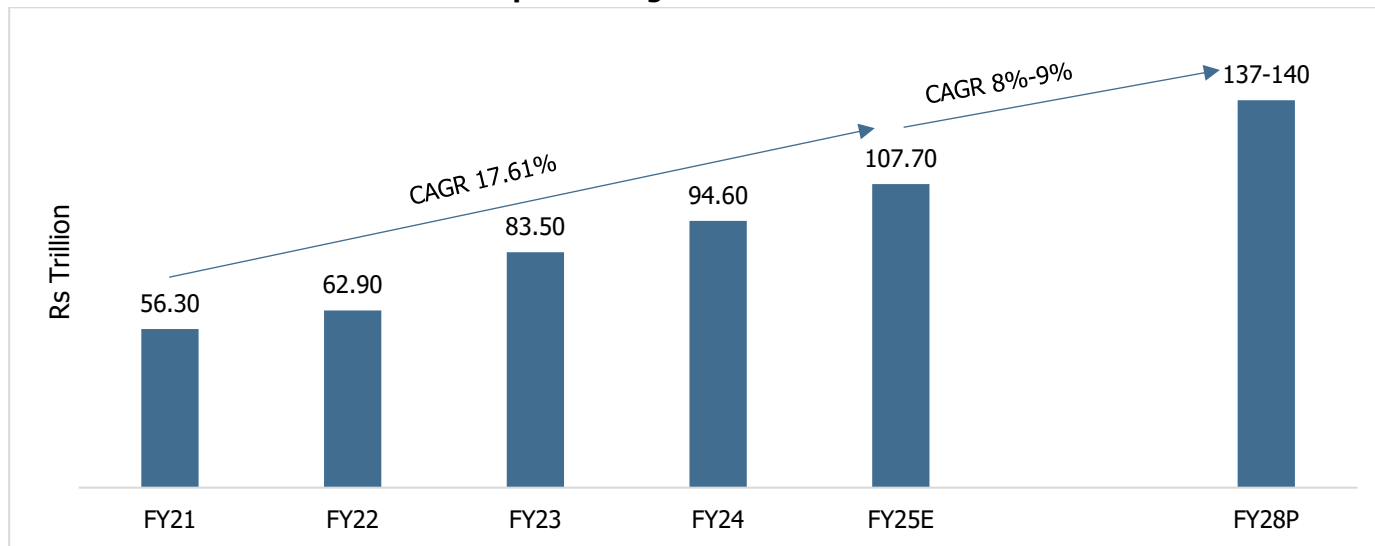
The improvement in rural penetration has been supported by government-led expansion of digital and telecom infrastructure. A large share of villages is now covered by mobile broadband networks, with significant progress in extending 3G and 4G connectivity across rural regions. Initiatives under the Digital India programme and BharatNet have focused on strengthening last-mile connectivity by providing broadband access to Gram Panchayats, which has enabled greater adoption of mobile internet services in rural areas.

India's rural population has increasingly embraced digital technologies as part of broader economic and financial inclusion efforts, reflecting a gradual behavioural transition from traditional, cash-based practices to digital engagement. Over the past decade, digital tools have brought government services and financial services closer to citizens, particularly in rural and underserved regions, making processes faster, more transparent, and more accessible at the last mile. This transformation has been underpinned by expansion in digital infrastructure, including widespread mobile and internet connectivity, and the integration of digital identities such as Aadhaar, which has facilitated seamless onboarding and authentication for banking and welfare transfers.

Programmes such as BharatNet, which has connected more than 0.218 million Gram Panchayats with high-speed internet. This expanded access has facilitated broader engagement with digital financial tools. As per the Comprehensive Annual Modular Survey, data on rural youth indicate that over 96% of individuals aged 15–24 in rural areas can use mobile phones, and over 80% accessed the internet recently, underscoring growing digital competence among rural populations. These trends collectively signal that rural citizens are increasingly embracing digital platforms for communication, financial transactions, and broader economic participation, highlighting a meaningful behavioural shift toward digital adoption.

**Retail industry market size to reach ~Rs 140 trillion by FY28**

**Chart 21: Indian Retail Market Size expected to grow at 8-9% CAGR from FY25 to FY28**



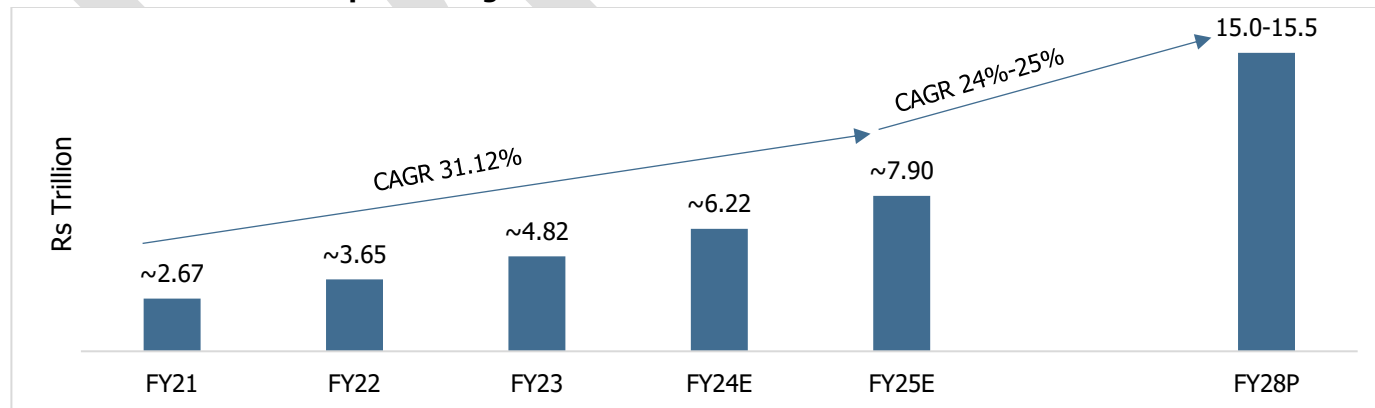
Source: CareEdge Research

Note: E indicates Estimated, P indicates Projected

In FY25, the Indian retail market is estimated to have reached Rs 107.70 trillion, reflecting a strong recovery from previous years, driven by improved consumer demand and a resurgence in offline retail channels. The market has grown at a CAGR of 17.61% during FY21 to FY25, showcasing robust expansion momentum. Looking ahead, the sector is projected to reach Rs 137 – 140 trillion by FY28, growing at a relatively moderate yet healthy CAGR of 8% to 9% between FY25 to FY28. This trend highlights the industry’s shift from a post-pandemic rebound phase to a more sustainable, long-term growth trajectory.

A major driver of this growth is the rise in spending on discretionary items such as fashion, electronics, lifestyle products, jewellery, and dining, supported by increasing disposable incomes, aspirations of younger consumers, and wider access to organised and digital retail platforms. The retail sector is poised to play a crucial role in India’s economic growth, with significant employment generation, expected to add nearly 25 million new jobs by CY2030, underscoring its importance in the country’s socio-economic landscape.

**Chart 22: Online retail expected to grow at 24-25% CAGR from FY25 to FY28**



Source: CareEdge Research

Note: E indicates Estimated, P indicates Projected

The online market is emerging as a key engine of discretionary spending growth, expanding at a significantly faster pace than the overall consumption market with a CAGR of 31.12% from FY21 to FY25 and is expected to grow at a CAGR of 24% to 25% from FY25 to FY28. This acceleration reflects deeper digital penetration, widespread adoption of smartphones and digital payments, and improved logistics and last-mile delivery across urban and semi-urban regions. As consumer comfort with e-commerce continues to rise, online channels are increasingly capturing a larger share of discretionary spends, supported by wider product assortments, competitive pricing, and the growing use of digital credit and BNPL solutions, positioning the online market as a structurally high-growth segment over the medium term.

Discretionary spends expanded at a much faster pace than the broader Indian market, reflecting a post-pandemic recovery in consumption, rising disposable incomes, and improving consumer confidence. This phase was characterised by a sharp rebound in demand for non-essential goods and services, supported by urbanisation, digital commerce, and a shift toward experience-led consumption.

**Table 8: Trend in percentage composition of MPCE since 2011-12 (% share in total MPCE)**

Item Group	Rural India			Urban India		
	2011-12	2022-23	2023-24	2011-12	2022-23	2023-24
Food Total	52.90	46.38	47.04	42.62	39.17	39.68
Non-Food Total	47.10	53.62	52.96	57.38	60.83	60.32

Source: HCES (23-24), CareEdge Research

Note: Food items include cereals and cereal substitutes, pulses and their products, milk and milk products, vegetables, fruits, eggs, fish and meat, edible oil, spices, sugar and salt, and beverages, refreshments and processed food. Non-food items include pan, tobacco and intoxicants, fuel and light, education, medical expenses, conveyance, consumer services excluding conveyance, miscellaneous goods and entertainment, rent, taxes and cesses, clothing, bedding and footwear, and durable goods.

In rural India, the share of non-food expenditure has increased from 47.10% in 2011-12 to 53.62% in 2022-23, remaining elevated at 52.96% in 2023-24, while the share of food expenditure has declined over the same period. This shift indicates a gradual rise in discretionary spending, with rural households allocating a larger portion of their budgets toward categories such as consumer durables, transport, education, healthcare, and other services.

Looking ahead, while growth in discretionary spending is expected to moderate, it is still projected to remain well above the overall market growth rate through FY28. The sustained premium in growth suggests a structural shift in consumer behaviour, with higher propensity to spend on discretionary categories driven by income formalisation, increasing aspirational demand, and deeper credit penetration. Overall, discretionary consumption is emerging as a key driver of incremental consumption growth in India, rather than merely a cyclical rebound.

**Table 9: PMJDY Beneficiary Coverage and Deposit Base (In Million)**

Bank Name / Type	Number of Beneficiaries at rural/semiurban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	Number of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (Rs Million)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	345.70	99.20	245.40	445.00	2,258,251.80	342.40
Regional Rural Banks	93.60	14.80	63.20	108.40	533,607.70	39.50
Private Sector Banks	8.40	11.20	11.00	19.60	83,923.40	15.70

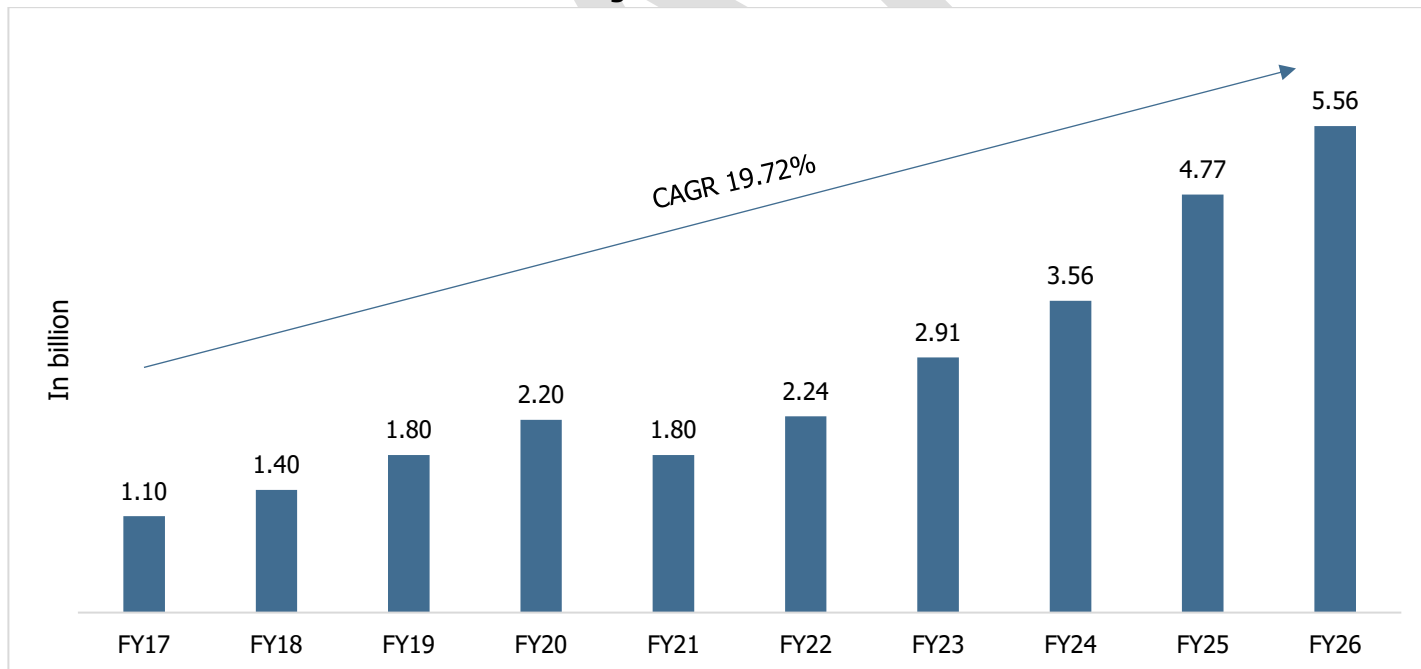
Bank Name / Type	Number of Beneficiaries at rural/semiurban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	Number of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (Rs Million)	Number of Rupay Debit Cards issued to beneficiaries
Rural Cooperative Banks	1.90	-	1.00	1.90	0.10	-
<b>Grand Total</b>	<b>449.60</b>	<b>125.20</b>	<b>320.60</b>	<b>574.90</b>	<b>2,875,783.10</b>	<b>397.60</b>

Source: PMJDY, CareEdge Research

Note: Data as on 21<sup>st</sup> January 2026

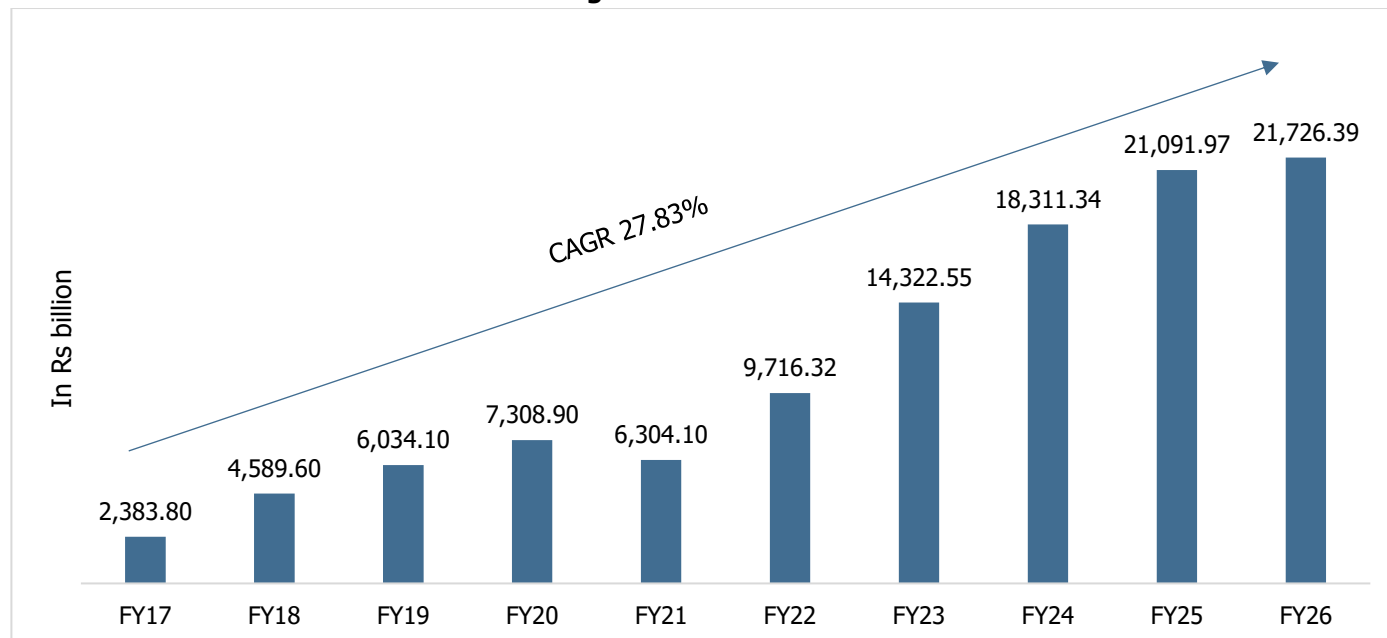
The widespread coverage of Jan-Dhan accounts, particularly across rural and semi-urban centres and among women beneficiaries, has significantly expanded access to formal banking and digital payment instruments such as RuPay debit cards. This broad financial inclusion has strengthened household participation in formal consumption channels, enabling higher retail spending and facilitating the shift towards digital and e-commerce transactions. As more households gain access to bank accounts and payment infrastructure, the formal retail ecosystem and online commerce platforms benefit from a larger, digitally enabled consumer base, reinforcing India’s consumption-led growth trajectory.

**Chart 23: Volume of credit card transactions grew at a CAGR of 19.72% from FY17 to FY26**



Source: RBI, CareEdge Research

**Chart 24: Value of credit card transactions grew at a CAGR of ~27.83% from FY17 to FY26**

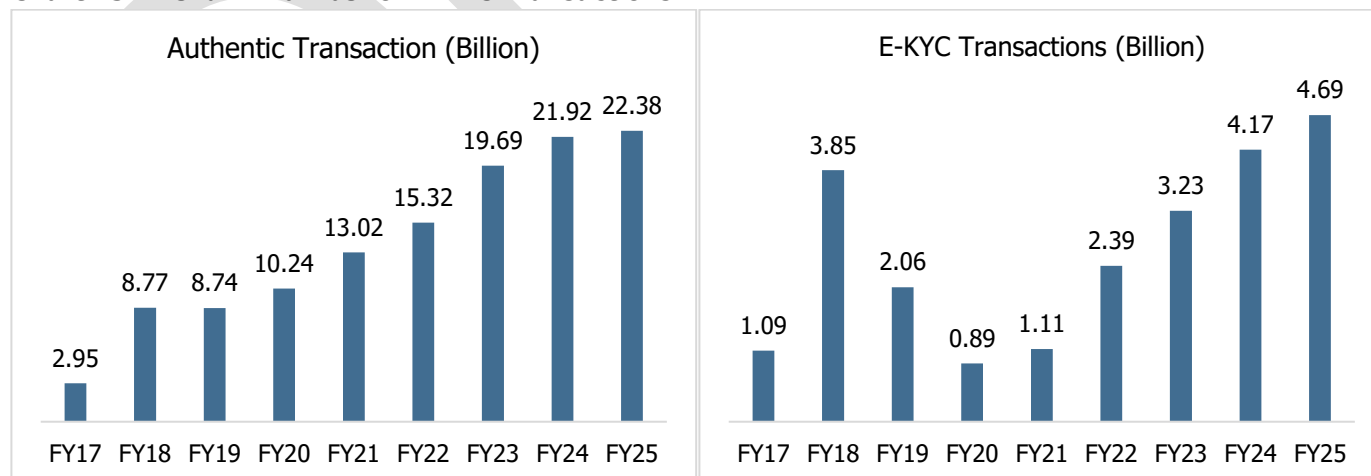


Source: RBI, CareEdge Research

Strong and sustained expansion in credit card usage in India is being reflected in both transaction volumes and values over the period. The volume of credit card transactions increased from 1.10 billion in FY17 to 5.56 billion in FY26, representing CAGR of 19.72% from FY17 to FY26. After a moderation in FY21, largely reflecting pandemic-related disruptions, transaction volumes recovered steadily and accelerated in the subsequent years.

The value of credit card transactions, rose sharply from Rs 2,383.80 billion in FY17 to Rs 21,726.39 billion in FY26 with a CAGR of 27.83%. While transaction values declined in FY21, they rebounded strongly in FY22 and thereafter, reflecting a combination of higher spending, increased card acceptance, and greater use of credit cards for both online and offline purchases.

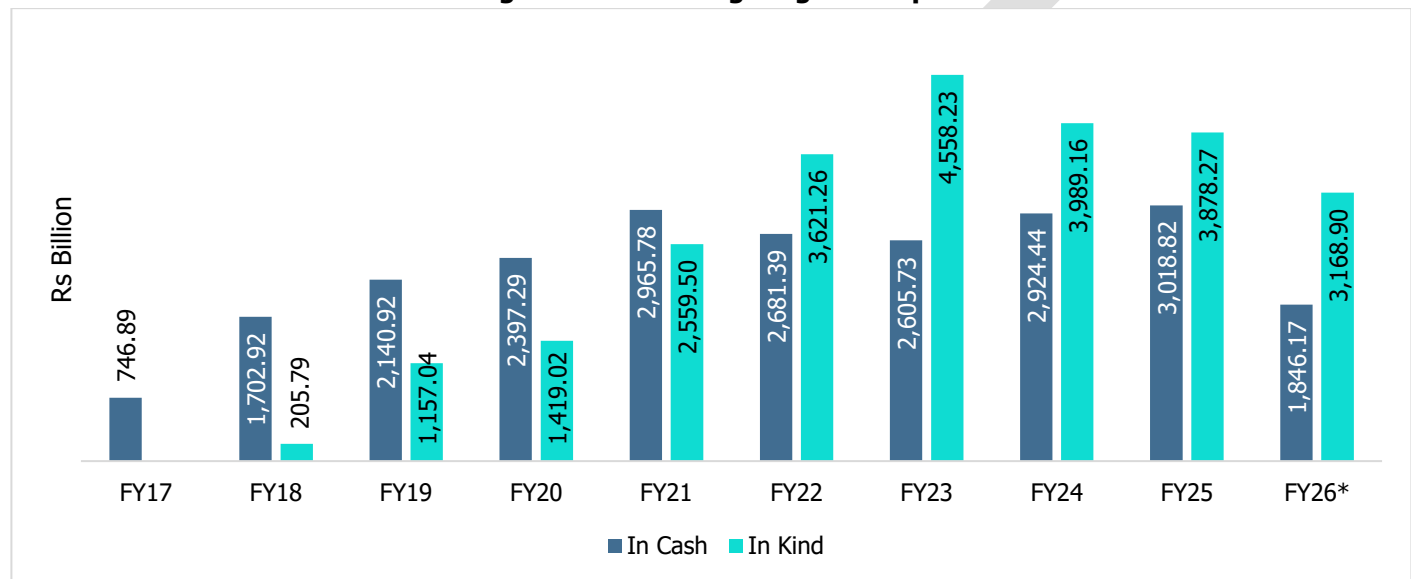
**Chart 25: Trend in Number of E-KYC Transactions**



Source: UIDAI, CareEdge Research

E-KYC transactions increased from 1.09 billion in FY17 to 4.69 billion in FY25, indicating wider use of electronic verification processes for customer onboarding across financial institutions and government services, particularly after FY21. Similarly, Aadhaar authentication transactions rose steadily from 2.95 billion in FY17 to 22.38 billion in FY25 reflecting a CAGR of 28.82% from FY17 to FY25, highlighting the growing reliance on digital authentication for financial transactions, benefit transfers, and service delivery. Overall, these trends underscore the role of digital identity systems in improving efficiency, reducing onboarding frictions, and supporting the scale-up of digital financial services.

**Chart 26: Government schemes being delivered through digital adoption – Direct Benefit Transfer**

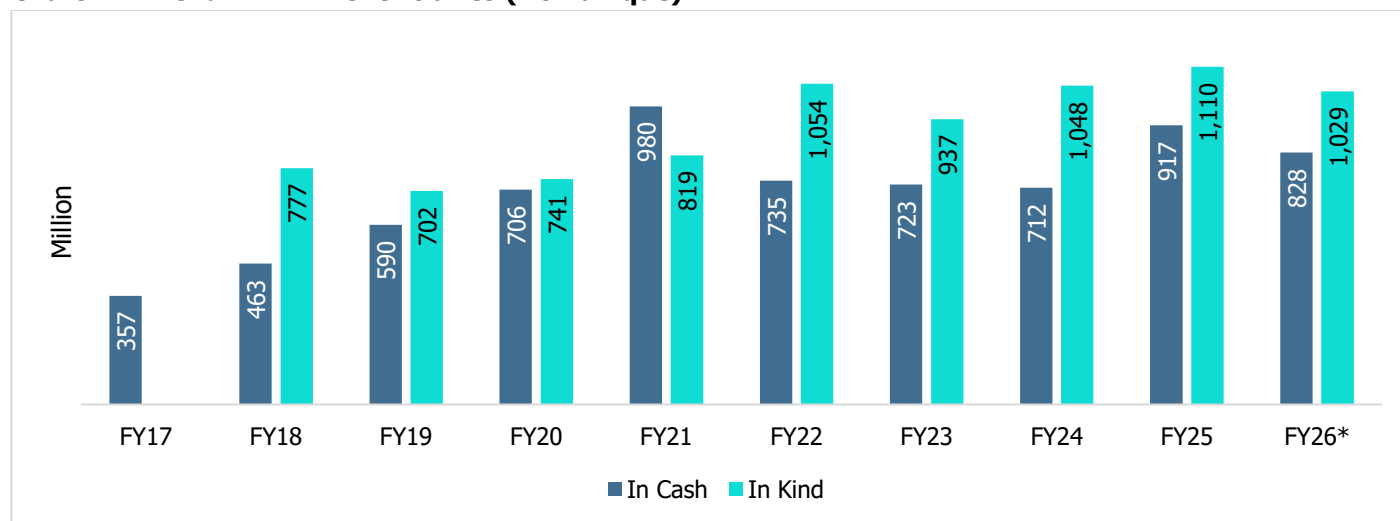


Source: Direct Benefit Transfer, CareEdge Research

Note: \* indicates data as on 23<sup>rd</sup> January 2026

Overall increase in DBT fund transfers in both cash and in-kind terms from FY17 to FY26 has been driven by a combination of policy expansion, digital infrastructure strengthening, and improved beneficiary targeting. A key driver has been the progressive onboarding of welfare schemes and beneficiaries onto the DBT framework, including large programmes such as PM-KISAN, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), food and fertiliser subsidies, which significantly expanded transfer volumes, particularly in the in-kind category. The integration of DBT with Aadhaar and the Public Financial Management System (PFMS) has enabled end-to-end digital tracking of funds, reduced leakages, and improved delivery efficiency, allowing higher and more targeted disbursements over time.

**Chart 27: Trend in DBT Beneficiaries (Non unique)**



Source: Direct Benefit Transfer, CareEdge Research  
Note: \*indicates data as on 23<sup>rd</sup> January 2026

The trend in DBT beneficiaries (non-unique) indicates a sustained expansion in welfare coverage over time, with cash beneficiaries increasing from 357 million in FY17 to a peak of 980 million in FY21, reflecting the scaling-up of income support and employment-linked schemes, particularly during the COVID-19 period. While cash beneficiaries moderated in the immediate post-pandemic years, they remained structurally higher than pre-FY20 levels, underscoring the institutionalisation of DBT-based delivery mechanisms.

In contrast, in-kind beneficiaries have shown a more persistent upward trajectory, rising from 777 million in FY18 to over 1,110 million in FY25, driven largely by the expansion and continued reliance on food and fertiliser subsidy programmes under Aadhaar-enabled delivery systems.

**Table 10: Region wise share of banking deposits and credit**

Region	% share in overall population in India as of Dec'25	Banking deposits		Banking credit	
		2015	Dec'25	2015	Dec'25
<b>North-East</b>	3.71%	~2.00%	1.53%	0.69%	1.12%
<b>Central</b>	26.33%	~13.00%	12.87%	7.53%	9.42%
<b>West</b>	14.43%	~30.00%	28.64%	34.79%	33.89%
<b>East</b>	22.58%	~12.00%	11.61%	7.30%	7.06%
<b>South</b>	19.50%	~23.00%	24.53%	26.39%	28.66%
<b>North</b>	13.42%	~20.00%	20.82%	23.32%	19.86%

Source: RBI, CareEdge Research

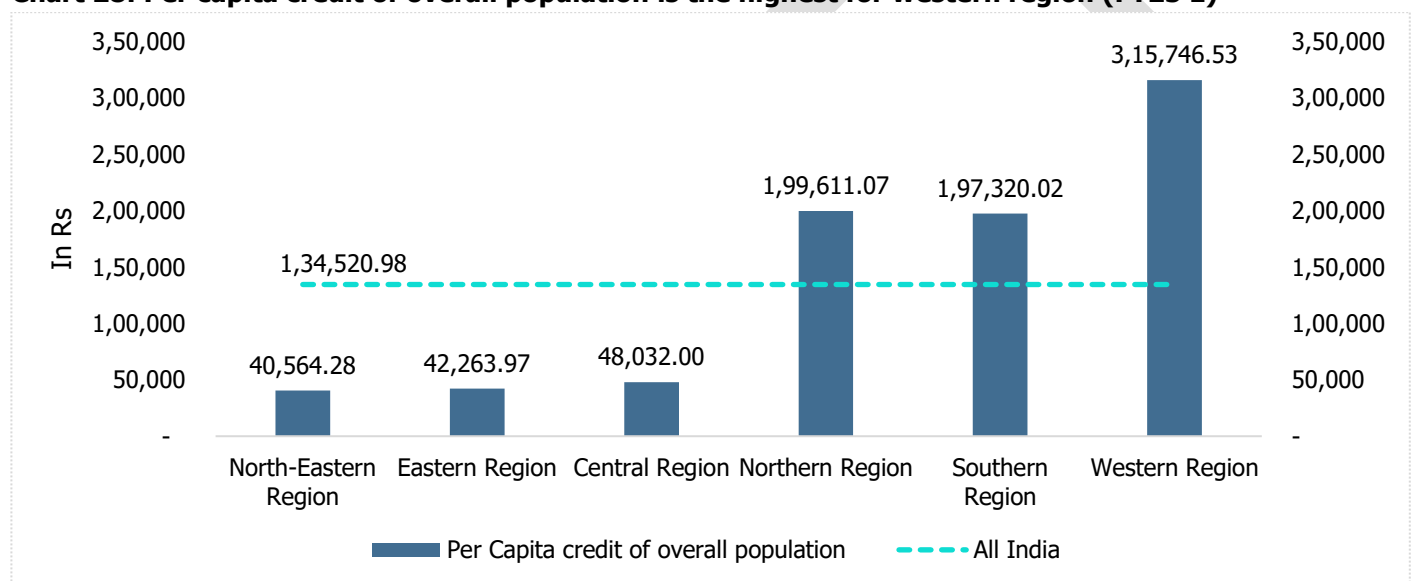
Notes:

1. Northeast includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura
2. Central includes Chhattisgarh, Madhya Pradesh, Uttar Pradesh and Uttarakhand
3. West includes Goa, Gujarat, Maharashtra, Dadra and Nagar Haveli, and Daman and Diu
4. East includes Bihar, Jharkhand, Odisha, Sikkim, West Bengal, and Andaman and Nicobar Islands
5. South includes Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Lakshadweep, and Puducherry
6. North includes Haryana, Himachal Pradesh, Jammu and Kashmir, Ladakh, Punjab, Rajasthan, Chandigarh, and Delhi

The regional distribution of banking deposits and credit indicates a persistent concentration of banking activity in the western and southern regions of India. As of December 2025, the West and South together account for over half of total banking deposits, with the West contributing 28.64% and the South 24.53%, broadly unchanged from 2015. A similar pattern is observed on the credit aspect, where the West accounts for 33.89% and the South for 28.66% of total banking credit, underscoring their continued dominance in financial intermediation. This reflects the higher level of economic activity, industrialisation, and urbanisation in these regions.

In contrast, other regions continue to exhibit relatively lower shares. The North-East remains marginal, accounting for only 1.53% of deposits and 1.12% of credit, while the East and Central regions show modest participation, despite some improvement in credit share in the Central region from 7.53% to 9.42%. The data highlights structural regional asymmetries in deposit mobilisation and credit deployment, with banking activity remaining heavily skewed towards the South and West, indicating significant scope for deepening financial intermediation in the Central, Eastern, and North-Eastern regions.

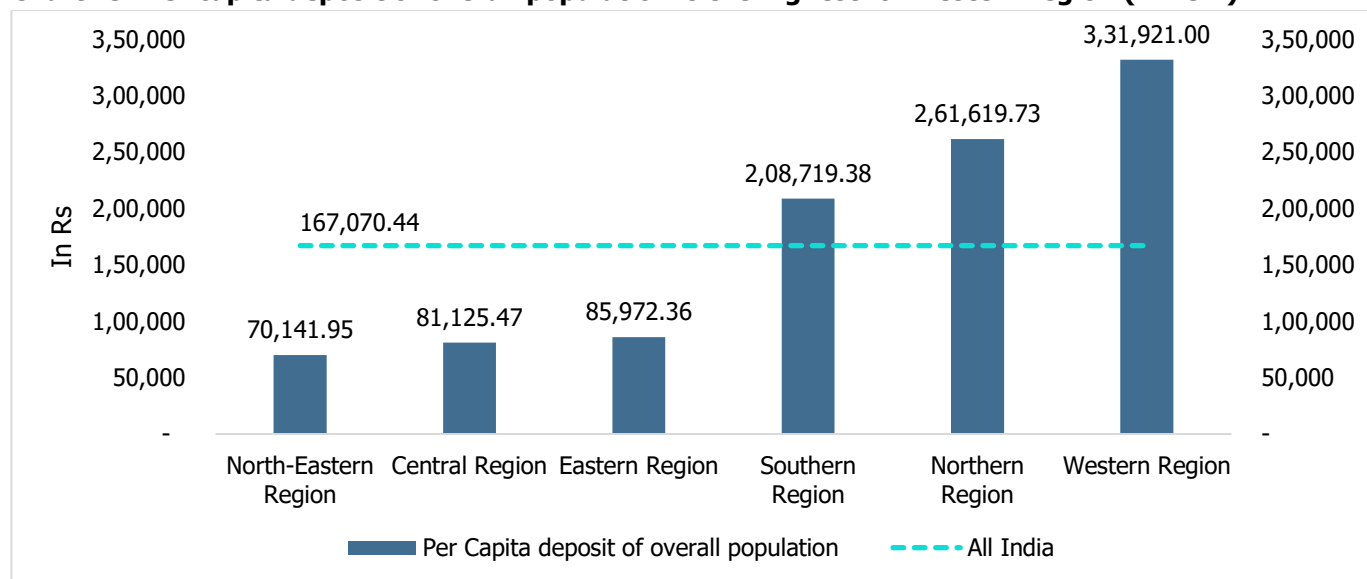
**Chart 28: Per capita credit of overall population is the highest for western region (FY25 E)**



Source: RBI, UIDAI, CareEdge Research

Note: Per capita credit in the region is calculated by Total banking credit amount divided by total estimated population in the region. Population projected as per UIDAI (2024-25); Total banking credit is as of September 2025; E indicates Estimated

The Western and Southern regions record significantly higher per capita credit levels, reflecting their stronger economic base, higher urbanisation, deeper financial intermediation, and concentration of industry, services, and formal employment. These regions also benefit from denser banking networks, higher income levels, and greater demand for retail and corporate credit, resulting in substantially higher credit availability per person. The Central, Eastern, and North-Eastern regions exhibit markedly lower per capita credit, indicating relatively limited financial depth and lower formal credit absorption.

**Chart 29: Per capita deposit of overall population is the highest for western region (FY25 E)**


Source: RBI, UIDAI, CareEdge Research

Note: Per capita deposit in the region is calculated by Total banking deposit amount divided by total estimated population in the region. Population projected as per UIDAI (2024-25); Total banking deposit is as per September 2025; E indicates Estimated.

Per capita deposits are concentrated in the Western and Southern regions, reflecting higher income levels, greater urbanisation, and deeper banking penetration. The Northern region also records above-average deposits, driven by economically stronger states. In contrast, the Central, Eastern, and North-Eastern regions show significantly lower per capita deposits, indicating limited surplus savings and shallower financial engagement. This highlights continued regional disparities in savings mobilisation and the scope for further financial deepening in these regions.

**Table 11: State wise share of banking credit and concentration of top five districts as of December 2025**

Region / state / Union Territory	No. of districts	% share in overall population in India	Share in overall credit	Credit-to-deposit	Concentration of credit in top 5 districts	% of credit in rural areas	% of credit accounts in rural areas
<b>Western region</b>	<b>76</b>	<b>14.43%</b>	<b>33.89%</b>	<b>97.85%</b>	<b>NA</b>	<b>2.60%</b>	<b>6.50%</b>
Maharashtra	38	9.09%	28.05%	101.22%	89.32%	1.74%	5.10%
Gujarat	33	5.19%	5.62%	85.11%	71.57%	6.31%	15.18%
Goa	2	0.11%	0.18%	27.58%	100.00%	21.11%	30.82%
Dadra and Nagar Haveli, and Daman and Diu	3	0.05%	0.04%	45.93%	100.00%	2.76%	5.54%
<b>Southern region</b>	<b>148</b>	<b>19.50%</b>	<b>28.66%</b>	<b>96.62%</b>	<b>NA</b>	<b>10.29%</b>	<b>23.17%</b>
Tamil Nadu	38	5.47%	9.40%	119.93%	57.96%	12.51%	27.51%
Karnataka	31	4.85%	6.66%	67.87%	75.74%	9.08%	26.52%
Telangana	33	2.72%	5.13%	112.52%	78.32%	7.96%	21.07%
Andhra Pradesh	27	3.79%	4.10%	157.85%	41.03%	16.47%	27.58%
Kerala	14	2.55%	3.24%	69.07%	69.40%	2.20%	3.37%

Region / state / Union Territory	No. of districts	% share in overall population in India	Share in overall credit	Credit-to-deposit	Concentration of credit in top 5 districts	% of credit in rural areas	% of credit accounts in rural areas
Puducherry	4	0.10%	0.13%	70.71%	100.00%	9.99%	16.43%
Lakshadweep	1	0.00%	0.00%	13.41%	100.00%	39.60%	39.31%
<b>Northern region</b>	<b>132</b>	<b>13.42%</b>	<b>19.86%</b>	<b>78.91%</b>	<b>NA</b>	<b>7.39%</b>	<b>20.94%</b>
NCT of Delhi	1	1.57%	9.56%	90.01%	100.00%	0.25%	0.41%
Rajasthan	50	5.86%	3.41%	92.04%	53.79%	12.24%	23.71%
Haryana	23	2.19%	3.31%	69.21%	68.73%	6.94%	15.76%
Punjab	23	2.20%	2.11%	58.81%	63.32%	19.00%	23.86%
Jammu and Kashmir	20	0.98%	0.57%	58.31%	57.94%	35.85%	49.97%
Chandigarh	1	0.09%	0.55%	83.94%	100.00%	0.30%	0.99%
Himachal Pradesh	12	0.53%	0.32%	38.21%	75.27%	57.21%	69.04%
Ladakh	2	NA	0.02%	45.65%	100.00%	36.28%	44.06%
<b>Central region</b>	<b>176</b>	<b>26.33%</b>	<b>9.42%</b>	<b>60.50%</b>	<b>NA</b>	<b>13.41%</b>	<b>29.38%</b>
Uttar Pradesh	75	17.03%	4.92%	51.83%	43.91%	15.12%	33.94%
Madhya Pradesh	55	6.28%	2.77%	79.88%	55.54%	11.77%	22.18%
Chhattisgarh	33	2.19%	1.17%	88.20%	76.46%	8.07%	22.90%
Uttarakhand	13	0.84%	0.55%	42.99%	91.90%	17.75%	28.89%
<b>Eastern region</b>	<b>124</b>	<b>22.58%</b>	<b>7.06%</b>	<b>50.28%</b>		<b>16.61%</b>	<b>40.98%</b>
West Bengal	23	7.08%	3.41%	54.05%	71.64%	14.03%	38.35%
Bihar	38	9.24%	1.41%	50.72%	48.84%	19.24%	41.05%
Odisha	30	3.32%	1.40%	47.76%	61.81%	20.25%	45.15%
Jharkhand	24	2.87%	0.77%	40.92%	71.08%	15.60%	42.64%
Sikkim	6	0.05%	0.04%	46.24%	98.43%	32.73%	37.71%
Andaman and Nicobar Islands	3	0.03%	0.03%	53.47%	100.00%	20.17%	25.16%
<b>Northeastern region</b>	<b>103</b>	<b>3.71%</b>	<b>1.12%</b>	<b>60.41%</b>	<b>NA</b>	<b>23.57%</b>	<b>14.20%</b>
Assam	35	2.58%	0.76%	66.27%	57.38%	21.79%	11.83%
Tripura	8	0.30%	0.08%	46.94%	90.08%	24.57%	31.86%
Meghalaya	12	0.24%	0.08%	45.87%	91.80%	33.52%	42.21%
Manipur	14	0.23%	0.07%	86.45%	82.96%	32.80%	31.76%
Nagaland	10	0.16%	0.05%	59.25%	81.82%	22.29%	28.39%
Arunachal Pradesh	14	0.11%	0.06%	38.03%	77.02%	30.08%	38.13%
Mizoram	10	0.09%	0.03%	44.58%	84.55%	8.29%	9.62%

Note: Arranged in descending order of share in overall credit outstanding of banks in each region; Population data projected as per UIDAI (2024-25)

Source: RBI, CareEdge Research

The regional and state-wise distribution of banking credit highlights significant disparities in credit availability across India, both in terms of geographic concentration and depth of penetration. The western and southern regions together

account for a high share of overall credit in India with about 62.54% share. States such as Maharashtra, Tamil Nadu, Telangana, and Andhra Pradesh exhibit high credit-to-deposit ratios, reflecting deeper financial intermediation, stronger industrial and services bases, and greater formal sector participation. However, these regions also display district-level concentration, with a sizeable share of credit concentrated in the top five districts, indicating uneven intra-state credit distribution.

In contrast, the Central, Eastern, and North-Eastern regions demonstrate relatively low credit penetration. The Central region, with 176 districts, accounts for only around 9.42% credit coverage, while the Eastern region shows lower credit intensity, with states such as Bihar, Jharkhand, and Odisha. These regions also exhibit higher proportions of rural credit and rural credit accounts, suggesting that while rural outreach exists, ticket sizes remain small and credit depth limited, particularly in economically weaker districts.

The North-Eastern region, despite a large number of districts relative to population size, continues to display modest credit penetration, with several states recording low credit shares and high district-level concentration, indicating reliance on a few urban or administrative centres. Overall, the data underscores that states and regions with low financial penetration particularly in Central, Eastern, and North-Eastern India, present a strong structural opportunity for growth. Enhancing district-level credit dispersion, increasing average credit size in rural areas, and strengthening institutional lending in underbanked states remain key to achieving more balanced and inclusive credit expansion across the country.

**Table 12: State wise GDP and GDP growth**

States	GSDP - Current Prices FY25 (Rs Billion)	Y-o-Y GSDP growth (FY24-FY25)	GSDP CAGR (FY20-FY25)	Credit Penetration as on March 2025	Credit growth (FY20-FY25)
<b>Western Region</b>					
<b>Maharashtra</b>	45,315.18	11.73%	11.27%	112.96%	12.38%
<b>Gujarat</b>	24,258.03*	10.09%**	10.67%^	36.02%^	12.92%
<b>Goa</b>	1,065.32*	13.73%**	9.16%^	27.98%^	10.88%
<b>Southern Region</b>					
<b>Tamil Nadu</b>	31,031.51	14.02%	12.23%	53.50%	11.71%
<b>Karnataka</b>	28,839.03	12.77%	12.28%	42.66%	13.29%
<b>Telangana</b>	16,125.78	10.12%	11.16%	57.47%	13.44%
<b>Andhra Pradesh</b>	15,930.62	12.02%	11.47%	46.30%	14.48%
<b>Kerala</b>	11,399.45*	11.54%**	8.82%^	47.42%^	11.81%
<b>Puducherry</b>	527.75	8.46%	7.36%	41.78%	12.68%
<b>Northern Region</b>					
<b>Delhi</b>	11,129.05*	11.32%**	8.84%^	150.96%^	6.84%
<b>Rajasthan</b>	17,043.39	12.02%	11.25%	36.04%	14.44%
<b>Haryana</b>	12,139.51	11.83%	10.46%	48.65%	18.71%
<b>Punjab</b>	8,095.38	8.54%	8.55%	46.82%	10.71%
<b>Jammu &amp; Kashmir-U.T.</b>	2,653.89	11.19%	10.09%	39.27%	13.21%
<b>Chandigarh</b>	597.37*	10.18%**	8.30%^	138.95%^	2.96%
<b>Himachal Pradesh</b>	2,321.85	10.22%	7.84%	24.58%	14.35%
<b>Central Region</b>					
<b>Chhattisgarh</b>	5,678.80	10.89%	10.50%	35.80%	16.04%
<b>Madhya Pradesh</b>	15,033.95	11.05%	10.13%	33.64%	14.04%

States	GSDP - Current Prices FY25 (Rs Billion)	Y-o-Y GSDP growth (FY24-FY25)	GSDP CAGR (FY20-FY25)	Credit Penetration as on March 2025	Credit growth (FY20-FY25)
<b>Uttarakhand</b>	3,782.44	13.59%	9.59%	25.78%	13.31%
<b>Uttar Pradesh</b>	25,627.92*	13.47%**	10.81%^	31.04%^	16.06%
<b>Eastern Region</b>					
<b>West Bengal</b>	18,150.09	9.91%	9.01%	33.81%	9.11%
<b>Bihar</b>	8,526.21*	14.38%**	10.02%^	27.93%^	17.52%
<b>Odisha</b>	9,491.40	10.03%	12.04%	27.90%	15.86%
<b>Jharkhand</b>	4,610.10*	10.46%**	10.40%^	25.84%^	16.69%
<b>Sikkim</b>	489.37*	14.67%**	11.70%^	13.32%^	17.47%
<b>Andaman &amp; Nicobar Islands</b>	125.04*	7.16%**	6.38%^	32.88%^	13.38%
<b>Northeastern Region</b>					
<b>Assam</b>	6,436.66	12.74%	13.16%	21.56%	15.82%
<b>Tripura</b>	822.05*	15.68%**	11.00%^	15.66%^	10.82%
<b>Meghalaya</b>	592.28	11.63%	11.24%	23.17%	12.49%
<b>Manipur</b>	467.10*	16.18%**	11.88%^	24.17%^	16.82%
<b>Arunachal Pradesh</b>	390.41*	11.43%**	6.79%^	21.21%^	18.85%
<b>Mizoram</b>	342.89*	11.69%**	8.23%^	13.70%^	15.54%
<b>Nagaland</b>	404.14*	13.39%**	7.99%^	21.67%^	16.32%
<b>All India</b>	3,30,681.45	9.78%	10.47%	55.19%	12.30%

Note: 1. Credit penetration calculated as banking credit to states as of March 2025 divided by state GSDP (at current prices) as of Fiscal 2025.

2. (\*) GSDP as of Fiscal 2025 (Based on 2011-12 series)

3. (\*\*) Year on year growth over Fiscal 2023

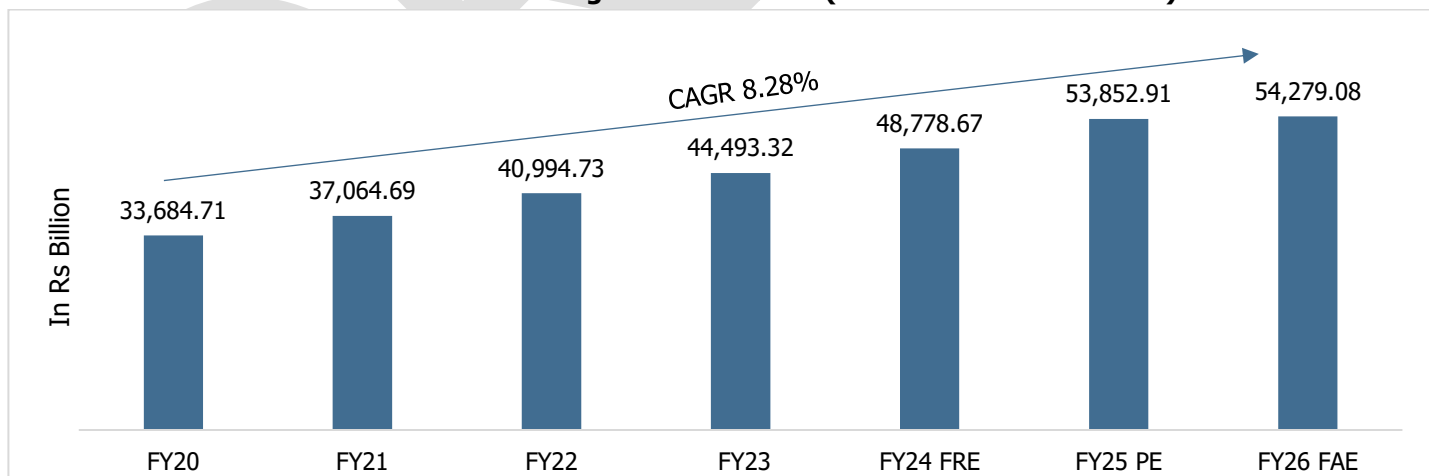
4. (^) CAGR calculated from Fiscal 2020 to Fiscal 2024

5. (^^) Credit penetration as of fiscal 2024

6. GDP of Fiscal 2025 (Based on 2011-12 series) is considered for India

Source: MOSPI, RBI, CareEdge Research

**Chart 30: Growth in Gross Value added in agricultural sector (Based on 2011-12 series)**



Source: MOSPI, CareEdge Research

Note: FRE indicates First Revised Estimates, PE indicates Provisional Estimates, FAE indicates First advance Estimates

The agriculture and allied sector in India has demonstrated steady expansion in nominal GVA in recent years, reflecting its continued economic importance and resilience. According to official figures, the sector's GVA at current prices increased from Rs 33,684.71 billion in FY20 to Rs 54,279.08 billion in FY26 (as per first advance estimates). This growth trajectory encapsulates a period of sustained expansion in output and value addition, with nominal GVA rising consistently across successive fiscal years. The CAGR for the period is reported at 8.28%, underscoring the sector's robust contribution to national income in monetary terms despite external challenges such as variable weather patterns and global economic conditions.

Complementing this long-term expansion in value addition, recent official economic assessments highlight the sector's significant share in the broader macroeconomic structure. Agriculture and allied activities are estimated to contribute approximately 17% of total Gross Value Added at current prices in FY26 underscoring the sector's structural role in the Indian economy even as services and industry expand.

**Table 13: State wise Rural population spread along with Agriculture contribution (FY25) (Based on 2011-12 series)**

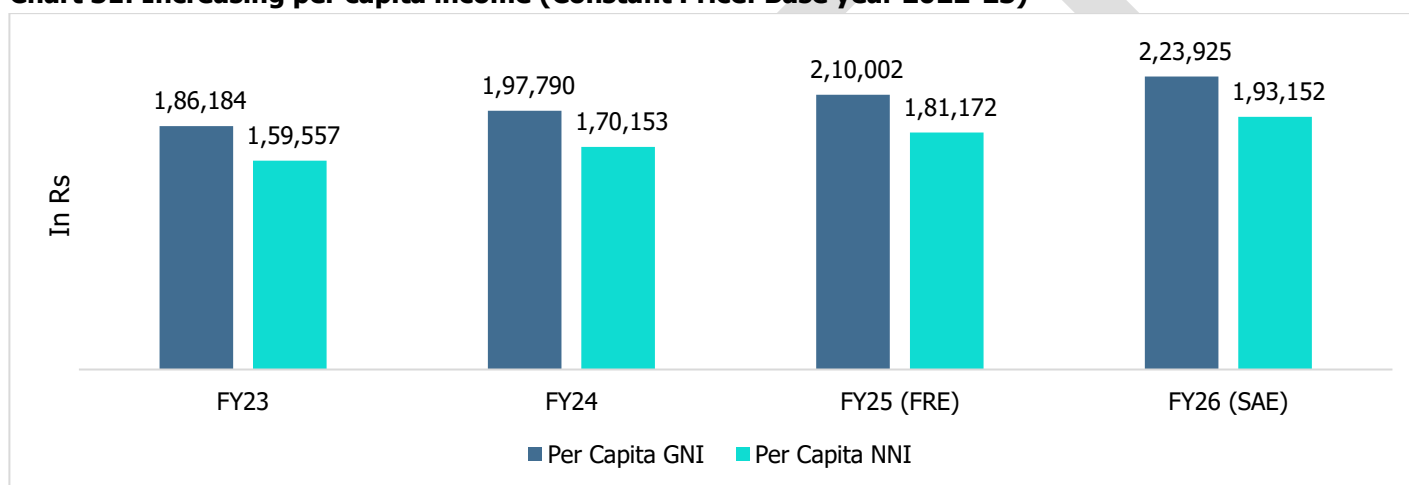
State	State-wise Agri-NVA Contribution to overall Agri-NVA	Rural Population Spread	Agriculture banking credit/ Agriculture NVA
Andaman & Nicobar Islands	-	62.27%	-
Andhra Pradesh	12.72%	70.83%	0.49
Arunachal Pradesh	-	83.47%	-
Assam	2.90%	90.34%	0.11
Bihar	-	73.39%	-
Chandigarh	-	NA	-
Chhattisgarh	2.59%	73.32%	0.26
Delhi	-	NA	-
Goa	-	71.48%	-
Gujarat	-	59.74%	-
Haryana	4.50%	57.48%	0.36
Himachal Pradesh	0.62%	NA	0.35
Jammu & Kashmir	1.01%	82.32%	0.25
Jharkhand	-	78.27%	-
Karnataka	7.50%	65.04%	0.55
Kerala	-	80.13%	-
Madhya Pradesh	14.74%	67.87%	0.20
Maharashtra	11.14%	53.55%	0.41
Manipur	-	73.88%	-
Meghalaya	0.29%	NA	0.05
Mizoram	-	52.81%	-
Nagaland	-	82.70%	-
Odisha	3.87%	81.96%	0.27
Puducherry	0.06%	39.97%	2.43
Punjab	4.44%	58.59%	0.44
Rajasthan	10.25%	70.43%	0.32
Sikkim	-	78.99%	-
Tamil Nadu	8.78%	63.74%	1.05

State	State-wise Agri-NVA Contribution to overall Agri-NVA	Rural Population Spread	Agriculture banking credit/ Agriculture NVA
Telangana	5.49%	53.82%	0.56
Tripura	-	77.12%	-
Uttar Pradesh	-	69.28%	-
Uttarakhand	0.61%	60.12%	0.42
West Bengal	8.50%	78.02%	0.16

Source: MOSPI, CareEdge Research

Note: Considered NVA in Agriculture, Forestry & Fishing for Agriculture NVA; NVA figure does not include for Andaman & Nicobar Islands, Arunachal Pradesh, Bihar, Chandigarh, Delhi, Goa, Gujrat, Jharkhand, Kerala, Manipur, Mizoram, Nagaland, Sikkim, Tripura & Uttar Pradesh as data not available.

**Chart 31: Increasing per capita income (Constant Price: Base year 2022-23)**



Source: MOSPI, CareEdge Research

Note: FRE indicates First Revised Estimate; SAE Second Advance Estimate

The trend in per capita Gross National Income (GNI) and per capita Net National Income (NNI) over the period reflects a gradual strengthening of average income levels in the economy. The steady increase in recent years suggests gains from higher nominal growth, improved employment conditions, and expanding economic opportunities, while the sustained gap between GNI and NNI continues to reflect the impact of capital consumption. Overall, the trajectory points to improving income capacity and resilience of the economy, supporting higher consumption potential and household financial stability over the medium term.

**Table 14: Per Capita Net State Domestic Product (Constant Prices) (In Rs)**

State/Union Territory	2024-25
Andaman & Nicobar Islands	-
Andhra Pradesh	141,609
Arunachal Pradesh	120,943
Assam	85,988
Bihar	36,342
Chandigarh	-
Chhattisgarh	93,161
Delhi	283,093

State/Union Territory	2024-25
Goa	-
Gujarat	-
Haryana	194,285
Himachal Pradesh	162,275
Jammu & Kashmir*	81,554
Jharkhand	68,357
Karnataka	204,605
Kerala	173,818
Madhya Pradesh	70,434
Maharashtra	176,678
Manipur	-
Meghalaya	84,578
Mizoram	-
Nagaland	-
Odisha	96,224
Puducherry	154,213
Punjab	136,667
Rajasthan	96,638
Sikkim	-
Tamil Nadu	197,747
Telangana	192,128
Tripura	106,126
Uttar Pradesh	55,990
Uttarakhand	158,819
West Bengal	82,781

Source: RBI, MOSPI, CareEdge Research

Note: Base year: 2011-12

The Per Capita Net State Domestic Product (NSDP) at constant prices for 2024–25 reflects considerable variation in income levels across states and union territories. Among the reporting states, Delhi records the highest per capita income, followed by Karnataka, Tamil Nadu, Haryana, Telangana, Maharashtra and Kerala, indicating relatively stronger economic output per person. In contrast, states such as Bihar, Uttar Pradesh, Jharkhand, Assam and Jammu & Kashmir report lower per capita income levels, reflecting differences in economic structure, industrialisation, productivity and demographic factors. Several states and UTs have data marked as not available, limiting full comparability. Overall, the data highlights persistent inter-state income disparities, underscoring variations in development levels and economic capacity across regions.

### Chart 32: Increasing penetration of MFI business

Type of entity	31-Mar-20				31-Dec-25			
	No. of Entities	Active loan accounts (Mn)	Portfolio O/s (Rs Bn)	Share of portfolio	No. of Entities	Active loan accounts (Mn)	Portfolio O/s (Rs Bn)	Share of portfolio
NBFC-MFIs	84	38	738	31.84%	85	43	1324.18	42.07%
Banks	12	37	923	39.82%	17	33	839.05	26.66%
SFBs	8	19	406	17.52%	10	18	551.87	17.53%

Type of entity	31-Mar-20				31-Dec-25			
	No. of Entities	Active loan accounts (Mn)	Portfolio O/s (Rs Bn)	Share of portfolio	No. of Entities	Active loan accounts (Mn)	Portfolio O/s (Rs Bn)	Share of portfolio
NBFCs	45	10	227	9.79%	95	10	394.56	12.54%
Others	21	1	25	1.08%	-	1	37.61	1.20%
<b>Total</b>	<b>170</b>	<b>105</b>	<b>2318</b>	<b>100.00%</b>	<b>207</b>	<b>105</b>	<b>3147.28</b>	<b>100.00%</b>

Source: Micrometre report, CareEdge Research

NBFC-MFIs continue to account for the largest share of active loan accounts among all entities. The overall portfolio outstanding has increased between Mar'20 and Dec'25, the sustained scale of borrower engagement reflects the central role of MFIs in extending small-ticket credit to underserved segments. This underscores the structural importance of the MFI channel in advancing last-mile credit access, even amid portfolio consolidation and rationalisation across lending institutions.

## 2.7 Micro-insurance

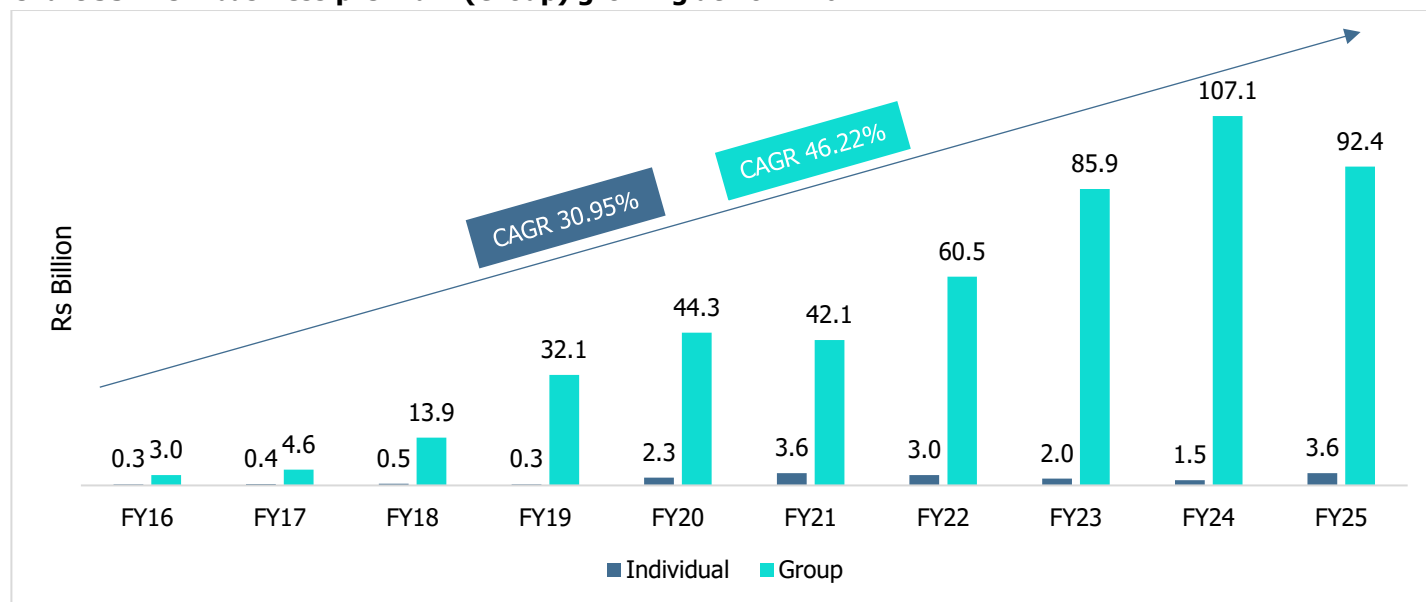
Micro-insurance plays a critical role in advancing financial inclusion by providing low-cost risk protection to low-income and vulnerable households, particularly in rural and informal segments of the economy. In India, the micro-insurance ecosystem has expanded significantly through government-supported schemes and regulatory initiatives aimed at improving insurance penetration and social security coverage. According to official government releases, schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) together cover over 400 million individuals, offering affordable life and accident insurance with nominal annual premiums.

In the agriculture segment, the Pradhan Mantri Fasal Bima Yojana (PMFBY) has provided crop insurance coverage to several crore farmers annually, supporting income stability against weather and yield-related risks. Collectively, these developments underscore the growing importance of micro-insurance as a tool for enhancing household resilience, reducing vulnerability to shocks, and deepening the overall financial inclusion framework.

Overall insurance penetration in India remains modest, with total insurance penetration (life and non-life combined) at 3.7% in FY25, indicating significant headroom for expansion, particularly in rural areas where income volatility, climate risks, and health shocks are relatively higher. Microinsurance has been positioned by IRDAI as a key instrument to address this gap by offering affordable, low-ticket products tailored to low-income and rural households, thereby supporting financial resilience and inclusion.

The rural outreach is being structurally strengthened through mandatory rural and social sector obligations, which require insurers to provide coverage at the Gram Panchayat level and link insurance delivery to beneficiaries of government schemes. Life, general, and health insurers are mandated to insure a minimum proportion of lives or assets in rural areas, ensuring a steady expansion of microinsurance coverage across villages. This regulatory push, combined with the increasing role of group-based microinsurance, insurance marketing firms, NGOs, and MFIs, underscores a substantial untapped opportunity for deeper penetration of life and general microinsurance in rural India, aligned with IRDAI's long-term vision of "Insurance for All by 2047"

**Chart 33: New business premium (Group) growing at 46.22%**

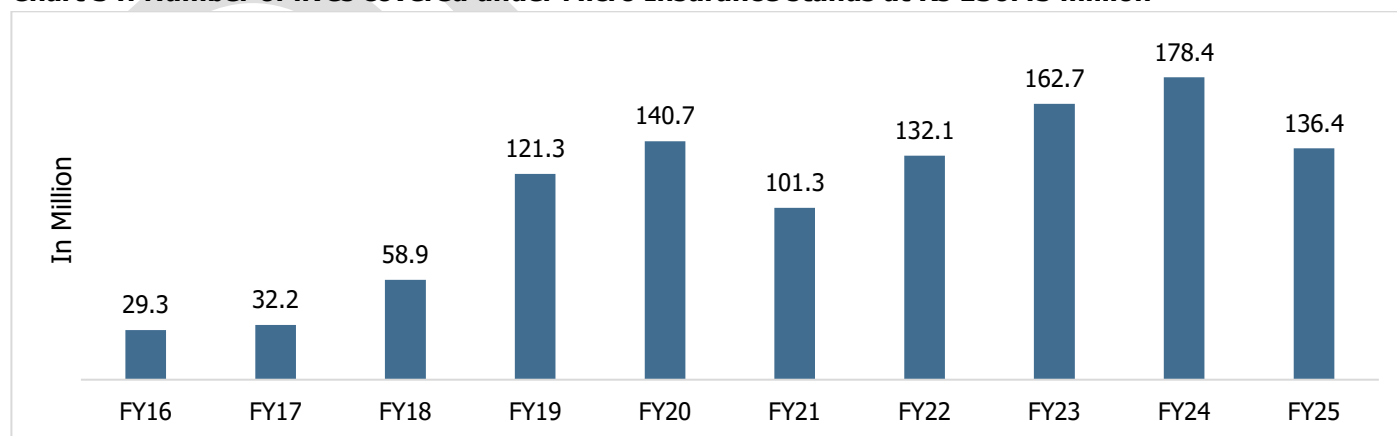


Source: IRDAI, CareEdge Research

Over the period, group micro-insurance premiums have expanded sharply with a CAGR of 46.22% from FY16 to FY25, reflecting growing reliance on employer-linked, institutional, and government-supported distribution channels such as self-help groups, microfinance institutions, cooperatives, and public welfare schemes. This expansion underscores the scalability and cost efficiency of group policies, which allow insurers to cover a large number of low-income individuals at relatively low per-policy administrative costs, thereby improving outreach and sustainability.

In contrast, individual micro-insurance premiums have remained modest and uneven with a CAGR of 30.95% from FY16 to FY25, suggesting persistent challenges related to affordability, awareness, and voluntary uptake among low-income households. The relatively stronger and more consistent growth in group premiums also aligns with regulatory encouragement by IRDAI, rural and social sector obligations for insurers, and increasing integration of micro-insurance with government-led social security initiatives and digital enrolment mechanisms.

**Chart 34: Number of lives covered under Micro Insurance stands at Rs 136.45 million**

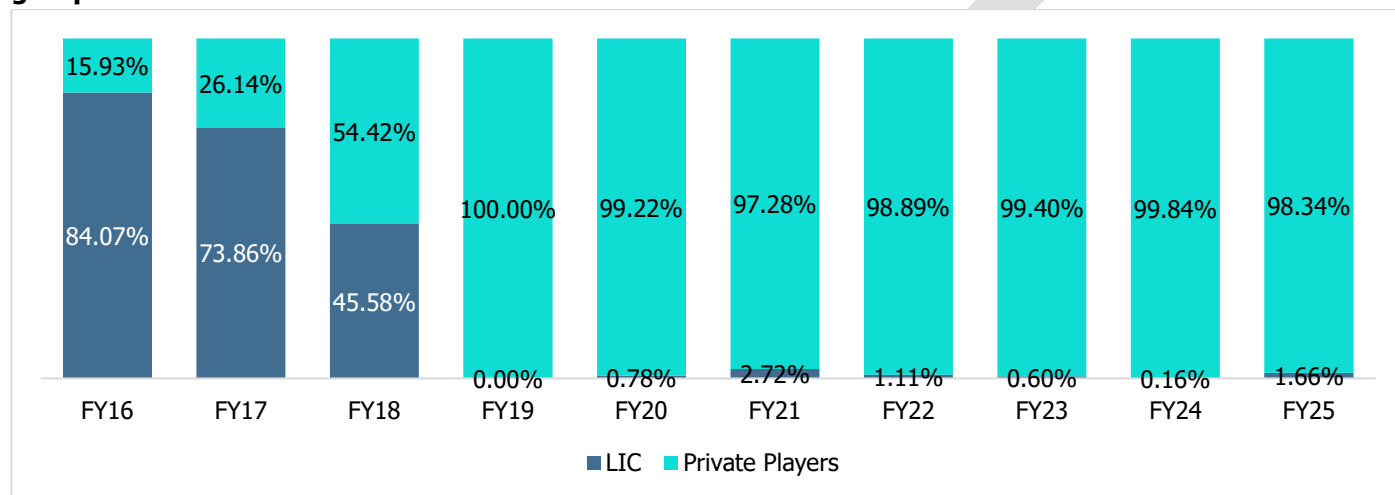


Source: IRDAI, CareEdge Research

Note: Numbers are only for group category

The number of lives covered under micro-insurance new business shows a clear upward trend over time, indicating expanding outreach and penetration among low-income populations. After a temporary decline during FY21, coverage recovered strongly and continued to rise in subsequent years, reflecting improved enrolment mechanisms and renewed momentum in insurance uptake. The sustained growth highlights the increasing role of group-based distribution, digital onboarding, and regulatory support in scaling micro-insurance coverage and strengthening financial protection for vulnerable households.

**Chart 35: Private players have increased market share in micro insurance by increasing their focus on group business**



Source: IRDAI, CareEdge Research

This shows a shift in the micro-insurance market toward private insurers, with their market share rising sharply over time while LIC’s presence has declined. This change is largely driven by the greater focus of private players on group micro-insurance, which enables faster scale, lower distribution costs, and wider outreach through institutional and aggregator-led channels. As a result, private insurers have emerged as the dominant contributors to new micro-insurance business, reinforcing the importance of group-based models in expanding coverage.

**Chart 36: Increasing number of micro insurance agents (Life)**



Source: IRDAI, CareEdge Research

LIC's agent base has remained broadly stable over the period, with only marginal fluctuations, private insurers have expanded their micro-insurance agent network substantially. This sharp increase reflects the aggressive scaling efforts by private players to deepen outreach, particularly through group-based and partnership-driven models.

The growing agent presence of private insurers underscores their focus on wider last-mile connectivity, institutional tie-ups, and targeted distribution in rural and semi-urban areas. By contrast, LIC's relatively steady agent numbers suggest a more conservative expansion approach. Overall, the data indicate that the rapid growth in micro-insurance coverage has been supported primarily by private insurers' expanding agent networks, reinforcing their increasing dominance in this segment.

DRAFT

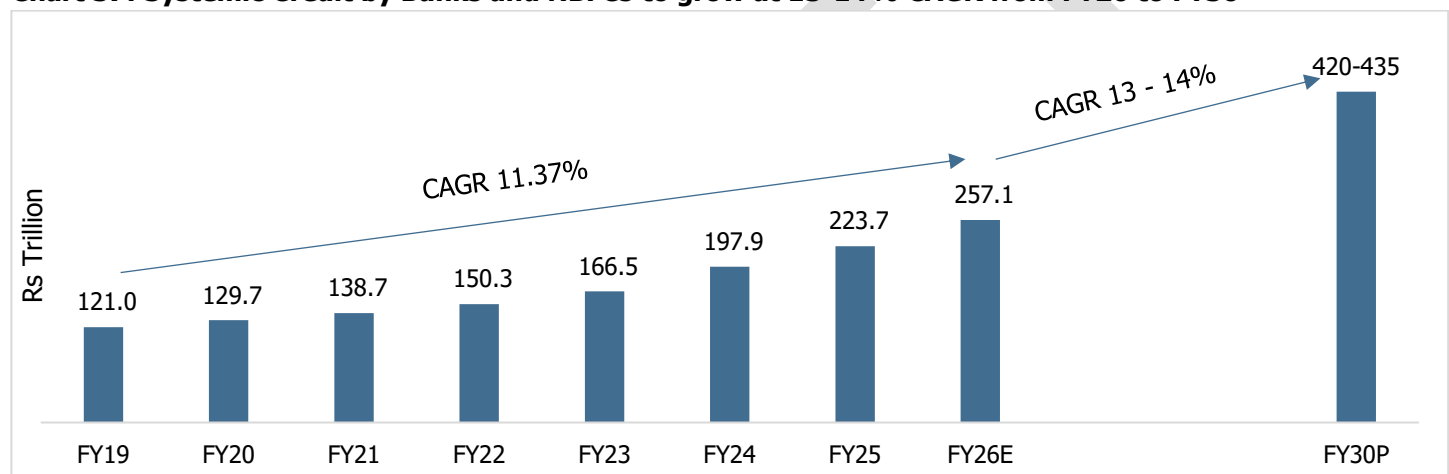
### 3 Retail lending in India

#### 3.1 Overview

Retail lending in India has become a key growth driver for banks and NBFCs, supported by rising incomes, urbanisation, and increasing consumption demand. It includes housing, vehicle, personal, education, and consumer durable loans, with housing forming the largest share. In recent years, unsecured segments such as personal loans and credit cards have grown rapidly due to digital onboarding and faster disbursals. Improved data analytics, fintech partnerships, and expanding financial inclusion have enhanced credit access, while regulatory oversight has strengthened risk management practices. Overall, retail credit reflects India’s structural shift toward consumption-led growth and formalisation of finance.

#### Systemic credit growth

**Chart 37: Systemic Credit by Banks and NBFCs to grow at 13-14% CAGR from FY26 to FY30**



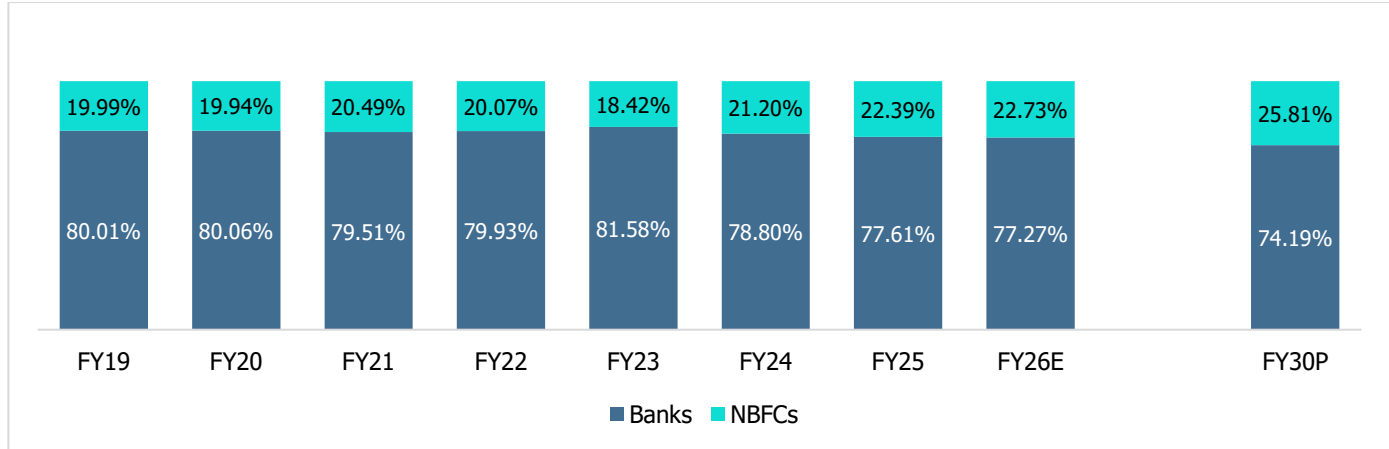
Source: CareEdge Research

Note: P indicates Projected; E indicates Estimated

Systemic credit extended by banks and NBFCs has exhibited a sustained upward trajectory over the period. After a marginal contraction in FY20, credit growth recovered steadily, reflecting improving economic activity, and rising credit demand across retail, MSME and corporate segments. The CAGR of 11.37% from FY19 to FY26E indicates credit intermediation, supported by policy measures, improved asset quality, and deeper financial penetration.

Looking ahead, the projected acceleration to a 13-14% CAGR between FY26 and FY30 suggests a structurally stronger credit cycle. This faster growth is expected to be driven by continued economic expansion, higher infrastructure and capex spending, increased participation of NBFCs in retail and niche segments, and greater formalisation of credit.

**Chart 38: Share of NBFC credit in systemic credit by banks and NBFCs to reach around 25.81% by FY30**

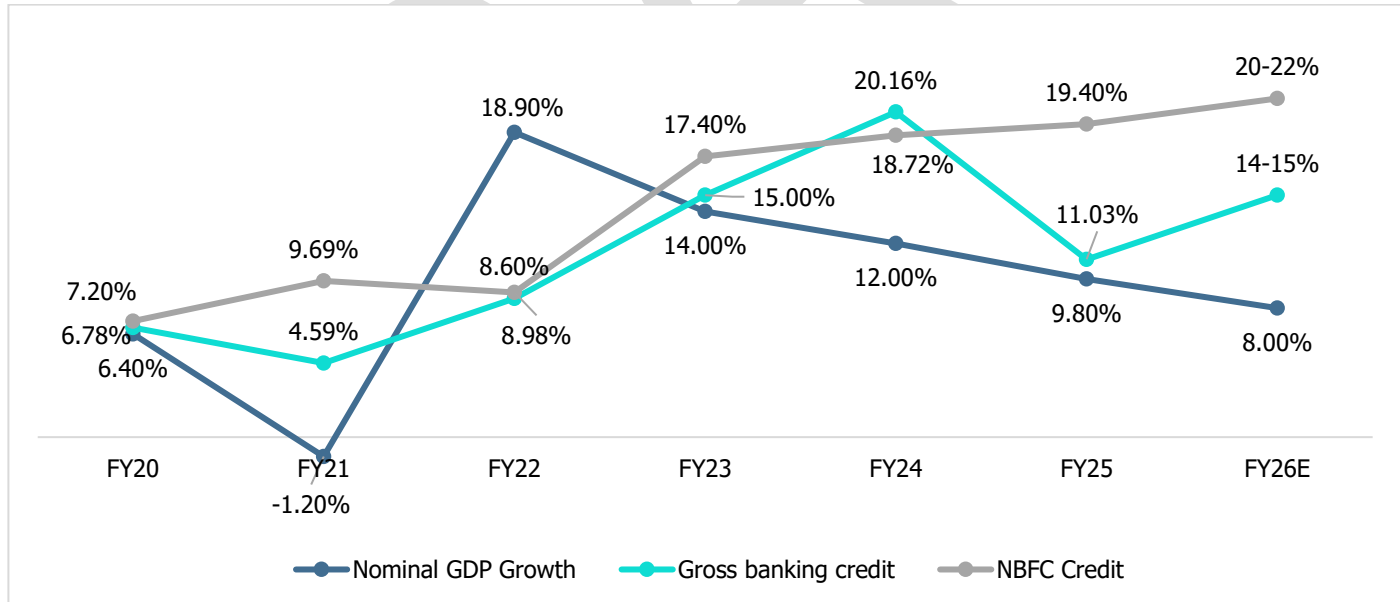


Source: CareEdge Research

Note: P indicates Projected; E indicates Estimated

The share of NBFCs in systemic credit has gradually increased over the period, indicating their expanding role in India’s credit ecosystem. The projected rise in NBFCs’ share to about 26% of systemic credit by FY30 further underscores this structural shift. As banks continue to focus on balance-sheet strength and risk optimisation, NBFCs are expected to complement the formal credit system by driving last-mile delivery, co-lending partnerships, and specialised lending. This evolving mix highlights a more diversified and resilient credit architecture, with NBFCs playing an increasingly important role alongside banks.

**Chart 39: Nominal GDP Growth and Credit Growth Trends in India**



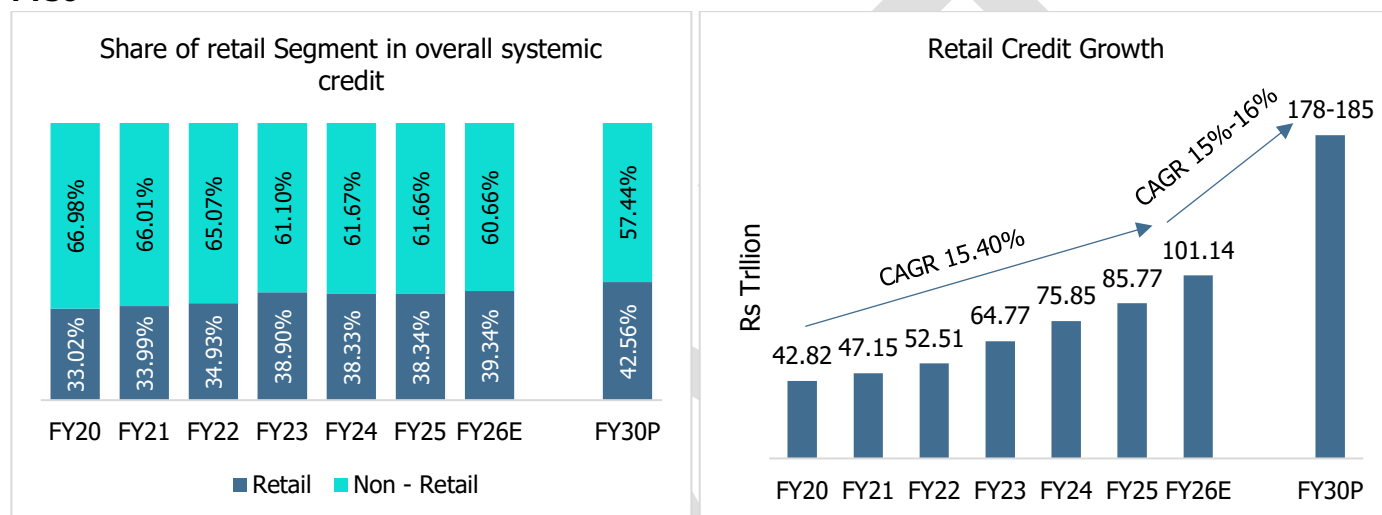
Source: MOSPI, RBI, CareEdge Research

Note: P indicates Projected; Nominal GDP growth based on 2011-12 series

Credit growth has increasingly outpaced overall economic expansion, indicating a phase of deepening financial intermediation in the economy. Both banks and NBFCs have expanded their loan books faster than nominal output, reflecting stronger demand for formal credit and improved transmission of credit to households and businesses.

NBFCs, in particular, have demonstrated higher and more resilient growth, highlighting their growing role in addressing credit needs in retail and niche segments. Even as economic growth moderates in the near term, the sustained pace of credit expansion suggests continued momentum in lending, supported by structural drivers such as formalisation, rising consumption, and diversified credit channels.

**Chart 40: Retail segment expected to account for 42.56% of systemic credit by banks and NBFCs as of FY30**



Source: CareEdge Research

Note: P indicates Projected; Retail segment includes Housing, Vehicle Loans, Gold loans, Consumer durables, MFI, education loan, credit card receivables, advances against FD, shares and other retail loans

The composition of systemic credit indicates a gradual increase in the share of retail lending over time, reflecting the expanding role of household and personal credit in overall credit growth. The retail credit is expected to grow at 15%-16% from FY26 to FY30 to reach Rs 178-185 trillion. The rising retail share highlights stronger demand for housing, consumer durables, and personal loans, supported by improving income levels and wider access to formal finance.

### 3.2 Factors supporting growth of retail credit



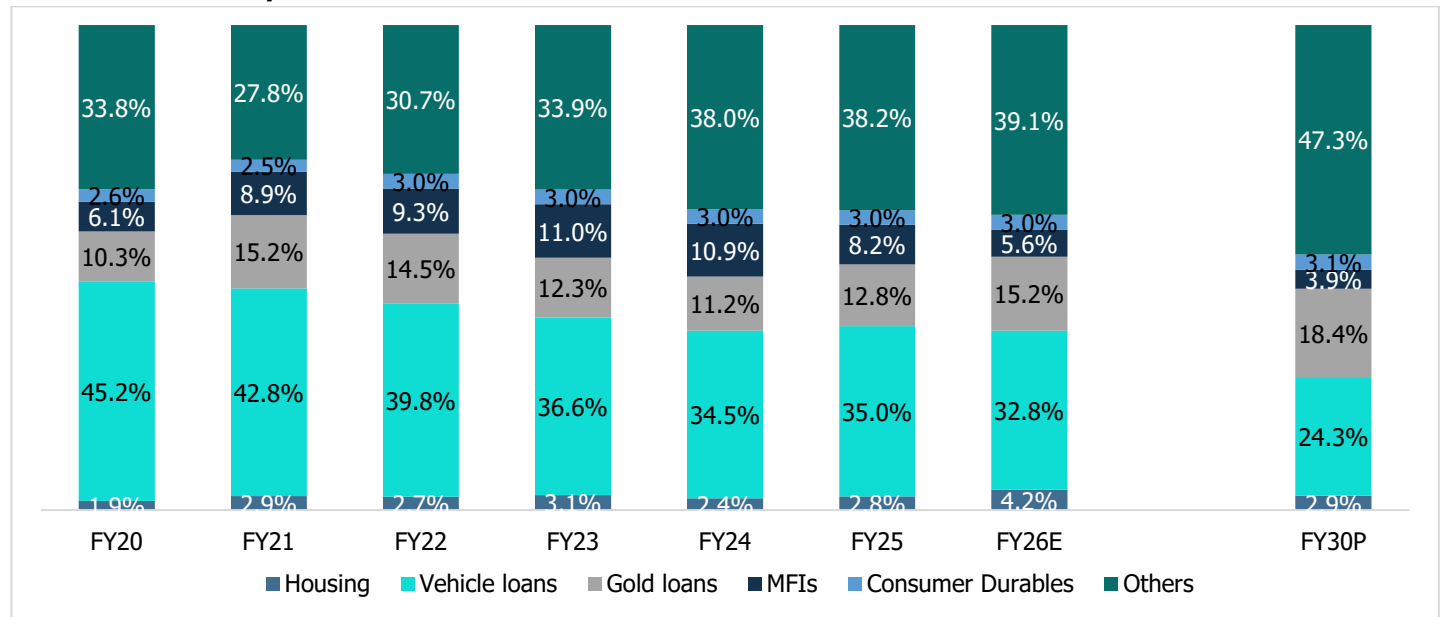
### 3.3 Impact of Digitization on retail credit

Digitisation has significantly transformed the retail credit landscape by improving speed, access, and efficiency in lending. End-to-end digital onboarding, e-KYC, video verification, and paperless documentation have reduced turnaround times and enhanced customer convenience, enabling faster loan approvals and disbursements.

The use of data analytics, alternative data sources, and automated credit scoring models has strengthened underwriting processes and expanded credit access to new-to-credit and underserved borrowers. Digital channels have also lowered operating costs for lenders, improving scalability and enabling smaller ticket-size lending. At the same time, digitisation has intensified competition, with FinTechs and digital-first NBFCs driving innovation in unsecured personal loans and buy-now-pay-later products. However, the rapid growth of digital credit has also necessitated stronger regulatory

oversight to address concerns related to asset quality, data privacy, and responsible lending practices. NPA trends across major retail loan categories in NBFCs

**Chart 41: MFI is expected to contribute to ~3.91% in FY30 in NBFCs’ retail assets**



Source: RBI, CareEdge Research

Others include Credit Card Receivables, Education Loans, Advances against Fixed Deposits, Advances to Individuals against Shares, Bonds, Other Retail Loans

The asset mix of NBFC retail credit shows a gradual shift over time, with the share of vehicle loans declining while other segments gain prominence. Gold loans and housing loans have seen moderate increases, while the share of MFIs has reduced in recent years, primarily due to asset quality pressures and portfolio stress in the microfinance segment and is expected to contribute around 3.91% in FY30.

**Table 15: Consumer durables had the best asset quality as of FY25 among selected sectors**

Sectoral Gross NPAs ratios of NBFCs				
Sectors	FY22	FY23	FY24	FY25
Housing loans	4.00%	2.70%	2.30%	2.60%
Consumer durables	0.80%	0.80%	0.70%	1.10%
Credit Card	2.40%	2.60%	2.80%	3.10%
Vehicle loans	7.50%	5.10%	5.10%	4.10%
Gold loans	2.30%	2.30%	2.40%	2.10%
MFI	5.00%	3.70%	3.20%	3.00%

Source: RBI, MFIN, CareEdge Research

The sectoral Gross NPAs ratios of NBFCs indicate a broad-based improvement in retail asset quality over the period, with overall retail Gross NPAs declining steadily from higher levels and stabilising at relatively moderate levels by FY25. Housing loans and gold-backed advances continue to exhibit lower and stable delinquency levels, reflecting their secured nature and prudent underwriting practices.

In contrast, unsecured segments such as credit card receivables and consumer durables show a gradual uptick in Gross NPAs ratios, consistent with faster growth and higher risk sensitivity in discretionary and consumption-led credit. Vehicle

loans, while witnessing a sharp improvement from earlier stress levels, still reflect cyclical sensitivity linked to income volatility and demand conditions. Overall, the trend suggests improving portfolio resilience, even as NBFCs navigate higher risk in select unsecured retail segments.

### 3.4 ROA amongst retail loan segments of NBFCs

**Table 16: ROA of Microfinance loans expected to increase in FY26**

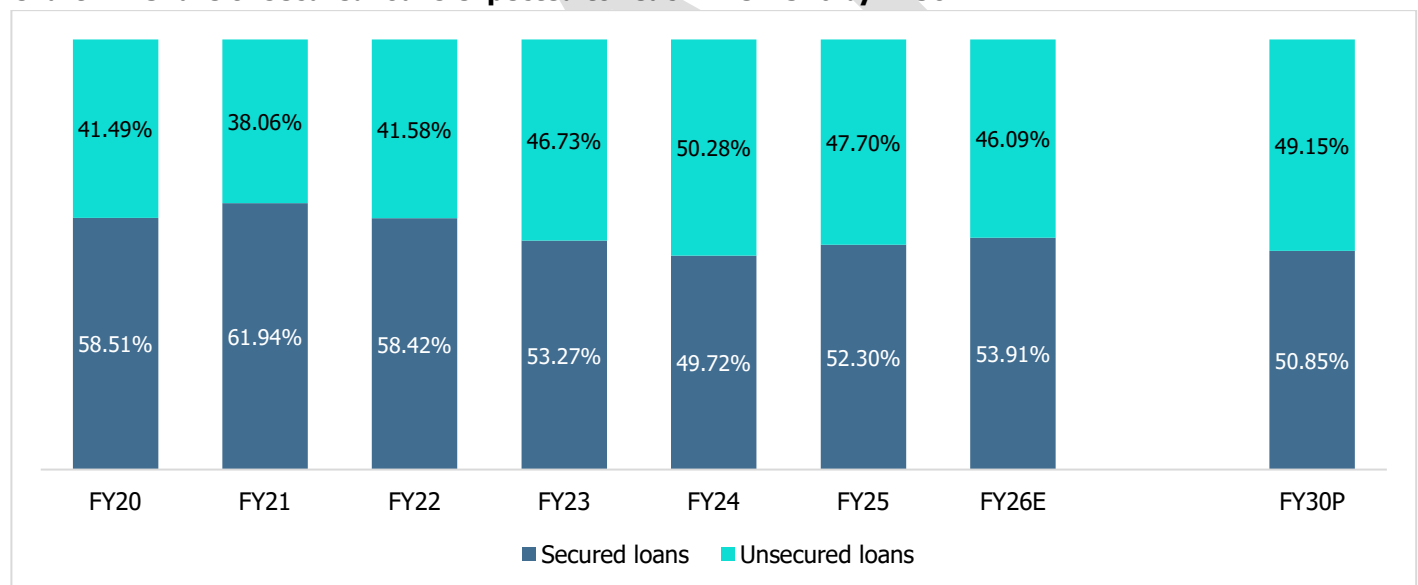
Return on Assets		
Segment	FY25	FY26P
Housing Finance	2.00%	2.00%-2.10%
Auto Loans	2.60%	3.00%-3.10%
Personal Loans	5.10%	5.10%-5.20%
Microfinance Loans	-1.70%	-0.10%-0.00%

Source: RBI, CareEdge Research

Among retail loan segments, personal loans had the highest return on assets at 5.10% as of FY25, which is expected to stabilise at 5.10-5.20%. This was followed by auto loans with ROAs as of FY25 at 2.60%, expected to increase to 3.00-3.10%.

### 3.5 Trend in Mix of secured and unsecured in retail NBFC credit

**Chart 42: Share of secured loans expected to reach ~49.15% by FY30**



Source: RBI, CareEdge Research

Note: Secured loans include Housing loans, vehicle loans, Gold loans, Advances against Fixed Deposits and Advances to Individuals against Shares, Bonds, etc. Unsecured loans include MFIs, consumer Durables, Credit Card Receivables, Education Loans and Other Retail Loans.

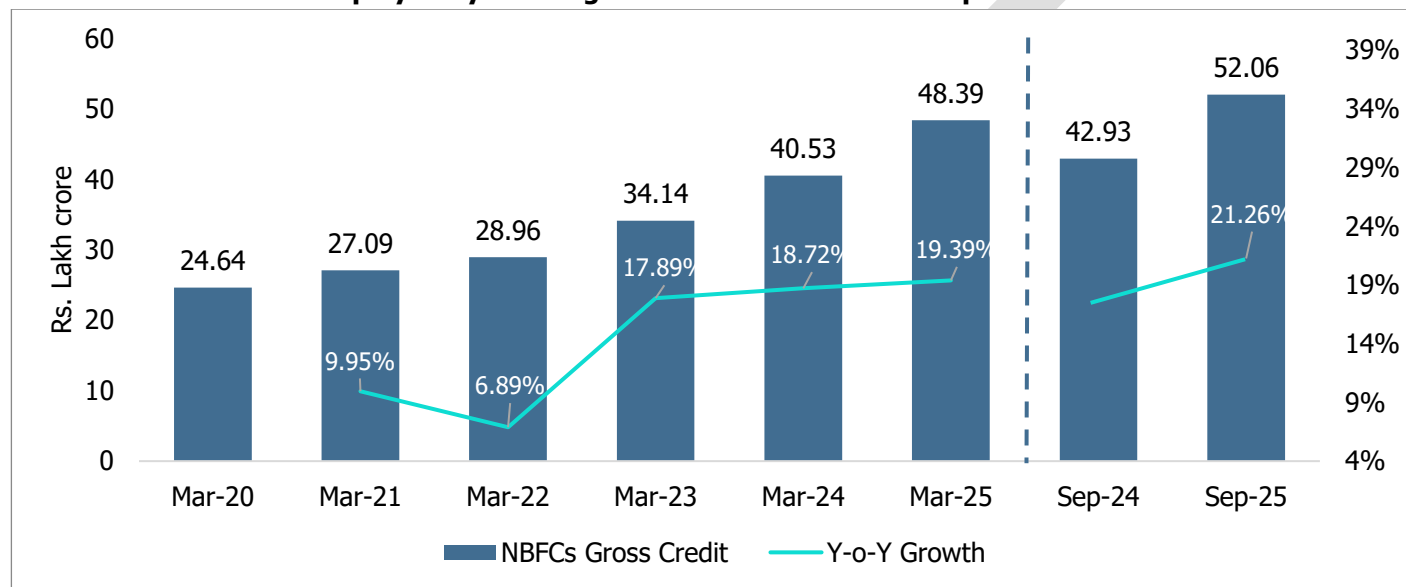
Note: P indicates Projected; E indicates Estimated

The mix of retail NBFC credit shows a gradual shift toward unsecured lending during FY20–FY24, with the share of unsecured loans rising from 41.49% in FY20 to a peak of 50.28% in FY24. This trend reflects increased demand for small-ticket personal loans, consumer durables financing, and microfinance, supported by digital underwriting, faster disbursals, and widening borrower outreach. Consequently, the share of secured loans declined over this period, indicating a temporary rebalancing of portfolios toward higher-yield, unsecured products.

From FY25, secured loans started gaining share and expected to recover to 53.91% in FY26, suggesting a cautious recalibration by NBFCs amid asset quality considerations. Looking ahead to FY30, share of unsecured loans is expected to increase to 49.15%, driven by growth in consumer durables, MFIs and other unsecured loans while share of secured loans is projected to moderate to 50.85%.

### 3.6 NBFC Credit landscape

**Chart 43: Gross Credit Deployed by NBFCs grew at 21.26% Y-O-Y in Sep'25**



Source: RBI, CareEdge Research

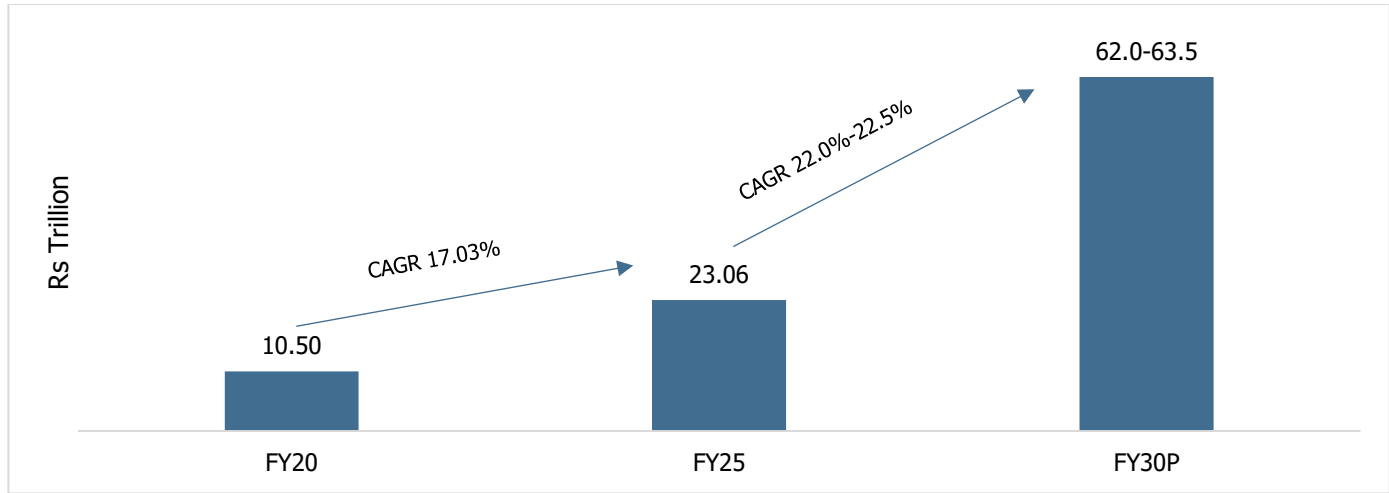
As of Sep'25, the credit growth rate witnessed a significant uptick of 21.26% y-o-y reaching around Rs. 52.06 lakh crore. The continued growth trajectory of NBFCs credit is indicating its importance in India's Financial System. This growth is driven by an increase in demand for retail credit and demand for working capital loans amid fluctuations in commodity prices.

NBFCs growth largely driven by continued demand for retail credit and growing demand for loans towards service sector. The credit growth for NBFCs is expected to remain strong in FY26, estimated in the range of 21%–22% y-o-y supported by GST reforms and reduction in interest rates. NBFCs are expected to maintain a solid trajectory, supported by diversified lending portfolios and prudent risk management, even as the retail segment, particularly unsecured loans, adjusts in response to evolving consumer trends.

The sustained growth of NBFCs also reflects the strong customer value proposition offered by these institutions. NBFCs have been able to effectively address credit gaps through faster turnaround times, simplified processes, flexible underwriting, and customised product offerings tailored to underserved and niche customer segments. Their ability to leverage technology, adopt alternative data for credit assessment, and provide doorstep or digital-first services enhances accessibility and convenience for borrowers. This differentiated approach, particularly in catering to new-to-credit customers, MSMEs, and informal sector participants, has strengthened customer trust and driven continued demand, thereby reinforcing the role of NBFCs in expanding financial inclusion

### 3.6.1 NBFC Retail Credit

**Chart 44: NBFC retail credit is expected to grow at a CAGR of 22%-22.5% from FY25 to FY30**

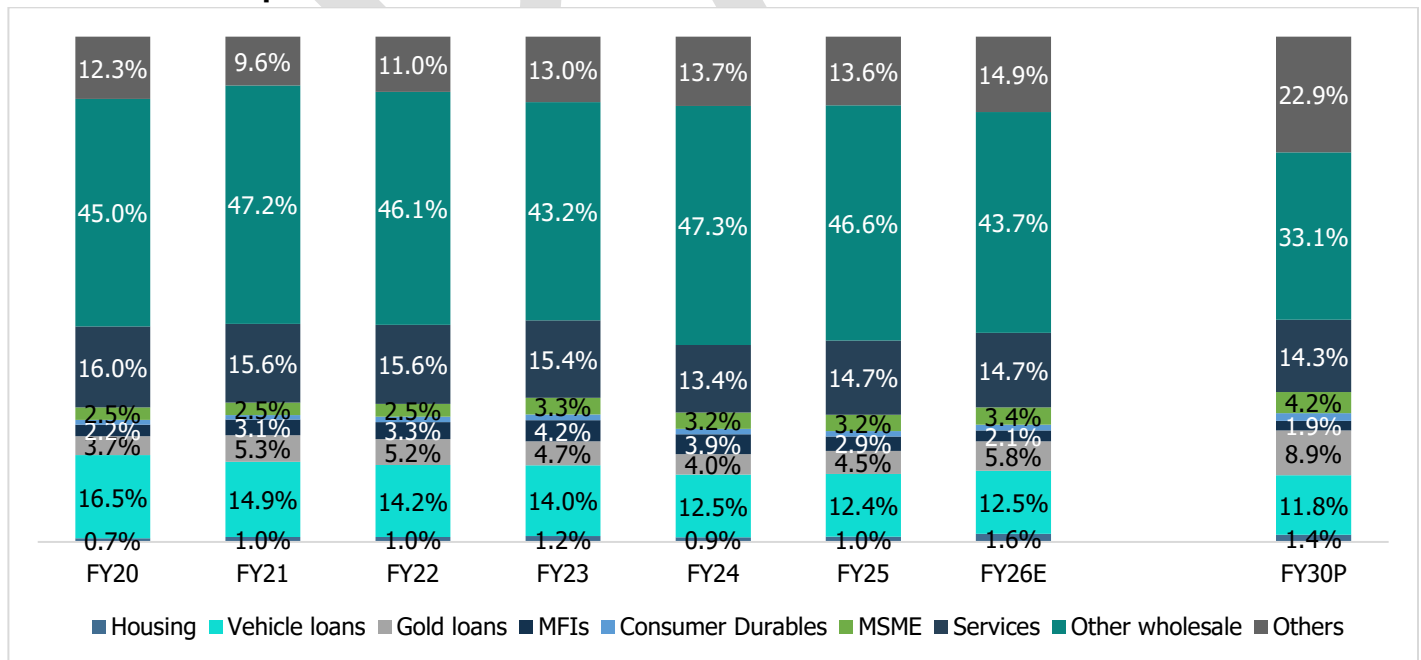


Source: RBI, CareEdge Research

NBFC retail credit has expanded over the past few years, increasing from Rs 10.50 trillion in FY20 to Rs 23.06 trillion in FY25, reflecting strong growth in consumer lending across segments. The CAGR is 17.03% from FY20 to FY25 which highlights the growing role of NBFCs in catering to underserved and niche borrower segments, supported by digital adoption, faster processing, and flexible underwriting models. FY30 is projected to further rise to Rs 62.0 - 63.5 trillion by FY30. The segment is expected to witness sustained momentum, driven by rising consumption demand, deeper financial inclusion, and continued innovation in credit delivery models.

### 3.6.2 Sectoral Distribution of NBFC Credit

**Chart 45: MFI is expected to contribute to 1.89% in FY30**



Source: RBI, CareEdge Research

Note: Services include Transport operators, Computer software, Tourism, Hotel and Restaurants, Shipping, Professional Services, Trade, Commercial Real Estate, Aviation, Other Services; Others include Credit card receivables, Education loans, Advances against Fixed Deposits, Advances to Individuals against Shares, Bonds, etc. and Other Retail Loans; P indicates Projected; E indicates Estimated.

During FY20 - FY26E, the NBFC credit portfolio remained predominantly wholesale-oriented, with other wholesale exposures accounting for around 45 - 47% of total NBFC credit. The services segment was the second-largest contributor, maintaining a steady share of 13 - 16% over the period. Vehicle loans moderated from 16.49% in FY20 to about 12.44% in FY25, while gold loans remained stable at 4 - 5%. Lending to MSMEs and MFIs together constituted around 6 - 7%, highlighting NBFCs' continued role in last-mile credit delivery and financial inclusion, albeit at a measured scale.

Looking ahead to FY30, the NBFC credit mix is expected to diversify significantly, with the share of other wholesale credit projected to decline to around 30%, indicating a gradual shift away from concentration risk. Growth is expected to be driven by gold loans (~8.90%), MSME lending (~4.18%), and services (~14.33%), supported by formalisation of the economy, rising household incomes, and increased penetration of specialised retail credit products. This evolving structure points toward a more balanced and resilient NBFC lending profile over the medium term.

During FY20–FY25, lending to MFIs has remained a relatively small component of the overall NBFC credit mix, accounting for only 2 – 4% of total credit, compared with much larger segments such as other wholesale and services. This reflects the inherently small-ticket, short-tenure nature of microfinance loans, which limits outstanding portfolio size despite a large borrower base, and the continued dominance of wholesale and secured retail lending in NBFC balance sheets. Looking ahead to FY30, the share of MFIs is projected to remain modest at around 1.89%, even as overall NBFC credit expands.

### 3.6.3 Growth of asset classes

**Table 17: NBFCs accounts for 29.00% of MFI portfolio and it delivers 14.30% CAGR from FY20-FY25**

Asset class (Rs trillion)	FY25 portfolio outstanding (Rs. trillion)	Share of NBFCs/HFCs/ NBFC-MFIs	Overall portfolio CAGR (FY20-FY25)	NBFCs/HFCs portfolio CAGR (FY20-FY25)	Growth FY24-FY25 for overall portfolio	Growth FY24-FY25 for NBFCs
<b>Housing</b>	40.17	25.05%	9.42%	-3.42%	8.15%	1.10%
<b>Vehicle Loans</b>	11.95	47.87%	14.30%	11.46%	13.73%	19.87%
<b>Gold loans</b>	4.15	50.26%	30.58%	22.54%	67.50%	35.10%
<b>MFIs</b>	6.63	29.00%	14.28%	14.30%	-3.70%	-9.90%
<b>Consumer Durables</b>	0.72	67.59%	15.21%	20.34%	11.15%	18.12%
<b>Others</b>	27.32	22.82%	16.58%	20.20%	10.94%	18.73%

Source: RBI, MFIN, CareEdge Research

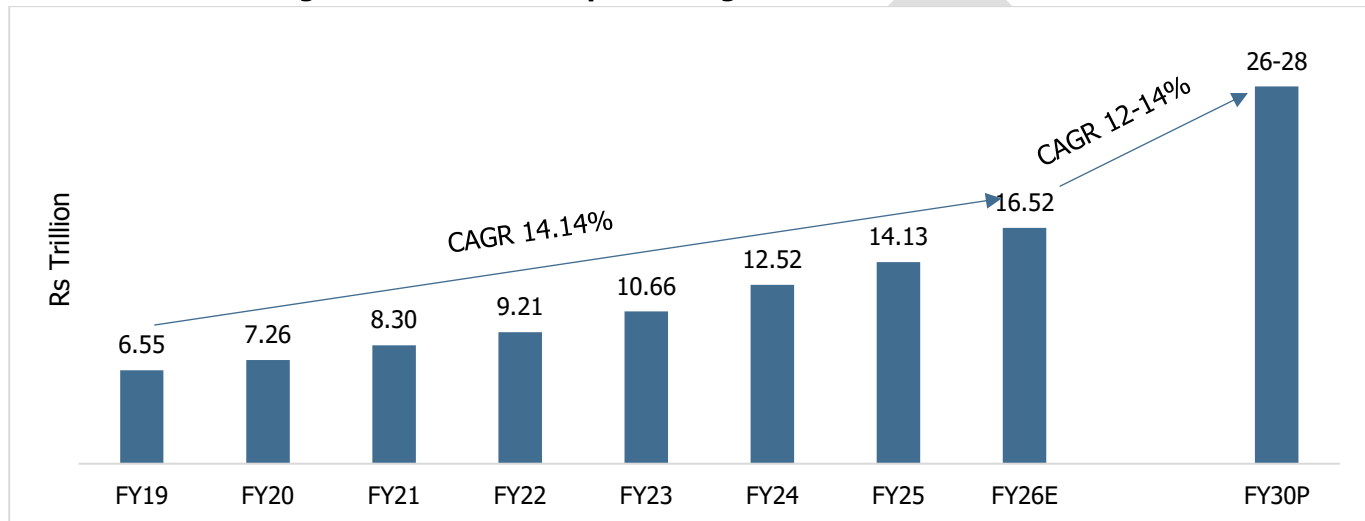
Others include Credit Card Receivables, Education Loans, Advances against Fixed Deposits, Advances to Individuals against Shares, Bonds, Other Retail Loans

The asset class-wise portfolio data for FY25 indicates differentiated growth trends across retail lending segments, with NBFCs, HFCs and NBFC-MFIs maintaining a meaningful presence in several categories. Gold loans recorded the highest overall portfolio CAGR of 30.58% during FY20–FY25, with a sharp 67.50% growth in FY25, reflecting strong demand and volatility-driven borrowing. Vehicle loans and MFIs grew at a moderate CAGR of 14.28%, although the MFI segment witnessed contraction in FY25, indicating asset quality pressures. Housing loans, despite being the largest segment at

Rs 40.17 trillion, registered relatively stable growth, with NBFC/HFC participation at 25.05%. Consumer durables and Other retail segments saw healthy double-digit expansion, supported by higher NBFC penetration (67.59% in consumer durables). Overall, the data suggests that NBFCs continue to play a significant role in driving growth across select high-yield retail categories, particularly in gold loans, vehicle finance and consumption-linked segments, while certain portfolios such as microfinance reflect cyclical moderation.

### 3.7 Outlook of credit growth in Rural areas

**Chart 46: Rural credit growth of banks is expected to grow at 12-14% CAGR from FY26 to FY30**



Source: RBI, CareEdge Research

Note: P indicates Projected; E indicates Estimated

Total rural credit has exhibited a steady and sustained expansion over the period, reflecting increasing penetration of formal credit channels in rural areas. The consistent rise indicates improved access to institutional finance for agriculture, allied activities, MSMEs, and retail borrowers, supported by policy focus on financial inclusion, priority sector lending, and strengthening of rural banking and NBFC networks.

The rural credit is expected to reach Rs 26 – 28 trillion with a CAGR of 12-14% from FY26 to FY30. This underscores a structural deepening of rural financial markets, driven by rising rural incomes, digital enablement, expansion of retail and MSME lending, and greater participation of NBFCs and MFIs. This outlook highlights significant headroom for growth, positioning rural credit as an increasingly important contributor to overall systemic credit expansion.

### 3.8 Rural Retail lending

#### 3.8.1 Overview

Rural retail lending in India has evolved as a key component of financial inclusion, supported by sustained policy emphasis on expanding formal credit access and improving rural financial infrastructure. Customers in the underpenetrated rural and semi-urban areas do not have access to any form of formal institutional lending. Therefore, they rely on loans from informal sources, such as moneylenders, landlords, local shopkeepers or local traders who may offer loans at much higher interest rates. While India has made significant progress in expanding access to formal financial services, the depth and effective usage of banking products remain relatively limited, indicating under-penetration of the banking sector. Having a huge gap in credit demand and supply and provide relatively greater scope for the growth of

microfinance businesses. Unregulated market participants present another source of competition to MFIs as they target the same areas and customer base.

The priority given to rural credit is further reflected in the performance of Regional Rural Banks (RRBs) and priority sector lending, where outstanding loans under priority sector categories consistently exceed prescribed targets, underscoring improved penetration of retail and agricultural credit in rural regions. In FY25, RRBs achieved outstanding priority sector lending of 88.44 % of their adjusted net bank credit, surpassing mandated targets and signalling robust credit flows into sectors vital for rural households and enterprises.

Complementing credit flows, rural financial literacy and awareness initiatives have been scaled up by institutional stakeholders such as NABARD and the Reserve Bank of India, with over 2,400 financial literacy centres established nationwide by March 2025 to educate rural borrowers on banking products, savings, digital payments and responsible credit use. These efforts enhance the ability of rural households to engage with formal retail financial services effectively, including digital channels.

At the grassroots level, cooperative credit institutions such as Primary Agricultural Credit Societies (PACS) are being modernised through digital integration and expanded business activities, enabling them to serve rural borrowers with short-term credit and diversified financial services. As of early 2026, tens of thousands of PACS are connected to national digital platforms and process millions of transactions, reflecting the increasing digitisation of rural credit delivery.

Collectively, these developments signal a structural shift in rural retail lending, from informal and cash-based borrowing to formal, regulated, and digitally enabled credit channels that are accessible, more transparent, and tailored to the needs of rural households and enterprises. This trend supports broader goals of financial inclusion and rural economic resilience.

### 3.8.2 Rural Retail Banking Credit has increased share to 8.00% as of 9MFY26

Tier-wise split	FY20	FY24	FY25	9MFY26
Metropolitan Regions	52.84%	51.91%	51.61%	50.54%
Urban Regions	23.09%	23.62%	23.63%	23.82%
Semi-Urban Regions	17.13%	17.10%	17.15%	17.64%
Rural Regions	6.93%	7.37%	7.61%	8.00%

Source: RBI, CareEdge Research

As of 9MFY26, Metropolitan regions account for the highest share in Retail Banking Credit with 50.54% share, this was followed by Urban regions accounting for 23.82% share and semi-urban and rural regions accounting for 17.64% and 8.00% share respectively.

### 3.8.3 Rural Retail Banking Credit Split

**Table 18: Housing Finance accounted for the highest share in Rural Retail Banking Credit as of 9MFY26**

Rural Retail Banking Credit Split (Rs billion)					
Financing Segment	FY20	FY24	FY25	9MFY26	Share (9MFY26)
<b>Housing Finance</b>	705.26	1,548.38	1,743.88	1,909.22	38.26%
<b>Vehicle loans</b>	189.88	359.81	415.42	483.32	9.69%
<b>Education Loans</b>	108.62	115.15	125.58	141.57	2.84%
<b>Personal Credit Cards</b>	28.57	61.16	63.27	63.70	1.28%
<b>Consumer Durable Loans</b>	17.40	36.12	37.04	41.04	0.82%
<b>Others</b>	675.10	1,614.96	1,969.00	2,350.86	47.11%
<b>Total</b>	1,724.83	3,735.58	4,354.18	4,989.69	100.00%

Source: RBI, CareEdge Research

Among major retail credit segments, Housing Finance accounted for the highest share in Banking retail credit as of 9MFY26 with a 38.26% share with credit outstanding at Rs. 1,909.22 billion. This was followed by automobile financing segment accounting for 9.69% share, education loan with 2.84% share while personal credit cards and consumer durable loans accounted for 1.28% and 0.82% share respectively.

### 3.8.4 Retail banking credit state wise

**Table 19: Top 5 states account for 55.88% share in Overall Retail Banking Credit as of 9MFY26**

State (Rs Bn)	FY24	FY25	9MFY26	Share (9MFY26)
<b>Maharashtra</b>	1,368,968	1,514,705	1,607,279	25.94%
<b>Tamil Nadu</b>	394,935	470,195	542,914	8.76%
<b>Karnataka</b>	426,311	476,569	521,788	8.42%
<b>Telangana</b>	333,286	375,164	412,474	6.66%
<b>Uttar Pradesh</b>	301,265	343,187	378,068	6.10%
<b>Gujarat</b>	309,805	342,064	371,082	5.99%
<b>Andhra Pradesh</b>	227,826	265,879	299,758	4.84%
<b>Kerala</b>	209,490	231,860	257,541	4.16%
<b>Rajasthan</b>	188,755	213,178	235,702	3.80%
<b>West Bengal</b>	170,126	191,398	207,070	3.34%
<b>Nct of Delhi</b>	168,301	209,880	207,399	3.35%
<b>Haryana</b>	163,836	187,377	205,208	3.31%
<b>Madhya Pradesh</b>	143,199	164,225	181,337	2.93%
<b>Punjab</b>	108,931	120,989	132,786	2.14%
<b>Bihar</b>	92,870	107,859	117,074	1.89%
<b>Odisha</b>	77,243	87,667	97,356	1.57%
<b>Assam</b>	61,577	69,513	74,087	1.20%
<b>Chhattisgarh</b>	55,883	62,744	33,994	0.55%
<b>Jharkhand</b>	50,803	56,578	61,576	0.99%
<b>Jammu &amp; Kashmir</b>	53,833	57,390	60,252	0.97%
<b>Uttarakhand</b>	40,756	44,765	49,030	0.79%
<b>Himachal Pradesh</b>	22,138	25,464	27,989	0.45%
<b>Chandigarh</b>	20,160	22,507	24,650	0.40%
<b>Goa</b>	16,149	18,180	20,168	0.33%
<b>Puducherry</b>	8,573	9,769	11,059	0.18%
<b>Manipur</b>	8,711	9,715	10,793	0.17%
<b>Meghalaya</b>	7,248	7,935	8,481	0.14%
<b>Nagaland</b>	6,733	7,435	7,970	0.13%
<b>Tripura</b>	6,178	6,980	7,523	0.12%
<b>Arunachal Pradesh</b>	5,883	6,612	7,237	0.12%
<b>Sikkim</b>	3,837	4,307	4,784	0.08%
<b>Mizoram</b>	3,377	3,809	4,088	0.07%
<b>Andaman &amp; Nicobar Islands</b>	2,672	2,960	3,329	0.05%
<b>Ladakh</b>	2,600	2,862	3,108	0.05%
<b>Lakshadweep</b>	107	122	137	0.00%

Source: RBI, CareEdge Research

As of 9MFY26, top 5 states account for 55.88% share in Overall retail banking credit with Maharashtra accounting for the highest share among states (~25.94%), this was followed by Tamil Nadu and Karnataka accounting for ~8.76% and ~8.42% share respectively.

## 4 Indian Microfinance industry

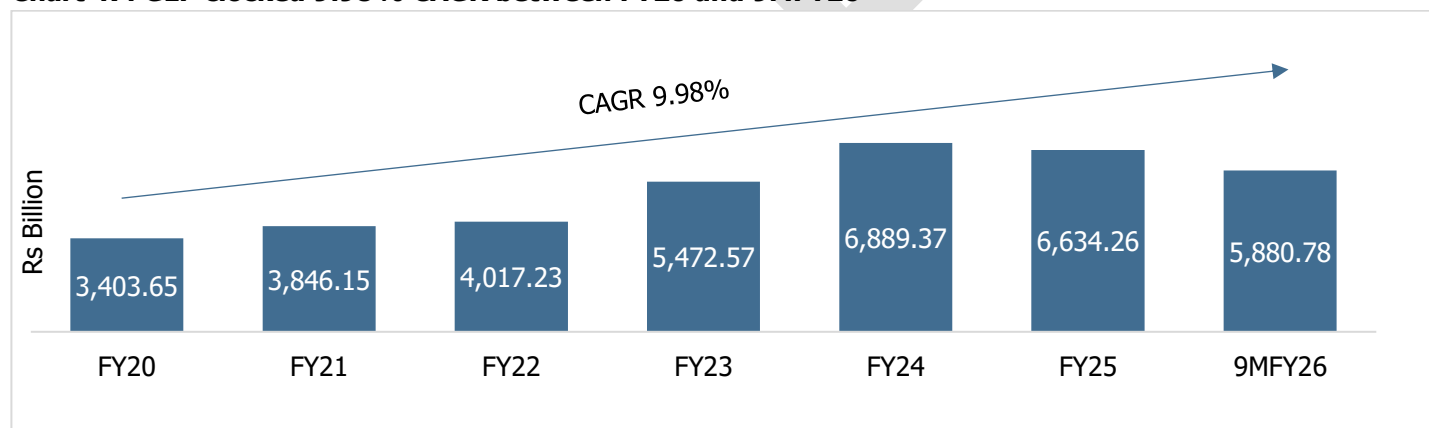
### 4.1 Landscape of Indian MFI Industry

#### Industry Gross Loan Portfolio (GLP) grew at 9.98% CAGR between FY20 and 9MFY26

India’s microfinance sector caters primarily to low-income households and women borrowers, bridging the gap between formal credit and under-served communities. The sector is driven by a mix of NBFC-MFIs, banks, and small finance banks, extending small-ticket loans that support livelihoods and entrepreneurship. Over the last 15 years, the industry has transitioned from a niche segment into a mainstream credit channel, supported by regulatory reforms, institutional consolidation, and increasing digitization.

While challenges such as funding costs, regional concentration risks, and asset quality remain, the industry’s resilience and ability to adapt have kept it central to India’s financial ecosystem. Microfinance continues to play a vital role in empowering women, boosting rural economies, and bridging the gap between formal credit and underserved communities.

**Chart 47: GLP clocked 9.98% CAGR between FY20 and 9MFY26**



Note: Data includes data for microfinance lending by Banks through SHG and joint liability group (JLG); SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs

Source: MFIN, CareEdge Research

Between FY20 and 9MFY26 the sector has exhibited robust resilience, with its GLP growing at a CAGR of 9.98%. The microfinance sector has witnessed this growth, despite macroeconomic headwinds such as the COVID-19 pandemic, inflationary pressures, and regulatory tightening, underscores the sector’s structural strength and its critical role in advancing financial inclusion.

The sector rebounded sharply in FY23 and FY24, reflecting pent-up credit demand and accelerated adoption of digital lending platforms, with GLP peaking at Rs. 6,889.37 billion in FY24. However, the rapid growth phase resulted in borrower overleveraging, high field staff attrition, and deterioration in asset quality across several regions. Consequently, the sector entered a corrective phase, with GLP declining by about 3.70% to Rs. 6,634.26 billion in FY25 and further falling to Rs. 5,880.78 billion in 9MFY26, representing a contraction of nearly 14.64% from the FY24 peak. The moderation was largely systemic, RBI’s restrictions on select NBFCs and banks prompted lenders to tighten underwriting standards and prioritise portfolio quality over portfolio growth. The microfinance industry is significantly impacted, and is expected to continue to be impacted, by sociopolitical and economic developments in India. Elevated funding costs and margin

compression further prompted cautious lending, especially in high-risk geographies. While the near-term outlook remains cautious as institutions stabilise asset quality and borrower leverage levels, the correction is expected to strengthen underwriting discipline and support more sustainable growth over the medium term.

### **Business Models in the Microfinance Sphere**

The Indian microfinance industry plays a critical role in extending formal financial services to underserved and unbanked populations, particularly in rural and semi-urban areas. The key participants in the microfinance ecosystem include Microfinance Institutions (MFIs), NBFC-MFIs, Scheduled Commercial Banks, and Small Finance Banks (SFBs). While all these entities operate within the broader microfinance framework, their business models, delivery mechanisms, and operating structures differ based on regulatory mandates, funding access, and risk appetite.

MFIs predominantly adopt the Joint Liability Group (JLG) model for lending, as it allows for faster group formation and efficient credit delivery at the grassroots level. In contrast, banks have a dominant presence in the Self-Help Group (SHG) model, primarily through the Self-Help Group–Bank Linkage Programme (SHG-BLP). Some NBFC-MFIs also participate in SHG-based lending, although JLG lending remains their core operational model. In recent years, the share of individual micro-loans within MFI portfolios has gradually increased, reflecting borrower graduation, higher credit requirements, and the sector's shift towards more flexible lending structures alongside traditional group-based models.

**JLG Lending Model:** Under the JLG lending model, MFIs begin by identifying a prospective village based on parameters such as population size, income levels, and the proportion of low-income households. Potential borrowers, typically women, are then identified based on household income, family size, and socio-economic profile. These borrowers are organised into small groups of 5–7 members, with 3–5 such groups forming a centre. Although the loan is disbursed to individual borrowers, repayment responsibility is shared among the group members through the concept of joint liability.

In the event of a default by an individual borrower, social collateral comes into effect, whereby other group members are expected to repay the outstanding amount. Persistent defaults can result in the entire group being blacklisted and becoming ineligible for future loans. This structure creates sustained peer pressure and mutual monitoring, encouraging timely repayments and disciplined borrowing behaviour.

**SHG Lending Model:** Self-Help Groups are typically formed at the grassroots level and comprise individuals from similar socio-economic backgrounds. Members pool small, regular savings into a common fund, which is initially used for internal lending within the group. Over time, as the SHG establishes a credit history and operational discipline, it is linked to a bank under the SHG-BLP framework and becomes a conduit for formal microfinance.

An SHG generally consists of 15–20 members, mostly women, who collectively manage savings, lending, and repayments. MFIs often support SHGs by providing capacity-building initiatives such as financial literacy training, basic entrepreneurship guidance, and operational support to strengthen group governance and financial management capabilities. Loans are extended to the group, with collective responsibility for repayment, reinforcing accountability and peer discipline among members.

## Advantages of the JLG Lending Model

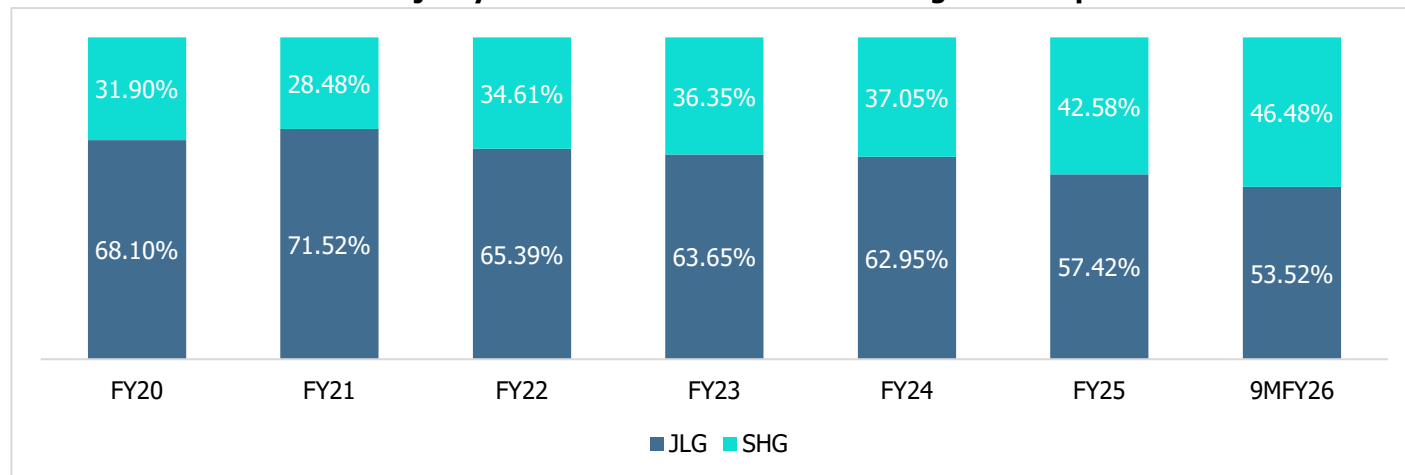


## Collection Models Adopted by MFIs

- **Field agent / employee-led collections:** MFIs deploy field staff to collect repayments directly from borrowers, enabling close monitoring, relationship building, and higher collection efficiency.
- **Centre or group meeting-based collections:** Repayments are collected during scheduled centre or group meetings, aligning with the JLG structure thereby reinforcing discipline and peer accountability.
- **Digital payment channels:** The use of mobile banking, online transfers, and digital wallets allows borrowers to repay remotely, improving borrower convenience and reducing cash handling risks.

- **Branch-based collections:** Borrowers visit branch offices to make repayments, typically prevalent in regions with strong physical branch presence or lower digital adoption.
- **Hybrid collection models:** A combination of physical and digital channels is used to balance operational efficiency with borrower convenience and local conditions.

**Chart 48: JLG accounts for majority of market share in microfinance gross loan portfolio**



Note: SHG data includes data for Banks lending through SHG and JLG data includes data for lending through joint liability group (JLG) by Banks, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs  
 Source: MFIN, CareEdge Research

JLG continues to account for the majority of microfinance GLP, however its share has steadily declined as lenders increasingly shift towards individual lending models to improve credit underwriting and mitigate risks associated with weakening group accountability and rising borrower indebtedness.

## 4.2 Role of RBI as regulator of the MFI industry

### The Malegam Committee on Micro Finance Institutions

The Malegam Committee on Microfinance Institutions, chaired by Shri Y. H. Malegam and constituted by the RBI in 2010, was formed to address concerns around over-indebtedness, weak credit discipline, and asset quality deterioration in the sector. Its recommendations laid the foundation for a formal regulatory framework, emphasising borrower protection, limits on indebtedness, and prudential supervision. The implementation of these measures strengthened underwriting standards and improved overall portfolio quality.

#### Structural Finance

The Committee recommended limits on the number of lenders per borrower and caps on total indebtedness, thereby reducing the risk of multiple and overlapping loans. These measures helped curb excessive credit exposure at the household level and directly contributed to improved repayment behaviour and lower default risk.

#### Standardising Lending Practices

Further, the Malegam Committee stressed the need for standardised lending practices, including caps on loan size, limits on interest margins, and restrictions on recovery practices. These recommendations promoted responsible lending and ethical collection processes, reducing borrower distress and improving long-term portfolio performance.

#### Regulatory Framework

The Committee recommended the creation of a distinct regulatory category for NBFC-MFIs, bringing microfinance institutions under closer prudential and supervisory oversight of the RBI. This resulted in improved governance, better risk management systems, and enhanced reporting standards, all of which contributed to greater transparency and early identification of asset quality stress.

#### Microfinance Sector in India Governed by RBI Guidelines

The microfinance sector in India is governed by the regulatory and supervisory framework prescribed by the RBI. MFIs operated largely in an unregulated environment until 2010, when the Andhra Pradesh (AP) Ordinance was enacted following concerns around borrower over-indebtedness, coercive recovery practices, and rapid sectoral growth. In response, the RBI initiated formal regulatory oversight of the sector to bring in uniformity, transparency, and stability.

Subsequently, in 2011, the RBI issued guidelines defining NBFC-MFIs and establishing a structured operating and regulatory framework for MFIs in India.

#### RBI Guidelines Issued in December 2011

In November 2010, the RBI constituted a sub-committee under the chairmanship of Mr. Y.H. Malegam to examine issues affecting the microfinance industry in India, particularly in the aftermath of the AP Ordinance. Based on the committee's recommendations, the RBI issued the NBFC-MFI Directions, which came into effect in December 2011. These guidelines laid down eligibility criteria, prudential norms, and operational safeguards for NBFC-MFIs.

The NBFC-MFI guidelines have undergone multiple revisions over time, with the most significant structural changes introduced through the harmonised microfinance regulatory framework effective April 1, 2022. The guidelines were last updated in July 2022 and remain applicable as of 2026, forming the backbone of microfinance regulation in India.

### NBFC-MFI - Regulatory guidelines

Parameter	Provision
<b>Minimum Net Owned Funds (NOF)</b>	Current NOF - Rs 70 million (Rs 50 million in NE region) NOF by March 31, 2027 – Rs 100 million
<b>Qualifying Assets</b>	Not less than 60% of its total assets
<b>Capital Adequacy</b>	Capital adequacy ratio consisting of tier I and tier II capital, which will not be less than 15% of its aggregate risk weighted assets
<b>Loan Repayment Obligations</b>	Maximum 50% of the monthly household income. The computation of loan repayment obligations shall consider all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50% of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.

### Qualifying Assets

Parameter	Provision
<b>Total Monthly Repayment Obligations of Borrower should not exceed</b>	50% of monthly household income
<b>Household Annual Income</b>	Up to Rs 3,00,000
<b>Collateral</b>	None

### Breakup of qualifying and non-qualifying assets over the years

Category	FY23	FY24	FY25	9MFY26
Qualifying assets	76.50%	76.00%	73.80%	63.20%
Non-qualifying assets	23.50%	24.00%	26.20%	36.80%

Source: MFIN, CareEdge Research

In June 2025, the RBI took further steps to enhance operational flexibility by revising the qualifying asset criteria for NBFC-MFIs. The central bank reduced the minimum qualifying asset requirement from 75% to 60% of total assets, as defined in the Master Directions. This adjustment broadens the scope for NBFC-MFIs to diversify their asset base, enabling them to allocate a portion of their portfolio to related lending activities while still maintaining a core focus on microfinance. The revised criteria allow NBFC-MFIs to expand into adjacent credit segments such as small enterprise or affordable housing finance, improving risk diversification and balance sheet resilience.

To further promote responsible lending practices, MFIN came up with additional guardrails. These guardrails are:

- Mandatory e-validation of Voter ID
- A maximum of 3 microfinance lenders can provide loans to borrowers
- Limiting the total microfinance indebtedness to Rs. 2 lakhs
- No loan to a borrower who has a DPD >60 days (previously 90 days) on any loan that has an outstanding amount greater than Rs 3,000 with any regulated entity (RE) at the time of underwriting the loan under consideration

The RBI has introduced a harmonised regulatory framework for microfinance loans that allows greater flexibility in loan sizing, aligned with household income and repayment capacity. By linking higher permissible loan amounts with stringent income assessment, repayment caps, enhanced disclosure requirements and a limit of lending from a maximum of three lenders per borrower. These regulations support growth in ticket sizes while maintaining prudential safeguards to protect asset quality.

- Unified Definition of Microfinance Loans with Higher Loan Thresholds:** A microfinance loan is defined as a collateral-free loan given to a household having an annual household income up to Rs 3,00,000, irrespective of the specific purpose or mode of disbursement. This updated definition broadens the scope of eligible borrowers and implicitly allows higher permissible loan amounts consistent with this broader income threshold.
- Household Income and Debt Assessment Linked to Loan Size Prudence:** Regulated entities must conduct board-approved policies for assessing household income and indebtedness, ensuring that the total loan repayment obligations (including principal and interest) do not exceed 50% of the monthly household income. This requirement directly influences how larger ticket sizes are underwritten, embedding a prudential check that prevents over-indebtedness even if higher ticket sizes are offered.
- Transparent Pricing, Documentation and Risk Disclosure Requirements:** Lenders should adopt board-approved pricing models that map loan amount, interest, cost of funds, risk premium and margin, with a standardised pricing policy and disclosure to borrowers. These norms ensure that larger ticket loans are priced prudently with transparency and supervisory oversight, thereby aligning product design with risk management.

#### 4.3 Harmonised Regulatory Regime ensures level playing field and benefits NBFC-MFIs

The revised regulatory framework introduced by the RBI ensures a level playing field across all regulated entities engaged in microfinance lending, including NBFC-MFIs, banks, and SFBs. Competitive intensity, especially in regions with high lender density, is expected to limit increase in lending rates for borrowers with stable repayment behaviour and established credit history.

Area of regulation	Earlier regulations		New regulations (effective April 1, 2022 unless mentioned otherwise)
	For NBFC-MFIs	For banks and SFBs	For all regulated entities*
Loan pricing	Margin cap at 10% for large MFIs (loan portfolios > Rs 1 billion)	No restrictions for banks and SFBs	No pricing cap. Underwriting of loans to be done on risk-based analysis, and a risk premium to be charged based on the borrower.
	12% for small MFIs (loan portfolios < Rs 1 billion)		A Board-approved policy for pricing of loans to be put in place. The policy should include the interest rate model, the range of spread of each component for various categories of borrowers, and the interest rate ceiling and all other charges on MFI loans.
Processing fees	Not more than 1% of the gross loan amount		
Qualifying criteria	85% loans unsecured	To meet the target set for priority sector loans	The minimum requirement of microfinance loans has been revised to 60% of an NBFC-MFI's total assets. (effective June 2025)
			The maximum limit on microfinance loans for NBFCs other than NBFC-MFIs has been revised to 25% of the total assets from 10% previously.
Household income	Rural areas: Rs 125,000 per annum	No restrictions for banks and SFBs	Annual household income: Up to Rs 300,000 for urban as well as rural areas.

Area of regulation	Earlier regulations		New regulations (effective April 1, 2022 unless mentioned otherwise)
	For NBFC-MFIs	For banks and SFBs	For all regulated entities*
	Urban areas: Rs 200,000 per annum		Board-approved policy for the assessment of household income.
<b>Ticket size of loans</b>	Rs 75,000 in the first cycle and Rs 125,000 in the subsequent cycles		As per the revised regulation cap/restrictions for ticket size and tenure has been removed.
<b>Tenure of loans</b>	Not less than 24 months for loan amounts in excess of Rs 30,000		
<b>Lending to the same borrower</b>	Not more than two lenders allowed per borrower	More than two banks can lend to the same borrower	Limit on maximum loan repayment obligation of a household towards all loans: 50% of monthly household income. Number of micro finance lenders capped to three per borrower
<b>Overall borrower indebtedness</b>	Should not exceed Rs 125,000	No restrictions for banks and SFBs	

Note: \*Regulated entities include all commercial banks (including SFBs, local area banks and regional rural banks), excluding payments banks; all primary (urban) co-operative banks, state co-operative banks and district central co-operative banks; and all NBFCs (including MFIs and housing finance companies)

Source: RBI, CareEdge Research

The revised RBI regulations introduce a new, borrower-centric definition of microfinance loans, encompassing collateral-free loans extended to households with annual income of up to Rs. 3 lakhs, irrespective of the end use or the mode of application, processing, or disbursal, whether physical or digital. This expanded definition is expected to significantly widen the addressable market for NBFC-MFIs, enabling them to cater to a larger pool of eligible households and thereby support portfolio growth.

Further, the RBI has removed the earlier regulatory restrictions on the number of lenders servicing a single borrower and replaced the overall indebtedness cap with a prudential limit linked to repayment capacity. In addition, industry-level guardrails introduced by Self-Regulatory Organisations have further tightened credit discipline by recommending a cap of three lenders per borrower. This approach strengthens borrower protection by directly linking permissible leverage to income and cash flow, while also limiting multiple lending exposures and allowing lenders greater operational flexibility.

The regulatory framework governing microfinance in India has undergone significant evolution to create a harmonised and flexible environment for all regulated entities engaged in microcredit, including NBFC-MFIs. The RBI's Regulatory Framework for Microfinance Loans Directions, 2022 set out a contemporary, risk-sensitive foundation that enables greater operational flexibility while maintaining prudent borrower safeguards. This harmonisation of norms for banks and non-bank lenders has positive implications for NBFC-MFIs in terms of competitiveness, portfolio management, and sustainable growth.

A key element of the harmonised framework was the removal of fixed margin caps on microfinance loans for NBFC-MFIs. Previously, NBFC-MFIs were subject to prescribed margin limits on their lending spread, but under the updated Directions, margin caps have been discontinued. Instead, all regulated entities are required to adopt board-approved pricing policies that reflect cost of funds, risk premiums, and other factors, subject to supervisory oversight by RBI. This shift enables NBFC-MFIs to price products in a risk-aligned manner, improving commercial viability while protecting borrower interests. This policy must clearly specify the components of pricing, including cost of funds, risk premium, and margins, the permissible range for each component across borrower categories, and an overall ceiling on interest rates

and related charges. This approach balances regulatory oversight with flexibility, allowing NBFC-MFIs to price risk appropriately while ensuring transparency and fairness in lending practices.

The elimination of margin caps and the alignment of microfinance definitions across banks and NBFCs also level the competitive playing field. NBFC-MFIs can now compete more effectively with banks and small finance banks on pricing and product design, which can support market expansion and customer retention. Furthermore, the capacity to diversify beyond strict microcredit, through relaxed qualifying asset norms, strengthens NBFC-MFIs' ability to innovate and tailor offerings to evolving borrower needs while managing credit risk thoughtfully.

Overall, the shift in the regulatory landscape centred on harmonisation of norms, risk-based pricing, and diversification-enabling criteria positions NBFC-MFIs to navigate sectoral headwinds more robustly. By combining these regulatory enhancements with disciplined risk management and borrower protection practices, NBFC-MFIs are better placed to sustain growth, improve asset quality, and continue advancing financial inclusion in India.

### Regulatory Changes in 2025

- **Reduction in Qualifying Asset Requirement for NBFC-MFIs:** The RBI reduced the minimum qualifying asset requirement for NBFC-MFIs from 75% to 60% of total assets. The revised framework also aligns the definition of qualifying assets with microfinance loans (collateral-free loans to households with annual income up to Rs 3 lakh). This change provides NBFC-MFIs with greater flexibility to diversify their portfolios beyond microfinance lending while maintaining their core focus.
- **Alignment of Qualifying Assets with Microfinance Definition:** As part of the same regulatory update, the RBI aligned the definition of "qualifying assets" with the broader definition of microfinance loans under the 2022 Directions. This ensures consistency across regulatory provisions and strengthens the linkage between asset classification and borrower eligibility criteria, while improving transparency in reporting and supervision.
- **Enhanced Flexibility for Portfolio Diversification:** By lowering the qualifying asset threshold to 60%, the RBI has enabled NBFC-MFIs to allocate a larger share of their portfolio (up to 40%) to non-microfinance assets. This is expected to reduce concentration risk, improve balance sheet resilience, and allow institutions to expand into adjacent lending segments such as MSME or secured lending, thereby supporting long-term sustainability.

#### 4.4 State cannot regulate MFIs registered with the RBI as per the High Court

In 2010, the Government of Andhra Pradesh promulgated the Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Ordinance in response to concerns regarding coercive recovery practices, elevated interest rates, and rising borrower over-indebtedness among certain MFIs. The Ordinance sought to impose tighter controls on lending operations, including caps on interest rates, stricter recovery norms, and a requirement for prior state approval before the disbursement of each loan. These measures significantly disrupted microfinance operations in the state, resulting in a sharp contraction of lending activity.

The developments in Andhra Pradesh had broader implications for the microfinance industry across India, affecting investor confidence and sectoral stability. Multiple writ petitions were subsequently filed challenging the constitutional validity of the Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Act, 2011, on the grounds of legislative competence. On 14<sup>th</sup> February 2023, the Telangana High Court held that the regulation of financial institutions such as NBFCs, including matters relating to interest rates, falls within the legislative domain of Parliament rather than the State Legislature. While states are empowered to legislate on money lending, the regulation and winding up of financial corporations, including NBFCs, are subjects under the Union List. Accordingly, the Court ruled that the Act could not apply to NBFCs and would be valid only in respect of entities that are not registered as NBFCs.

A similar constitutional issue was examined by the Supreme Court in *Nedumpalli Finance Company Limited v. State of Kerala*, wherein the applicability of state money-lending laws to RBI-registered NBFCs was challenged. The Court held that, to the extent such state legislation sought to regulate NBFCs governed by the Reserve Bank of India Act, it was unconstitutional due to lack of legislative competence.

The Andhra Pradesh crisis ultimately prompted significant regulatory reforms within the microfinance sector, leading to the establishment of a more structured and centralised regulatory framework under the RBI. More recently, developments such as the ordinances and regulatory interventions in states like Karnataka and Tamil Nadu have highlighted the continued sensitivity of the sector to localised policy actions, reinforcing the need for balanced regulation that safeguards borrower interests while ensuring the sustainability of lending institutions.

DRAFT

**4.5 Comparison of different types of lenders in microfinance industry**

Particulars	SCBs	SFBs	MFI's
<b>Priority sector lending</b>			
<b>Targeted lending to sectors</b>	40% for priority sector lending of their adjusted net bank credit (ANBC) or equivalent off-balance-sheet exposure (whichever is higher) 18% of ANBC to agriculture 7.5% of ANBC to micro-enterprises 12% of ANBC to weaker sections	60% for priority sector lending of their ANBC 18% of ANBC to agriculture 7.5% of ANBC to micro-enterprises 12% of ANBC to weaker sections At least 50% of loan portfolio should constitute loans and advances of up to Rs 2.5 million	60% of loans should be qualifying microfinance assets Income generation loans > 50% of total loans
<b>Prudential norms</b>			
<b>Capital adequacy framework</b>	Minimum Tier 1 capital: 7%	Minimum Tier 1 capital: 7.5%	Tier 1 capital > Tier 2 capital
	Minimum capital adequacy ratio: 9%	Minimum capital adequacy ratio: 15%	Minimum capital adequacy ratio: 15%
<b>Margin cap</b>	No cap; board-approved pricing policy	No cap; board-approved pricing policy	No cap; board-approved pricing policy
<b>CRR / SLR</b>	Maintenance of CRR (3%) /SLR (18%) mandatory	Maintenance of CRR (3%) /SLR (18%) mandatory	No such requirement
<b>Leverage ratio</b>	The minimum Leverage Ratio is 4% for D-SIBs and 3.5% for other SCBs.	Minimum leverage ratio of 4.5%	No such requirement
<b>Liquidity coverage ratio/net stable funding ratio (NSFR)</b>	Mandatory requirement to maintain liquidity coverage ratio of 100%	Minimum liquidity coverage ratio of 100% and a minimum NSFR of 100% to be maintained	No such requirement
<b>Funding</b>			
<b>Deposits</b>	Primarily rely on deposits for funding requirements	Primarily rely on deposits for funding requirements	MFI's cannot accept deposits
<b>Bank loans/market funding</b>	Access to broader array of market borrowings	Access to broader array of market borrowings	Diversified funding sources including bank loans short- and long-term market borrowings; funding from NABARD, MUDRA loans, etc.
<b>Products</b>			
<b>Products offered</b>	Entire spectrum of banking savings investment and insurance products	SFBs offer savings and investment products apart from credit products/loans	MFI's can act as a business correspondent to another bank and offer savings deposits credit and investment products
		And act as corporate agent to offer insurance products	MFI's can act as a corporate agent to offer insurance products
		SFBs cannot act as business correspondent to other banks	

#### 4.6 NBFC-MFIs have been maintaining market share between 21.68% to 25.27% in overall MFI industry

NBFC-MFIs and non-profit MFIs are the only player categories with loan portfolios exclusively focused on microcredit. Over time, several well-established MFIs have either converted into SFBs or been acquired by banking institutions, leading to a structural shift in the microfinance landscape. The RBI awarded an in-principal SFB licenses to 10 applicants on September 16, 2015, of which eight were MFIs. Later, these applicants received the final approval to operate as SFBs.

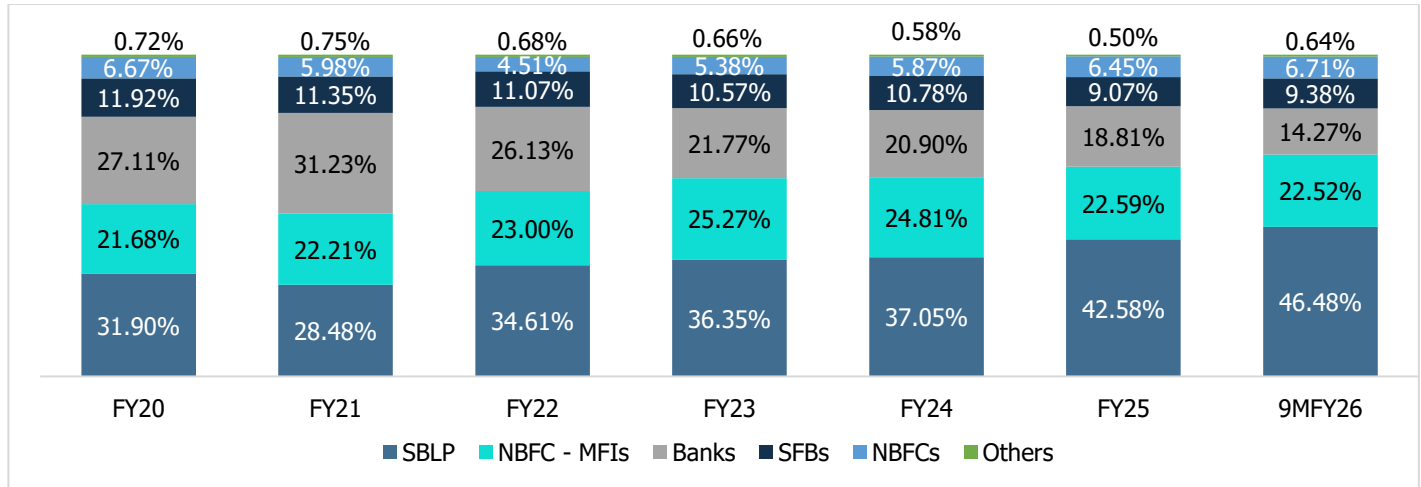
Post commencement of operations, NBFC-MFIs that have converted to SFBs have gradually expanded into other asset classes such as affordable housing, MSME lending, and vehicle finance. This expansion has been aimed at achieving a balance between secured and unsecured assets while also broadening product offerings. As a result, growth in these non-microfinance segments may outpace the expansion of microfinance portfolios within SFBs over the medium term. The share of SFBs in the microfinance industry has remained range bound between 9%-11% between FY20 and H1FY26.

The share of NBFC-MFIs has recovered post-pandemic owing to increasing reach in newer regions and deepening penetration in existing regions. As of H1FY26, NBFC-MFIs have 22.52% share in total MFI gross loan portfolio.

#### Participants in the MFI lending businessT

Participants	Description	Player Examples
Bank SHGs	Banks providing collateral-free microcredit under the SHG Bank Linkage Programme, largely routed through women-led SHGs and supported by NABARD.	SBI, BOB, Canara Bank, PNB, ICICI Bank, Axis Bank, Bandhan Bank, etc.
Banks	Banks with direct microfinance lending and indirect exposure through BCs and MFI partnerships; private banks are key drivers of JLG lending.	
NBFC-MFIs	RBI-registered NBFCs exclusively engaged in microfinance, primarily following the JLG lending model to low-income households.	Arohan Financial Services, Satin Creditcare Network Ltd., Muthoot Microfin, Asirvad Micro Finance Ltd., CreditAccess Grameen Ltd., Belstar Microfinance Ltd., IIFL Samasta; Spandana Sphoorty Finance Ltd., Annapurna Finance Ltd., Fusion Finance Ltd., etc.
SFBs	Small finance banks offering microfinance along with deposits and retail banking; most originated as NBFC-MFIs.	Jana SFB, Utkarsh SFB, ESAF SFB, Ujjivan SFB, Suryoday SFB, Equitas SFB
NBFCs	Diversified NBFCs with microcredit as one of several lending verticals alongside MSME and retail finance.	L&T Finance, Mahindra Finance, Tata Capital, Bajaj Finance, Cholamandalam Investment
Non-profit MFIs	Not-for-profit MFIs operating as trusts, societies or Section 8 companies, focused on financial inclusion and livelihood support.	Cashpor, Grameen Foundation India, Bandhan (pre-SFB phase), BASIX, SKDRDP

**Chart 49: NBFC MFIs account for 22.52% of the total gross loan portfolio as of 9MFY26**

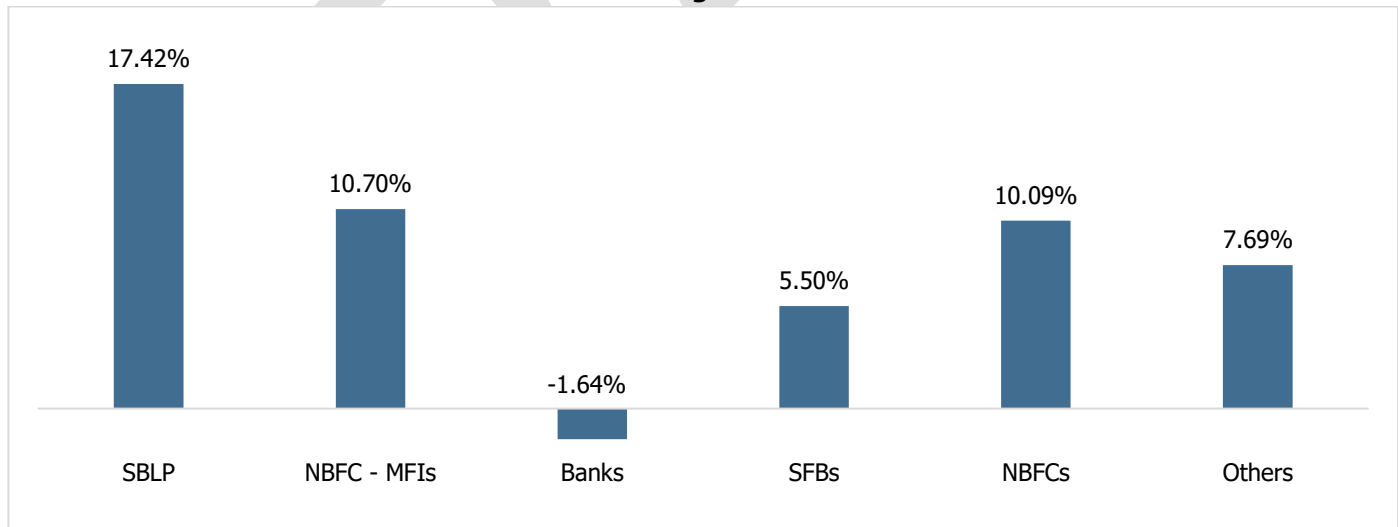


Note: Data includes data for Banks SHG, Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs, SBLP indicates SHG Bank Linkage Programme

Source: MFIN, CareEdge Research

NBFC-MFIs account for 22.52% of the industry GLP as of Dec'25, indicating that while the NBFC-MFIs represent a significant component of credit delivery to underserved areas, a substantial portion of the market continues to be serviced by other lenders, suggesting scope for incremental growth for NBFC-MFIs. The lender mix also indicates a steady rise in the share of the SHG Bank Linkage Programme, which has emerged as the largest component of the overall portfolio by 9MFY26. This reflects increasing formalisation and scale-up of SHG lending within the system. NBFC-MFIs continue to hold a meaningful and relatively stable share, while banks, SFBs and NBFCs account for smaller share.

**Chart 50: GLP of SBLP and NBFC-MFIs witnessed significant CAGR between FY20-9MFY26**



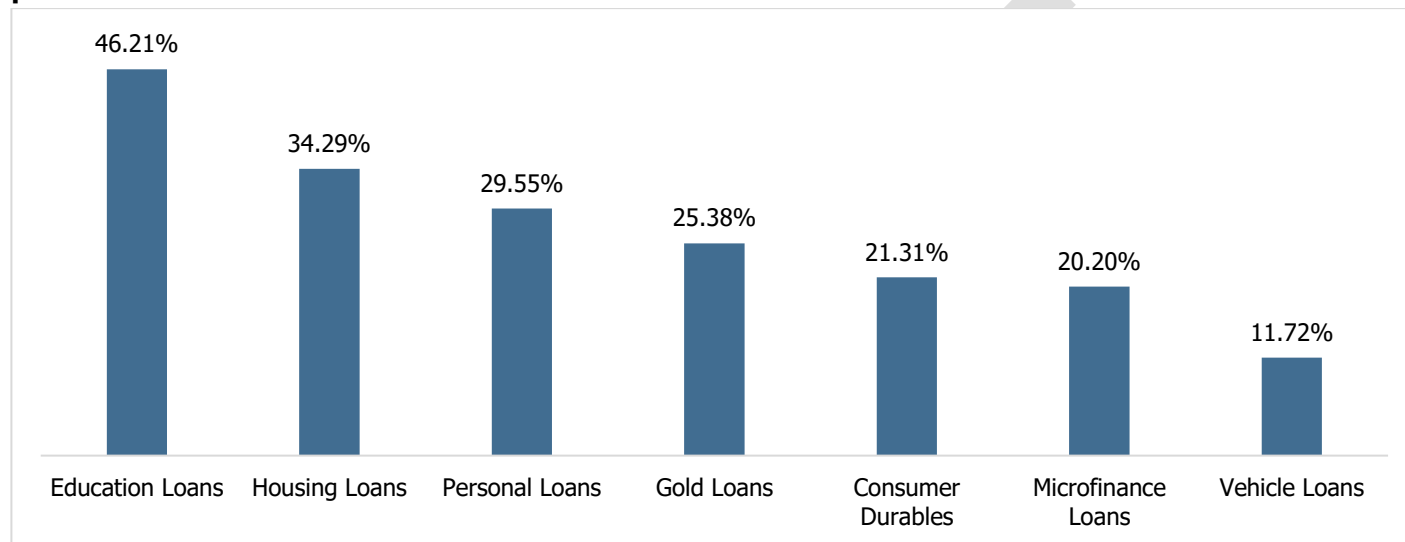
Note: Data includes data for Banks SHG, Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: MFIN, CareEdge Research

#### 4.7 NBFCs Credit towards Microfinance is amongst the fastest growing retail loan segments in India

During FY20-H1FY26, education loans by NBFCs registered the highest growth rate at a CAGR of 46.21%, followed by housing loans at 34.29%. Microfinance loans grew at a CAGR of 20.20% during the same period.

**Chart 51: Retail segments of NBFCs have witnessed high CAGR during FY20-H1FY26 in terms of loan portfolio**

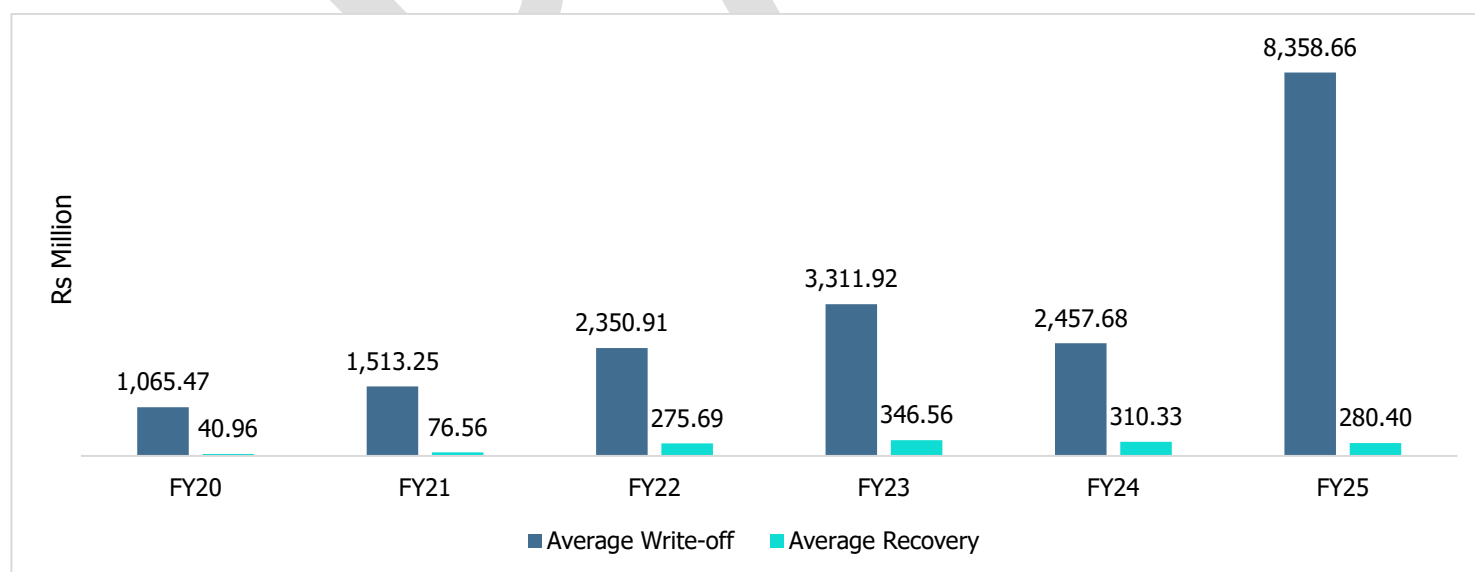


Source: RBI, CareEdge Research

Note: Personal Loan CAGR is as per CareEdge Estimates

#### 4.8 NBFC-MFIs witnessed highest average write-offs

**Chart 52: Average write-offs and average loan assets recovered by NBFC-MFIs**



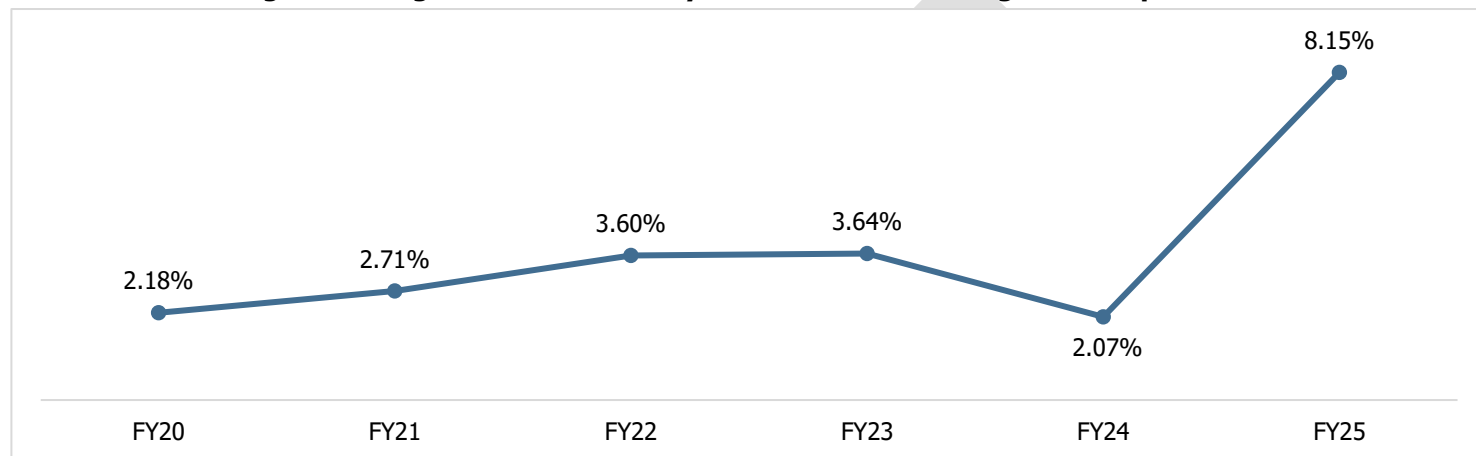
Source: Company Annual reports, CareEdge Research

Note: CreditAcces Grameen Limited, Muthoot Microfin Ltd, IIFL Samasta Ltd, Satin CreditCare Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd, Spandana Sphoorty Financial Ltd, Belstar Microfinance Ltd, Svatantara Microfin Ltd, Chaitanya India Fin Credit Private Ltd and Arohan Financial Services Ltd as of March 2025 have been taken for calculating average write-off and recoveries.

Average recovery for FY20 and FY21 does not include Satin CreditCare Ltd and Arohan Financial Services Ltd.  
Average recovery for FY20 does not include Chaitanya India Fin Credit Private Ltd  
Average recovery for FY22 does not include Satin CreditCare Ltd.

The average write-off reported by NBFC-MFIs reached Rs 2,457.68 million in FY24 and Rs 8,358.66 million in FY25. This rise primarily reflects deterioration in asset quality, prompting companies to accelerate the recognition and write-off of stressed and non-performing assets. NBFC-MFIs reported average recoveries of Rs 310.33 million FY24, Rs 280.40 million in FY25.

**Chart 53: Percentage of average write-offs done by NBFC-MFIs witness significant uptick in FY25**



Note: Data of top 10 NBFC-MFIs players have been considered for above calculation, Percentage of average write-offs has been calculated as sum product of write-offs and gross loan portfolio divided by sum of gross loan portfolio  
Source: Company reports, CareEdge Research

The percentage of average-write offs done by NBFC-MFIs remained range-bound between 2.07% and 3.64% during FY20 to FY24, indicating controlled credit costs and steady portfolio seasoning. However, FY25, witnessed a sharp escalation to 8.15%, marking a structural break from the historical trend. This likely reflects accelerated recognition of stressed accounts and portfolio clean-up. While this may pressure near-term profitability, timely write-offs can also help reset the balance sheet and improve asset quality if fresh slippages remain contained.

#### 4.9 MFI Industry resilient despite major setbacks and Changing landscape

The microfinance sector has undergone significant structural shifts over the last decade, driven by its response to regional and national economic events. While various farm loan waivers and localized crises occurred, the industry utilized these occasions to refine its risk management and operational strategies.

##### Key Turning Points:

➤ **Andhra Pradesh (2010):**

A foundational event that led to the implementation of corporate debt restructuring (CDR) for several entities and highlighted the need for formalized credit processes.

➤ **Demonetization (2016)**

Demonetization severely affected the microfinance sector due to its heavy reliance on cash-based loan disbursement and collections. The cash crunch reduced borrowers’ repayment capacity and constrained fresh loan disbursements due to liquidity shortages. Larger MFIs with stronger liquidity positions were better placed than smaller players. The period

saw a decline in loan portfolios and ticket sizes. However, demonetization accelerated digital adoption, with MFIs strengthening technology platforms and promoting direct bank accounts, supporting financial inclusion.

### ➤ Farm Loan Waivers (FY17 and FY18)

Farm loan waivers are typically announced by governments in response to adverse events such as natural calamities or weak monsoons that impair farmers' repayment capacity. Under these schemes, the government assumes responsibility for repaying eligible loans, which are limited by criteria such as loan size, type of lending institution, and farmer category. While intended as relief measures, loan waivers often undermine long-term credit discipline and disrupt the repayment culture in affected regions.

States such as Maharashtra, Uttar Pradesh, and Karnataka implemented some of the largest farm loan waiver programs, with Andhra Pradesh and Telangana also undertaking similar measures. These waivers initially led to a decline in collection efficiency as borrower expectations regarding eligibility increased. Over time, collections improved as MFIs undertook borrower education initiatives to clarify the scope and applicability of the schemes. Support from government authorities and industry bodies, including public awareness campaigns through media, further aided this process. Although lending activity slowed due to disruptions in repayment cycles in the affected states, NBFC-MFIs experienced relatively lower impact compared to banks, owing to their closer and more frequent engagement with borrowers.

#### Details of amount of farm loans waived off by various states

State	Name of the debt waiver scheme since 2014	Key Features	Actual Amount waived (Rs. Billion)
Assam	Farm Loan Waiver Scheme (2018)	The scheme intended to waive 25 percent of all agricultural loans taken by farmers, with a maximum waiver benefit capped at Rs. 25,000 per farmer.	6.0 (Budgeted)
Jammu and Kashmir	50% KCC Waiver Scheme – 2017	KCC loans up to Rs. 1 lakh were given 50% waiver in a phased manner.	2.44
Karnataka	Karnataka State Debt Waiver Scheme – 2017	To waive off Agri farmer loans up to Rs. 2 lakhs taken from state run cooperative banks	77.94
	Karnataka State Debt Waiver Scheme 2018		142.94
Chhattisgarh	2015-16 (Debt Waiver Scheme - 2015)	To waive off Agri farmer loans	1.30
	2018-19 (CG Government Short Term Agri, Debt Waiver Scheme - 2018)		61.00
Madhya Pradesh	Debt Waiver Scheme -2018	The scheme intended to waive agri loans up to Rs. 2 lakh	119.12
Maharashtra	Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana, 2017	The scheme intended to waive off loans to the extent of Rs. 1.5 lakhs	305.00
Punjab	Crop Loan Waiver scheme 2017-18	Government to waive off farm loans for approx. 10 lakh farmers	46.25
Rajasthan	Farm Loan Waiver by Cooperative Banks (for short term crop loans)	State Government to waive loans upto Rs. 50,000 for loans taken by farmers till 30 <sup>th</sup> September 2017	75.25
	Farm Loan Waiver by Cooperative Banks (for medium- and long-term agriculture loans)		78.51
Tamil Nadu	Crop Loan Waiver -2016 (Small and Marginal Farmers)	Government of Tamil Nadu to waive off loans issued to small and	53.19

State	Name of the debt waiver scheme since 2014	Key Features	Actual Amount waived (Rs. Billion)
<b>Assam</b>	Farm Loan Waiver Scheme (2018)	The scheme intended to waive 25 percent of all agricultural loans taken by farmers, with a maximum waiver benefit capped at Rs. 25,000 per farmer.	6.0 (Budgeted)
		marginal farmers by cooperative banks	
<b>Puducherry</b>	Loan Waiver Scheme 2018		0.19
<b>Uttar Pradesh</b>	Debt Waiver Scheme 2017-18	Waive loans up to Rs. 1 lakh for crop loans disbursed before FY2017	252.33

Source: Waiving Off Agriculture Loan (2018); Ministry of Agriculture & Farmers Welfare, Written Answers to Rajya Sabha (6<sup>th</sup> March 2020), CareEdge Research

In August 2024, the Government of Telangana announced and initiated the implementation of a farm loan waiver scheme providing relief of up to Rs 2 lakh per eligible farmer. The government waived farm loans aggregating about Rs 310 billion, and these amounts were deposited directly into the bank accounts of farmers as part of the scheme's execution.

#### ➤ **Assam MFI incentive & Relief Scheme (AMIRS), funds received and receivables or resolution and status**

Assam experienced a period of sector-wide stress between Fiscal 2020 and Fiscal 2022 due to factors including rising credit penetration, socio-political developments and the economic impact of the COVID-19 pandemic, which led to elevated delinquencies across the microfinance sector. During this period, the Government of Assam introduced regulatory measures, including the Assam Microfinance Incentive and Relief Scheme, 2021 ("AMFIRS 2021"), to moderate borrower indebtedness and support portfolio stabilisation.

The scheme classified borrowers into three categories:

**Category 1:** Borrowers who had been regularly paying their microfinance loans. These borrowers were eligible for a credit incentive, encouraging them to continue making timely payments.

**Category 2:** Borrowers who had missed one or two instalments in repayment. These borrowers received partial relief, with the state government helping them clear overdue amounts.

**Category 3:** Borrowers who have become completely unable to repay their loans due to financial stress. In this case, the state government aimed to provide full relief by waiving their outstanding loans.

As per official publications of the Government of Assam, across the implemented categories, the State has extended aggregate relief of over Rs 20.81 billion benefitting nearly 1.2 million borrowers. Further, the Assam Cabinet, in its decision dated November 26, 2024, approved Category-III (Phase-2) support covering approximately 78,000 borrowers with an estimated financial outlay of Rs 2.23 billion.

The implementation mechanism, as stated in official communications, involves identification of eligible borrowers in coordination with participating lenders and disbursement of incentives/relief pursuant to the Scheme guidelines and MoU framework.

#### ➤ **Impact of floods in Kerala and Odisha (2018-20)**

- **Kerala (2018):** Record-breaking floods devastated income-generating businesses, leading to a sharp decline in credit quality.

- **Odisha & West Bengal (2019–2020):** Cyclones Fani and Amphan caused significant infrastructure damage. This resulted in a near-term spike in the Portfolio at Risk (PAR) for NBFC-MFIs and SFBs, as borrowers struggled to maintain repayment schedules amidst the recovery.

#### ➤ **Impact of the Covid-19 Pandemic (2020-2021)**

During 2020 to 2021, the prolonged nationwide lockdown significantly affected the income and savings of MFI borrowers, who typically have weaker credit profiles. By August 2020, around 50% of microloans were under moratorium. Lockdowns disrupted core MFI operations - loan origination and collections, particularly in the initial months, given the sector's field-intensive and cash-based nature.

Despite these challenges, most MFIs entered the lockdown with adequate liquidity and strong collection efficiency of 98–99%, having completed a large portion of collections by FY20. Although MFIs had drawn bank loans for planned disbursements, these were deferred due to the lockdown. Disbursements recovered to pre-Covid levels by the third and fourth quarters of FY21, driven largely by rural and semi-urban areas where the pandemic impact was relatively limited.

The industry's performance during the pandemic was marked by a gradual recovery and the strengthening of balance sheets. Support from government schemes and proactive fund-raising helped maintain stability during periods of collection uncertainty. NBFC-MFIs prioritized the build-up of liquidity buffers and successfully navigated initial funding aversions through various state-supported liquidity schemes.

#### ➤ **Regulatory Harmonization and Growth (2022–2023)**

In FY22, despite a resurgence of Covid-19 in the first quarter, the industry experienced a sharp rebound in the latter half of the year, driven by increased disbursement volumes. High collection efficiencies recorded since late 2017 (with a brief interruption in early 2021) demonstrate a resilient repayment culture among the target demographic.

Furthermore, as on FY22, RBI revised household income thresholds for collateral-free loans have widened the eligibility criteria, fostering growth in FY23. This, along with higher consumption demand and lower slippages, supported a broad-based recovery.

#### ➤ **Market Expansion and Emerging Guardrails (2024)**

In FY24, the industry reached a significant scale, characterized by high disbursement volumes and a stabilized regulatory environment. However, the year also marked the introduction of "self-correction" mechanisms to prevent the over-indebtedness that plagued the sector in 2010. To manage this rapid scale, Self-Regulatory Organizations (SROs) such as MFIN and Sa-Dhan introduced voluntary guardrails to prevent borrower over-indebtedness. These measures included a recommended cap of three lenders per borrower and a total indebtedness limit of Rs 2 lakh. Additionally, the corporate landscape began to shift through consolidation. In late 2023, Svatantira Microfin completed the acquisition of Chaitanya India Fin Credit. This was followed by the merger in April 2024 of Fincare Small Finance Bank with AU Small Finance Bank, signalling a move toward larger, more diversified financial entities.

#### ➤ **Asset Quality Calibration and Stricter Norms**

In FY25, the sector experienced a notable increase in delinquency rates, with Portfolio at Risk (PAR) levels rising as external factors, including regional climate events, impacted borrower repayment capacities. In response to these asset quality concerns, the industry tightened its lending norms, enforcing a "three-lender" limit per borrower starting April 1, 2025 as imposed by MFIN. The sector experienced a moderation in growth as lenders consciously tightened credit norms, reduced exposure in stressed pockets, and focused on portfolio quality. Collection efficiency remained largely stable, supported by close monitoring and borrower engagement, while asset quality pressures were contained through corrective actions.

### ➤ **Unified Regulatory Framework and Digital Maturity**

The regulatory environment has matured with the RBI's issuance of consolidated Master Directions, which provide a single, unified framework for compliance. Operationally, there is an increasing shift toward individual loan products alongside the traditional JLG model to better segment risk. The industry has also standardized Digital Lending Directions, ensuring that all borrowers receive a mandatory Key Fact Statement (KFS) detailing the full Annual Percentage Rate (APR), thereby increasing transparency in the lending process.

### ➤ **Credit Guarantee Fund for Micro Units (CGFMU)**

The CGFMU, managed by National Credit Guarantee Trustee Company, is designed to provide credit guarantee cover to lenders such as banks, NBFCs and MFIs against default in micro loans, thereby reducing their credit risk and encouraging collateral-free lending. The scheme covers micro loans up to Rs 20 lakh extended to eligible borrowers, including individuals, SHGs and JLGs, across manufacturing, services, and allied agricultural activities (excluding direct crop loans). The guarantee typically covers up to 75% of the default amount for certain categories such as SHGs and aims to improve credit flow to underserved segments by providing comfort to lenders and strengthening financial inclusion.

### ➤ **Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance, 2025**

The Ordinance introduced by the Government of Karnataka focuses on strengthening borrower protection, particularly for vulnerable segments such as low-income households, women, and farmers. It places explicit restrictions on coercive recovery practices, including harassment and intimidation, and brings microfinance institutions, moneylenders, and other lending entities under tighter regulatory oversight through compliance and registration requirements. The framework also emphasises transparency by mandating clear disclosure of loan terms, interest rates, and charges, thereby promoting informed borrowing and fair lending practices.

The Ordinance signifies increased state-level intervention alongside the regulatory framework of the RBI, particularly in areas of recovery conduct and borrower protection. While it is expected to strengthen responsible lending practices and improve borrower safeguards, it may also lead to more cautious lending behaviour and higher compliance requirements for lenders, potentially impacting credit flow in the short term, especially in higher-risk borrower segments.

### ➤ **Tamil Nadu Money Lending Entities (Prevention of Coercive Actions) Act, 2025**

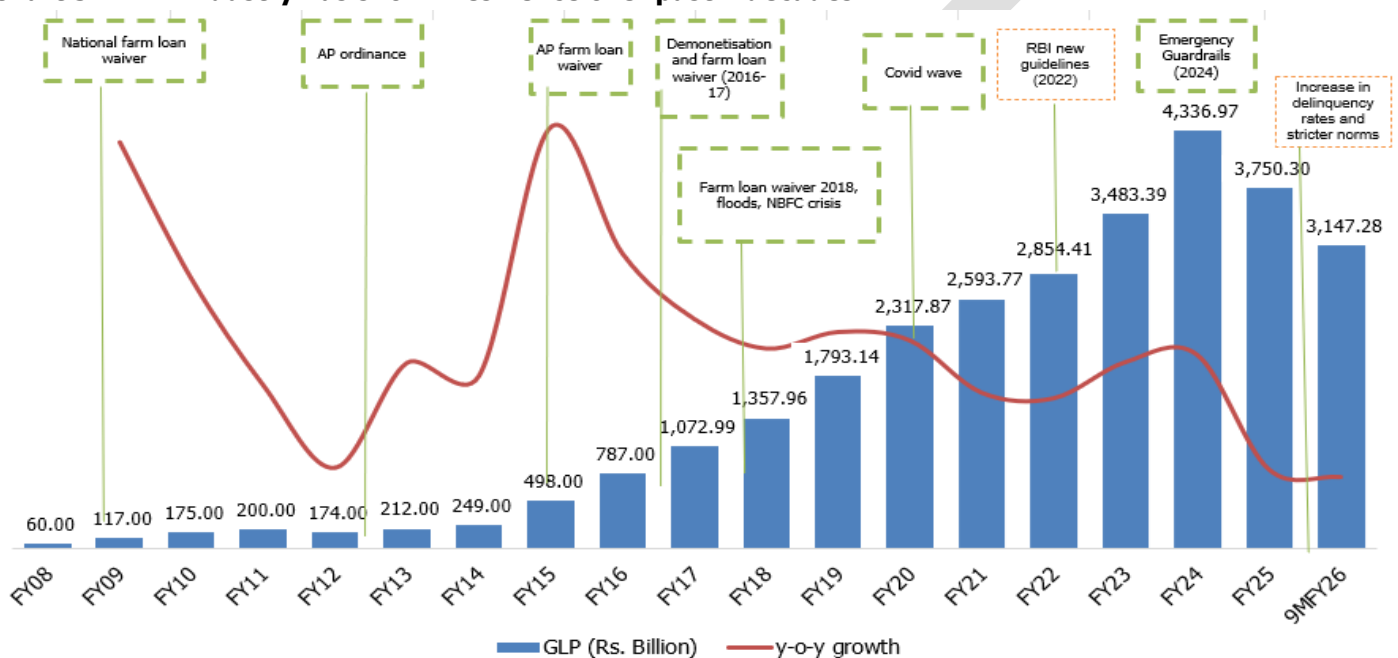
The Act introduced by the Government of Tamil Nadu aims to strengthen borrower protection by regulating the conduct of money lending entities, including microfinance institutions and informal lenders. It prohibits coercive recovery practices such as harassment, intimidation, and undue pressure, and brings lenders under a formal regulatory framework through registration and compliance requirements. The Act also emphasises transparency in lending by mandating clear disclosure of loan terms, interest rates, and charges, along with provisions for grievance redressal to safeguard borrower interests.

The Act reflects heightened state-level intervention in the microfinance and small loan ecosystem, complementing the regulatory oversight of the Reserve Bank of India. While it is expected to reinforce responsible lending practices and enhance borrower protection, it may lead to stricter compliance requirements and more cautious lending by institutions, particularly in higher-risk segments, potentially affecting credit availability in the near term while improving long-term sector stability.

### ➤ **Credit Guarantee Scheme for Microfinance Institutions 2.0 (2026)**

The Government of India has introduced the Credit Guarantee Scheme for Microfinance Institutions 2.0 (CGSMFI 2.0) to enhance credit flow to the microfinance sector by providing guarantees on loans extended by banks and financial institutions to eligible MFIs. The scheme is designed to facilitate incremental credit flow of up to Rs 20,000 crore to NBFC-MFIs, thereby enhancing their ability to lend to small and under-served borrowers, with an estimated benefit to around 36 lakh borrowers. The scheme aims to improve last-mile financial inclusion, particularly for low-income households, by mitigating lender risk and enabling MFIs to access lower-cost funding, thereby supporting sustained credit growth in under-served segments.

**Chart 54: MFI industry has shown resilience over past 2 decades**

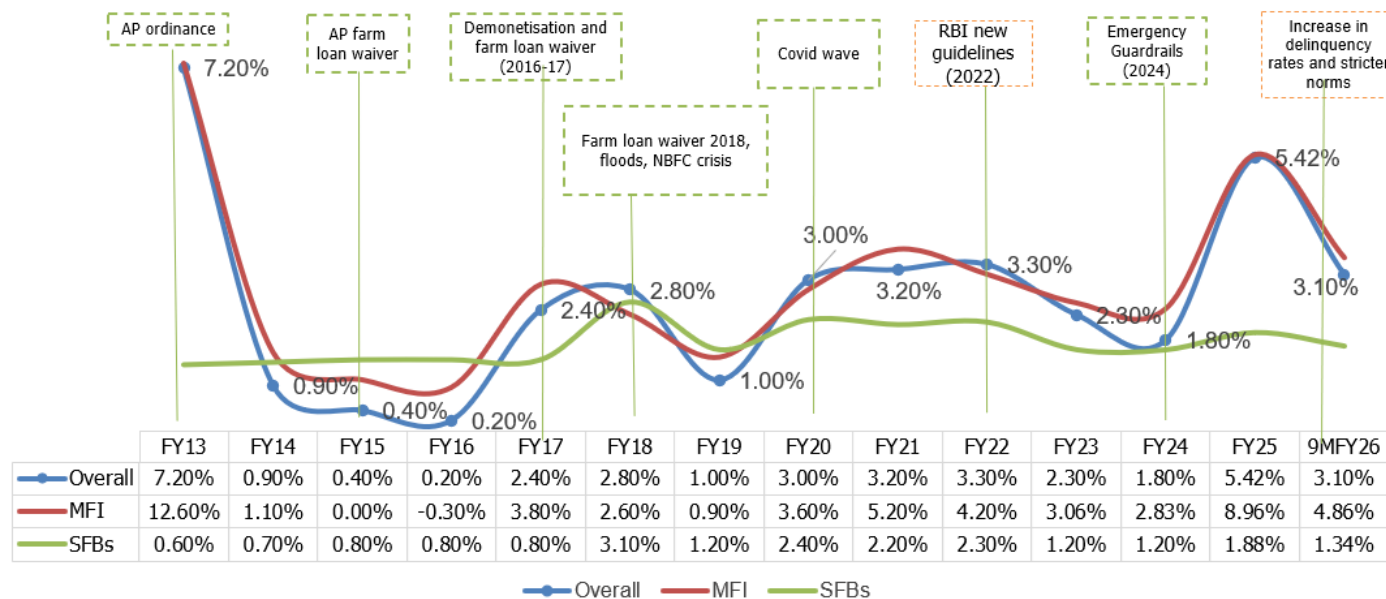


Source: MFIN, CareEdge Research

Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG; The amounts are as at the end of Fiscal year.

Over the years, MFIs have proven their resilience to high-impact events while continuing to advance financial inclusion by extending credit to borrowers at the bottom of the economic pyramid. Despite serving a relatively vulnerable customer base, the sector has historically exhibited strong recovery capabilities following systemic shocks such as demonetisation, with profitability sustained across cycles. During the pandemic, MFIs further strengthened their balance sheets through timely equity infusions, underscoring investor confidence in the sector’s long-term growth potential, countercyclical adaptability, and embedded social impact. Their ability to navigate crisis has been supported by proactive risk management, disciplined underwriting, and calibrated portfolio realignment. Additionally, the RBI’s evolving regulatory framework has played a pivotal role in fostering sustainable growth, enhancing governance standards, and mitigating systemic vulnerabilities, thereby reinforcing the sector’s long-term stability.

Chart 55: Impact of Various Events on Credit Costs for Microfinance Industry



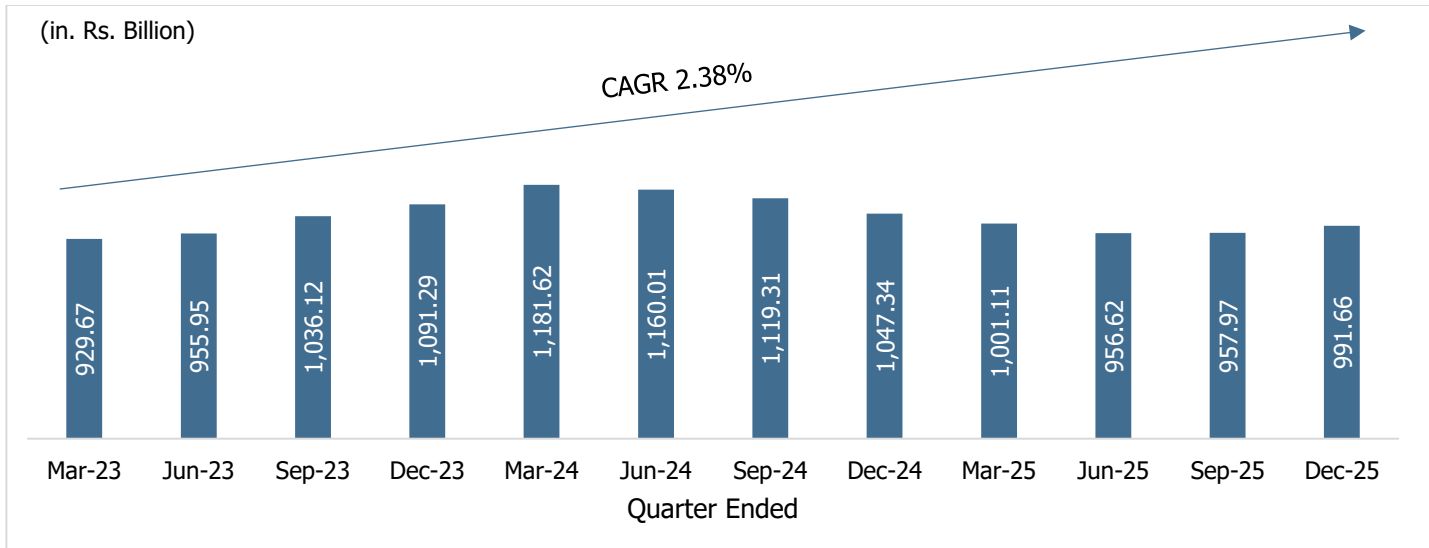
Note: Data includes data for 12 NBFC MFIs and eight SFBs including Equitas SFB, Ujjivan SFB, AU SFB, Jana SFB, ESAF SFB, Suryoday SFB, Capital SFB, and Utkarsh SFB which constitute more than 80% of Industry

#### 4.10 Impact of Major Disruptive Events on Asset Quality in the Microfinance Sector

The microfinance sector in India has historically demonstrated sensitivity to regulatory shocks, liquidity disruptions, and natural calamities. Events such as the Andhra Pradesh microfinance crisis, demonetisation, and large-scale natural disasters have had varying degrees of impact on repayment behaviour and portfolio quality. A comparison of these disruptions with the COVID-19 pandemic highlights differences in scale, geographic spread, and recovery dynamics.

- The **Andhra Pradesh microfinance crisis (2010)** represented a structural and region-specific shock to the sector. Regulatory actions at the state level, coupled with restrictions on collections, resulted in a sharp deterioration in repayment discipline within the state. The event exposed vulnerabilities related to borrower over-indebtedness, concentration risk, and governance gaps. Asset quality deterioration was severe in the affected geography, and the crisis triggered significant sectoral reforms. Unlike subsequent events, the crisis was concentrated geographically but had long-term structural implications for underwriting standards and regulatory frameworks.
- **Demonetisation (2016)** constituted a liquidity-driven disruption affecting cash-dependent borrowers, particularly in rural and informal segments. On November 8, 2016, the Government of India announced the demonetisation of Rs 500 and Rs 1,000 bank notes, resulting in the withdrawal of approximately 86% of the currency in circulation by value. The gradual replacement of currency, particularly in rural and semi-urban areas, led to liquidity constraints and had an immediate adverse impact on the microfinance sector, which is largely cash-based. Collection efficiencies declined and delinquencies increased across the industry.
- The **liquidity crisis** plaguing NBFCs in India had a minor ripple effect on micro-lenders. Lenders who relied on NBFCs for funding slowed down disbursement and started looking at different avenues to raise money. However, the impact of the crisis was not that profound since large NBFC-MFIs had a diversified funding mix and were able to leverage this to their advantage.

#### Funding trend of NBFC-MFIs (outstanding borrowing)



Note: Data includes only NBFC-MFIs  
Source: MFIN, CareEdge Research

Between Mar-23 and Dec-25 NBFC–MFI borrowings recorded a modest CAGR of 2.38%, reflecting an overall consolidation phase despite interim volatility. Borrowings rose sharply until FY24, driven by strong credit demand, improved collections, and supportive lender sentiment, enabling portfolio expansion. However, from FY24 onwards, outstanding borrowings declined due to emerging asset quality pressures, tighter lender risk appetite, and higher funding costs, prompting MFIs to moderate disbursements and prioritise balance sheet stability. By 9MFY26, borrowings stabilised, indicating sector adjustment to stress conditions and a shift towards cautious, quality-focused growth rather than aggressive expansion.

- Natural calamities such as **cyclones and floods** have also periodically affected microfinance portfolios, particularly in coastal and agriculturally dependent states. These events typically result in short-term stress due to livelihood disruption and infrastructure damage. However, the impact is often localised and mitigated through relief measures, restructuring support, and community-based repayment mechanisms. Consequently, asset quality stress from natural disasters has historically been region-specific and temporary in nature.

In contrast, the **COVID-19 pandemic** represented an unprecedented, nationwide economic disruption. Lockdowns and mobility restrictions affected both rural and urban borrowers simultaneously, disrupting income generation across agriculture, services, and informal employment. The scale and duration of the shock were materially larger than prior disruptions. However, policy measures including regulatory moratoriums, liquidity support, and government relief schemes helped cushion the immediate impact on repayment behaviour. Unlike demonetisation, which was primarily a liquidity shock, COVID-19 combined income disruption with mobility restrictions, leading to a broader but policy-mitigated stress on asset quality.

In summary, while the Andhra Pradesh crisis was regulatory and concentrated, demonetisation was liquidity-driven and temporary, and natural calamities have been localised and cyclical, the COVID-19 pandemic was systemic and nationwide. The sector’s prior experience with these disruptions strengthened risk management frameworks, regulatory oversight, and operational resilience, which moderated the longer-term asset quality impact during the pandemic relative to the severity of the initial shock.

#### 4.11 Impact of COVID on rural and urban market

The COVID-19 pandemic had a differentiated impact on rural and urban markets, shaped by variations in income sources, employment structures, and access to mobility and formal support systems. While both segments experienced economic disruption, the intensity and recovery trajectory varied meaningfully across regions.

In urban markets, the impact was more immediate and pronounced due to the concentration of salaried employment, informal service-sector jobs, and small businesses that were directly affected by prolonged lockdowns and mobility restrictions. Job losses, salary reductions, and business closures weakened household cash flows, leading to higher stress on loan repayments, particularly among urban informal workers and micro-entrepreneurs. The disruption to supply chains and limited operating hours further constrained income generation, resulting in a sharper short-term deterioration in repayment behaviour.

Rural markets, although not immune, demonstrated relatively higher resilience during the initial phases of the pandemic. Agricultural activities, allied sectors, and government support measures helped cushion income shocks to some extent. The continuity of farming operations and rural employment schemes provided partial income stability, supporting basic consumption and debt servicing. However, rural households engaged in non-farm activities and migrant-dependent income streams faced stress due to reverse migration and reduced remittances.

Over time, recovery trends also diverged. Urban markets exhibited a faster rebound as economic activity normalised, businesses reopened, and employment opportunities gradually returned, albeit unevenly across sectors. In contrast, rural recovery was steadier and more gradual, supported by agricultural output and public welfare measures, though lingering effects on discretionary income and indebtedness persisted in certain regions.

Overall, the pandemic underscored the structural differences between rural and urban markets, highlighting the higher volatility of urban informal incomes and the relative stability, but slower recovery of rural livelihoods. These dynamics had important implications for credit performance, portfolio risk, and lending strategies across regions.

#### 4.12 Key government steps that supported MFIs during the Covid-19 crisis

- **Reducing the debt servicing burden through a moratorium period:** The RBI initially allowed lending institutions to grant a three-month moratorium on repayment of instalments for term loans outstanding as on March 1, 2020, along with a deferment of interest payments on working capital facilities. This moratorium was subsequently extended by another three months until August 31. Banks were required to maintain an additional 10% provisioning for accounts availing of the moratorium, which could later be adjusted against provisions for actual slippage. These measures were aimed at supporting borrower liquidity and restoring confidence in the broader economy.
- **Refinance support from RBI:** In April 2020, the RBI announced refinance support of Rs 250 billion to the National Bank for Agriculture and Rural Development, which in turn provides funding support to NBFC-MFIs, regional rural banks and co-operative banks.
- **Loan interest subvention scheme:** Under this scheme, the government extended a 2% interest subvention on loans disbursed under the Mudra-Shishu category. These loans, with ticket sizes up to Rs 50,000, are largely extended by NBFC-MFIs to low-income borrowers.
- **PSL status for SFB lending to NBFC-MFIs:** On May 5, 2021, the RBI permitted fresh lending by SFBs to NBFC-MFIs with asset size below Rs 5 billion, for onward lending to individual borrowers, to be classified under priority sector lending. This step facilitated improved credit flow to smaller MFIs that were facing comparatively greater funding constraints. The dispensation remained available until March 31, 2022.

- **SLTRO:** The RBI introduced a special long-term repo operation programme of Rs 100 billion for SFBs to mitigate the impact of the second Covid-19 wave. The first auction was conducted on May 17, 2021, and subsequent auctions were held until the allocated amount was fully utilised. Funds raised under this window were to be deployed towards lending to small business units and the unorganised sector.
- **Credit Guarantee Scheme:** On June 28, 2021, the finance minister announced a Credit Guarantee Scheme routed through MFIs, covering the first 2.5 million borrowers for a maximum tenure of three years. Up to three-fourths of the guarantee was extended to scheduled commercial banks for loans up to Rs 1.25 lakh to new or existing NBFC-MFIs. This measure aimed to alleviate the acute cash flow stress experienced by individuals and small enterprises during the second wave.
- **Guardrail 1 - Accountability and Governance:** This guardrail emphasises the need for a structured and well-defined governance framework to ensure responsible deployment and oversight of AI systems within an organisation. It involves establishing clear accountability mechanisms, including the designation of an overall AI owner and the development of a comprehensive AI strategy aligned with business objectives. In addition, organisations are required to build internal capabilities through targeted training and awareness initiatives, while also ensuring that AI systems operate in compliance with applicable regulatory and legal standards. Collectively, these measures promote transparency, accountability, and effective oversight in AI adoption.
- **Guardrail 2 - Risk Management Process:** This guardrail focuses on the implementation of a robust and continuous risk management framework to address potential risks arising from AI systems. It requires organisations to proactively identify risks based on the intended use and impact of AI applications, and to conduct stakeholder impact assessments to evaluate potential consequences on users and other affected parties. Further, it emphasises the need for ongoing risk monitoring and periodic reassessment throughout the lifecycle of AI systems, ensuring that emerging risks are identified and mitigated in a timely manner, thereby supporting safe and responsible AI deployment.

#### **4.13 RBI's Cease and Desist (C&D) orders to Microfinance Institutions (MFIs), update and measures or steps taken post supervisory restrictions**

##### **Cease and Desist (C&D) order by the RBI:**

Over the past five years, Reserve Bank of India has adopted an effective regulatory posture, utilising business restrictions, often referred to as Cease and Desist (C&D) orders to enforce compliance, transparency and technological resilience. While these actions may generate short-term market volatility for the affected entities, historical data confirms they are temporary. Companies that engage proactively with the regulator and invest in systemic upgrades routinely exit these restrictions within six to ten months and emerge with structured and compliance driven operational frameworks.

##### **4.13.1 Overview of RBI Cease & Desist Actions**

###### **What is Cease and Desist:**

A C&D or supervisory restriction is a targeted regulatory order issued by the RBI- typically under Section 35A of the Banking Regulation Act, 1949, or Section 45L of the RBI Act, 1934 (for NBFCs). Rather than revoking a license, the RBI temporarily restricts specific business activities, such as onboarding new customers digitally, issuing new credit cards, or disbursing loans under specific products.

###### **When it is applied:**

These orders are applied when the regulator identifies material supervisory concerns during routine or special audits. They act as an immediate "pause" button to prevent systemic risk or consumer detriment while the entity rectifies the identified gaps.

###### **The rationale behind the regulator action:**

The RBI's primary objectives behind such actions are protecting consumer interests and maintaining systemic stability. Recent actions have been driven by three core rationales:

- a. **Technological Resilience:** Ensuring core banking systems and IT infrastructures can handle rapid digital scaling without extended outages.
- b. **Pricing & Transparency:** Enforcing the Digital Lending Guidelines, particularly the accurate issuance of Key Fact Statements and preventing usurious pricing models.
- c. **Process Integrity:** Addressing gaps in onboarding (KYC lapses) or operational processes.

#### 4.13.2 Landscape Analysis: Actions Over the Past Five Years

Over the last five years, the RBI has initiated approximately 10 to 15 major business restrictions against banks and NBFCs. This demonstrates that regulatory scrutiny is a sector-wide baseline, not an isolated risk.

#### Sector-Wise Analysis and Remediation Timelines

The following tables provide details on the specific entities affected, the duration of the business embargoes, and the core vulnerabilities exposed.

#### Commercial & Payments Banks: IT and KYC Vulnerabilities

Banks primarily faced restrictions on digital acquisition and credit card issuance. The remediation for IT-related deficiencies proved to be a lengthy and capital-intensive process.

Entity	Primary Vulnerability	Order Issued	Order Revoked	Embargo Duration
<b>Kotak Mahindra Bank</b>	Severe IT infrastructure deficits; failure to manage traffic surges.	Apr 24, 2024	Feb 12, 2025	~10 Months
<b>Bank of Baroda</b>	Governance failure in 'bob World' app onboarding (KYC tampering).	Oct 10, 2023	May 8, 2024	~7 Months
<b>Paytm Payments Bank</b>	Persistent, systemic KYC and AML compliance failures.	Jan 31, 2024	Permanent	N/A (Core business ceased)
<b>SBM Bank</b>	LRS transaction compliance failures.	Jan 23, 2023	Mid-2024 (Phased)	~18 Months
<b>Federal Bank</b>	Regulatory gaps in co-branded credit card issuance.	Mar 12, 2024	NA	NA
<b>South Indian Bank</b>	The directive followed concerns about compliance with credit card issuance and conduct rules, particularly around co-branding partner access to customer data.	Mar 12, 2024	NA	NA

#### 4.13.3 NBFCs & Microfinance Institutions: Pricing and Asset Quality

The NBFC sector faced prudent, targeted action primarily concerning excessive interest rates and unfair practices. Notably, once these entities recalibrated their pricing models, the RBI lifted the restrictions relatively quickly.

In October 2024, the RBI issued an order against four NBFCs, including Arohan Financial Services, and directed such NBFCs, to cease and desist from sanction or disbursement of loans with effect from close of business of October 21, 2024, until certain material supervisory concerns of the RBI were suitably remediated (the "RBI Order"). The RBI lifted the

restrictions from Arohan Financial Services on January 3, 2025, marking the second fastest industry exits from such an order, achieved within less than 75 days.

Entity	Primary Vulnerability	Order Issued	Order Revoked	Embargo Duration
<b>Navi Finserv</b>	Usurious pricing & non-compliance with Fair Practices.	Oct 17, 2024	Dec 2, 2024	~1.5 Months (42 days)
<b>Arohan Financial Services</b>	Usurious pricing & non-compliance with Fair Practices.	Oct 17, 2024	Jan 3, 2025	~2.5 Months (74 days)
<b>DMI Finance</b>	Usurious pricing & excessive interest margins.	Oct 17, 2024	Jan 8, 2025	~2.5 Months (79 days)
<b>Asirvad Micro Finance</b>	Usurious pricing & poor household income assessment.	Oct 17, 2024	Jan 8, 2025	~2.5 Months (79 days)
<b>Bajaj Finance</b>	Immediately stop the sanction and disbursement of new loans via 'eCOM' and 'Insta EMI Card' products.	Nov 15, 2023	May 2, 2024	~5.6 Months (169 days)
<b>IIFL Finance</b>	Material concerns in Gold Loan valuation and disbursement.	Mar 4, 2024	Sep 19, 2024	~6.5 Months (199 days)
<b>Edelweiss (ECL &amp; EARCL)</b>	Evergreening of stressed assets via structured transactions.	May 29, 2024	Dec 17, 2024	~6.5 Months (202 days)
<b>JM Financial Products</b>	Governance issues in IPO financing (shares/debentures).	Mar 5, 2024	Oct 18, 2024	~7.5 Months (227 days)

#### 4.13.4 Resolution & Recovery: The path to exiting C&D

A critical takeaway for investors is that RBI restrictions are remedial, not punitive end-states. Typical Time Taken to Exit: Based on the actions over the past five years, the average time taken for an entity to resolve the issues, complete external audits, and have the restrictions lifted is between 3 to 10 months, depending on the complexity of the remediation.

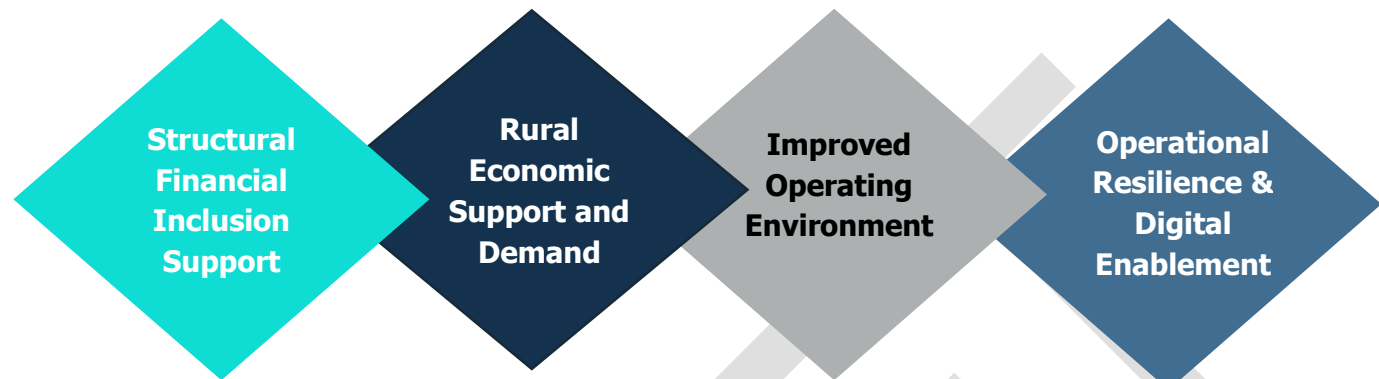
- **Fast Resolutions (2–6 months):** Navi Finserv, Arohan Finance DMI Finance, and Asirvad Micro Finance had their curbs lifted between December 2024 and January 2025. Bajaj Finance resolved its KFS issues in roughly 6 months (lifted May 2024).
- **Medium Resolutions (6–10 months):** IIFL Finance exited its gold loan ban in about 6.5 months (September 2024). Bank of Baroda's ban was lifted in 7 months.
- **Complex Tech Overhauls (10+ months):** Kotak Mahindra Bank resolved its deep-rooted IT gaps in 10 months for a complete lift.

The regulatory restrictions by the RBI are typically intended to be remedial and temporary rather than punitive so long as the concerned entity responds with prompt, concrete and independently verifiable corrective measures. Such actions signal regulatory seriousness and institutional accountability, which can facilitate the easing of supervisory constraints.

It should be noted that the regulatory measures and proactiveness with regards to rapid changes in technology and innovative business models have risen materially to avoid any systemic risk. Expansion and growth indicators, while still relevant, no longer occupy centre stage in supervisory evaluation. Instead, regulators are placing substantially greater weight on the strength and resilience of IT systems, transparency in pricing structures and disclosures to customers and uncompromising compliance with KYC (Know Your Customer) requirements. In effect, sustainable governance,

technological robustness and compliance discipline now form the primary foundation of regulatory comfort, with growth treated as a by-product of operational integrity rather than its substitute.

#### 4.14 MFI industry growth drivers pointing towards a sustained recovery in the sector



The points below include the developments in the microfinance sector that suggest improving stability and the potential for a sustained recovery.

- **Structural Financial Inclusion Support:** Government data on financial inclusion show broad improvements in access to formal financial services, notably through initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY). As of December 2025, over 573.3 million PMJDY accounts have been opened, with significant rural penetration, forming a foundation that supports microfinance activity by expanding the base of potential borrowers connected to formal credit systems.
- **Rural Economic Support and Demand Potential:** Data released by the Government of India's Rural Economic Conditions and Sentiments Survey (RECSS), July 2025, indicate rising rural incomes and consumption, with over three-fourths of surveyed households reporting increased consumption and nearly 40% reporting higher income. This strengthening of rural economic fundamentals supports future credit demand, which is a key underlying driver for microfinance growth.
- **Improved Operating Environment in Rural and Semi-Urban Areas:** Broader improvements in rural livelihoods, infrastructure development, and social welfare delivery mechanisms have strengthened household income stability. A more resilient rural economy improves repayment behaviour and credit absorption capacity, which is essential for sustained recovery in microfinance operations.
- **Operational Resilience and Digital Enablement:** MFIs have increasingly adopted digital tools for customer onboarding, collections, and monitoring, improving operational efficiency and risk management. This digital shift enhances transparency, reduces operating costs, and supports scalability without compromising credit discipline.

In the Union Budget 2025–26, the development of the Grameen Credit Score was announced. This framework is expected to be created by public sector banks to assess the credit needs of Self-Help Group (SHG) members and people in rural areas by leveraging both conventional and alternative data. This will enable lending institutions to make data-driven credit decisions, thereby advancing the government's financial inclusion agenda and expanding credit access for rural communities.

MFIs have played a meaningful role in improving the socio-economic conditions of low-income households by providing timely and collateral-free access to formal credit. By supporting income-generating activities such as small retail trade, agriculture-allied businesses, tailoring, livestock rearing and other micro-enterprises, MFIs contribute to livelihood creation and income stability. A significant proportion of borrowers are women, and access to financial services has been

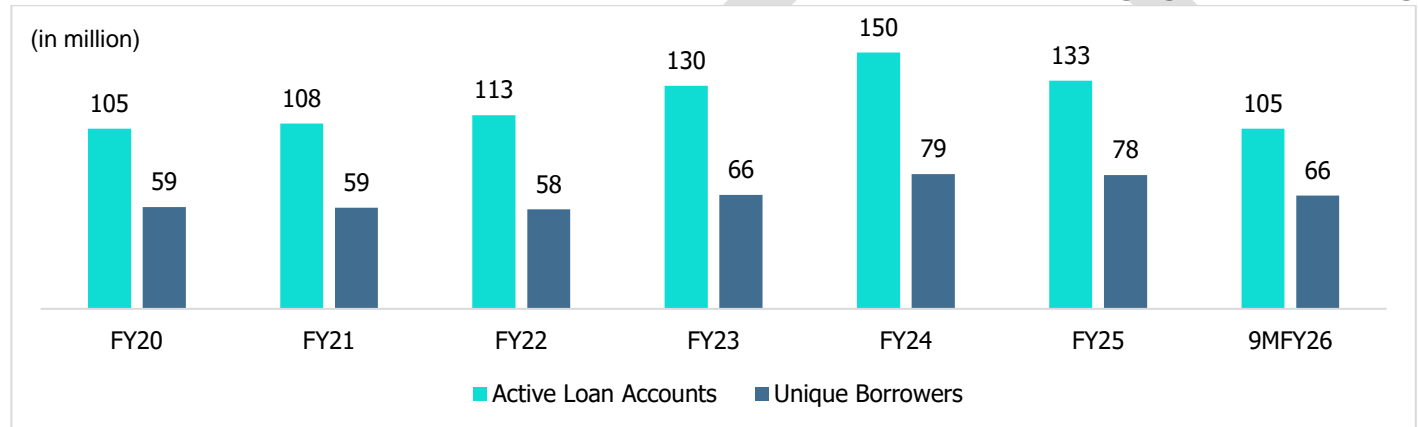
associated with enhanced financial independence, improved household decision-making capacity, and greater participation in economic activity.

Beyond credit, the group-based lending framework adopted by many MFIs fosters financial discipline, peer accountability and regular savings habits. Continued engagement with formal lenders also helps borrowers build credit histories, enabling gradual access to larger and more diversified financial products over time.

Strengthened regulatory oversight, improved credit bureau integration, adoption of technology in underwriting and monitoring, and enhanced risk management practices are expected to support asset quality and operational efficiency. With a renewed focus on prudent lending and borrower protection, MFIs are likely to continue advancing financial inclusion while contributing positively to rural and semi-urban economic development.

**4.15 Trend in number of active MFI loan accounts and unique borrowers**

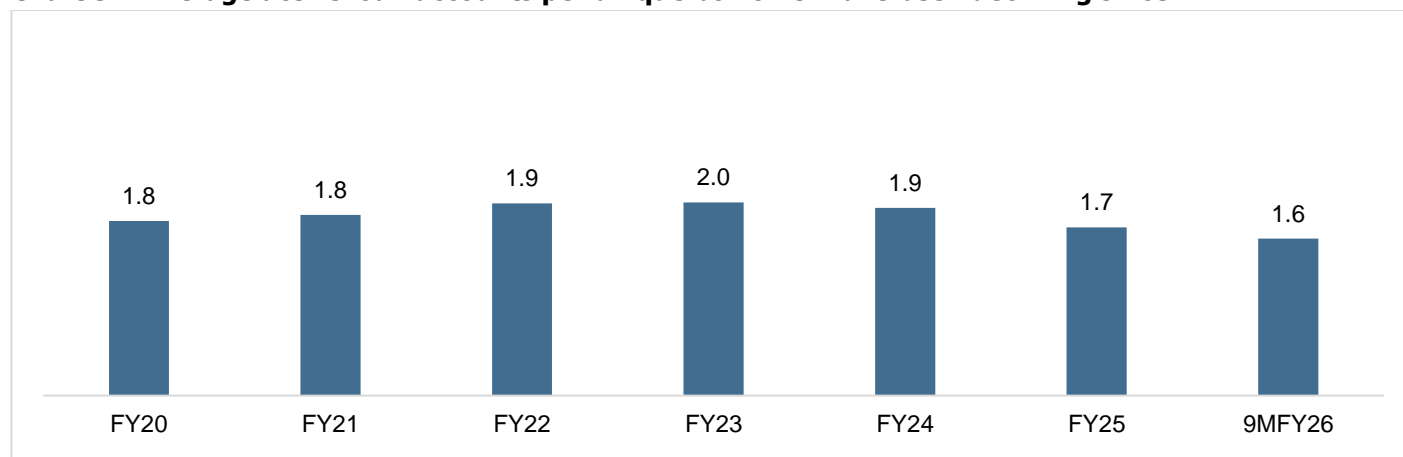
**Chart 56: Active MFI loan accounts witnessed decline in FY25 and 9MFY26 reflecting tighter underwriting**



Source: MFIN, CareEdge Research

Between FY20 and FY22, unique borrowers remained largely flat, reflecting negligible growth, while active loan accounts recorded low single-digit growth, indicating that credit expansion came mainly from existing customers. FY23 marked a sharp recovery phase, with active loan accounts growing by around 15.04% y-o-y growth and unique borrowers increasing by about 14.48% y-o-y growth, driven by economic normalisation and a revival in credit demand post the pandemic. In FY25 active MFI loan accounts declined and unique borrowers remained range bound. By 9MFY26, the trend suggests consolidation, with decline in loan accounts, reflecting tighter underwriting and portfolio rationalisation by lenders. This is in-line with regulatory cap limiting borrowers to a maximum of three lenders, which aims to curb overleveraging, improve credit discipline, and enhance overall asset quality within the microfinance sector.

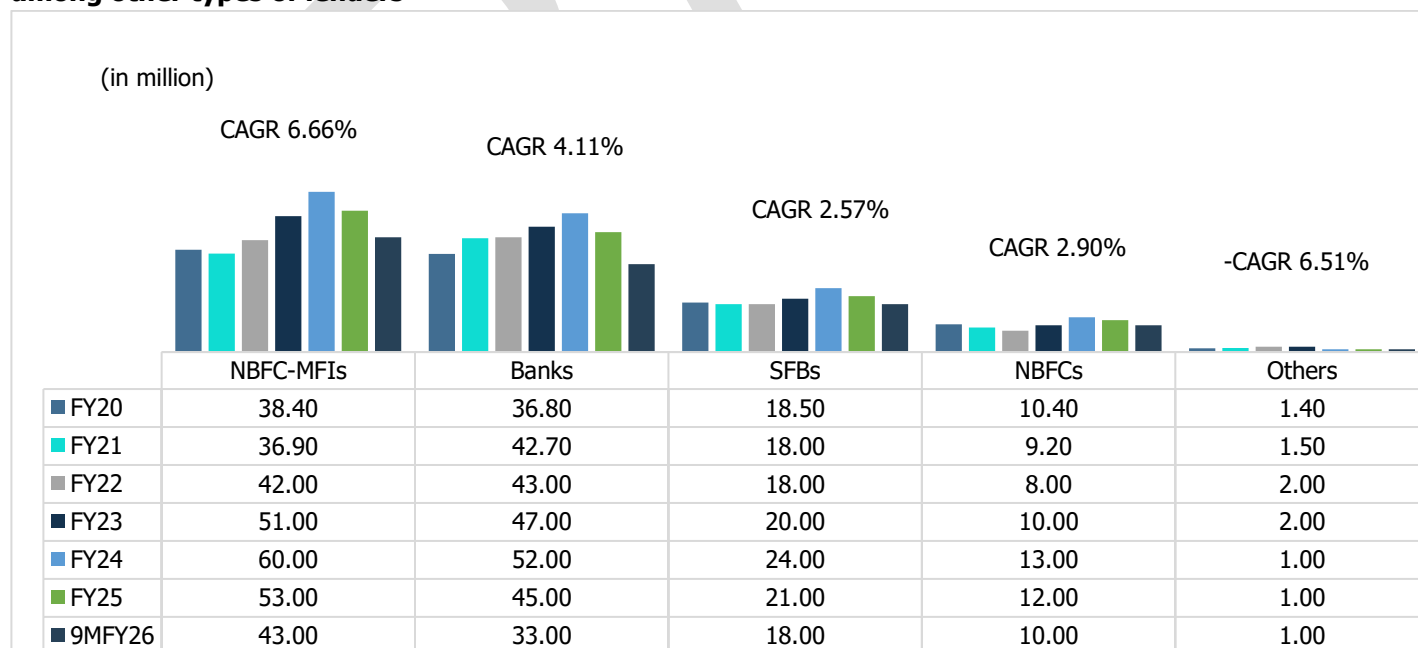
**Chart 57: Average active loan accounts per unique borrower have been declining since FY24**



Source: MFIN, CareEdge Research

The average number of active loan accounts per unique borrower increased gradually from 1.77 in FY20 to a peak of 1.96 in FY23, reflecting a phase of deeper credit penetration and higher cross-borrowing as lenders expanded product offerings and borrowers accessed multiple loan cycles during the post-pandemic recovery. However, the metric moderated thereafter to 1.90 in FY24 and further to 1.59 in 9MFY26, indicating a structural tightening in lending practices driven by heightened regulatory scrutiny under the revised RBI guidelines, improved credit bureau discipline, and a greater focus by NBFC-MFIs on borrower-level indebtedness and loan consolidation. This decline suggests a deliberate shift towards controlling borrower leverage and avoiding excessive multiple lending, even as overall borrower growth continues.

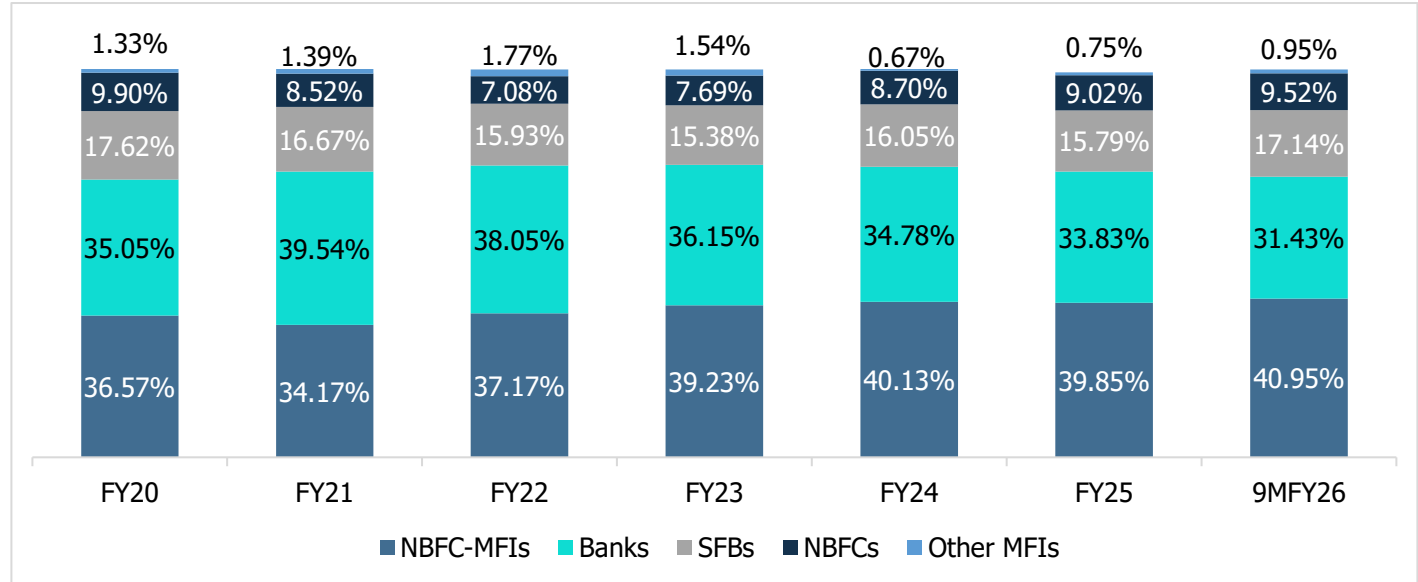
**Chart 58: NBFC-MFIs have highest number of active loan accounts and grew fastest (FY20 to 9MFY26) among other types of lenders**



Source: MFIN, CareEdge Research

Note: Other MFIs include non-profit entities, CAGR growth is between FY20-FY25

**Chart 59: Share of NBFC-MFIs in active loan accounts increased from 36.57% as of FY20 to 40.95% as of 9MFY26**



Source: MFIN, CareEdge Research

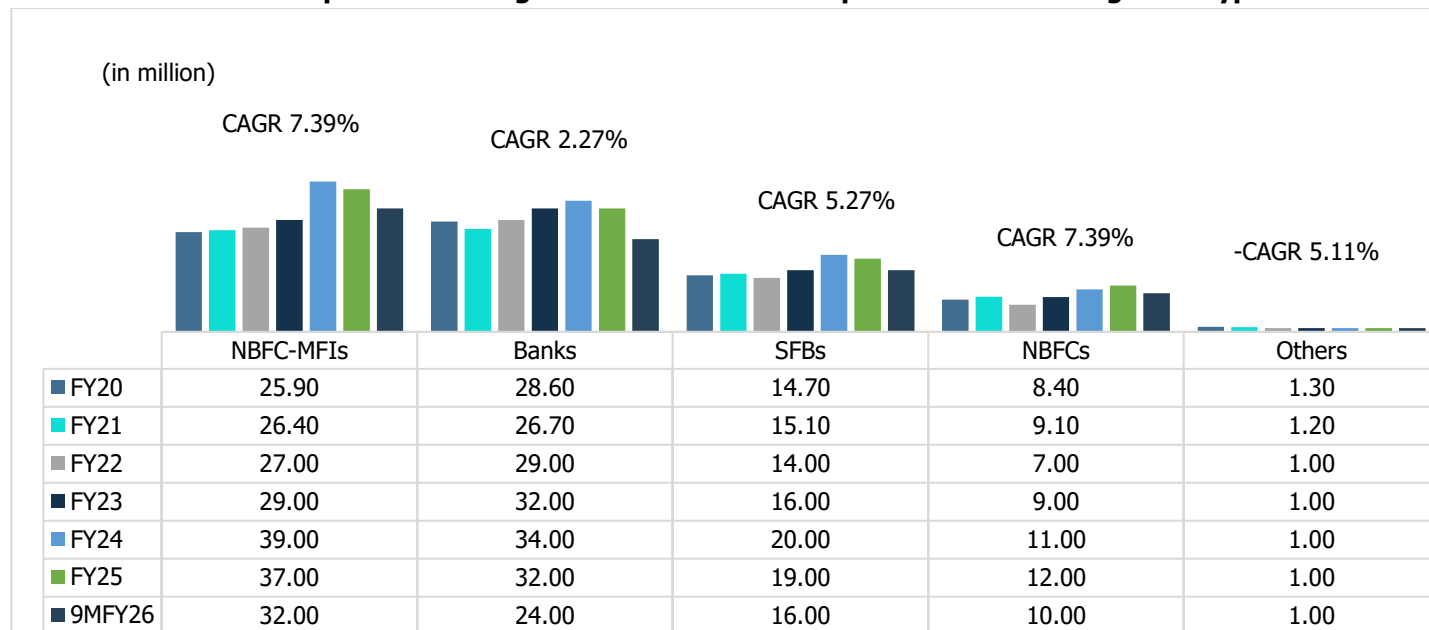
Note: Other MFIs include non-profit entities

**NBFC-MFIs surpassed banks to secure largest share of unique microfinance borrowers**

NBFC-MFIs reported one of the highest growth rates in number of unique borrowers, growing at CAGR of 7.39% between FY20-FY25. In FY24, NBFC-MFIs recorded a robust 34.48% year-on-year growth in number of unique borrowers. This led NBFC-MFIs to acquire largest share in number of unique borrowers in microfinance at 36.63% in FY25, surpassing banks which grew at CAGR of 2.27% during FY20-FY25 and reported 32% share in total number of unique borrowers as of FY25. The number of unique borrowers for SFBs grew at CAGR of 5.27% between FY20-FY25. NBFCs reported CAGR of 7.39% during the same period. As of FY25, SFBs and NBFCs have 18.81% and 11.88% share respectively in number of unique borrowers.

The overall growth in unique borrowers has been primarily driven by NBFC-MFIs’ deeper rural and semi-urban penetration, higher risk appetite within regulated guardrails, quick turnaround time, and stronger last-mile distribution models. Additionally, calibrated risk-based pricing and improved digital onboarding capabilities have supported borrower acquisition and market share gains.

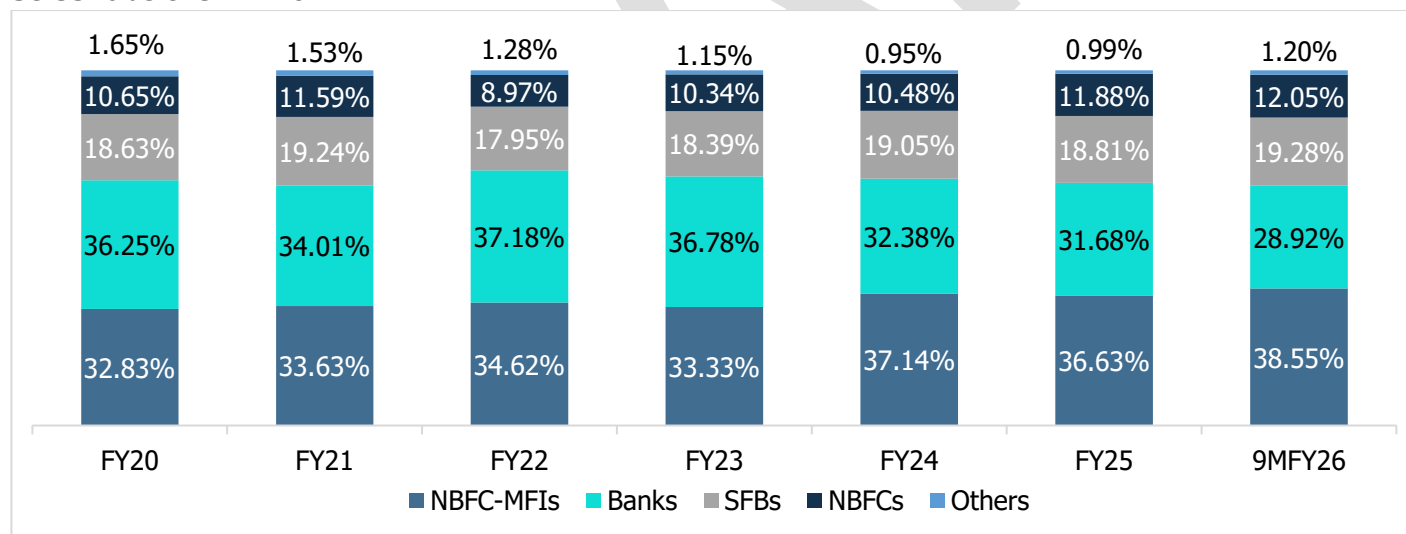
**Chart 60: NBFC-MFIs reported fastest growth in number of unique borrowers among other types of lenders**



Note: Other MFIs include non-profit entities, CAGR growth is between FY20-FY25

Source: MFIN, CareEdge Research

**Chart 61: Share of NBFC-MFIs in number of unique borrowers increased from 32.83% as of FY20 to 38.55% as of 9MFY26**

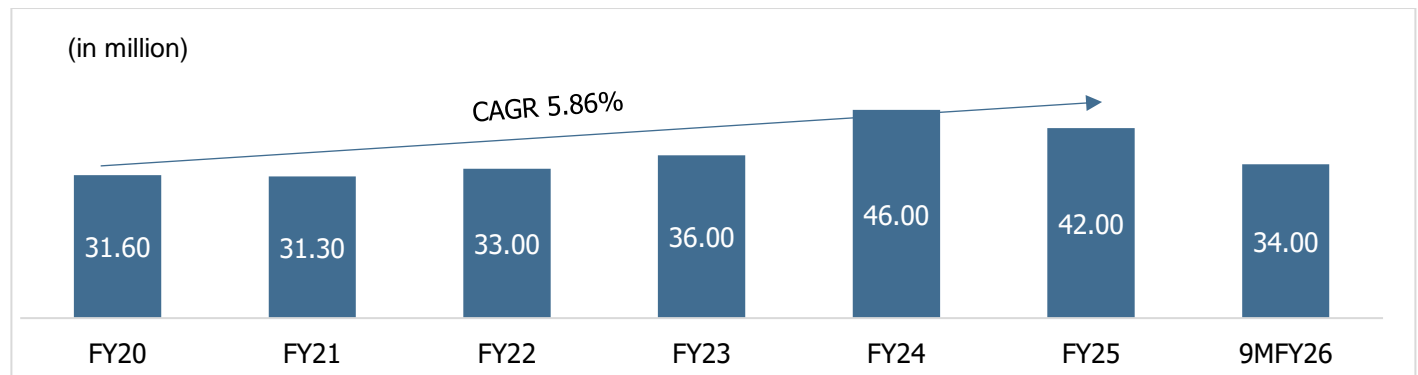


Note: Other MFIs include non-profit entities

Source: MFIN, CareEdge Research

**Number of clients for NBFC-MFIs grew at CAGR of 5.9% between FY20 and FY25**

**Chart 62: Trend in number of clients for NBFC-MFIs**



Note: The client numbers above are the aggregate of clients of MFIs who are members of MFIN. Given some degree of overlaps, it does not reflect the number of 'unique' clients

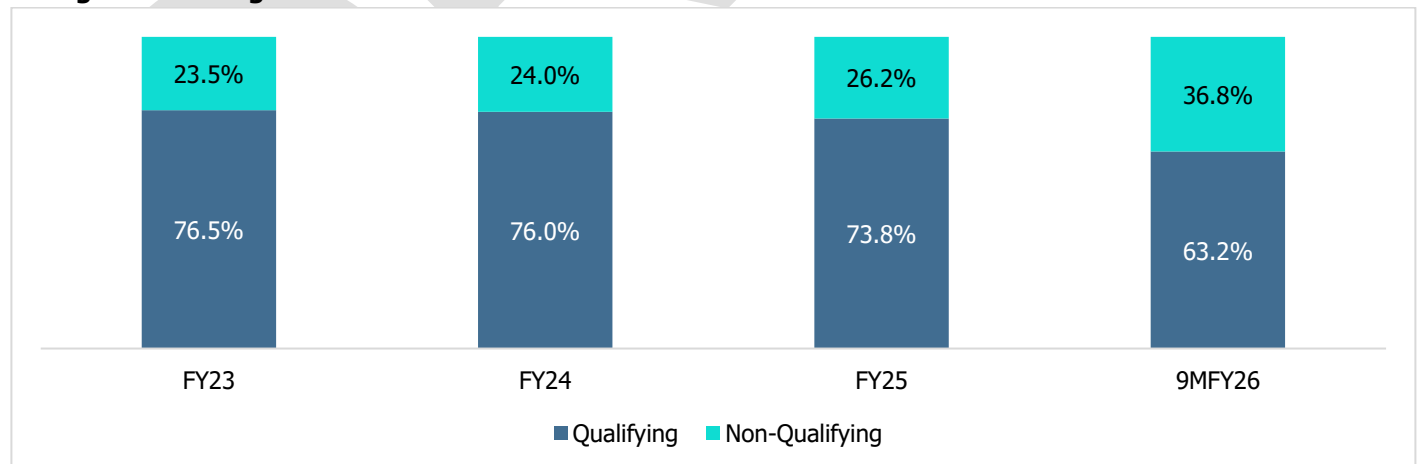
Source: MFIN, CareEdge Research

The number of clients for NBFC-MFIs increased from 31.60 million in FY20 to 42.00 million in FY25, growing at a CAGR of 5.86% during the period. Number of clients witnessed a slight dip in FY21 owing to pandemic. However, the number of clients for NBFC-MFIs witnessed uptick post-covid.

Between FY24 and 9MFY26, the number of clients served by NBFC-MFIs declined from approximately 46.00 million to 34.00 million. This moderation reflects a period of portfolio recalibration driven by asset quality considerations and industry-wide efforts to strengthen credit discipline. Lenders adopted a more cautious underwriting approach, particularly in geographies experiencing stress, and undertook portfolio clean-up to address overleveraged and delinquent accounts. Additionally, voluntary guardrails introduced by MFIN, including a recommended cap of three lenders per borrower, contributed to a rationalisation of borrower bases. Overall, the decline in client numbers appears to be aligned with risk containment and responsible lending objectives rather than a structural contraction in demand.

#### 4.16 NBFC-MFIs diversifying their portfolio

**Chart 63: Share of qualifying assets in owned portfolio of NBFC-MFIs have witnessed decline following changes in RBI regulations**



Source: MFIN, CareEdge Research

The mix of the owned portfolio of NBFC-MFIs reflects a policy-driven shift away from qualifying assets towards non-qualifying assets, with the share of qualifying assets declining from 76.50% in FY23 to 63.20% in 9MFY26, while non-

qualifying assets increased from 23.50% to 36.80%. This trend is largely driven by a combination of business and regulatory factors, including pressure on asset quality and margins in core microfinance lending, which has encouraged NBFC-MFIs to diversify into higher-ticket and allied lending products.

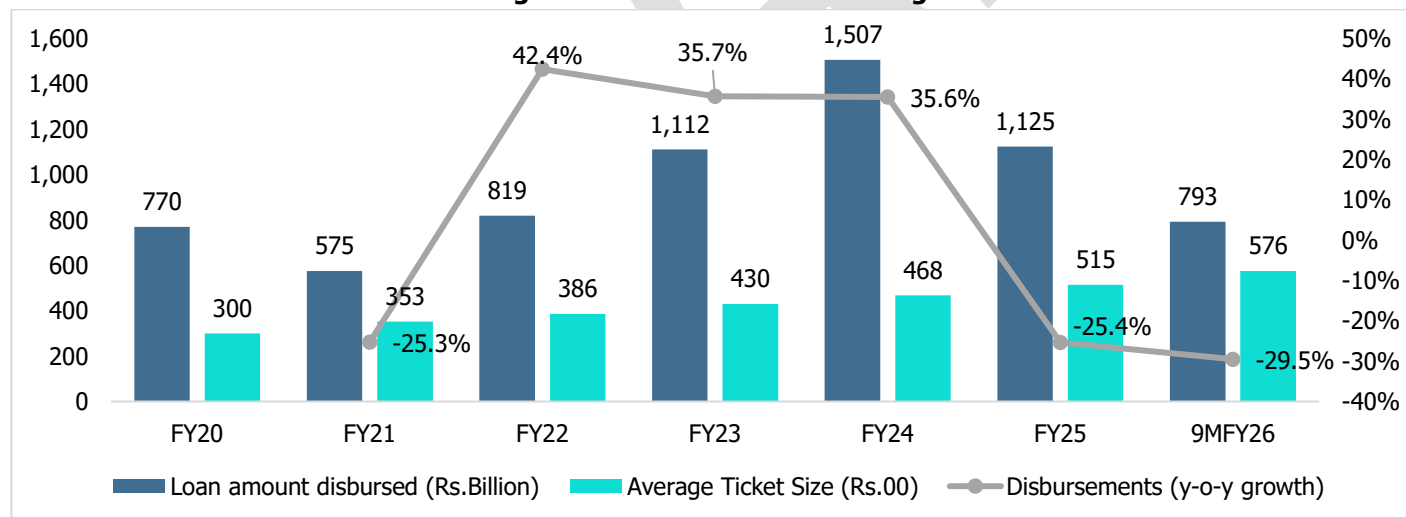
As per the latest RBI guidelines, the definition and operational requirements for qualifying microfinance loans through borrower income caps, loan size limits, and enhanced conduct and risk management norms, effectively narrows the pool of loans that qualify under regulatory criteria. As a result, a portion of portfolio growth has structurally shifted towards permissible non-qualifying segments to sustain growth and profitability, leading to a gradual but visible decline in the share of qualifying assets within the overall owned portfolio.

**4.17 NBFC-MFIs’ disbursements grew at CAGR of 7.88% during FY20 and 9MFY26**

In FY25, NBFC-MFI’s disbursements witnessed degrowth of 25.37% over FY24. This degrowth can be attributed to rising asset quality stress, and tighter underwriting norms following regulatory changes. Lenders prioritized collections and portfolio stability amid higher cost of funds and borrower over-leveraging, leading to a shift from aggressive volume growth to risk-controlled, quality-focused expansion rather than a structural demand slowdown which again can be established from the fact that the number of clients decreased by 8.70% y-o-y in FY25.

During FY24 and FY25, the microfinance industry experienced elevated asset quality pressures arising from a combination of borrower over-indebtedness in certain pockets, uneven cash-flow recovery among low-income households and regulatory recalibration, including the introduction of enhanced underwriting norms and borrower indebtedness limits. These developments resulted in moderation in sector-wide disbursements and heightened focus on portfolio quality across NBFC-MFIs.

**Chart 64: NBFC-MFIs’ disbursements grew at CAGR of 7.88% during FY20 and 9MFY26**

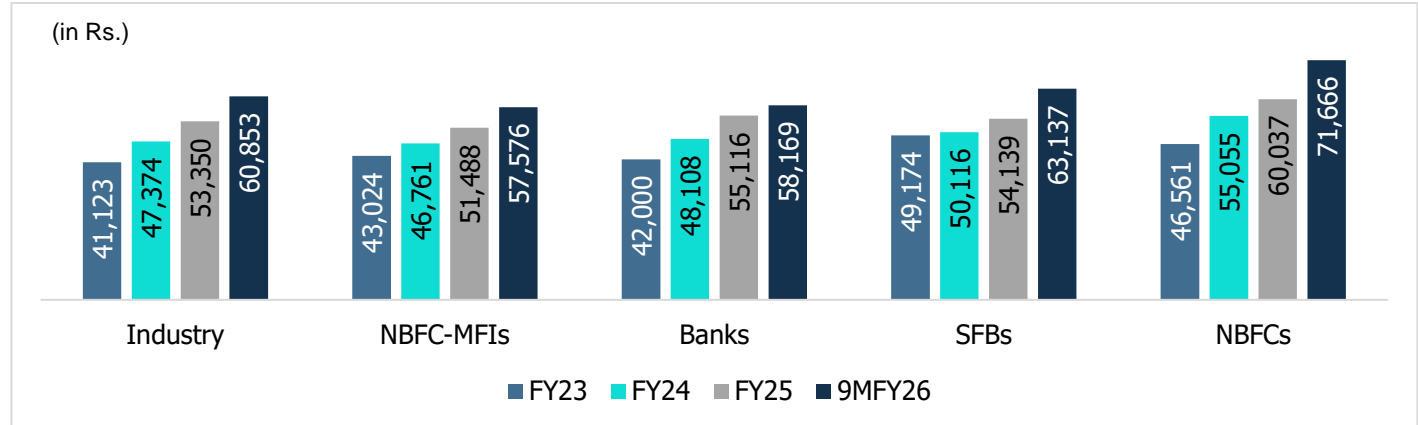


Note: Data includes NBFC MFI players  
Source: MFIN, CareEdge Research

**Average ticket size to continue to expand in the coming years**

The average ticket size of NBFC MFIs has risen from Rs. 43,024 in FY23 to Rs. 57,576 in 9MFY26 quarter. NBFCs reported highest average ticket size among peer groups at Rs. 71,666 in 9MFY26 followed by SFBs at Rs. 63,137, both recording average ticket size higher than the industry. CareEdge Research expects this trend to persist in the medium term with NBFC-MFIs continuing to grow at a healthy pace.

**Chart 65: Average MFI loan ticket size of NBFC-MFI players is lower as compared to the other industry players**



Source: MFIN, CareEdge Research

### Consolidation Before the Next Growth Cycle

The Indian microfinance sector is transitioning from a high growth expansion phase to a period of portfolio recalibration, risk discipline and structural strengthening. After a sharp credit acceleration in FY23 and FY24, FY25 marked the beginning of a moderation cycle characterised by elevated delinquencies, lower disbursements and tighter underwriting standards. This phase, while cyclical in nature, is laying the foundation for a more resilient and sustainable growth trajectory over the medium term.

As per MFIN data, the overall GLP of the microfinance industry declined by 13.53% y-o-y in FY25. This degrowth was accompanied by moderation in disbursements during the year, reflecting lenders’ strategic pivot from volume led growth to asset quality preservation. The decline can be attributed to lenders implementing stringent underwriting norms in response to rising borrower leverage and early signs of stress across regions.

During FY25, the number of active borrowers moderated compared to the previous year, indicating a slowdown in fresh customer acquisition and repeat lending. While average ticket sizes remained relatively stable to marginally higher, overall disbursement volumes fell materially y-o-y. This suggests that lenders prioritised relatively stronger borrower segments and curtailed incremental exposure in districts exhibiting saturation or elevated delinquency trends. Funding conditions also became relatively tighter, with lenders facing higher cost of borrowings compared to the low-rate cycle seen earlier. Consequently, liquidity discipline and balance sheet protection became central themes of FY25.

Asset quality metrics weakened during FY25, with Portfolio at Risk in the 31 to 180 days bucket rising compared to FY24. The stress was more pronounced in select states characterised by higher lender density and borrower overlap. However, the deterioration was not systemic across all regions. Importantly, institutions responded proactively through intensified collection efforts, calibrated branch expansion, strengthened field supervision and more stringent credit bureau checks. Provisioning buffers were enhanced, reflecting prudent recognition of stress rather than aggressive restructuring.

The consolidation phase deepened in FY26, with the industry’s GLP declining further on a y-o-y basis as of 9MFY26. Disbursements during the first nine months of FY26 remained subdued relative to the corresponding period of the previous year, indicating continued caution in fresh origination. The number of active loans and unique borrowers also contracted, reflecting ongoing portfolio rationalisation. NBFC MFIs continued to hold a significant share within the industry structure, although contraction trends were visible across lender categories including banks and SFBs.

From an asset quality perspective, early delinquency buckets showed signs of stabilisation in 9MFY26, suggesting that tighter underwriting norms implemented in FY25 are beginning to yield results. However, stress in longer overdue categories persisted, reflecting lag effects of prior over expansion and repayment strain in certain pockets. The

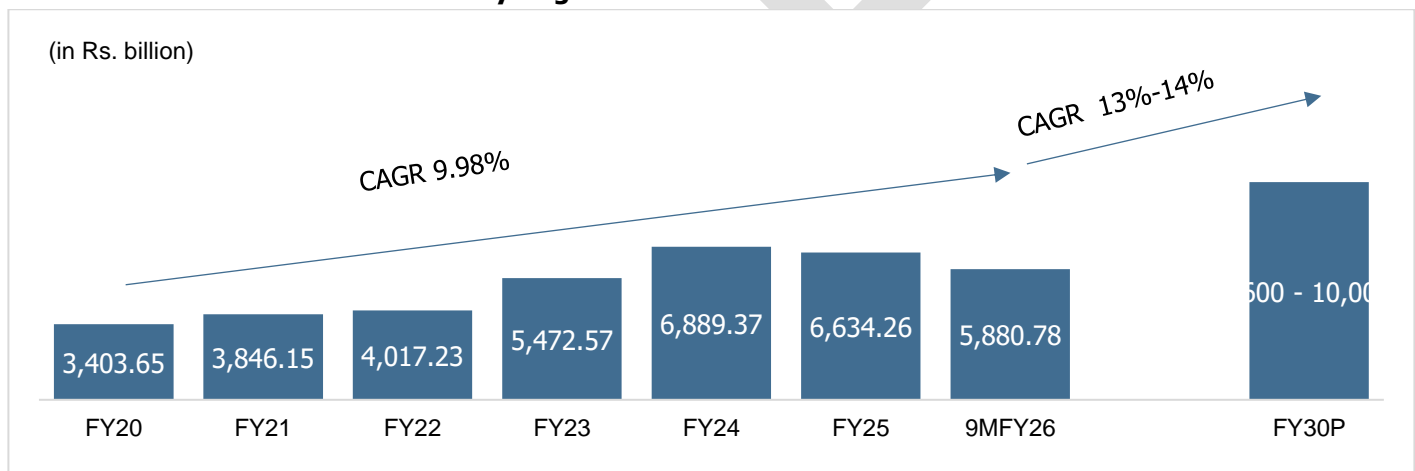
divergence between early bucket improvement and longer bucket stress indicates that the industry is in a healing phase rather than a recovery phase.

Qualitatively, three structural themes define the outlook. First, underwriting standards have become materially stricter, with enhanced borrower indebtedness assessment and bureau-based validation. Second, lenders are prioritising portfolio quality, collection efficiency and capital preservation over branch led expansion. Third, governance and responsible lending frameworks have gained prominence, reducing the probability of unchecked competitive aggression.

Recovery in disbursement momentum will depend on sustained improvement in delinquency trends, normalisation of funding flows and restoration of lender confidence in previously stressed districts. Over the medium term, structural demand for microcredit remains intact, supported by financial inclusion gaps, rural income formalisation and consumption driven credit needs. However, the next growth cycle is expected to be more disciplined, data driven and risk calibrated compared to the previous expansionary phase.

Additionally, heightened geopolitical uncertainties could lead to inflationary pressures and dampen rural consumption, thereby affecting borrowers' repayment behaviour. Any tightening in global liquidity may also elevate funding costs for lenders, constraining credit flow to vulnerable segments. This could delay portfolio stabilisation and prolong stress in already impacted regions. Consequently, near-term growth may remain cautious and uneven across geographies.

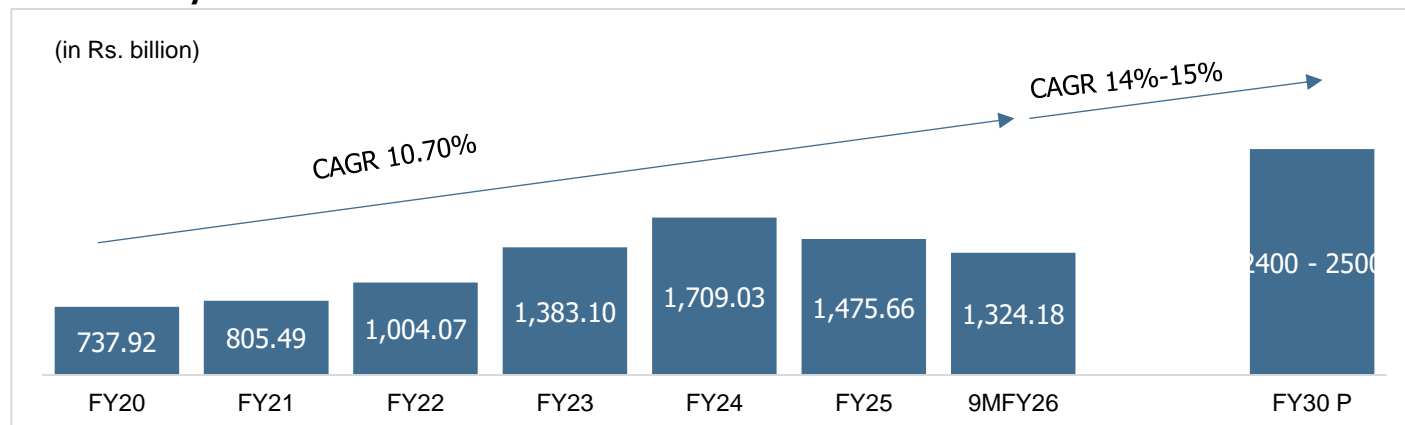
**Chart 66: GLP of overall MFI Industry to grow at 13%-14% CAGR over 9MFY26-FY30**



Note: P – Projected; Chart includes data for bank lending through joint liability group, bank lending through self-help groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: MFIN, CareEdge Research

**Chart 67: GLP of NBFC-MFIs expected to recover soon and experience a period of rapid expansion over the next few years**

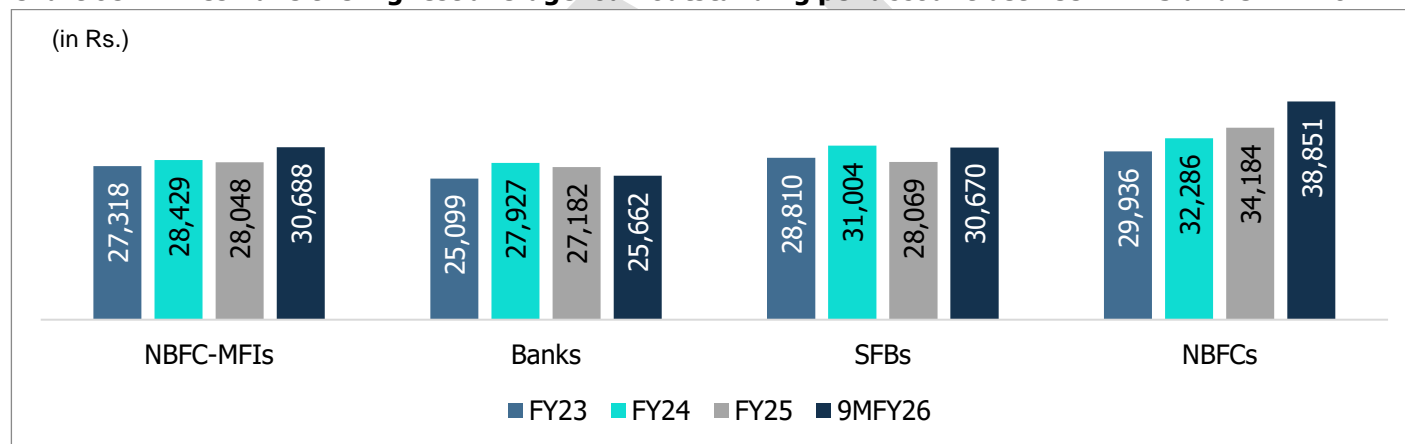


Note: P – Projected; Data includes NBFC MFI players.

Source: MFIN, CareEdge Research

#### 4.18 Market share mix of lenders

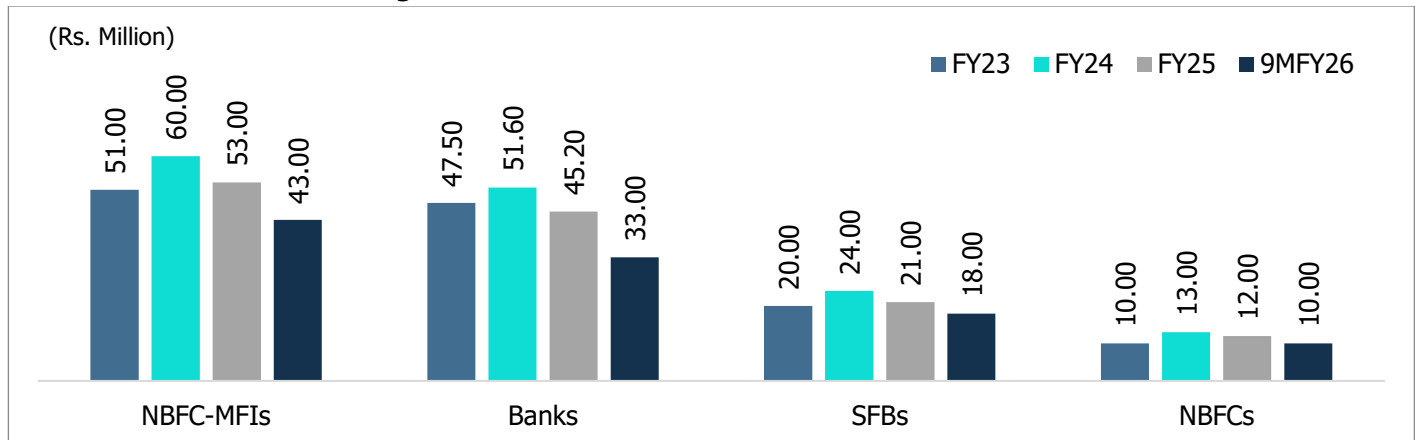
**Chart 68: NBFCs have the highest average loan outstanding per account between FY23 and 9MFY26**



Source: MFIN, CareEdge Research

NBFCs consistently reported the highest average loan outstanding between FY23 and 9MFY26. This reflects their exposure to relatively higher-ticket borrowers and a calibrated shift towards larger loan sizes within the microfinance segment. Compared to Banks, NBFC-MFIs and SFBs, NBFCs demonstrated stronger upward momentum, particularly post FY24, widening the gap. While this supports higher revenue per borrower, it also increased NBFCs exposure to concentration and asset quality risks in a stress cycle.

**Chart 69: NBFC-MFIs have highest number of active loan accounts between FY23 to 9MFY26**



Source: MFIN, CareEdge Research

NBFC-MFIs and Banks account for major chunk of active loan accounts, reflecting their strong borrower reach and scale in microfinance. However, active accounts moderated by 9MFY26 across lenders, indicating cautious disbursement and portfolio consolidation amid rising stress. NBFCs maintain lower volumes, consistent with their strategy of focusing on higher ticket sizes rather than borrower expansion.

#### 4.19 Asset quality trend of NBFC MFIs vs other players in the MFI space

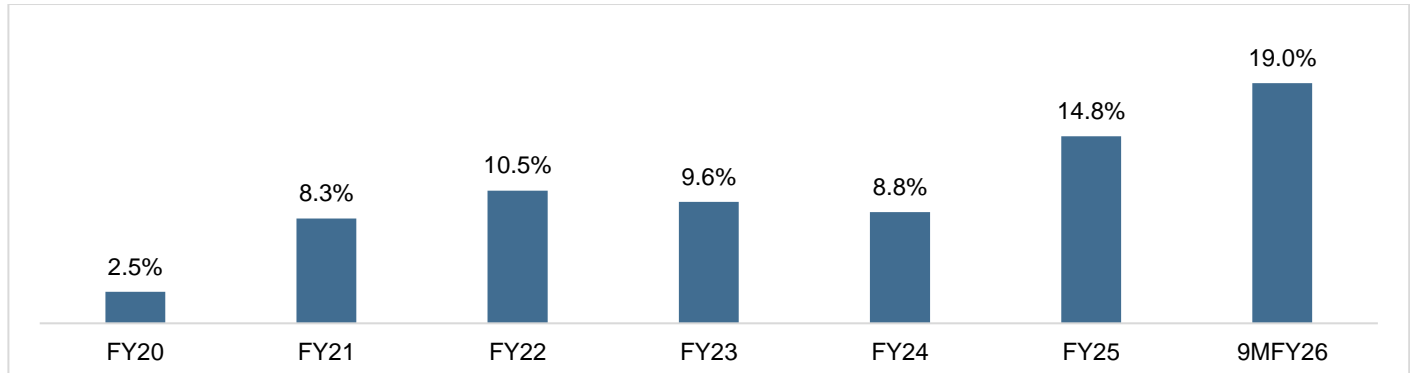
##### Asset quality – overall universe

In FY21 and FY22, the asset quality deteriorated sharply, reflecting the adverse impact of Covid-19 on the industry. The asset quality of MFI industry started deteriorating in FY21 and PAR>90 shot up to 8.3% in FY21 and 10.5% in FY22. This could be attributed to slippages from the restructured book for various MFI players. The situation improved marginally in FY23 and FY24. However, stress has resurfaced in FY25, with PAR >90 rising sharply to 14.8%, and further increasing to 19.0% in 9MFY26, indicating renewed asset quality pressures across the industry.

The recent spike suggests elevated borrower leverage, regional concentration risks, and operational disruptions in certain pockets. If this trend persists, credit costs are likely to remain elevated in the near term, warranting tighter underwriting standards, stronger risk monitoring, and proactive portfolio pruning by lenders.

Since 2024, the microfinance sector in India has been impacted by a renewed stress cycle characterised by rising borrower over indebtedness in certain geographies, moderation in household cash flows, and higher incidence of delinquencies across segments. Increased competition to source customers, coupled with multiple lending relationships at the household level, has contributed to repayment pressures in certain pockets, leading to deterioration in asset quality indicators for several NBFC MFIs. As a result, the sector has witnessed elevated Gross NPAs, higher credit costs, and a more cautious lending environment. During FY24 and FY25, the microfinance sector experienced asset quality pressures due to borrower over indebtedness in certain geographies, uneven income recovery, and regulatory recalibration, resulting in moderated sector wide disbursements.

**Chart 70: Asset quality (PAR > 90) for overall industry has deteriorated in FY25 and 9MFY26**



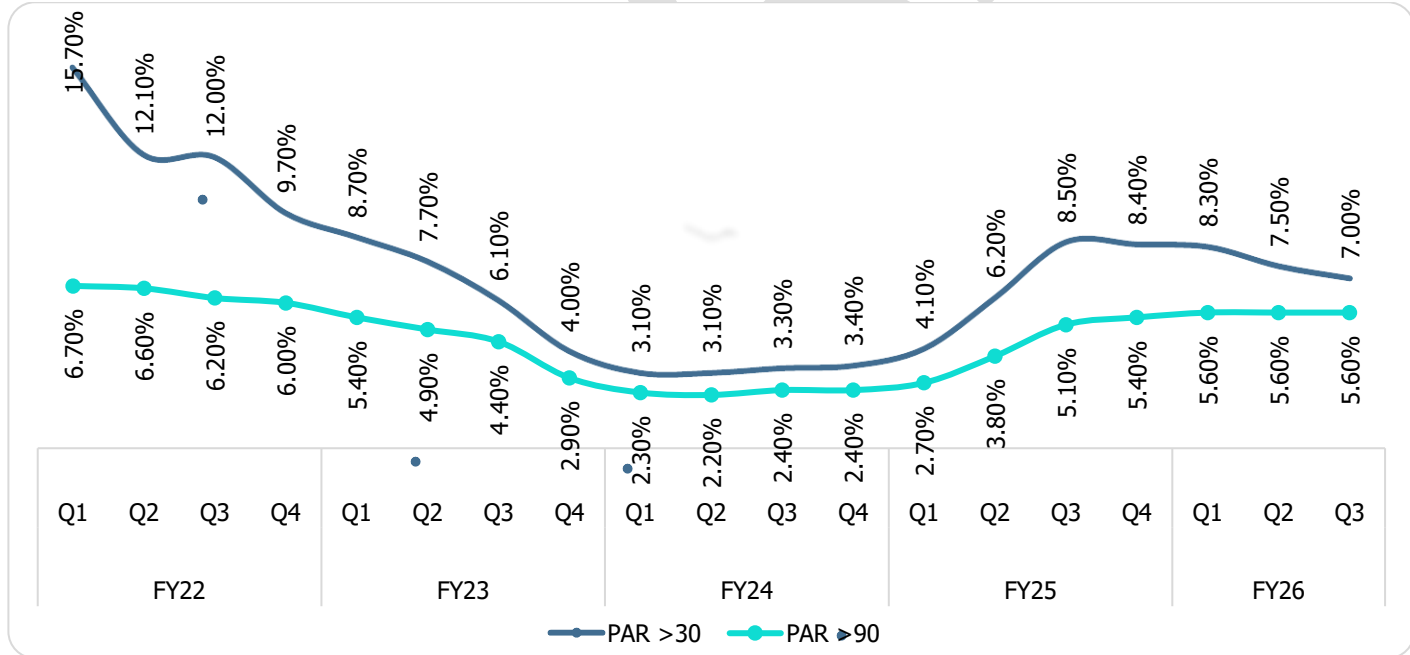
Source: MFIN, CareEdge Research

**Asset Quality for NBFC-MFIs**

Asset quality improved materially between FY22 and FY24, with PAR>30 declining 1,230 bps from 15.7% in Q1FY22 to 3.4% in Q4FY24, and PAR>90 reducing 430 bps from 6.7% to 2.4%. This reflected portfolio clean-up, stronger collections, and tighter underwriting following the post-pandemic stress phase.

However, the trend has reversed over the past year. PAR>30 has increased 540 bps from the Q4FY24 low of 3.4% to a peak of 8.8% in Q3FY25, and remains elevated at 7% in Q3FY26, still 420 bps above the trough. PAR>90 has risen 320 bps to 5.6%, indicating that incremental stress is flowing into higher delinquency buckets. The sustained elevation in PAR>90 suggests that asset quality pressures are not transitory and may keep credit costs elevated in the near term.

**Chart 71: Overleveraging and challenges faced during FY25 in Gross NPAs for NBFC- MFIs**

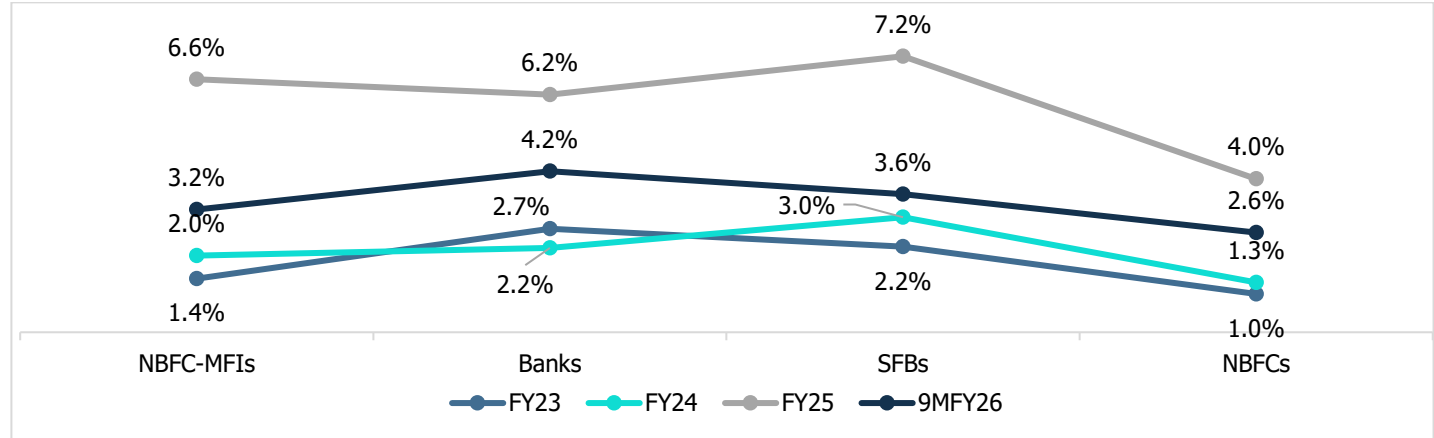


Source: MFIN, CareEdge Research

Delinquencies have risen sharply, with PAR>30 increasing 540 bps from 3.40% in Q4FY24 to 8.5% in Q3FY25 and remaining elevated at 7.00% in Q3FY26. PAR>90 has risen 320 bps to 5.60%, indicating migration of early stress into higher buckets. Overleveraging remains the key driver of stress, particularly among borrowers with multiple lenders and new to credit customers with limited credit history. Proposed measures such as capping lenders per borrower at three

and tightening overdue norms to 60 days may elevate reported delinquencies in the short term by curbing incremental liquidity and reducing netting-off practices. Sustained improvement will depend on stronger underwriting, leverage caps, and calibrated growth focused on existing customers.

**Chart 72: Delinquencies witnessed decline in 9MFY26 (PAR 31-180)**



Source: MFIN, CareEdge Research

Note: Categories mentioned represent original cohorts as per MFIN in respective years

Across lender categories, delinquency levels rose sharply from FY23 into FY25, expanding by roughly 200–300 bps in most segments, reflecting asset quality stress and borrower overleveraging. However, 9MFY26 shows a broad-based correction of around 150–250 bps, indicating improving collections and gradual portfolio stabilisation, though stress remains above FY23 levels.

**Table 20: Delinquency by number of lender association**

Number of Active Lender Associations	Mar-25	Dec-25
<=2	5.40%	3.40%
3	11.60%	7.50%
4	19.00%	13.90%
>=5	35.30%	18.60%
<b>Industry</b>	<b>8.70%</b>	<b>4.80%</b>

Source: CRIF Highmark, CareEdge Research

Delinquency of borrowers holding  $\leq 3$  loans has declined, the delinquency is higher among borrowers with  $\geq 4$  lender associations, reflecting the portfolio adjustments undertaken to enhance overall portfolio quality. To further promote responsible lending practices, MFIN came up with additional guardrails. These guardrails are:

- Mandatory e-validation of Voter ID
- A maximum of 3 microfinance lenders can provide loans to a borrowers
- Limiting the total microfinance indebtedness to Rs. 2 lakhs
- No loan to a borrower who has a DPD >60 days (previously 90 days) on any loan that has an amount outstanding of greater than Rs 3,000 with any regulated entity (RE) at the time of underwriting the loan under consideration.

**Table 21: Delinquency by ticket size**

Average Ticket Size	Mar-25			Dec-25		
	PAR 31-90	PAR 91-180	PAR 180+	PAR 31-90	PAR 91-180	PAR 180+
<=30K	5.40%	3.30%	6.40%	1.00%	1.70%	33.50%

Average Ticket Size	Mar-25			Dec-25		
	PAR 31-90	PAR 91-180	PAR 180+	PAR 31-90	PAR 91-180	PAR 180+
30K-50K	7.90%	4.60%	7.00%	1.70%	2.60%	26.70%
50K-80K	5.60%	3.00%	4.00%	1.40%	1.90%	12.90%
80K-1L	4.30%	2.10%	2.40%	1.00%	1.10%	8.10%
1L+	2.90%	1.30%	1.60%	1.40%	1.10%	4.90%

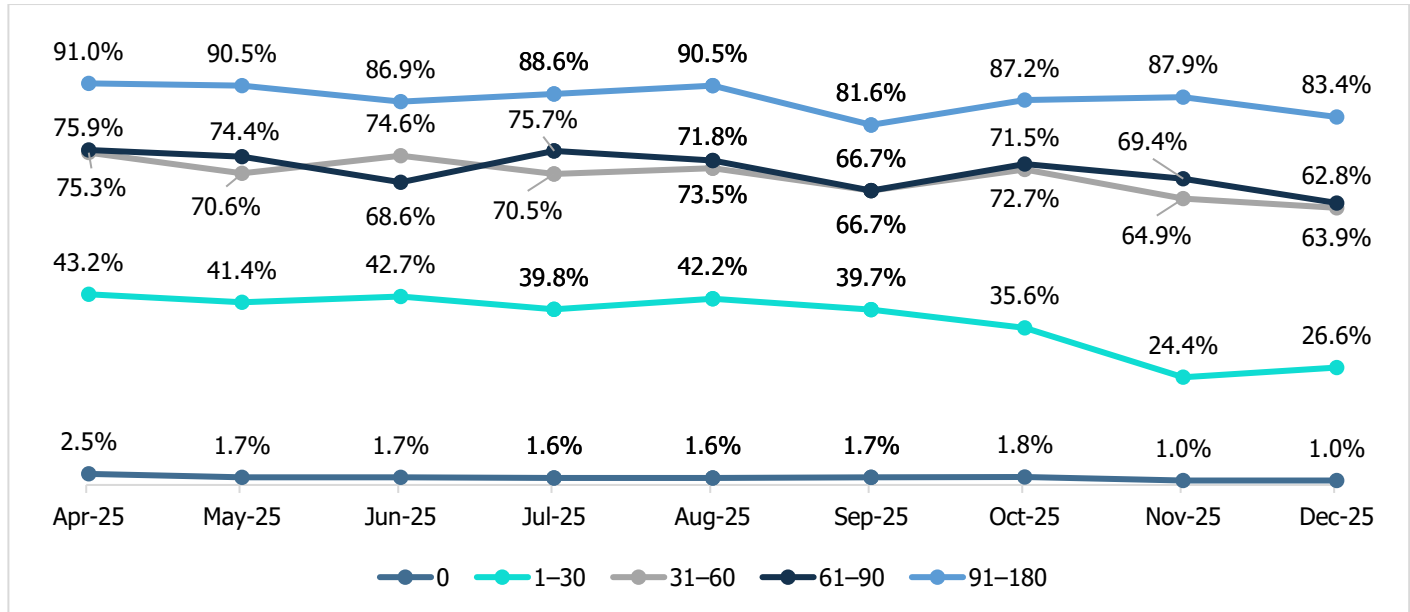
Note: PAR 180+ (incl. write-offs) is for Loans disbursed in last 36 M.

Source: CRIF Highmark, CareEdge Research

In PAR 31-90, the risk concentration is predominantly in the 30K-50K segment as of Dec'25. PAR 91-180 shows improvement, however, stress continues to be concentrated in the 30K-50K ticket size, where delinquency levels remain significantly higher than in the 80K+ segment. PAR 180+ (incl. write-offs) remains structurally high and rising, with sharp build-up in the ≤30K and 30K-50K segments. The 80K-1L and 1L+ consistently remain at the lower end of PAR 31-90 and 91-180, while PAR 180+ (including write-offs) is concentrated in the ≤50K segment, as the new disbursement is driven by >50K ticket size.

**4.20 Forward flow rate trends**

**Chart 73: Net Forward Flow% (based on total active loans) has shown improvement since Oct'25**



Source: CRIF Highmark, CareEdge Research

Net Forward Flow% (based on total active loans) has shown continuous improvement in buckets 31-60, 61-90, and 91-180 since Oct'25. Improved collection efficiency driven by increased collection efforts and guardrails introduced by self-regulatory organization (SRO) have led to improved Net forward flow for in recent months. However, PAR 1-30 recorded a slight increase between Nov'25 and Dec'25, highlighting the need for closer monitoring of early collection efforts.

**4.21 MFI industry largely caters to rural areas**

CareEdge Research expects the rural segment to remain a key growth driver for MFIs, supported by rising credit demand from these regions. Compared with urban centres, the rural market (comprising of rural and semi-urban) in India continues to have relatively lower branch and outlet penetration, indicating significant headroom for expansion in savings as well as loan products. The rural market in India therefore remains under penetrated, presenting a sizeable long-term opportunity for MFIs.

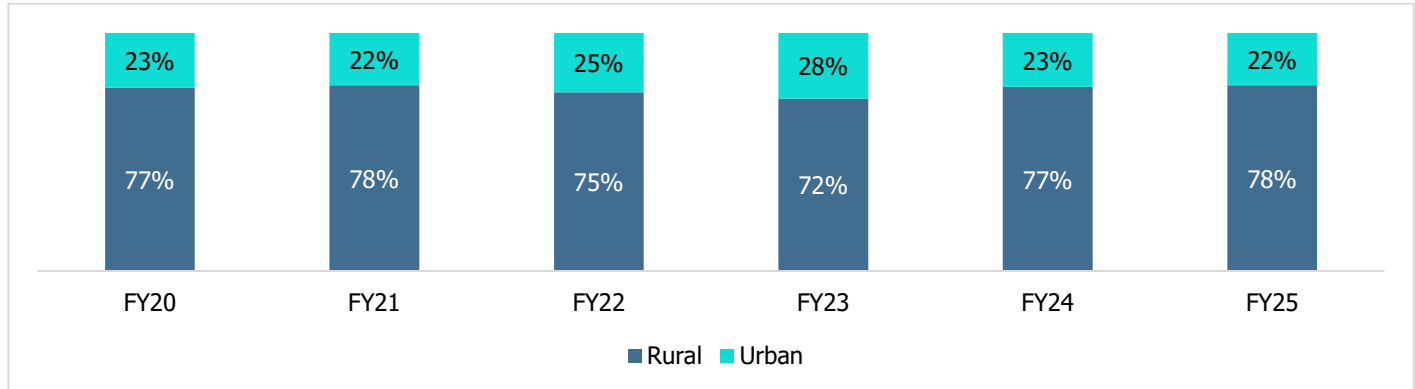
Building strong relationships with rural customers typically results in longer and more stable customer associations, which can be effectively leveraged for cross selling additional financial products. Further, with the government's continued push towards financial inclusion and a growing presence of financial institutions in previously unbanked areas, loan demand in rural regions has remained structurally higher. As of FY25, the rural pie had accounted for 78% of the overall disbursement. Additionally, in terms of GLP, rural regions accounted for 83.80% of the overall portfolio of NBFC-MFIs, other NBFCs, and non-profit MFIs as of 9MFY26.

**Chart 74: Disbursement and number of borrowers in rural areas**

(Rs billion)	Disbursement (FY25)	Share of disbursement (FY25)	Share of borrowers (FY25)
Rural	1,453	78%	80%
Urban	410	22%	20%

Note: Values taken as per Bharat Microfinance Report 2025  
Source: Sa-Dhan, CareEdge Research

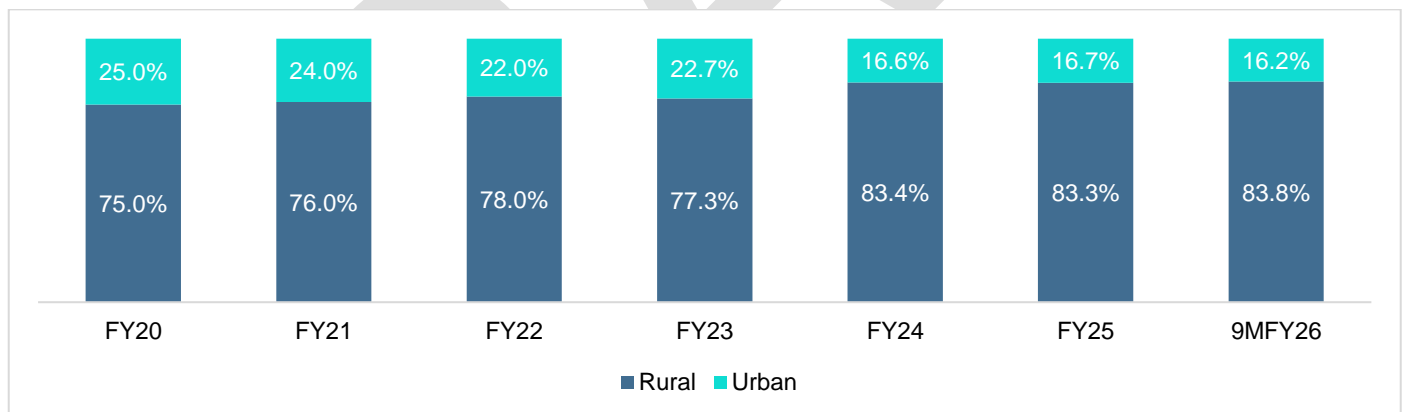
**Chart 75: Share of rural area in overall disbursements regained to 78% in FY25 which had declined to 72% in FY23**



Note: Values taken as per Bharat Microfinance Reports  
Source: Sa-Dhan, CareEdge Research

Loan disbursements continued to be rural focused throughout the period. The urban contribution remained range bound, the overall mix reflects sustained dependence on rural markets, highlighting the continued depth and outreach of microfinance operations in semi-urban and rural regions.

**Chart 76: Share of rural areas in GLP of NBFC-MFIs has increased from 75.0% as of FY20 to 83.8% as of 9MFY26**



Source: MFIN, CareEdge Research

Over the past few years, with higher focus on rural areas NBFC-MFIs have been able to maintain good asset quality in rural areas. Such a trend in asset quality forms a strong base for NBFC-MFIs to penetrate more into rural areas.

#### 4.22 Implications of a rural centred MFI business

A rural-centred MFI strategy involves prioritising outreach to low- and mid-income communities that predominantly reside in villages and small towns. This orientation carries significant implications across business operations, portfolio performance, risk management, and socio-economic impact.

A rural focus expands the outreach footprint of MFIs by tapping into markets that are often underserved by formal financial institutions. Focusing on rural markets also implies that MFIs must adapt to seasonal and agriculture-linked income cycles. Unlike urban salaried or enterprise incomes that are relatively predictable, rural incomes often depend on sowing, harvesting, monsoon cycles, and allied activities. This necessitates flexible product design such as seasonal repayment schedules, crop-linked credit products, and grace periods that align with the cyclical nature of rural cash flows. Effective alignment of credit terms with income patterns can improve repayment behaviours and support better asset quality over time.

- Operationally, a rural-centred strategy increases the importance of robust field operations and local engagement. Geographic dispersion of rural borrowers often translates into higher transaction costs, extended travel for field agents, and the need for personnel who understand local socio-economic conditions and speak regional languages. Technology adoption such as mobile data capture, geo-tagged customer verification, and digital KYC integration can mitigate these costs, improve data quality, and strengthen process validation in remote areas.
- From a risk management perspective, rural portfolios may display different risk profiles compared to urban portfolios. While rural borrowers often have lower formal indebtedness and may benefit from diversified household income sources tied to agriculture and allied activities, they are also exposed to climatic and commodity price risks that can impact repayment capacity. A rural-first strategy therefore requires enhanced stress testing, tailored credit assessment models, and proactive monitoring tools to identify early signs of vulnerability.
- A rural-centred business model also advances financial inclusion goals, supporting national policy priorities. Government financial inclusion metrics, such as the Financial Inclusion Index, showed a rise from 53.9 in 2021 to 67.0 in 2025, reflecting broader access, usage, and quality of formal financial services in rural regions. By extending credit responsibly into these regions, MFIs contribute to inclusive growth, reduce reliance on informal credit channels, and facilitate participation in the formal financial ecosystem.

In summary, an MFI strategy centred on rural markets deepens financial inclusion and unlocks large, underserved credit demand, but it also requires operational adaptability, product flexibility, sophisticated risk frameworks, and technological enablement. When these capabilities are effectively integrated, rural-centric MFIs are better positioned to balance sustainable growth with portfolio quality.

#### 4.23 Market opportunity for NBFC-MFIs

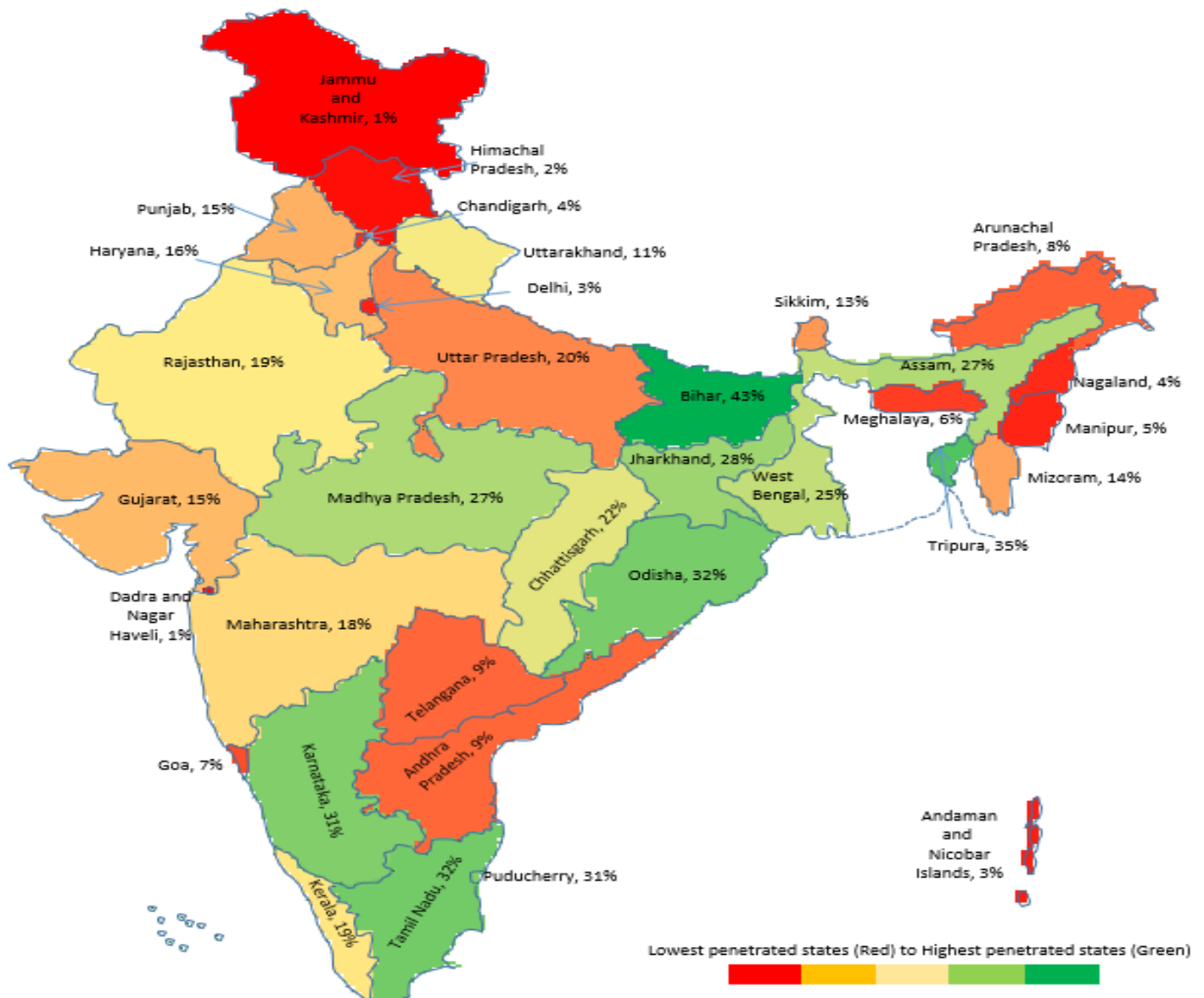
As per estimates by MFIN, 70% of total Households in rural locations and 50% in urban/semi-urban locations fall into eligibility category of annual income below Rs 3 Lakh as per new RBI guidelines. Based on this CareEdge Research estimates that micro finance demand was approximately Rs 9 trillion in FY26, however the supply is estimated at Rs 3.3 trillion which covers only 37% of demand. Going forward, it is projected that microfinance demand will increase to Rs 11 trillion and supply is projected to increase to Rs 5.5 trillion that is 50% of total demand. Based on the estimates, it can be stated that, there is a huge demand supply gap in microfinance industry. This significant gap between credit demand and supply continues to present a strong growth opportunity for the microfinance sector, enabling institutions to expand outreach and deepen financial inclusion.

Particulars (Rs Trillion)	FY26E	FY30P
Demand	9.0	11.0
GLP	3.3	5.5
Demand-supply gap	5.7	5.5
% of demand covered	37%	50%

CareEdge Research expects growth in the MFI portfolio to come from states that have a relatively lower penetration. Thus, CareEdge Research expects under-penetrated states like Andhra Pradesh, Arunachal Pradesh and Telangana to

drive future growth along with some of the moderately penetrated states, such as Rajasthan, Maharashtra, Chhattisgarh and Uttar Pradesh.

**Chart 77: Underpenetrated states to drive growth for MFIs in the coming years**



Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The no. of clients is as of the end of the H1FY26

Note: Penetration has been computed by dividing no. of MFI clients by estimated number of households

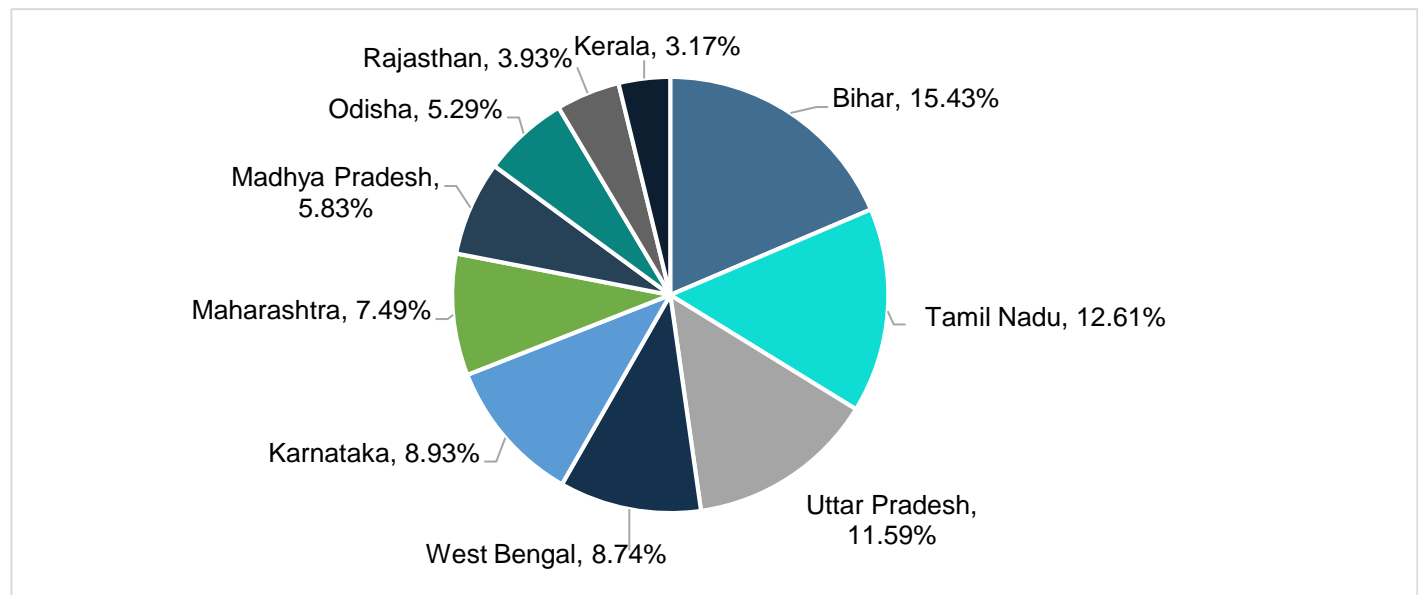
Source: MFIN, CareEdge Research

#### 4.24 State wise analysis

**Top 10 states contribute over 80% of total MFI gross loan portfolio as of 9MFY26**

The microfinance industry continues to exhibit a high degree of geographic concentration, with over 80.00% of the industry’s GLP concentrated in top ten states in terms of GLP as of Dec’25 with Bihar (15.43%), Tamil Nadu (12.61%), and Uttar Pradesh (11.59%).

**Chart 78: State-wise distribution of industry GLP (as of 9MFY26)**



Source: MFIN, CareEdge Research

Note: Data includes data for Banks, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

**Table 22: Regional distribution of Total GLP across top 10 states**

Region	States Included	GLP as of Dec'25 (Rs Billion)	Percentage of Total GLP
Eastern India	West Bengal, Bihar, Odisha	927.36	29.47%
Northern India	Uttar Pradesh, Rajasthan	488.63	15.53%
Central India	Madhya Pradesh	183.50	5.83%
Southern India	Karnataka, Kerala, Tamil Nadu	777.84	24.71%
Western India	Maharashtra	235.69	7.49%
<b>Total GLP across top 10 states</b>		<b>2,613.02</b>	<b>83.02%</b>

**4.24.1 Bihar, Uttar Pradesh, Tamil Nadu and West Bengal have highest number of loan accounts as of 9MFY26**

As of 9MFY26, Bihar reported highest number of MFI loan accounts (15,970,224), followed by Uttar Pradesh (12,247,675); Tamil Nadu (11,507,667) and West Bengal (9,348,341).

**Table 23: State-wise number of loan accounts**

States	FY23	FY24	FY25	9MFY26	Y-o-Y growth % (FY25 vs FY24)
<b>Bihar</b>	17,760,556	22,055,354	20,104,661	15,970,224	-8.84%
<b>Uttar Pradesh</b>	12,233,605	16,013,105	14,785,952	12,247,675	-7.66%
<b>Tamil Nadu</b>	16,958,858	18,485,131	14,997,802	11,507,667	-18.87%
<b>West Bengal</b>	11,248,563	12,790,947	11,908,750	9,348,341	-6.90%
<b>Karnataka</b>	11,575,489	14,036,462	12,414,116	9,195,684	-11.56%
<b>Maharashtra</b>	10,685,826	11,783,770	10,577,825	8,351,566	-10.23%
<b>Odisha</b>	8,412,729	9,623,394	8,266,385	6,436,118	-14.10%
<b>Madhya Pradesh</b>	8,218,403	9,063,569	7,878,191	6,379,368	-13.08%
<b>Rajasthan</b>	6,125,030	6,685,465	5,548,892	4,292,008	-17.00%
<b>Jharkhand</b>	4,162,583	4,836,534	4,194,649	3,530,236	-13.27%

Source: MFIN, CareEdge Research

**Table 24: Bihar, Uttar Pradesh and Tamil Nadu continue to have highest active MFI Clients**

No of Clients in Million

State	FY22	FY23	FY24	FY25	9MFY26
Bihar	4.40	5.27	7.23	6.72	5.31
Uttar Pradesh	3.40	4.60	6.33	5.99	4.54
Tamil Nadu	3.80	3.84	5.04	4.21	3.41
Karnataka	2.70	2.76	3.69	3.41	2.76
West Bengal	2.30	2.21	3.17	3.13	2.70
Maharashtra	2.35	2.41	2.92	2.81	2.44
Madhya Pradesh	2.80	2.96	3.48	3.00	2.41
Odisha	2.80	2.74	3.21	2.68	2.10
Rajasthan	1.73	1.78	2.35	1.85	1.45
Jharkhand	1.10	1.28	1.71	1.42	1.12

Note: Data includes only NBFC-MFI players and those states where ten or more MFIs are operating

Source: MFIN, CareEdge Research

#### 4.24.2 Bihar has been recording highest loan disbursements by NBFC-MFIs between FY23 and 9MFY26

The top 10 states contributed 84.15% of total disbursements whereas the top 5 states contributed 57.30% of total disbursements by NBFC-MFIs in FY25. Bihar reported highest loan disbursements at Rs. 165 .29 billion, followed by Uttar Pradesh at Rs. 147.44 billion and Tamil Nadu at Rs. 116.18 billion in FY25.

**Table 25: State-wise distribution of loans disbursements by NBFC-MFIs (Rs Billion)**

States	FY23	FY24	FY25	9MFY26	Y-o-Y growth % (FY25 vs FY24)
<b>Bihar</b>	192.33	212.33	165.29	112.56	-22.15%
<b>Uttar Pradesh</b>	142.94	174.15	147.44	94.50	-15.34%
<b>Tamil Nadu</b>	137.76	162.29	116.18	88.36	-28.41%
<b>Karnataka</b>	123.30	153.08	123.62	84.01	-19.24%
<b>Maharashtra</b>	88.21	102.55	91.85	68.53	-10.43%
<b>West Bengal</b>	95.18	87.81	82.57	59.59	-5.97%
<b>Madhya Pradesh</b>	93.09	98.39	81.03	53.56	-17.64%
<b>Odisha</b>	129.14	90.71	62.73	42.40	-30.85%
<b>Rajasthan</b>	62.05	62.64	43.63	28.86	-30.35%

<b>Jharkhand/Gujarat</b>	43**	42#	32**	110*	NA
--------------------------	------	-----	------	------	----

Note: \*\*Loan disbursements in Jharkhand; #Loan disbursements in Gujarat

Source: MFIN, CareEdge Research

#### 4.24.3 Tamil Nadu, West Bengal and Karnataka recorded highest average loan outstanding per account as of 9MFY26

As of 9MFY26, Tamil Nadu, West Bengal and Karnataka reported highest average loan outstanding per account among top 10 states with highest loan portfolio.

**Table 26: Average loan outstanding per account in top 10 states**

States	FY23	FY24	FY25	9MFY26
<b>Tamil Nadu</b>	27,535	31,382	31,131	34,491
<b>Kerala</b>	28,437	29,118	28,009	30,584
<b>Karnataka</b>	27,513	30,111	28,296	30,578
<b>Bihar</b>	27,782	29,623	28,619	30,412
<b>Uttar Pradesh</b>	27,449	28,656	27,954	29,793
<b>West Bengal</b>	28,736	31,146	30,488	29,428
<b>Rajasthan</b>	26,049	27,026	26,775	28,831
<b>Madya Pradesh</b>	25,748	27,137	27,176	28,764
<b>Maharashtra</b>	25,672	27,618	27,331	28,222
<b>Odisha</b>	24,193	26,391	24,854	25,881

Note: States have been arranged as per total gross loan portfolio in descending order.

Source: MFIN, CareEdge Research

#### 4.24.4 Gujarat, Karnataka, Rajasthan and Odisha reported highest PAR 90 in the top 15 states

Delinquency levels vary significantly across top 15 states with highest MFI portfolio outstanding as of H1FY26, with Gujarat reporting the highest stress across all PAR buckets. Karnataka, Rajasthan, Odisha and Jharkhand also show relatively elevated slippages. In contrast, Assam and Maharashtra display comparatively contained asset quality levels.

**Table 27: Majority of states have witnessed deteriorated NBFC-MFIs asset quality (9MFY26)**

State	GLP (Rs. Billion)	PAR>30	PAR>90	PAR>180	Share in GLP
Bihar	485.69	7.60%	6.10%	4.10%	15.43%
Tamil Nadu	396.91	6.40%	5.20%	3.80%	12.61%
Uttar Pradesh	364.89	7.30%	5.90%	4.00%	11.59%
Karnataka	281.19	8.50%	7.10%	4.90%	8.93%
Maharashtra	235.69	5.00%	3.80%	2.40%	7.49%
West Bengal	275.10	6.20%	4.50%	3.10%	8.74%
Madhya Pradesh	183.50	7.70%	6.10%	4.10%	5.83%
Odisha	166.57	7.20%	6.00%	4.50%	5.29%
Rajasthan	123.74	9.30%	7.20%	5.10%	3.93%
Jharkhand	98.09	6.80%	5.70%	4.20%	3.12%
<b>Total</b>	<b>3,147.28</b>	<b>7.00%</b>	<b>5.60%</b>	<b>3.90%</b>	<b>100.00%</b>

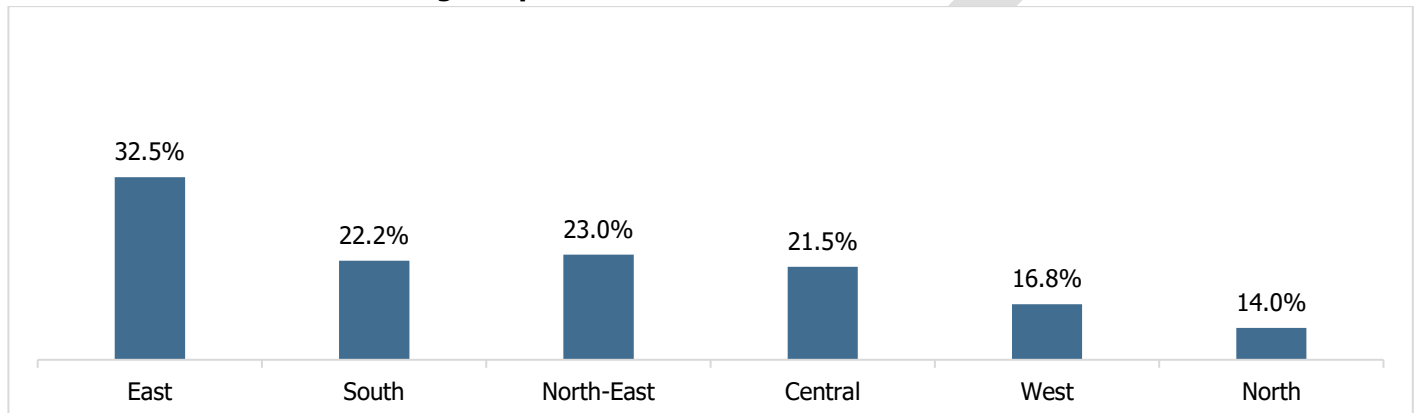
Note: States are arranged share in GLP as of 9MFY26 in descending order

Source: MFIN, CareEdge Research

#### 4.24.5 Northern and western region are underpenetrated in microfinance

As of December 2025, the Eastern region recorded the highest microfinance penetration at 32.53%, materially higher than other regions. The relatively higher penetration reflects adoption of the JLG model, extensive lender participation and established borrower familiarity with formal microcredit. Northern and Western regions are most underpenetrated regions in microfinance as of 9MFY26, and hence, provides ample market opportunities for the MFI lenders in fulfilling the financial needs of underserved populations and fostering economic development in these regions.

**Chart 79: Eastern states have highest penetration of microfinance as of 9MFY26**



Note: Data includes data for banks’ lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks’ lending through SHG.

Note: Penetration has been computed by dividing no. of unique borrowers by estimated number of households as of 9MFY26

Note: Central region includes Madhya Pradesh, Uttarakhand, Chhattisgarh and Uttar Pradesh; Eastern region includes Odisha, Bihar, Jharkhand, West Bengal, Sikkim and Andaman & Nicobar Islands; Northern region includes Punjab, Haryana, Rajasthan, Delhi, Himachal Pradesh, Chandigarh and Jammu & Kashmir; North eastern region includes Tripura, Assam, Mizoram, Manipur, Meghalaya, Nagaland and Arunachal Pradesh, Southern region includes Puducherry, Karnataka, Kerala, Tamil Nadu, Telangana, Andhra Pradesh and Lakshadweep; Western region includes Maharashtra, Gujarat, Goa, Daman & Diu and Dadra & Nagar Haveli

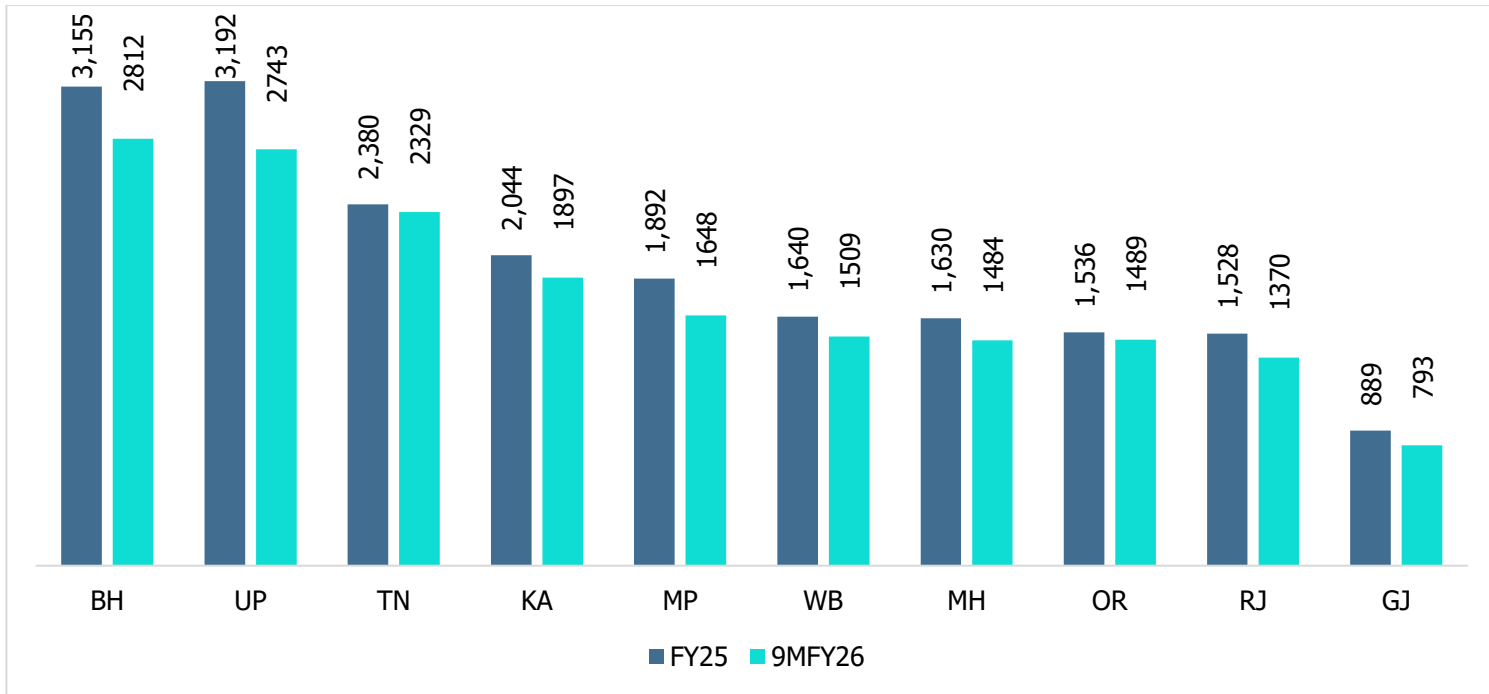
Source: MFIN, CareEdge Research

#### 4.24.6 Players tapping newer states and districts to widen client base

The number of MFIs operating in Telangana, Uttar Pradesh, Bihar and Karnataka have witnessed significant growth, reflecting a strategic shift from aggressive footprint expansion to calibrated consolidation. While these states had added significant branches by FY25 compared to FY24, the network size in several cases stabilised or marginally rationalised by 9MFY26, indicating a stronger focus on portfolio quality, productivity and risk recalibration rather than pure scale-led growth.

Despite this moderation, portfolio outstanding remains structurally elevated versus FY24 levels, supported by deeper penetration within existing districts and higher average ticket sizes. Furthermore, continued availability of borrower-level data from credit information companies has strengthened underwriting discipline and also ensured that MFIs have access to more data on borrowers, helping them make informed lending decisions.

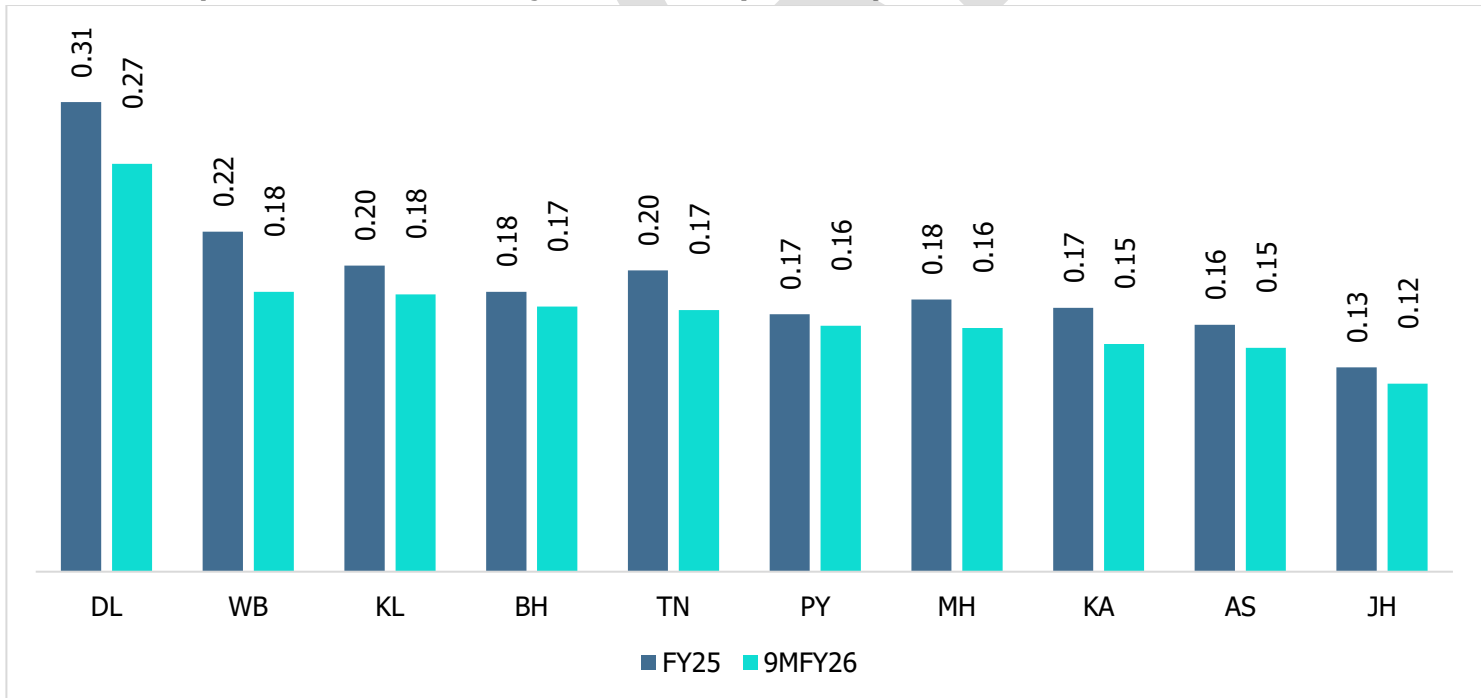
**Chart 80: Total branches of MFIs in major States/UTs**



Note: Data includes only NBFC-MFI players and those states where ten or more MFIs are operating

Source: MFIN, CareEdge Research

**Chart 81: GLP per branch of MFIs in Major States/UTs (Rs Billion)**

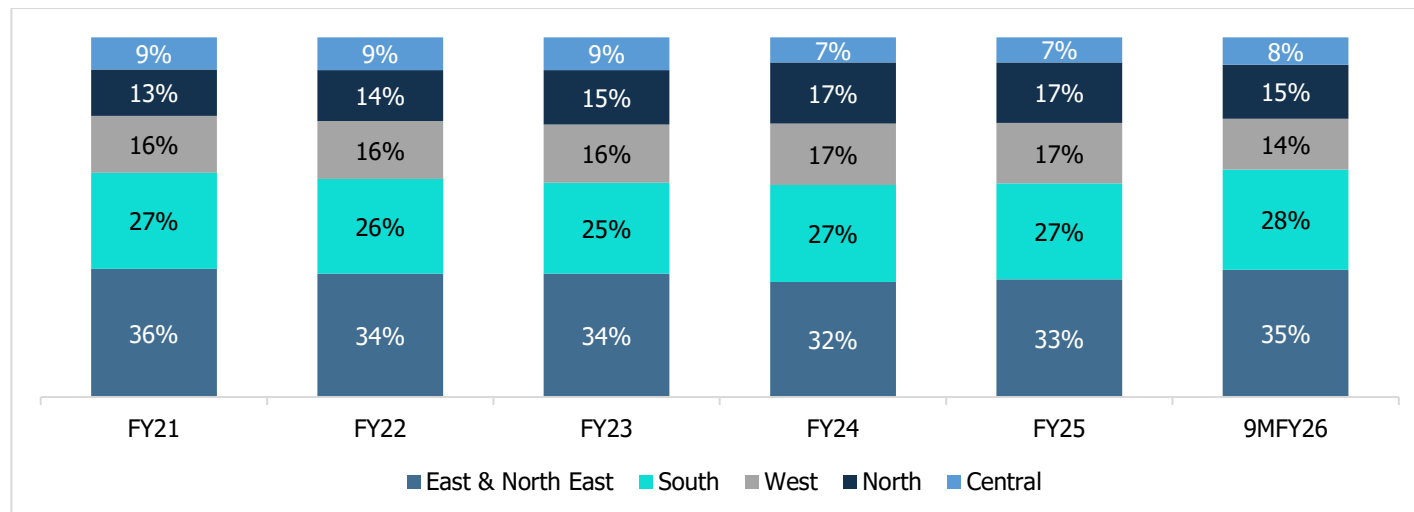


Note: Data includes only NBFC-MFI players and those states where ten or more MFIs are operating

Source: MFIN, CareEdge Research

#### 4.25 State wise and region wise (North, East, West and South)

**Chart 82: East and North-East continue to account for over a third of GLP**



Source: MFIN, CareEdge Research

As illustrated in the above chart, the East & North-East region together have consistently accounted for approximately one-third of the industry’s GLP between FY21 and 9MFY26. East & North-East continue to dominate the highest share of unique borrowers, underscoring the region’s structural importance to the microfinance ecosystem. The dominance reflects deep-rooted SHG penetration, mature operating models, and strong borrower familiarity with group lending structures.

While diversification is underway across other regions, this geography remains the core growth and volume anchor. Sustained performance here is critical, though concentration risks necessitate continued geographic balancing. The Eastern region represents a mature, high-penetration and high-competition microfinance market that continues to serve as a structural anchor for the industry.

**Key attributes include:**

- Highest regional penetration in India (32.5% as of Dec-25)
- Largest share in borrower base and GLP
- Established operating ecosystem and credit culture; and

While Northern and Western regions present relatively underpenetrated expansion opportunities, the Eastern region remains structurally attractive due to its scale, stability and entrenched borrower ecosystem, subject to disciplined risk management and continuous monitoring of borrower leverage indicators.

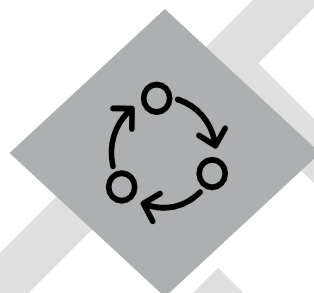
#### 4.26 Challenges in Serving Rural Customers and the Strengths Required to Address Them

Serving rural customers presents distinct challenges arising from geographic dispersion, income variability, and limited financial infrastructure. Rural populations are often spread across remote and semi-remote locations, increasing the cost and complexity of customer acquisition, service delivery, and monitoring. Physical distance from branches or service points can constrain regular engagement, documentation, and grievance redressal, particularly in areas with weak connectivity and transport infrastructure.

Income patterns in rural markets also pose a challenge, as livelihoods are largely dependent on agriculture and allied activities, which are seasonal and vulnerable to climatic conditions. Irregular cash flows and exposure to weather-related risks can affect repayment capacity and lead to higher income volatility compared to salaried urban customers.

Additionally, dependence on informal income sources and limited availability of verifiable financial records can complicate credit assessment and underwriting.

Serving rural markets effectively requires a set of institutional strengths tailored to the unique economic, social, and operational characteristics of these regions. Given the variability in income patterns, geographic dispersion, and differing levels of financial awareness, lenders must combine strong local engagement with disciplined risk management and operational resilience to ensure sustainable growth and portfolio stability such as the following:



**Robust credit appraisal frameworks and prudent risk management practices form another critical strength.**

This includes effective borrower indebtedness checks, conservative underwriting standards, and close monitoring of portfolio performance. Aligning loan structures and repayment schedules with seasonal and agricultural income patterns further strengthens repayment behaviour and reduces stress during lean

**A strong on-ground presence supported by trained field staff is essential.**

Personnel with familiarity with local languages, livelihoods, and community dynamics enable better credit assessment, relationship management, and borrower engagement. This local understanding supports more accurate evaluation of repayment capacity and helps build trust with rural customers.

**Operational resilience and prudent risk management are equally important strengths.**

This includes flexible product design aligned to seasonal income cycles, conservative underwriting standards, and close monitoring of borrower indebtedness. Leveraging digital tools for payments, data collection, and portfolio tracking, while maintaining human interface can further enhance efficiency and outreach in rural markets.

**Customer education and financial literacy initiatives are equally important in rural markets.**

Clear communication of loan terms, repayment obligations, and grievance mechanisms enhances transparency and supports responsible borrowing. Over time, this contributes to stronger borrower discipline and improved asset quality.

#### 4.27 Trend in Profitability of MFI Sector

The NBFC-MFI sector experienced a significant deterioration in profitability in fiscal 2025 driven by rising credit costs and asset-quality stress.

RoA tree	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
<b>Interest income</b>	14.5%	17.5%	15.9%	16.5%	18.1%	19.7%	20.1%	18.6%
<b>Interest expense</b>	7.1%	7.8%	7.4%	7.6%	7.5%	8.0%	8.1%	6.7%
<b>Net interest income</b>	7.5%	9.8%	8.5%	8.8%	10.6%	11.7%	12.0%	11.9%
<b>Other income</b>	2.1%	3.1%	1.6%	1.8%	2.9%	2.6%	1.9%	2.2%
<b>Operating costs</b>	5.0%	5.9%	4.7%	5.5%	5.8%	5.8%	6.7%	7.7%
<b>Credit cost</b>	0.8%	2.8%	4.6%	3.5%	3.1%	2.8%	9.0%	6.5%
<b>Pre-Tax RoA</b>	3.7%	4.2%	0.8%	1.6%	4.6%	5.6%	-1.7%	-0.1%

Note: 1. All the ratios are as a percentage of average assets, Non-interest income is taken as Other income.

2. Data of CreditAccess Grameen, Muthoot Microfin, Satin Creditcare Network, IIFL Samasta Finance, Annapurna Finance, Fusion Micro Finance, Asirvad Microfinance, Belstar Microfinance, Svatantra Microfin, Spandana Sphoorty Financial, Arohan Financial Service, Chaitanya India Fin Credit has been considered for RoA Tree.

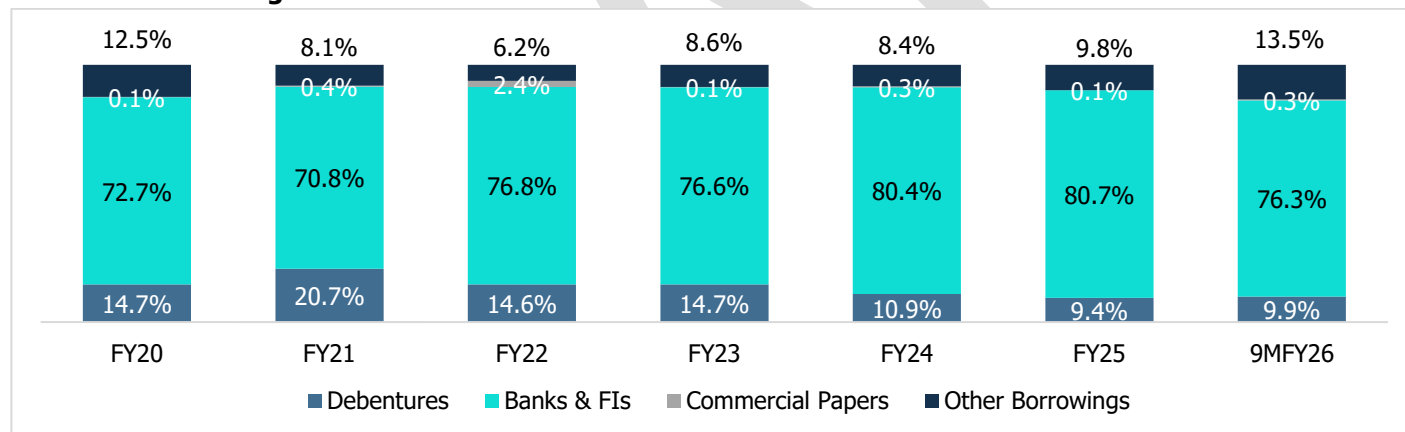
Source: Company Reports, CareEdge Research

#### 4.28 Borrowing Mix of NBFC-MFIs Over the years

Banks have traditionally been the key lenders to NBFC-MFIs. Smaller players would resort to portfolio sell-outs to channel growth. However, in FY21, funds raised by NBFC-MFIs through non-convertible debenture (NCD) issuances increased substantially, mainly due to targeted long-term repo operations (TLTRO) announced by the RBI. NBFC-MFIs also raised funds through the partial credit guarantee scheme under which the RBI extended a special liquidity facility to NABARD, SIDBI and National Housing Bank to the tune of Rs 25,000 crore, Rs 15,000 crore and Rs 10,000 crore, respectively, to be further lent to sectors such as construction and small and medium NBFC-MFIs. After an increase in term loans from banks by 600 bps in FY22, the borrowings remained range bound in FY23.

In FY24, the share of banks and financial institutions lending to NBFC-MFIs expanded further to 80.40%. With increased interest rates in the global markets and domestic bond markets, the share of external borrowings and capital market borrowing declined in FY24. and a marginal uptick during FY25 on account of decline in repo rate in term improvement in cost of funds form debt market. However, in 9MFY26, bank share moderated to 76.30% while other borrowings increased to 13.50%, signalling funding diversification and possible risk-driven repricing. The shift suggests balance sheet fortification amid evolving portfolio quality dynamics.

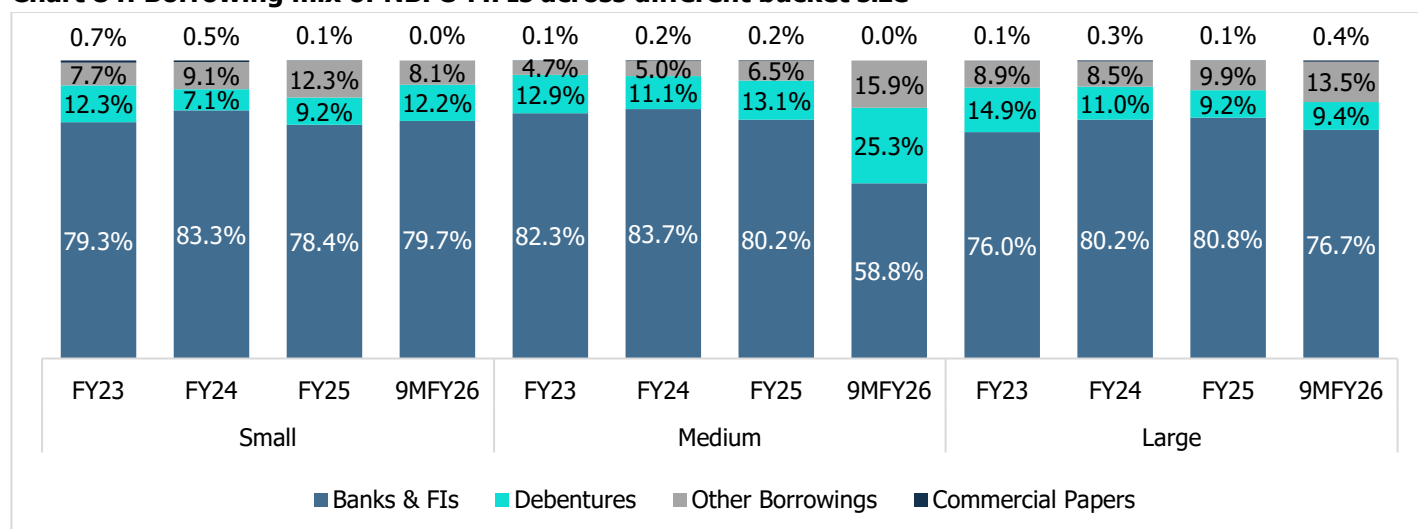
**Chart 83: Borrowing mix of NBFC-MFIs**



Note: Data is based on sample set of NBFC MFIs, Other borrowings include sub-debt and other debt

Source: MFIN, CareEdge Research

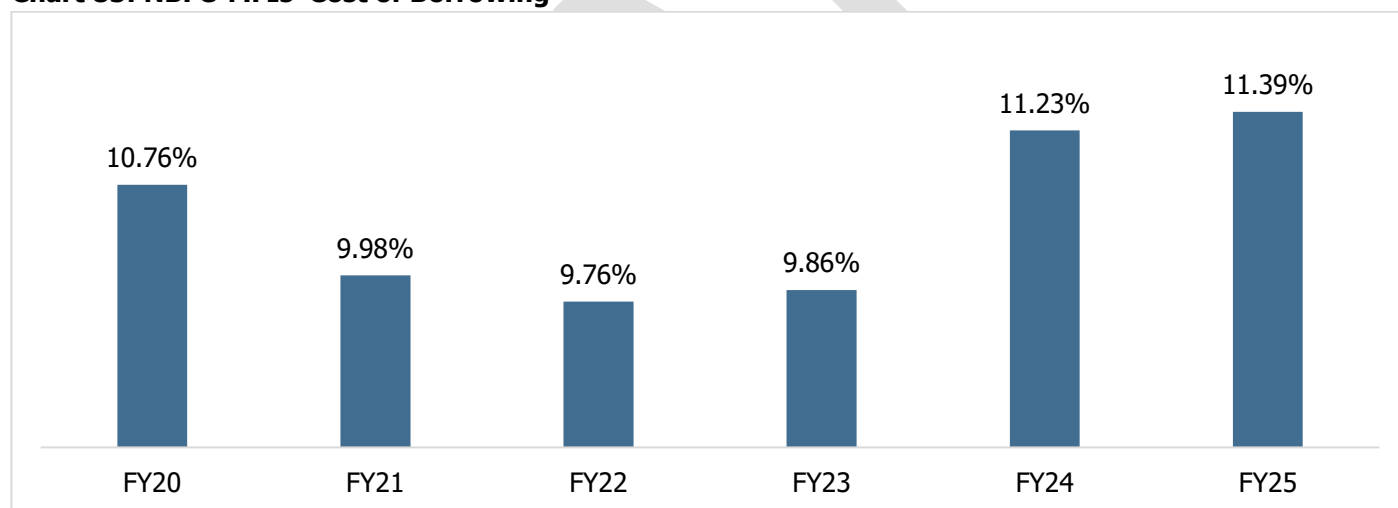
**Chart 84: Borrowing mix of NBFC-MFIs across different bucket size**



Note: Other borrowings include sub-debt and external borrowings; Small NBFC MFIs – AUM < Rs 500 Cr, Medium NBFC MFIs – AUM Rs 500 Cr to Rs 2,000 Cr, Large NBFC MFIs – GLP > Rs 2,000 Cr

Source: MFIN, CareEdge Research

**Chart 85: NBFC-MFIs' Cost of Borrowing**



Note: 1. Cost of Borrowing is finance cost as a percentage of average total borrowings.

2. Data of CreditAccess Grameen, Muthoot Microfin, Satin Creditcare Network, IIFL Samasta Finance, Annapurna Finance, Fusion Micro Finance, Asirvad Microfinance, Belstar Microfinance, Svatantira Microfin, Spandana Sphoorty Financial, Arohan Financial Service, Chaitanya India Fin Credit has been considered for Cost of Borrowing.

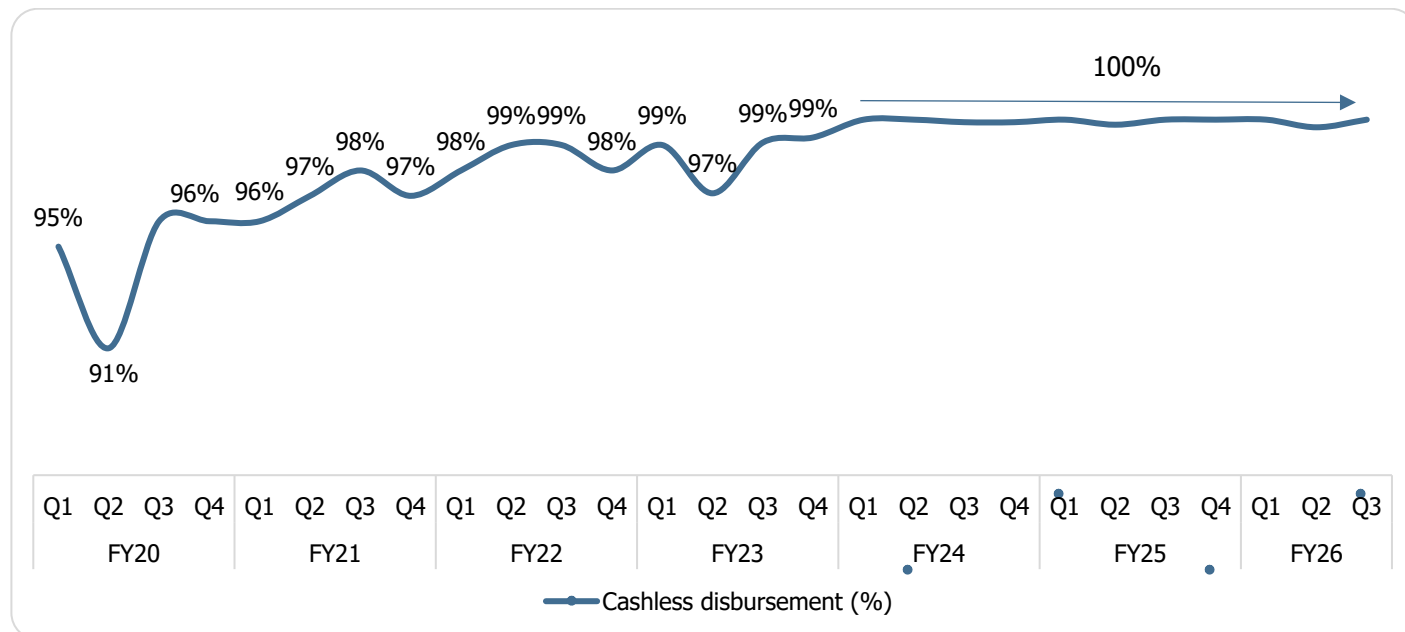
Source: Company Reports, CareEdge Research

The cost of borrowing for NBFC-MFIs declined from 10.76% in FY20 to 9.86% in FY22, supported by low interest rates and abundant liquidity, before rising sharply in FY24 amid policy rate hikes and tighter liquidity conditions. The upward trend also reflects higher risk premium amid asset quality concerns in unsecured microfinance portfolios. Additionally, sector-specific factors such as asset quality concerns in certain borrower segments, regulatory tightening, and higher reliance on bank borrowings at floating rates have contributed to elevated funding costs.

### 4.29 From Cash to Cashless

Cashless disbursements and collections have become increasingly popular in the microfinance industry in India, as they promote transparency, reduce cash handling costs and improve customer experience.

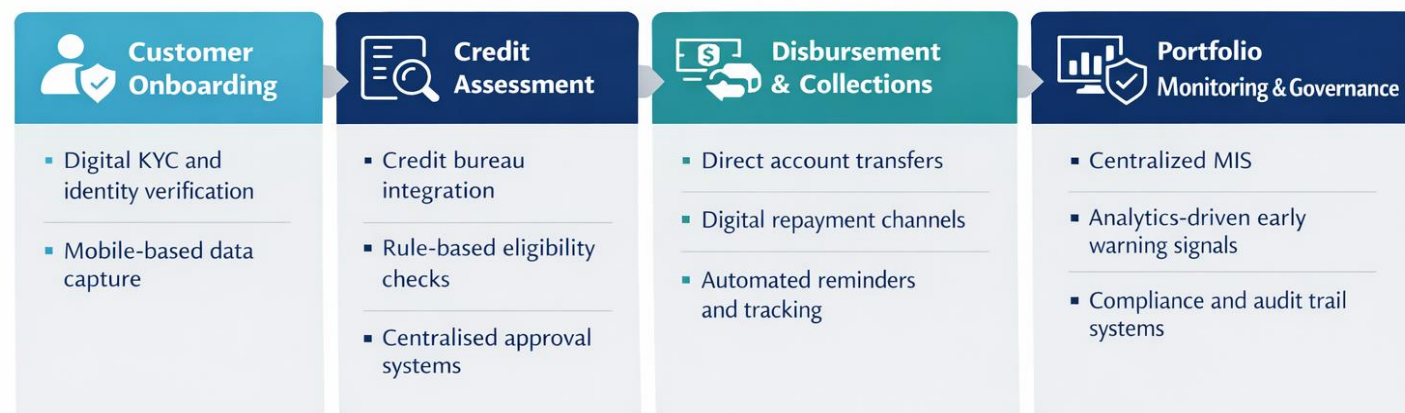
**Chart 86: Trend in cashless disbursements for NBFC-MFIs**



Note: Data includes NBFC MFI players. Cashless disbursements % is loan amount disbursed through cashless mode.  
Source: MFIN, CareEdge Research

### 4.30 Adoption of technology in MFI industry

The microfinance industry has increasingly integrated technology across the loan lifecycle to enhance efficiency, strengthen controls, and improve risk management. Digital systems now support key operational stages from onboarding to portfolio monitoring, enabling standardisation and scalability while maintaining compliance and governance oversight.



- At the **customer onboarding** stage, technology facilitates digital KYC and identity verification, ensuring regulatory compliance and reducing documentation errors. Mobile-based data capture allows field staff to record borrower details in real time, improving data accuracy and creating structured digital records from the outset.

- In **credit assessment**, integration with credit bureaus enables real-time verification of borrower credit history and indebtedness. Rule-based eligibility checks ensure that applications adhere to predefined policy parameters, while centralised approval systems promote consistency in underwriting decisions and reduce the risk of manual deviations.
- For **disbursement and collections**, direct account transfers enhance transparency and reduce cash handling risks. Digital repayment channels provide borrowers with convenient payment options, and automated reminders and tracking systems support improved collection efficiency and timely identification of delinquencies.
- Under **portfolio monitoring and governance**, centralised MIS platforms enable real-time performance tracking and reporting. Analytics-driven early warning signals assist in identifying emerging stress within the portfolio, while technology-supported compliance frameworks ensure adherence to regulatory requirements and internal policies.

#### 4.31 Leveraging technology for process validation in the loan lifecycle

Technology plays an increasingly important role in strengthening process validation across the loan lifecycle, helping lenders improve efficiency, accuracy, and control. Digital tools are used at various stages of the lending process to ensure adherence to internal policies, regulatory requirements, and prudent lending practices.

At the customer onboarding stage, technology enables digital KYC, identity verification, and data capture, reducing manual errors and ensuring compliance with regulatory norms. Standardised digital application forms and geo-tagged customer information support validation of borrower details and field-level activities.

During credit appraisal, automated rule-based checks and system-driven validations are used to assess eligibility, income parameters, and borrower indebtedness. Integration with credit bureaus and internal databases allows real-time verification of credit history and exposure limits, enhancing underwriting discipline and consistency.

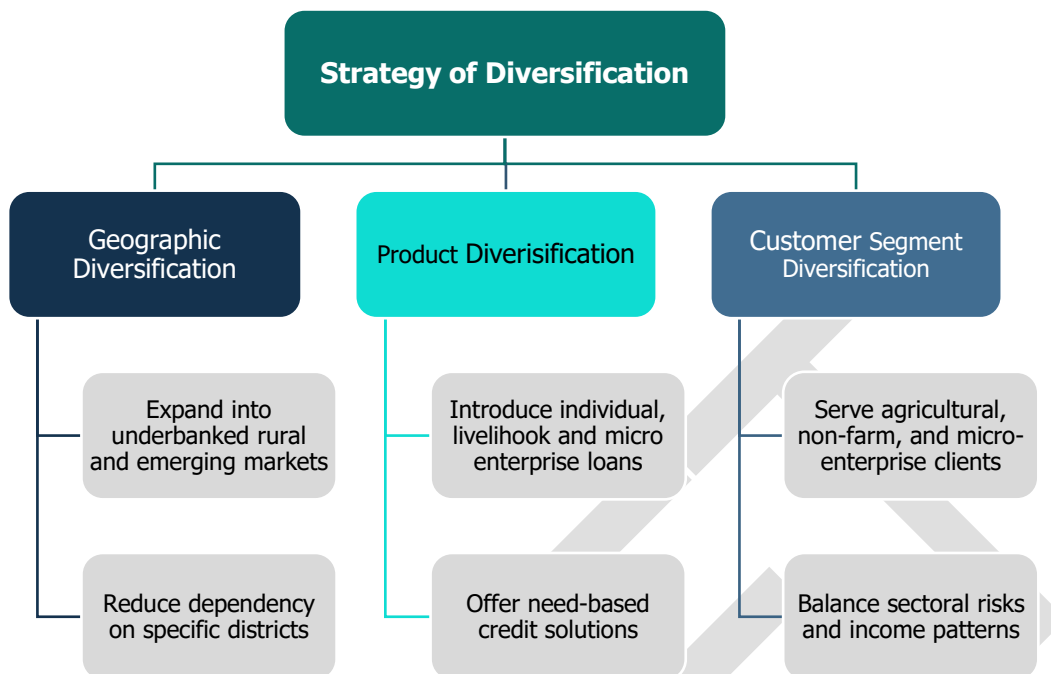
Additionally, technology-enabled income and eligibility assessment tools leverage alternative data sources such as bank statement analysis, cash flow surrogates, transaction patterns, and digital footprints to estimate borrower income, particularly in cases where formal income documentation is unavailable. Algorithm-based models and analytics are used to derive repayment capacity and ensure alignment with regulatory caps on household indebtedness.

In the disbursement and servicing stages, technology supports controlled fund flows through direct credit to borrower accounts, minimising leakages and ensuring traceability. Digital repayment channels, automated reminders, and system-based reconciliation improve collection efficiency and enable early identification of stress.

Overall, the use of technology strengthens process integrity by reducing dependence on manual interventions, improving transparency, and enabling continuous monitoring and auditability across the loan process.

#### 4.32 Strategy of diversification

Diversification is a key strategic lever for microfinance institutions to strengthen resilience while advancing financial inclusion objectives. By expanding across geographies, customer segments, and product offerings, MFIs are better positioned to reduce concentration risks and broaden access to formal financial services for underserved populations.



- **Geographic diversification** enables institutions to extend outreach beyond high-penetration regions into underbanked and emerging markets. This approach reduces dependence on specific states or districts and mitigates the impact of localised disruptions such as regulatory changes, climatic events, or socio-economic stress. At the same time, it supports deeper financial inclusion by bringing credit access to previously underserved rural and semi-urban areas.
- **Product diversification** further enhances inclusion by addressing varied borrower needs. Beyond traditional group-based microcredit, MFIs may introduce individual loans, livelihood loans, micro-enterprise finance, and other need-based credit solutions. Tailoring products to income cycles and household requirements helps improve credit absorption capacity and strengthens long-term borrower relationships.
- **Diversification across customer segments** also contributes to portfolio stability. Serving a mix of agricultural, non-farm, and micro-enterprise borrowers reduces sectoral concentration risk and balances seasonal income patterns. This enhances repayment stability and supports sustainable portfolio growth.
- Overall, a well-executed diversification strategy allows MFIs to optimise financial inclusion outcomes while maintaining prudent risk management. By balancing expansion with operational discipline, institutions can achieve sustainable growth and contribute meaningfully to inclusive economic development.

**4.33 Major growth drivers**



**Expansion into New States and Districts**

Microfinance institutions are increasingly expanding their geographical footprint by entering new states and districts to diversify their customer base. This strategic expansion enables institutions to reduce concentration risk, improve portfolio diversification, and capture untapped demand for formal credit.

Penetration into newer geographies also supports business scalability while strengthening the overall outreach of the financial inclusion ecosystem.



**Underpenetrated States as Future Growth Engines**

Several states remain relatively underpenetrated in terms of formal microfinance coverage, presenting significant headroom for growth. As financial awareness improves and infrastructure strengthens, these regions are expected to contribute meaningfully to portfolio expansion.

Institutions focusing on calibrated entry strategies, supported by robust credit assessment mechanisms, are likely to benefit from sustainable growth in such markets.



**Higher Rural Exposure Driving Portfolio Growth**

The rural segment continues to account for a substantial share of microfinance business, driven by demand for livelihood financing and limited access to formal banking channels. With ongoing policy support for rural development and self-employment initiatives, rural markets are expected to remain a key growth driver.

The focus on rural borrowers aligns with the broader financial inclusion agenda and supports long-term portfolio stability when accompanied by prudent underwriting.



**Expansion in Average Ticket Size**

A gradual increase in average ticket size reflects the evolving credit needs of borrowers and the transition of customers to higher income and enterprise levels. Larger loan sizes enable borrowers to undertake more productive economic activities, thereby improving repayment capacity and deepening lender–borrower relationships.

When supported by responsible lending norms and income assessment frameworks, this trend can contribute positively to portfolio growth and operational efficiency.

#### 4.34 Key success factors of MFI lenders



- A critical success factor for MFIs is the **ability to attract funding and maintain a healthy capital position**. Sustained access to diversified funding sources such as banks, financial institutions, capital markets, and development finance institutions supports portfolio growth and liquidity management. A strong capital base enhances resilience during economic stress, enables regulatory compliance, and supports expansion without compromising prudential norms.
- **Geographic diversification of the loan portfolio** is another important determinant of stability. A well-diversified presence across states and regions reduces concentration risk arising from localised disruptions such as regulatory actions, natural calamities, or socio-political developments. Geographic spread enables MFIs to offset stress in one region with stable performance in others, thereby contributing to overall portfolio resilience.
- The **ability to control asset quality and manage the ageing of NPAs** remains fundamental to long-term sustainability. Strong underwriting standards, disciplined collection practices, early warning mechanisms, and timely resolution of delinquent accounts help contain credit costs. Effective monitoring of portfolio trends and proactive recovery strategies limit slippages and prevent accumulation of aged NPAs.
- Increasing **adoption of technology** is a structural advantage that supports cost optimisation, operational efficiency, and profitability. Digital onboarding, automated underwriting checks, centralised MIS platforms, and analytics-driven monitoring reduce manual errors and transaction costs. Technology also enhances scalability while strengthening governance and compliance oversight.
- Finally, **credit risk mitigation through credit bureau integration** plays a vital role in maintaining portfolio quality. Access to borrower credit histories and exposure data enables MFIs to assess indebtedness levels, prevent over-lending, and make informed credit decisions. Effective use of bureau data improves underwriting discipline and supports responsible lending practices across the sector.

#### 4.35 Role of Self-Regulatory Organisation (SRO)

MFIN was recognised by the RBI as an SRO for NBFC-MFIs in June 2014, authorising it to support regulatory oversight through monitoring member compliance with RBI instructions and industry codes of conduct. This recognition made MFIN the first microfinance network in India, and among the earliest in Asia, to receive formal SRO status. Its mandate includes submission of member MFIs’ financial and operational data to the RBI, along with research, training, and capacity-building initiatives.

In September 2017, MFIN introduced the Mutually Agreed Code of Conduct (MACC), which restricts lending to borrowers already served by three microcredit lenders, with the objective of curbing over-indebtedness. While RBI regulations initially applied only to NBFC-MFIs, MACC extended similar discipline across a broader set of microfinance lenders, excluding SHGs.

Sa-Dhan is the second industry body recognised by the RBI as an SRO for NBFC-MFIs. Its role centres on policy advocacy, sector surveillance, submission of reports to the RBI, and operation of grievance redressal and dispute resolution mechanisms to safeguard borrower interests and ensure regulatory compliance.

Following demonetisation and during subsequent localised disruptions, both MFIN and Sa-Dhan have undertaken field-level interventions, including borrower awareness programmes and coordination with state authorities, to maintain operational stability in the microfinance sector.

In March 2024, the RBI issued an omnibus framework for recognition and governance of SROs across all regulated entities. This framework, applicable to microfinance SROs as well, standardises objectives, eligibility norms, governance standards, and core functions, reinforcing accountability and strengthening the role of SROs in supporting regulatory supervision going forward.

#### **4.36 MFIN Guardrail**

MFIN, as a Self-Regulatory Organization (SRO), has been actively ensuring that its member institutions comply with the RBI's Regulatory Framework for Microfinance Loans, 2022. These Directions mandate, inter alia, the formulation of board-approved policies covering assessment of household income, limits on aggregate loan repayment obligations of borrowers, and transparent pricing of microfinance loans. The framework also lays down norms relating to qualifying asset criteria and prescribes standards of conduct in dealing with microfinance borrowers, including staff training, oversight of outsourced activities, recovery practices, and engagement of recovery agents.

In line with its commitment to responsible lending and borrower protection, MFIN has taken proactive measures to safeguard client interests. Notably, around ten of its member institutions have reduced their lending rates despite elevated funding costs. This moderation in pricing has been supported by improved post-pandemic asset quality, operational efficiencies, increased technology adoption, and a more diversified funding profile. SROs and Regulated Entities (REs) continue to work collectively to ensure that gains arising from efficiencies in funding, operations, and credit costs are passed on to borrowers.

In order to further promote responsible lending practices, MFIN came up with additional guardrails. These guardrails are:

- Mandatory e-validation of Voter ID
- A maximum of 3 microfinance lenders can provide loans to a borrowers
- Limiting the total microfinance indebtedness to Rs. 2 lakhs
- No loan to a borrower who has a DPD >60 days (previously 90 days) on any loan that has an amount outstanding of greater than Rs 3,000 with any regulated entity (RE) at the time of underwriting the loan under consideration.

The above-mentioned guardrails are over and above the RBI regulations and Industry Code of Conduct which reflects continued efforts of MFIN as an SRO as well as the industry's commitment to responsible lending practices.

#### **4.37 Other Institutions**

##### **MUDRA**

In the Union Budget 2015–16, the Government of India announced the establishment of Micro Units Development & Refinance Agency Ltd. (MUDRA) with the objective of promoting financial inclusion within the non-corporate small

business segment, a large part of which remains outside the formal credit system. MUDRA functions primarily as a refinance and development institution, extending support to banks, NBFCs, and MFIs that provide credit to micro and small enterprises. By offering comparatively lower-cost refinance facilities, MUDRA enables these institutions to expand credit access to underserved micro-entrepreneurs.

### **NABARD refinancing MFIs to encourage lending in rural areas**

The National Bank for Agriculture and Rural Development (NABARD) plays a significant role in advancing microfinance, particularly in rural and semi-urban areas. It provides refinance assistance to eligible NBFC-MFIs and SFBs, thereby supporting credit flow to rural borrowers. In April 2021, the RBI announced a special liquidity facility of Rs 250 billion to NABARD to enable refinancing of cooperative banks, Regional Rural Banks (RRBs), and MFIs in view of the disruptions caused by the COVID-19 pandemic.

### **SIDBI**

Established in April 1990, the Small Industries Development Bank of India (SIDBI) was created to promote and strengthen credit delivery to the MSME sector while addressing broader developmental needs. SIDBI supports liquidity in the MSME ecosystem through various schemes, providing funding assistance to banks, NBFCs, and MFIs at competitive rates to sustain credit flow. In April 2000, SIDBI launched the National Microfinance Support Programme (NMFSP) in partnership with the UK's Department for International Development (DFID) to promote best practices in microfinance. This collaboration was further expanded in April 2002 through an arrangement with the International Fund for Agricultural Development (IFAD) to extend on-lending support to MFIs.

### **Credit Guarantee Fund for Micro Units (CGFMU) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**

The CGFMU, associated with Pradhan Mantri Mudra Yojana, operates on a similar principle to Credit Guarantee Fund Trust for Micro and Small Enterprises but is specifically targeted at micro enterprises. It provides portfolio-based credit guarantees for loans extended under the MUDRA framework, thereby reducing default risk for lending institutions such as banks, NBFCs, and other financial intermediaries. The fund is managed by National Credit Guarantee Trustee Company, a Government of India entity. Together, CGTMSE and CGFMU serve as key policy instruments to expand access to formal credit across the MSME and micro-enterprise spectrum, with CGTMSE catering to relatively larger segments and CGFMU focusing on smaller ticket loans.

As of 18<sup>th</sup> March 2026, CGTMSE has approved approximately 1.39 crore guarantees, with a total sanctioned amount of around Rs 13.2 lakh crore. Further, as on March 31, 2025, the total funds available with CGTMSE stood at Rs 29,684.7 crore, comprising corpus contributions, accumulated surplus, and retained earnings. These figures reflect the continued expansion and financial strengthening of the scheme in recent years.

MFIs and SFBs have increasingly leveraged such credit guarantee mechanisms as part of their lending strategies. As institutions focused on financial inclusion, they cater to borrowers with limited credit histories and minimal collateral. Participation in guarantee frameworks such as CGFMU, particularly for MUDRA-linked lending enables these entities to expand outreach while partially mitigating credit risk. From a systemic perspective, this supports credit deepening, improves portfolio diversification, and facilitates lending to new-to-credit borrowers and small entrepreneurs, thereby strengthening the broader financial inclusion ecosystem.

## 5 Peer Comparison

In this chapter, CareEdge Research has analysed the operational performance and key financial indicators of top 12 NBFC-MFIs (Non-banking Finance Company-Microfinance Institutions) players in terms of assets under management (AUM) and select Small Finance Banks (SFBs) and Bandhan Bank that have loan portfolios inclined towards the MFI segment. However, it should be noted that the business models of SFBs and Bandhan Bank are different from NBFC-MFIs on account of RBI's regulation on qualifying assets for an NBFC-MFI. For an NBFC-MFI, a minimum of 60% of its total assets should consist of microfinance loans. For an SFB/Bank, the primary goal is to meet the target of Priority Sector Loans (PSL) with no restriction of qualifying assets. However, for all SFB/Bank, NBFCs and NBFC-MFIs, microfinance loans have the same definition which is a collateral free loan to households with annual household income up to Rs. 300,000.

### List of peers NBFC – MFIs<sup>1</sup> considered for analysis include:

S. No.	Name of the Peers	Type of Peers	Brief Profile
1	CreditAccess Grameen Ltd (CreditAccess)	NBFC-MFI	Incorporated in 1999, CreditAccess Grameen Ltd is part of CreditAccess India BV. The company provides microfinance loans primarily through the JLG model to women borrowers in rural and semi-urban areas. Its product offerings include income generation loans, family welfare loans, and home improvement loans.
2	Muthoot Microfin Ltd (Muthoot)	NBFC-MFI	Incorporated in 1992, Muthoot Microfin Ltd is part of the Muthoot Pappachan Group. The company provides microfinance loans to women borrowers, along with allied financial services such as individual loans, insurance distribution, and other financial inclusion products.
3	Satin Creditcare Network Ltd (Satin)	NBFC-MFI	Incorporated in 1990, part of Satin group, Satin Creditcare Network Ltd operates as an NBFC-MFI providing microfinance loans to economically weaker sections. The company also offers MSME loans and has presence in housing finance through its subsidiary Satin Housing Finance Ltd.
4	Annapurna Finance Pvt Ltd (Annapurna)	NBFC-MFI	Incorporated in 2009, Annapurna Finance Pvt Ltd provides microfinance services to low-income households, primarily in eastern India. The company also offers MSME loans and affordable housing finance and operates through a branch-led distribution network.
5	IIFL Samasta Finance Ltd (Samasta)	NBFC-MFI	Incorporated in 2008, IIFL Samasta Finance Ltd is a subsidiary of IIFL Finance Ltd. The company provides microfinance loans to women borrowers and operates across multiple states, focusing on income generation and household financing needs.
6	Svatantra Microfin Pvt Ltd (Svatantra)	NBFC-MFI	Incorporated in 2012, Svatantra Microfin Pvt Ltd is promoted by Svatantra Holdings Pvt Ltd. The company provides microfinance loans through group lending as well as individual lending products aimed at underserved customer segments.
7	Chaitanya India Fin Credit Pvt Ltd (Chaitanya)	NBFC-MFI	Incorporated in 2009, Chaitanya India Fin Credit Pvt Ltd is part of Navi Group. The company provides microfinance loans through the joint liability group model and also offers individual loans to small entrepreneurs.
8	Belstar Microfinance Ltd (Belstar)	NBFC-MFI	Incorporated in 1988, Belstar Microfinance Ltd is a subsidiary of Muthoot Finance Ltd. The company provides microfinance loans, MSME loans, and small-ticket individual loans to customers in rural and semi-urban areas.
9	Fusion Finance Ltd (Fusion)	NBFC-MFI	Incorporated in 1994, Fusion Finance Ltd operates as an NBFC-MFI providing microfinance loans primarily to women borrowers. The company also offers MSME loans and operates across multiple states with a branch-based model.
10	Arohan Financial Services Ltd (Arohan)	NBFC-MFI	Incorporated in 2006, Arohan Financial Services Ltd is part of the Aavishkaar Group which also includes Aavishkaar Capital, a participant in impact-led investing, having invested in the microfinance industry in 2007. Arohan Financial Services Ltd provides

<sup>1</sup> Peer NBFC-MFIs comprise the top 12 NBFC-MFIs in India based on AUM for the relevant period, along with select small finance banks ("SFBs") and Bandhan Bank that have loan portfolios with a significant focus on the microfinance segment. Although regulatory requirements for qualifying assets differ between NBFC-MFIs, SFBs and Bandhan Bank, such entities have been included as peers due to the comparable nature of microfinance loans, which are uniformly defined as collateral-free loans to households with annual income of up to Rs 300,000.

S. No.	Name of the Peers	Type of Peers	Brief Profile
			microfinance loans and has expanded into MSME lending and other financial inclusion products.
11	Asirvad Microfinance Ltd (Asirvad)	NBFC-MFI	Incorporated in 2007, Asirvad Microfinance Ltd is a subsidiary of Manappuram Finance Ltd. The company provides microfinance loans primarily to women borrowers and operates through a branch-led model across several states.
12	Spandana Sphoorty Financial Ltd (Spandana)	NBFC-MFI	Incorporated in 2003, Spandana Sphoorty Financial Ltd provides microfinance loans using the joint liability group model. The company also offers individual loans and operates across multiple states in India.
13	Bandhan Bank (Bandhan)	Bank	Incorporated in 2014, Bandhan Bank Ltd is part of Bandhan Financial Holdings Ltd. The bank provides a range of banking services including microfinance loans, retail loans, MSME loans, and deposit products.
14	Ujjivan SFB (Ujjivan)	SFB	Incorporated in 2016, Ujjivan Small Finance Bank Ltd is a subsidiary of Ujjivan Financial Services Ltd. The bank offers microfinance loans, housing loans, MSME loans, and deposit products to retail customers.
15	Jana SFB (Jana)	SFB	Incorporated in 2018, Jana Small Finance Bank Ltd evolved from Janalakshmi Financial Services. The bank provides microfinance, MSME, affordable housing, and retail loan products along with deposit services.
16	Utkarsh SFB (Utkarsh)	SFB	Incorporated in 2016, Utkarsh Small Finance Bank Ltd is promoted by Utkarsh CoreInvest Ltd. The bank provides microfinance loans, retail banking services, MSME loans, and deposit products.
17	ESAF SFB (ESAF)	SFB	Incorporated in 2017, ESAF Small Finance Bank Ltd is promoted by ESAF Financial Holdings Pvt Ltd. The bank provides microfinance loans, agricultural loans, MSME finance, and deposit services.
18	Suryoday SFB (Suryoday)	SFB	Incorporated in 2017, Suryoday Small Finance Bank Ltd is promoted by Suryoday Micro Finance Ltd. The bank provides microfinance loans, affordable housing loans, MSME loans, and deposit products.

The Peer NBFC-MFIs in India accounted for 70% of the NBFC-MFI portfolio in FY25

### MFI Comparison by RBI registration and regional presence in terms of corporate office

They are the second largest in Eastern India (based on presence of corporate office) in terms of AUM as of Dec'25.

NBFCs	Corporate office	Region as per corporate office
CreditAccess Grameen Ltd	Bengaluru	South
Muthoot Microfin Ltd	Ernakulam	South
Satin Credit care Network Ltd	Haryana	North
Annapurna Finance Pvt Ltd	Bhubaneswar	East
IIFL Samasta Finance Ltd	Bengaluru	South
Svatantra Microfin Pvt Ltd	Bengaluru	South
Chaitanya India Fin Credit Pvt Ltd	Bengaluru	South
Belstar Microfinance Ltd	Chennai	South
Fusion Finance Ltd	Haryana	North
Arohan Financial Services Ltd	Kolkata	East
Asirvad Microfinance Ltd	Thrissur	South
Spandana Sphoorty Financial Ltd	Hyderabad	South

## Arohan Financial Services Limited is the Ninth largest NBFC-MFI in India in terms of AUM as of 9MFY26<sup>2</sup>

As of Dec'25<sup>1</sup>, Arohan Financial Services was ranked as the ninth largest NBFC-MFI in India in terms of AUM with a market share of 4.71%, placing us among the leading participants in the micro finance industry. NBFC-MFIs saw a degrowth in FY25, with majority of the players reporting negative or muted AUM growth. In FY25, Arohan's AUM moderated to Rs 60.03 billion, reflecting a decline of 15.60%. This contraction was lower than the decline observed in certain peers NBFC – MFIs such as Spandana (-49.65%), Asirvad (-31.07%), IIFL Samasta (-21.88%), Fusion (-21.75%) and Belstar (-20.49%), though higher than players that maintained growth such as Chaitanya with highest growth of 13.10% followed by Satin (6.83%) and Annapurna (6.75%). As of 9MFY26, Arohan reported stable growth of 5.10%, fourth highest among the peers NBFC – MFIs considered. Arohan recorded a CAGR of 6.12% for the period FY23–9MFY26. Chaitanya registered highest CAGR 21.43% for the period FY23 to 9MFY26.

Under SFBs, Suryoday SFB posted the highest CAGR of 27.37% among SFBs and Bandhan Bank between FY23-9MFY26.

### 5.1 Comparison of key players in the MFI industry

AUM (Rs Billions)	Market share (as on 9MFY26)	Market share			
		FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	19.83%	210.30	267.14	259.48	265.66
Muthoot Microfin Ltd	9.76%	92.08	121.94	123.57	130.79
Satin Creditcare Network Ltd	8.57%	79.29	105.93	113.16	114.82
Annapurna Finance Pvt Ltd	7.98%	87.49	103.36	110.34	106.91
IIFL Samasta Finance Ltd	7.23%	105.52	142.11	111.01	96.81
Svatantra Microfin Pvt Ltd	6.82%	74.99	77.25	73.09	91.33
Chaitanya India Fin Credit Pvt Ltd	6.25%	49.10	67.13	75.93	83.74
Belstar Microfinance Ltd	5.90%	61.92	100.23	79.69	79.10
Fusion Finance Ltd	5.13%	92.96	114.76	89.80	68.76
Arohan Financial Services Ltd	4.71%	53.57	71.12	60.03	63.08
Asirvad Microfinance Ltd	4.55%	100.41	118.81	81.89	60.91
Spandana Sphoorty Financial Ltd	2.46%	79.80	119.73	60.29	32.96
<b>Banks and SFBs</b>					
Bandhan Bank	NM	1091.20	1247.20	1369.90	1452.20
Ujjivan SFB	NM	240.90	297.80	321.22	370.57
Jana SFB	NM	201.00	247.50	295.45	NA
ESAF SFB	NM	163.30	196.60	196.43	206.79
Utkarsh SFB	NM	139.60	183.00	196.66	183.06
Suryoday SFB	NM	61.10	86.50	102.51	118.85

Note: (1) AUM for NBFC-MFI players comprises largely of MFI loans and some non-MFI loans allowed as per extant regulations and based on each company's strategy, (2) Market share is based on 9MFY26 AUM of NBFC-MFIs; NBFC MFIs are arranged in ascending

<sup>2</sup>considering acquisition of Chaitanya by Svatantra and treating them as one entity

order of AUM as of Dec'25 (3) NA – Not available; NM – Not meaningful (4) Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition (5) Overall AUM has been considered for Banks & SFBs

Source: Company reports, CareEdge Research, MFIN.

AUM Growth (%)	Y-o-Y Growth%			9MFY26 vs FY25	CAGR (FY23-9MFY26)
	FY23	FY24	FY25		
CreditAccess Grameen Ltd	26.69%	27.03%	-2.87%	2.38%	8.87%
Muthoot Microfin Ltd	47.22%	32.42%	1.34%	5.84%	13.61%
Satin Creditcare Network Ltd	23.72%	33.60%	6.83%	1.47%	14.41%
Annapurna Finance Pvt Ltd	33.57%	18.14%	6.75%	-3.11%	7.56%
IIFL Samasta Finance Ltd	62.74%	34.68%	-21.88%	-12.79%	-3.08%
Svatantira Microfin Pvt Ltd	51.33%	3.00%	-5.38%	24.95%	7.43%
Chaitanya India Fin Credit Pvt Ltd	85.00%	36.73%	13.10%	10.29%	21.43%
Belstar Microfinance Ltd	41.86%	61.86%	-20.49%	-0.75%	9.31%
Fusion Finance Ltd	36.99%	23.45%	-21.75%	-23.43%	-10.39%
Arohan Financial Services Ltd	29.97%	32.75%	-15.60%	5.10%	6.12%
Asirvad Microfinance Ltd	43.40%	18.32%	-31.07%	-25.62%	-16.62%
Spandana Sphoorty Financial Ltd	28.71%	50.04%	-49.65%	-45.33%	-27.50%
<b>Banks and SFBs</b>					
Bandhan Bank	9.84%	14.30%	9.84%	6.01%	10.95%
Ujjivan SFB	32.65%	23.62%	7.86%	15.36%	16.95%
Jana SFB	30.94%	23.13%	19.37%	NA	NA
ESAF SFB	32.33%	20.39%	-0.09%	5.28%	8.97%
Utkarsh SFB	31.33%	31.09%	7.46%	-6.92%	10.36%
Suryoday SFB	20.75%	41.57%	18.51%	15.94%	27.37%

Note: (1) NA: Not Available, (2) NBFC MFIs are arranged in ascending order of AUM as of Dec'25. (3) Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition (4) Overall AUM has been considered for Banks & SFBs (5) 9MFY26 growth over FY25

Source: Company reports, CareEdge Research, MFIN.

## 5.2 Disbursement data

Disbursements across NBFC-MFIs were broadly subdued in FY25, with several players recording sharper contractions than Arohan (30.90%) — including Spandana (-47.56%), IIFL Samasta (-45.95%), Asirvad (-40.14%), Belstar (-38.03%) and Fusion (-32.28%). The decline at Arohan was steeper than CreditAccess (-13.37%), Muthoot (-16.78%), and Svatantira (-9.41%), while only 3 peers NBFC – MFIs delivered disbursement growth in FY25 - Chaitanya (9.99%), Annapurna (7.53%), and Satin (1.51%).

Disbursement (Rs Billions)	FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	185.40	231.30	200.37	165.47
Muthoot Microfin Ltd	81.05	106.62	88.73	65.42
Satin Creditcare Network Ltd	73.90	96.91	98.37	73.82
Annapurna Finance Pvt Ltd	77.10	83.13	89.39	58.65
IIFL Samasta Finance Ltd	102.14	122.06	65.97	51.23

Disbursement (Rs Billions)	FY23	FY24	FY25	9MFY26
Svatantra Microfin Pvt Ltd	62.86	62.25	56.39	64.56
Chaitanya India Fin Credit Pvt Ltd	49.88	63.34	69.67	57.01
Belstar Microfinance Ltd	57.95	97.08	60.16	55.90
Fusion Finance Ltd	85.96	102.94	69.71	36.27
Arohan Financial Services Ltd	52.99	67.09	46.36	44.92
Asirvad Microfinance Ltd	193.80	93.20	55.79	24.73
Spandana Sphoorty Financial Ltd	81.25	106.88	56.05	21.14
<b>Banks and SFBs</b>				
Bandhan Bank	657.70	761.90	694.80	513.90
Ujjivan SFB	200.37	233.89	234.64	227.64
Jana SFB	148.12	176.05	198.30	47.75
ESAF SFB	149.41	170.14	209.84	296.04
Utkarsh SFB	NA	NA	NA	NA
Suryoday SFB	50.83	69.19	69.89	73.89

Note: NA: Not Available, NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition. Data as on 9MFY26 sourced from Micrometer.

Source: Company reports, CareEdge Research, MFIN

Disbursement Growth	Y-o-Y Growth%		
	FY23	FY24	FY25
CreditAccess Grameen Ltd	44.51%	24.76%	-13.37%
Muthoot Microfin Ltd	74.40%	31.55%	-16.78%
Satin Creditcare Network Ltd	83.33%	31.14%	1.51%
Annapurna Finance Pvt Ltd	44.92%	7.82%	7.53%
IIFL Samasta Finance Ltd	78.87%	19.51%	-45.95%
Svatantra Microfin Pvt Ltd	38.19%	-0.97%	-9.41%
Chaitanya India Fin Credit Pvt Ltd	88.72%	26.99%	9.99%
Belstar Microfinance Ltd	63.41%	67.51%	-38.03%
Fusion Finance Ltd	39.09%	19.75%	-32.28%
Arohan Financial Services Ltd	36.76%	26.61%	-30.90%
Asirvad Microfinance Ltd	126.40%	-51.91%	-40.14%
Spandana Sphoorty Financial Ltd	140.88%	31.54%	-47.56%
<b>Banks and SFBs</b>			
Bandhan Bank	NA	15.84%	-8.81%
Ujjivan SFB	41.98%	16.73%	0.32%
Jana SFB	27.84%	18.86%	12.64%
ESAF SFB	NA	13.87%	23.34%
Utkarsh SFB	NA	NA	NA
Suryoday SFB	44.08%	36.12%	1.01%

Note: (1) NA: Not Available, (2) NBFC MFIs are arranged in ascending order of AUM as of Dec'25. (3) Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition, Overall Disbursement has been considered for Banks & SFBs Source: Company reports, MFIN, CareEdge Research. Data as on 9MFY26 sourced from Micrometer.

### 5.3 Client Outreach decreased throughout the microfinance sector

Arohan Financial Services Limited reported a client outreach of 2.14 million in FY25, representing a 11.20% YoY decline from FY24 (2.41 million). While the decline reflects sector-wide moderation, the contraction was less steep than several other peers NBFC – MFIs, including Asirvad (-25.28%), Spandana (-25.00%) and Fusion (-16.93%). In FY25, only few NBFC-MFIs recorded positive client growth, namely Chaitanya (5.75%), Annapurna (4.92%) and Muthoot (2.39%), indicating that contraction in outreach was an industry trend rather than company-specific.

Chaitanya recorded the highest CAGR of 12.63% from FY23-9MFY26 among NBFC-MFIs, while Suryoday SFB led the SFB segment with a 20.03% CAGR (FY23-9MFY26).

During the recovery phase prior to FY25 moderation, Arohan demonstrated expansion, with outreach growing 19.90% y-o-y in FY24, 7<sup>th</sup> highest among the peers NBFC – MFIs.

Client outreach (in millions)	FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	4.26	4.92	4.69	4.40
Muthoot Microfin Ltd	2.77	3.35	3.43	3.33
Satin Creditcare Network Ltd	2.56	3.34	3.29	3.18
Annapurna Finance Pvt Ltd	2.50	2.79	2.93	2.90
IIFL Samasta Finance Ltd	2.40	3.00	2.70	2.27
Svatantra Microfin Pvt Ltd	2.23	2.36	2.17	2.20
Chaitanya India Fin Credit Pvt Ltd	1.37	1.74	1.84	1.90
Belstar Microfinance Ltd	2.13	2.83	2.53	2.10
Fusion Finance Ltd	3.52	3.84	3.19	2.32
Arohan Financial Services Ltd	2.01	2.41	2.14	1.95
Asirvad Microfinance Ltd	2.99	3.52	2.63	1.70
Spandana Sphoorty Financial Ltd	2.26	3.32	2.49	1.15
<b>Banks and SFBs</b>				
Bandhan Bank	30.00	33.60	31.60	32.50
Ujjivan SFB	4.25	4.86	4.90	NA
Jana SFB	4.60	5.40	4.20	4.30
ESAF SFB	6.80	8.37	9.40	9.99
Utkarsh SFB	3.60	4.51	4.99	5.14
Suryoday SFB	2.30	2.80	3.40	3.80

Note: For Banks and SFBs clients include total number of customers (both liability & asset side), NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition, 9MFY26 sourced from Micrometer.

Source: MFIN, Company reports, CareEdge Research

Client outreach	Client outreach Growth%				CAGR%
	FY23	FY24	FY25	9MFY26	FY23-9MFY26
CreditAccess Grameen Ltd	11.51%	15.34%	-4.55%	-6.24%	1.16%
Muthoot Microfin Ltd	35.12%	20.94%	2.39%	-2.92%	6.92%
Satin Creditcare Network Ltd	4.49%	30.47%	-1.50%	-3.34%	8.21%
Annapurna Finance Pvt Ltd	8.70%	11.70%	4.92%	-1.02%	5.55%
IIFL Samasta Finance Ltd	33.33%	25.00%	-10.00%	-15.93%	-2.00%
Svatantra Microfin Pvt Ltd	32.38%	5.99%	-8.00%	1.29%	-0.45%
Chaitanya India Fin Credit Pvt Ltd	69.14%	27.01%	5.75%	3.26%	12.63%
Belstar Microfinance Ltd	25.74%	33.02%	-10.53%	-17.16%	-0.51%
Fusion Finance Ltd	29.41%	9.09%	-16.93%	-27.27%	-14.07%
Arohan Financial Services Ltd	5.79%	19.90%	-11.20%	-8.88%	-1.10%
Asirvad Microfinance Ltd	24.58%	17.73%	-25.28%	-35.36%	-18.56%
Spandana Sphoorty Financial Ltd	-3.83%	46.90%	-25.00%	-53.65%	-21.68%
<b>Banks and SFBs</b>					
Bandhan Bank	14.07%	12.00%	-5.95%	2.85%	2.95%
Ujjivan SFB	12.14%	14.35%	0.82%	NA	NA
Jana SFB	24.32%	17.39%	-22.22%	2.38%	-2.42%
ESAF SFB	51.11%	23.09%	12.31%	6.28%	15.01%
Utkarsh SFB	16.13%	25.28%	10.64%	3.01%	13.83%
Suryoday SFB	21.05%	21.74%	21.43%	11.76%	20.03%

Notes: (1) NA – Not available, (2) For Banks and SFBs clients include total number of customers (both liability & asset side), (3) NBFC MFIs are arranged in ascending order of AUM as of Dec'25, (4) Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, Company reports, CareEdge Research

#### 5.4 Arohan Financial Services has the second highest Clients per Loan Officer as of FY25

As of 9MFY26, Arohan had 9,502 employees, 5,723 loan officers, 1,073 branches and disbursed Rs 44.92 billion through 0.76 million loans. Arohan has the second highest clients per loan officers as of FY25 among the peers NBFC – MFIs considered. Muthoot had the highest clients per loan officers as of FY25 among the peers NBFC – MFIs considered.

Reach and efficiency parameters (9MFY26)	No of employees	No. of loan officers	No of branches	Disbursements (Rs billion)	No. of loans disbursed (in millions)	Clients per branch	Disbursements per branch (Rs million)	AUM per branch (Rs million)	Clients per loan officer	Disbursements per loan officer (Rs. million)	AUM /Loan officer (Rs million)
CreditAccess Grameen Ltd	21,701	14,464	2,222	165.47	3.05	1,980.65	74.47	119.56	304.27	11.44	18.37
Muthoot Microfin Ltd	16,032	9,102	1,691	65.42	0.89	1,969.25	38.69	77.34	365.85	7.19	14.37
Satin Creditcare Network Ltd	16,411	11,109	1,987	73.82	1.24	1,600.40	37.15	57.79	286.25	6.65	10.34
Annapurna Finance Pvt Ltd	14,121	9,952	1,729	58.65	4.02	1,677.27	33.92	61.83	291.40	5.89	10.74
IIFL Samasta Finance Ltd	15,859	9,861	1,590	51.23	0.76	1,427.67	32.22	60.89	230.20	5.20	9.82
Svatantra Microfin Pvt Ltd	12,869	7,555	1,045	64.56	1.15	2,105.26	61.78	87.40	291.20	8.55	12.09
Chaitanya India Fin Credit Pvt Ltd	11,587	7,425	1,055	57.01	0.97	1,800.95	54.04	79.37	255.89	7.68	11.28
Belstar Microfinance Ltd	11,846	7,152	1,290	55.90	0.79	1,627.91	43.33	61.32	293.62	7.82	11.06
Fusion Finance Ltd	11,668	7,131	1,537	36.27	0.65	1,509.43	23.60	44.74	325.34	5.09	9.64
Arohan Financial Services Ltd	9,502	5,723	1,073	44.92	0.76	1,820.05	41.86	58.79	341.24	7.85	11.02
Asirvad Microfinance Ltd	13,383	7,175	1,776	24.73	0.51	957.21	13.92	34.30	236.93	3.45	8.49
Spandana Sphoorty Financial Ltd	10,785	7,534	1,667	21.14	0.35	692.26	12.68	19.77	153.17	2.81	4.37
<b>Banks &amp; SFBs</b>											
Bandhan Bank	74,512	NA	1,831	513.90	NA	17,749.86	280.67	793.12	NA	NA	NA
Ujjivan SFB	NA	NA	753	227.64	NA	NA	110.13	492.12	NA	NA	NA
Jana SFB	25,892	NA	816	47.75	NA	5,269.61	58.52	NA	NA	NA	NA
ESAF SFB	11,098	NA	788	296.04	NA	12,677.66	NA	262.42	NA	NA	NA
Utkarsh SFB	18,827	NA	1,105	NA	NA	4,651.58	NA	165.67	NA	NA	NA
Suryoday SFB	8,759	NA	712	73.89	NA	5,337.08	103.78	166.92	NA	NA	NA

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, Company reports, CareEdge Research

Reach and efficiency parameters (FY25)	No of employees	No. of loan officers	No of branches	Disbursements (Rs billion)	No. of loans disbursed (in millions)	Clients per branch	Disbursements per branch (Rs million)	AUM per branch (Rs million)	Clients per loan officer	Disbursements per loan officer (Rs. million)	AUM/L loan officer (Rs million)
CreditAccess Grameen Ltd	20,970	14,117	2,063	200.37	3.91	4,694.00	97.13	125.78	332.51	14.19	18.38
Muthoot Microfin Ltd	15,989	9,748	1,699	88.73	1.81	2,018.83	52.22	72.73	351.87	9.10	12.68
Satin Creditcare Network Ltd	15,189	11,509	1,568	98.37	1.83	2,098.21	62.74	72.17	285.86	8.55	9.83
Annapurna Finance Pvt Ltd	14,177	9,246	1,571	89.39	1.42	2,030.55	56.90	70.24	316.89	9.67	12.01
IIFL Samasta Finance Ltd	17,957	11,853	1,660	65.97	1.28	1,626.51	39.74	66.87	227.79	5.57	9.31
Svatantra Microfin Pvt Ltd	12,043	7,172	996	56.39	1.10	2,180.77	56.62	73.39	302.85	7.86	8.37
Chaitanya India Fin Credit Pvt Ltd	11,247	7,296	1,038	69.67	1.25	1,772.64	67.12	73.15	252.19	9.55	12.31
Belstar Microfinance Ltd	13,076	NA	1,281	60.16	NA	1,978.89	46.96	62.21	NA	NA	NA
Fusion Finance Ltd	15,709	10,638	1,636	69.71	1.63	1,790.95	42.61	54.89	299.87	6.55	6.87
Arohan Financial Services Ltd	10,252	6,359	1,103	46.36	0.88	1,938.90	42.03	54.42	336.31	7.29	9.44
Asirvad Microfinance Ltd	17,506	9,127	1,785	55.79	1.07	1,473.39	31.25	45.88	288.16	6.11	8.32
Spandana Sphoorty Financial Ltd	18,382	11,994.	1,804	56.05	1.11	1,380.27	31.07	33.42	207.60	4.67	6.83
<b>Banks &amp; SFBs</b>											
Bandhan Bank	75,032.00	NA	1,715	694.80	NA	18,425.66	405.13	798.78	NA	NA	NA
Ujjivan SFB	24,374	NA	753	234.64	NA	6,507.30	311.61	426.59	NA	NA	NA
Jana SFB	25,381	NA	802	198.30	NA	5,236.91	247.26	368.39	NA	NA	NA
ESAF SFB	19,779	NA	1,092	209.84	NA	4,569.60	0.00	180.09	NA	NA	NA

Reach and efficiency parameters (FY25)	No of employees	No. of loan officers	No of branches	Disbursements (Rs billion)	No. of loans disbursed (in millions)	Clients per branch	Disbursements per branch (Rs million)	AUM per branch (Rs million)	Clients per loan officer	Disbursements per loan officer (Rs. million)	AUM/Loan officer (Rs million)
Utkarsh SFB	12,520	NA	787	NA	NA	11,944.09	266.64	249.59	NA	NA	NA
Suryoday SFB	8,649	NA	710	69.89	NA	4,788.73	98.44	144.38	NA	NA	NA

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, Company reports, CareEdge Research

During FY24, Arohan operated with 9,333 employees, 5,680 loan officers and 976 branches, disbursing Rs 67.09 billion through 1.52 million loans. As of FY24, Arohan's Clients per loan officer (424.45) is 3<sup>rd</sup> highest, Clients per branch (2,470.18) is 4<sup>th</sup> highest, disbursement per branch (Rs 68.74 Mn) is 8<sup>th</sup> highest, AUM per branch (Rs 72.87 Mn) is 10<sup>th</sup> highest, disbursement per loan officer (Rs 11.81 Mn) is 5<sup>th</sup> highest, AUM per loan officer (Rs 12.52 Mn) is 8<sup>th</sup> highest among the peers NBFC – MFIs considered.

Reach and efficiency parameters (FY24)	No of employees	No. of loan officers	No of branches	Disbursements (Rs billion)	No. of loans disbursed (in millions)	Clients per branch	Disbursements per branch (Rs million)	AUM per branch (Rs million)	Clients per loan officer	Disbursements per loan officer (Rs. million)	AUM /Loan officer (Rs million)
CreditAccess Grameen Ltd	19,395	13,190	1,967	231.30	5.40	4,918.00	117.59	135.81	372.86	17.54	20.25
Muthoot Microfin Ltd	13,866	8,539	1,508	106.62	2.43	2,221.49	70.70	80.86	392.32	12.49	14.28
Satin Creditcare Network Ltd	11,363	9,309	1,393	96.91	2.03	2,397.70	69.57	76.04	358.79	10.41	11.38
Annapurna Finance Pvt Ltd	12,071	7,694	1,379	83.13	1.55	2,025.11	60.28	74.95	362.96	10.80	13.43
IIFL Samasta Finance Ltd	16,519	10,281	1,648	122.06	2.70	1,820.39	74.07	86.23	291.80	11.87	13.82
Svatantira Microfin Pvt Ltd	9,818	6,058	966	62.25	1.36	2,443.97	64.44	79.96	389.71	10.28	12.75
Chaitanya India Fin Credit Pvt Ltd	8,701	5,343	848	63.34	1.38	2,051.89	74.69	79.17	325.66	11.85	12.56
Belstar Microfinance Ltd	10,559	6,035	1,015	97.08	NA	2,791.36	95.64	98.75	469.47	16.09	16.61
Fusion Finance Ltd	13,807	8,476	1,297	102.94	2.29	2,960.68	79.37	88.48	453.04	12.14	13.54
Arohan Financial Services Ltd	9,333	5,680	976	67.09	1.52	2,470.18	68.74	72.87	424.45	11.81	12.52
Asirvad Microfinance Ltd	17,997	11,035	1,743	93.20	3.39	2,019.51	53.47	68.16	318.99	8.45	10.77
Spandana Sphoorty Financial Ltd	14,243	9,653	1,642	106.88	2.40	2,021.92	65.09	72.92	343.93	11.07	12.40
<b>Banks &amp; SFBs</b>											
Bandhan Bank	75,748	NA	1,700	761.90	NA	19,764.71	448.18	733.65	NA	NA	NA
Ujjivan SFB	22,566	NA	752	233.89	NA	6,462.77	311.02	396.01	NA	NA	NA
Jana SFB	21,800	NA	808	176.05	NA	6,683.17	217.88	306.26	NA	NA	NA
ESAF SFB	16,081	NA	888	170.14	NA	5,078.83	NA	206.07	NA	NA	NA
Utkarsh SFB	5,967	NA	753	NA	NA	11,115.54	225.95	261.08	NA	NA	NA
Suryoday SFB	7,440	NA	695	69.19	NA	4,028.78	99.55	124.46	NA	NA	NA

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, Company reports, CareEdge Research

### 5.5 Arohan Financial Services has presence in 17 states as of 9MFY26

Amongst the peers NBFC – MFIs, Satin has the highest presence in 31 states as of 9MFY26.

No. of states	FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	15	17	17	17
Muthoot Microfin Ltd	18	19	20	21
Satin Creditcare Network Ltd	24	26	29	31
Annapurna Finance Pvt Ltd	20	21	21	21
IIFL Samasta Finance Ltd	19	22	22	22
Svatantra Microfin Pvt Ltd	19	19	19	19
Chaitanya India Fin Credit Pvt Ltd	12	12	15	15
Belstar Microfinance Ltd	18	19	21	21
Fusion Finance Ltd	20	22	22	22
Arohan Financial Services Ltd	13	16	17	17
Asirvad Microfinance Ltd	23	NA	26	26
Spandana Sphoorty Financial Ltd	18	20	20	17
<b>Banks and SFBs</b>				
Bandhan Bank	34	35	35	35
Ujjivan SFB	25	26	26	26
Jana SFB	24	24	25	25
Utkarsh SFB	26	26	27	27
ESAF SFB	NA	25	26	26
Suryoday SFB	15	15	15	16

Notes: NA – Not available

NBFC MFIs are arranged in ascending order of AUM as of Dec'25,

Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

Source: Company reports, CareEdge Research, MFIN

### Arohan's average number of branches per state was 63 in 9MFY26

Arohan's average branches per state decreased from 65 in FY25 to 63 in 9MFY26. As of 9MFY26, CreditAccess has highest average number of branches per state at 131 followed by Spandana at 98.

Average no. of branches per state	FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	119	116	121	131
Muthoot Microfin Ltd	65	79	85	81
Satin Creditcare Network Ltd	54	54	54	64
Annapurna Finance Pvt Ltd	54	59	71	82
IIFL Samasta Finance Ltd	67	75	75	72
Svatantra Microfin Pvt Ltd	42	51	52	55
Chaitanya India Fin Credit Pvt Ltd	59	71	69	70
Belstar Microfinance Ltd	43	53	61	61
Fusion Finance Ltd	54	59	71	70
Arohan Financial Services Ltd	64	61	65	63
Asirvad Microfinance Ltd	73	NA	69	68
Spandana Sphoorty Financial Ltd	66	82	90	98
<b>Banks and SFBs</b>				

Average no. of branches per state	FY23	FY24	FY25	9MFY26
Bandhan Bank	42	49	49	52
Ujjivan SFB	25	29	29	29
Jana SFB	31	34	32	33
Utkarsh SFB	32	34	40	41
ESAF SFB	30	30	30	30
Suryoday SFB	38	46	47	45

Notes: NA – Not available

NBFC MFIs are arranged in ascending order of AUM as of Dec'25

Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

Source: Company reports, CareEdge Research, MFIN

### Incremental branches in the last two years were 9.94% of FY24 branches for Arohan – 8<sup>th</sup> highest among peers NBFC – MFIs.

Arohan's branch network grew 13.01% in FY25, 5<sup>th</sup> highest among peers NBFC – MFIs, however, declined by 2.72% in 9MFY26. Belstar's branch network grew highest among the peers NBFC – MFIs at 26.21% y-o-y followed by Chaitanya (22.41%) and Fusion (21.13%). Among SFBs, Utkarsh SFB led branch network growth at 22.97% y-o-y in FY25.

YoY growth in branches (%)	FY23	FY24	FY25	9MFY26	Incremental branches in last 2 years as % of FY24 branches
CreditAccess Grameen Ltd	9.24%	10.13%	4.88%	7.71%	12.96%
Muthoot Microfin Ltd	29.50%	28.67%	12.67%	-0.47%	12.14%
Satin Creditcare Network Ltd	5.07%	8.32%	12.56%	26.72%	42.64%
Annapurna Finance Pvt Ltd	20.22%	16.57%	18.64%	5.68%	25.38%
IIFL Samasta Finance Ltd	57.00%	30.07%	0.73%	-4.22%	-3.52%
Svatantra Microfin Pvt Ltd	16.18%	20.15%	3.11%	4.92%	8.18%
Chaitanya India Fin Credit Pvt Ltd	50.42%	18.93%	22.41%	1.64%	24.41%
Belstar Microfinance Ltd	21.17%	32.33%	26.21%	0.70%	27.09%
Fusion Finance Ltd	16.27%	19.43%	21.13%	-2.16%	18.50%
Arohan Financial Services Ltd	12.16%	17.59%	13.01%	-2.72%	9.94%
Asirvad Microfinance Ltd	10.43%	3.50%	2.41%	-0.50%	1.89%
Spandana Sphoorty Financial Ltd	5.27%	39.27%	9.87%	-7.59%	1.52%
<b>Banks and SFBs</b>					
Bandhan Bank	18.67%	20.48%	0.88%	6.76%	7.71%
Ujjivan SFB	9.39%	19.55%	0.13%	0.00%	0.13%
Jana SFB	5.45%	7.16%	-0.74%	1.75%	0.99%
Utkarsh SFB	21.00%	6.99%	22.97%	1.19%	24.44%
ESAF SFB	21.74%	7.57%	4.52%	0.13%	4.65%
Suryoday SFB	2.12%	20.45%	2.16%	0.28%	2.45%

Notes: NBFC MFIs are arranged in ascending order of AUM as of Dec'25,

Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research, MFIN

### 5.6 Arohan has increased its presence from 254 districts in FY23 to 320 districts in 9MFY26

Arohan has increased its presence from 254 districts in FY23 to 323 districts in FY25 (320 District as of 9MFY26), 10<sup>th</sup> largest among the peers NBFC – MFIs. Satin has presence in 529 districts in FY25 (558 districts as of 9MFY26), highest among the peers NBFC – MFIs followed by Fusion which has presence in 497 districts in FY25 (489 in 9MFY26).

No. of districts	FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	352	383	423	450
Muthoot Microfin Ltd	321	353	388	394
Satin Creditcare Network Ltd	405	421	529	558
Annapurna Finance Pvt Ltd	388	424	439	457
IIFL Samasta Finance Ltd	332	417	417	425
Svatantra Microfin Pvt Ltd	336	364	349	358
Chaitanya India Fin Credit Pvt Ltd	183	196	222	224
Belstar Microfinance Ltd	216	300	294	305
Fusion Finance Ltd	398	453	497	489
Arohan Financial Services Ltd	254	293	323	320
Asirvad Microfinance Ltd	450	442	455	454
Spandana Sphoorty Financial Ltd	314	408	414	403
<b>Banks and SFBs</b>				
Bandhan Bank	600	615	NA	NA
Ujjivan SFB	271	326	NA	NA
Jana SFB	NA	NA	NA	NA
Utkarsh SFB	253	262	NA	NA
ESAF SFB	NA	NA	NA	NA
Suryoday SFB	NA	NA	NA	NA

Notes: NA – Not available

NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

Source: Company reports, CareEdge Research, MFIN

### As of 9MFY26, on an average Arohan has 3 branches per district

Average no. of branches per district	FY23	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	5	5	5	5
Muthoot Microfin Ltd	4	4	4	4
Satin Creditcare Network Ltd	3	3	3	4
Annapurna Finance Pvt Ltd	3	3	4	4
IIFL Samasta Finance Ltd	4	4	4	4
Svatantra Microfin Pvt Ltd	2	3	3	3
Chaitanya India Fin Credit Pvt Ltd	4	4	5	5
Belstar Microfinance Ltd	4	3	4	4
Fusion Finance Ltd	3	3	3	3
Arohan Financial Services Ltd	3	3	3	3
Asirvad Microfinance Ltd	4	4	4	4
Spandana Sphoorty Financial Ltd	4	4	4	4
<b>Banks and SFBs</b>				
Bandhan Bank	2	3	NA	NA
Ujjivan SFB	2	2	NA	NA
Jana SFB	NA	NA	NA	NA
Utkarsh SFB	3	3	NA	NA
ESAF SFB	NA	NA	NA	NA

Average no. of branches per district	FY23	FY24	FY25	9MFY26
Suryoday SFB	NA	NA	NA	NA

Notes: NA – Not available

NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

Source: Company reports, CareEdge Research, MFIN

## 5.7 Share of MFI portfolio in overall AUM

Arohan's top 5 states contribute around 82.36% of the AUM, indicating a relatively high degree of geographic concentration. This trend is reflective of the broader microfinance sector, where operations tend to be concentrated in a similar set of core states.

Share of top states and districts by AUM As of December 2025	No. of states	No. of districts	Share of top states by AUM (%)			Share of top districts by AUM (%)		
			Top State	Top 3 states	Top 5 states	Top District	Top 5 Districts	Top 10 districts
CreditAccess Grameen Ltd	17	450	30.10%	70.20%	83.20%	3.00%	11.00%	18.00%
Muthoot Microfin Ltd	21	394	25.00%**	50.00%**	67.00%**	3.00%	12.00%	20.00%
Satin Creditcare Network Ltd	31	558	24.00%	51.00%	67.00%	NA	NA	NA
Annapurna Finance Pvt Ltd	21*	451*	21.00-23.00%**	52%**	NA	NA	NA	NA
IIFL Samasta Finance Ltd	22	416*	21.00%	47.00%	64.00%	NA	NA	NA
Svatantra Microfin Pvt Ltd	19*	335	NA	NA	NA	NA	NA	NA
Chaitanya India Fin Credit Pvt Ltd	15*	223*	27.00%	70.00%	87.00%	NA	NA	NA
Belstar Microfinance Ltd	21*	303	NA	NA	NA	NA	NA	NA
Fusion Finance Ltd	22	489	NA	NA	67.00%	NA	NA	NA
Arohan Financial Services Ltd	17	320	37.73%	67.89%	82.36%	8.99%	19.49%	26.84%
Asirvad Microfinance Ltd	26	454*	13.00%	37.00%	53.00%	NA	NA	NA
Spandana Spoorthy Financial Ltd	17	414	15.00%	41.00%	60.00%	2.00%	9.00%	16.00%
Bandhan Bank	35	NA	23.00%	44.00%	58.00%	NA	NA	NA
Ujjivan SFB	26	NA	15.30%	39.30%	58.60%	NA	NA	NA
Jana SFB	25	NA	14.00%	38.00%	56.00%	NA	NA	NA
Utkarsh SFB\$\$\$	27	NA	45.00%	80.00%	91.00%	NA	NA	NA
ESAF SFB	26	NA	34.00%	69.00%	82.00%	NA	NA	NA
Suryoday SFB	16	NA	35.00%	72.00%	88.00%	NA	NA	NA

Source: MFIN, company reports, CareEdge Research

Notes: NA – Not available

\* Data as of H1FY26

\*\* Data as of March 2025

#Share of rural branches as % of total branches

\$Includes rural and semi-urban share of advances

\$\$ For MFI portfolio

NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

## 5.8 Productivity Metrics of key players in the MFI space

CreditAccess Gramin had the highest AUM per branch as of 9MFY26 at Rs 119.56 million, followed by Svantra Microfin at Rs. 87.40 million among the peers NBFC – MFIs. In comparison, Arohan had Rs. 58.79 million AUM per branch as of 9MFY26.

### AUM per branch:

Productivity metrics NBFC-MFIs	AUM per branch (Rs. million)				YoY Growth % (FY24-FY25)
	FY23	FY24	FY25	9MFY26	
CreditAccess Grameen Ltd	117.75	135.81	125.78	119.56	-7.39%
Muthoot Microfin Ltd	78.57	80.86	72.73	77.34	-10.05%
Satin Creditcare Network Ltd	61.66	76.04	72.17	57.79	-5.10%
Annapurna Finance Pvt Ltd	73.96	74.95	67.44	61.83	-10.02%
IIFL Samasta Finance Ltd	83.28	86.23	66.87	60.89	-22.45%
Svantra Microfin Pvt Ltd	93.28	79.96	73.39	87.40	-8.23%
Chaitanya India Fin Credit Pvt Ltd	68.86	79.17	73.15	79.37	-7.60%
Belstar Microfinance Ltd	80.73	98.75	62.21	61.32	-37.00%
Fusion Finance Ltd	85.60	88.48	57.16	44.74	-35.40%
Arohan Financial Services Ltd	64.55	72.87	54.42	58.79	-25.32%
Asirvad Microfinance Ltd	59.63	68.16	45.88	34.30	-32.70%
Spandana Sphoorty Financial Ltd	67.68	72.92	33.42	19.77	-54.17%
<b>Banks and SFBs</b>					
Bandhan Bank	773.35	733.65	798.78	793.12	8.88%
Ujjivan SFB	382.91	396.01	426.59	492.12	7.72%
Jana SFB	262.71	306.26	368.39	NA	20.29%
Utkarsh SFB	168.16	206.07	180.09	165.67	-12.61%
ESAF SFB	233.30	261.08	249.59	262.42	-4.40%
Suryoday SFB	105.96	124.46	144.38	166.92	16.00%

Source: MFIN, company reports, CareEdge

Notes: NA – Not available

NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svantra are on standalone basis and excludes Chaitanya acquisition.

CreditAccess Gramin had the highest AUM per loan officer as of 9MFY26 at Rs 18.37 million amongst the peer NBFC – MFIs, followed by Muthoot Microfin at Rs. 14.37 million (9MFY26). In comparison, Arohan has fourth highest AUM per loan officer at Rs 11.02 million as of 9MFY26

### AUM per loan officer:

Productivity metrics NBFC-MFIs	AUM per loan officer (Rs. million)				YoY Growth % (FY24-FY25)
	FY23	FY24	FY25	9MFY26	
CreditAccess Grameen Ltd	18.30	20.25	18.38	18.37	-9.25%
Muthoot Microfin Ltd	14.68	14.28	12.68	14.37	-11.23%
Satin Creditcare Network Ltd	10.64	11.38	9.83	10.34	-13.59%
Annapurna Finance Pvt Ltd	13.39	13.43	10.37	10.74	-22.79%
IIFL Samasta Finance Ltd	16.98	13.82	9.37	9.82	-32.24%
Svantra Microfin Pvt Ltd	16.01	12.75	10.19	12.09	-20.07%
Chaitanya India Fin Credit Pvt Ltd	12.80	12.56	10.41	11.28	-17.17%

Productivity metrics NBFC-MFIs	AUM per loan officer (Rs. million)				YoY Growth % (FY24- FY25)
	FY23	FY24	FY25	9MFY26	
Belstar Microfinance Ltd	13.66	16.61	NA	11.06	NA
Fusion Finance Ltd	14.83	13.54	9.71	9.64	-28.27%
Arohan Financial Services Ltd	11.18	12.52	9.44	11.02	-24.61%
Asirvad Microfinance Ltd	11.49	10.77	8.97	8.49	-16.67%
Spandana Sphoorty Financial Ltd	11.23	12.40	5.03	4.37	-59.47%

Source: MFIN, company reports, CareEdge Research

Notes: NA – Not available, Number of loan officers is not available for Banks and SFBs, hence is excluded from the table. NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svantra are on standalone basis and excludes Chaitanya acquisition

CreditAccess Gramin had the highest AUM per district at Rs 590.36 million amongst the peer NBFC – MFIs as of 9MFY26. In comparison, Arohan's AUM per district stood at Rs 197.14 million as of 9MFY26.

#### AUM per district:

Productivity metrics NBFC-MFIs	AUM per district (Rs. million)				YoY Growth % (FY24- FY25)
	FY23	FY24	FY25	9MY26	
CreditAccess Grameen Ltd	597.44	697.49	613.43	590.36	-12.05%
Muthoot Microfin Ltd	286.86	345.42	318.47	331.94	-7.80%
Satin Creditcare Network Ltd	195.78	251.62	213.91	205.77	-14.98%
Annapurna Finance Pvt Ltd	225.49	243.77	251.34	233.94	3.11%
IIFL Samasta Finance Ltd	317.83	340.79	266.21	227.79	-21.88%
Svantra Microfin Pvt Ltd	223.20	212.21	209.44	255.11	-1.31%
Chaitanya India Fin Credit Pvt Ltd	268.31	342.52	342.02	373.84	-0.15%
Belstar Microfinance Ltd	286.67	334.09	271.07	259.34	-18.86%
Fusion Finance Ltd	233.57	253.33	180.68	140.61	-28.68%
Arohan Financial Services Ltd	210.92	242.73	185.84	197.14	-23.44%
Asirvad Microfinance Ltd	223.13	268.80	179.98	134.16	-33.04%
Spandana Sphoorty Financial Ltd	254.14	293.46	145.63	81.79	-50.37%
<b>Banks and SFBs</b>					
Bandhan Bank	1,818.67	2,027.97	NA	NA	NA
Ujjivan SFB	888.93	913.50	NA	NA	NA
Jana SFB	NA	NA	NA	NA	NA
Utkarsh SFB	645.45	750.38	NA	NA	NA
ESAF SFB	NA	NA	NA	NA	NA
Suryoday SFB	NA	NA	NA	NA	NA

Source: MFIN, company reports, CareEdge Research

Notes: NA – Not available

NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svantra are on standalone basis and excludes Chaitanya acquisition

CreditAccess had the highest disbursements per loan officer as of 9MFY26 at Rs 11.44 million amongst the peer NBFC – MFIs, followed by Arohan at Rs. 7.85 million.

#### Disbursements per loan officer:

Productivity metrics NBFC-MFIs	Disbursements per loan officer (Rs. million)				YoY Growth % (FY24- FY25)
	FY23	FY24	FY25	9MY26	
CreditAccess Grameen Ltd	16.14	17.54	14.19	11.44	-19.06%
Muthoot Microfin Ltd	12.92	12.49	9.10	7.19	-27.10%
Satin Creditcare Network Ltd	9.92	10.41	8.55	6.65	-17.90%
Annapurna Finance Pvt Ltd	11.80	10.80	8.40	5.89	-22.23%
IIFL Samasta Finance Ltd	16.44	11.87	5.57	5.20	-53.12%
Svatantra Microfin Pvt Ltd	13.42	10.28	7.86	8.55	-23.48%
Chaitanya India Fin Credit Pvt Ltd	13.01	11.85	9.55	7.68	-19.45%
Belstar Microfinance Ltd	12.78	16.09	NA	7.82	NA
Fusion Finance Ltd	13.71	12.14	7.54	5.09	-37.92%
Arohan Financial Services Ltd	11.06	11.81	7.29	7.85	-38.28%
Asirvad Microfinance Ltd	22.18	8.45	6.11	3.45	-27.63%
Spandana Sphoorty Financial Ltd	11.44	11.07	4.67	2.81	-57.79%

Notes: NA – Not available, Number of loan officers is not available for Banks and SFBs, hence excluded from the table. NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, company reports, CareEdge Research

### Average portfolio outstanding per account

Arohan's average portfolio outstanding per account improved to Rs 31,847 in 9MFY26 from Rs 24,038 in FY23, delivering a CAGR of 10.77% over FY23–9MFY26.

Productivity metrics NBFC-MFIs	Average portfolio outstanding per account (Rs)				
	FY23	FY24	FY25	9MFY26	CAGR(FY23- 9MFY26)
CreditAccess Grameen Ltd	28,680	30,866	34,139	37,316	10.04%
Muthoot Microfin Ltd	27,418	29,740	30,902	34,969	9.25%
Satin Creditcare Network Ltd	29,489	30,827	33,783	35,589	7.08%
Annapurna Finance Pvt Ltd	34,605	36,681	37,334	36,611	2.07%
IIFL Samasta Finance Ltd	44,000	33,568	25,953	32,106	-10.83%
Svatantra Microfin Pvt Ltd	25,373	25,309	27,618	32,163	9.01%
Chaitanya India Fin Credit Pvt Ltd	28,890	28,206	31,743	34,164	6.29%
Belstar Microfinance Ltd	27,021	27,253	NA	36,246	11.27%
Fusion Finance Ltd	25,550	28,609	27,490	29,189	4.96%
Arohan Financial Services Ltd	24,038	29,357	27,484	31,847	10.77%
Asirvad Microfinance Ltd	25,262	26,703	26,429	33,025	10.23%
Spandana Sphoorty Financial Ltd	35,182	30,536	22,582	26,941	-9.25%
<b>Average of 12 MFIs</b>	<b>29,625.67</b>	<b>29,804.58</b>	<b>29,587.00</b>	<b>33,347.17</b>	<b>4.40%</b>

Note: Number of loan accounts not available for Banks and SFBs, hence is excluded from the table. NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, CareEdge Research

### Gross loan portfolio (GLP) per customer

Arohan's GLP per customer increased to Rs 32,302.60 as of 9MFY26, strengthening from Rs 26,620.42 in FY23, delivering a CAGR of 7.29% during the period, demonstrating consistent upward movement despite sector-wide variability.

NBFC-MFIs	Gross loan portfolio per customer (Rs.)				
	FY23	FY24	FY25	9MFY26	CAGR (FY23-9MFY26)
CreditAccess Grameen Ltd	49,319.89	54,318.83	55,279.08	60,363.55	7.62%
Muthoot Microfin Ltd	33,242.96	36,398.51	36,025.36	39,275.08	6.25%
Satin Creditcare Network Ltd	30,972.66	31,715.57	34,395.14	36,106.92	5.74%
Annapurna Finance Pvt Ltd	34,996.00	37,011.80	37,658.70	36,865.52	1.91%
IIFL Samasta Finance Ltd	43,966.67	47,370.00	41,114.81	42,647.58	-1.10%
Svatantra Microfin Pvt Ltd	33,669.37	32,719.10	33,651.88	41,513.64	7.91%
Chaitanya India Fin Credit Pvt Ltd	35,839.42	38,582.18	41,264.95	44,073.68	7.81%
Belstar Microfinance Ltd	29,072.48	35,375.80	31,438.35	37,666.67	9.88%
Fusion Finance Ltd	26,409.09	29,885.42	28,150.47	29,637.93	4.28%
Arohan Financial Services Ltd	26,620.42	29,499.58	28,067.68	32,302.60	7.29%
Asirvad Microfinance Ltd	33,581.94	33,752.84	31,136.88	35,829.41	2.38%
Spandana Sphoorty Financial Ltd	35,309.73	36,063.25	24,212.85	28,561.53	-7.42%

Note: NA: Not Available, Number of customers not available for Banks and SFBs, hence is excluded from the table. NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition  
 Source: MFIN, CareEdge Research

### Average ticket size based on disbursement

Arohan's average ticket size rose to Rs 55,552 in 9MFY26, up from Rs 39,525 in FY23, reflecting steady expansion in ticket sizes. The company delivered a CAGR of 13.18% over FY23–9MFY26, broadly in line with the industry trend.

Productivity metrics	Average ticket size based on disbursement (Rs)				
	FY23	FY24	FY25	9MFY26	CAGR(FY23-9MFY26)
CreditAccess Grameen Ltd	37,965	42,812	51,330	52,443	12.47%
Muthoot Microfin Ltd	37,985	43,843	48,932	90,885	37.33%
Satin Creditcare Network Ltd	42,276	47,833	53,690	63,160	15.72%
Annapurna Finance Pvt Ltd	51,436	53,538	55,016	63,235	7.80%
IIFL Samasta Finance Ltd	43,038	45,281	51,572	71,317	20.16%
Svatantra Microfin Pvt Ltd	46,256	45,873	51,131	58,746	9.08%
Chaitanya India Fin Credit Pvt. Ltd	42,509	45,777	55,948	62,243	14.87%
Belstar Microfinance Ltd	43,051	51,648	NA	73,015	21.18%
Fusion Finance Ltd	37,922	43,351	46,797	59,584	17.86%
Arohan Financial Services Ltd	39,525	45,093	52,028	55,552	13.18%
Asirvad Microfinance Ltd	49,324	40,616	52,141	52,871	2.56%
Spandana Sphoorty Financial Ltd	46,256	41,921	45,400	62,845	11.79%

Productivity metrics	Average ticket size based on disbursement (Rs)				
	NBFC-MFIs	FY23	FY24	FY25	9MFY26
<b>Average of 12 MFIs</b>	<b>43,131</b>	<b>45,551</b>	<b>51,213</b>	<b>63,984</b>	<b>15.42%</b>

Note: NA: Not Available, Data not available for Banks and SFBs, hence is excluded from the table. NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatanttra are on standalone basis and excludes Chaitanya acquisition

Source: MFIN, CareEdge Research

### Long term credit rating

Peers NBFC – MFIs	Long term credit rating as of February 2026
CreditAccess Grameen Ltd	ICRA AA- (Stable), Crisil AA- (Stable), IND AA- (Stable)
Muthoot Microfin Ltd	Crisil A+ (Stable)
Satin Creditcare Network Ltd	ICRA A (Stable), CARE BBB+ (Stable)
Annapurna Finance Pvt Ltd	Crisil A- (Stable), ICRA A- (Stable), CARE A- (Stable)
IIFL Samasta Finance Ltd	ACUITE AA- (Stable), Crisil AA-/ (Stable), IND AA (Stable)
Svatanttra Microfin Pvt Ltd	Crisil AA- (Stable), CARE AA (Stable)
Chaitanya India Fin Credit	CARE AA (Stable), CRISIL AA- (Stable), IND AA- (Stable)
Belstar	CRISIL AA (Stable), CARE AA- (Stable)
Fusion Finance Ltd	Crisil A- (Stable), ICRA A- (Stable), CARE A
Arohan Financial Services Ltd	CARE A- (Stable), ICRA A (Stable)
Asirvad Microfinance Ltd	Crisil AA-/Crisil PPMLD AA- (Stable), CARE AA- (Stable)
Spandana Sphoorty Financial Ltd	Crisil BBB+ (Stable), ICRA A- (Negative), CARE BBB+ (Stable), IND BBB+ (Negative)
Banks and SFBs	
Bandhan Bank	Crisil AA- (Stable), ICRA AA- (Stable)
Ujjivan SFB	CARE AA- (Stable)
Jana SFB	ICRA A (Stable), IND A (Stable), CARE A (Stable)
Utkarsh SFB	ICRA A (Negative), CARE A (Negative)
ESAF SFB	CARE A- (Negative)
Suryoday SFB	ICRA A (Stable)

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatanttra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, Rating rationales, CareEdge Research

### Borrowing Mix for NBFC-MFIs

Based on FY25 data, term loans from banks constitute the largest component of borrowings for all NBFC-MFIs, making bank funding the dominant source of borrowings across the sector.

FY25 funding mix: In-line with industry trend, Arohan's borrowings were predominantly from bank term loans at 75%, complemented by 11% from financial institutions and NBFC term loans.

FY25	Term Loans from banks	Term Loans from FIs	Term Loans from NBFCs	External Commercial Borrowings	Subordinated Liabilities	Debentures	Others
CreditAccess Grameen Ltd	59%	9%	2%	20%	-	6%	4%
Muthoot Microfin Ltd	77%	15%	5%	-	-	-	3%
Satin Creditcare Network Ltd	63%	6%	10%	21%	-	-	-

FY25	Term Loans from banks	Term Loans from FIs	Term Loans from NBFCs	External Commercial Borrowings	Subordinated Liabilities	Debentures	Others
Annapurna Finance Pvt Ltd	54%	6%^	-	21%	13%	7%	-
IIFL Samasta Finance Ltd	55%	-	-	-	9%	21%	15%
Svatantra Microfin Pvt Ltd	60%	12%	-	3%	6%	-	19%
Chaitanya India Fin Credit	81%	18%^	-	1%	-	-	-
Belstar Microfinance Ltd	92%	2%^	-	-	5%	1%	-
Fusion Finance Ltd	80%	14%^	-	3%	1%	2%	-
Arohan Financial Services Ltd	75%	11%^	-	-	8%	5%	-
Asirvad Microfinance Ltd	82%	3%^	-	-	9%	3%	2%
Spandana Sphoorty Financial Ltd	46%	17%^	-	-	-	27%	10%

Note: As Banks are allowed to accept deposits, their borrowing mix are not comparable with NBFC-MFIs and hence not included. (^) Includes term loan From FI and NBFCs, NBFC MFIs are arranged in order of 9MFY26 AUM. Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition, Others include borrowings under securitization agreement, For some companies, total may not add up to 100% due to rounding off numbers.

Source: CareEdge Research

### Yield, Margin and Provisioning Analysis

In FY25, Arohan reported a cost of borrowing of 11.79%. Operating expenses stands at 8.05% of average AUM, while other income at 1.85% of average advances have provided incremental support to operating profitability, resulting in PPOP of 7.14%. Credit costs stand at 6.06% which is 5<sup>th</sup> best among peers NBFC – MFIs.

NBFCs (FY25)	Cost of borrowing	NIM	Opex (as % of average AUM)	Other income as % of average advances	PPOP (%)	Credit costs (Provision/ Avg Total Assets)	Provision coverage ratio
CreditAccess Grameen Ltd	9.21%	13.22%	4.44%	0.85%	9.31%	7.33%	64.83%
Muthoot Microfin Ltd	11.38%	11.41%	6.04%	2.16%	7.96%	8.49%	73.32%
Satin Creditcare Network Ltd	12.67%	8.50%	6.31%	3.27%	7.02%	4.59%	62.35%
Annapurna Finance Pvt Ltd	12.01%	8.63%	7.76%	5.08%	5.80%	3.64%	72.02%
IIFL Samasta Finance Ltd	10.42%	10.72%	7.17%	4.32%	8.10%	6.06%	70.53%
Svatantra Microfin Pvt Ltd	10.04%	11.32%	7.40%	3.26%	5.84%	3.97%	NA
Chaitanya India Fin Credit	10.40%	12.70%	7.03%	2.27%	8.68%	3.38%	81.98%
Belstar Microfinance Ltd	10.73%	14.16%	6.14%	1.62%	10.40%	9.10%	NA
Fusion Finance Ltd	11.24%	12.56%	7.71%	2.73%	7.34%	18.28%	NA
Arohan Financial Services Ltd	11.79%	13.10%	8.05%	1.85%	7.14%	6.06%	81.70%
Asirvad Microfinance Ltd	12.05%	14.65%	8.12%	1.57%	8.33%	16.91%	73.03%
Spandana Sphoorty Financial Ltd	12.32%	12.24%	8.67%	2.91%	5.65%	20.70%	80.16%
<b>Banks and SFBs</b>							
Bandhan Bank	6.70%	6.81%	5.40%	2.34%	4.00%	2.88%	86.47%
Ujjivan SFB	7.30%	9.07%	9.02%	2.90%	3.83%	0.67%	78.00%
Jana SFB	7.60%	7.19%	7.20%	3.10%	3.45%	2.55%	66.00%
Utkarsh SFB	8.03%	8.40%	8.51%	2.28%	3.87%	5.16%	51.20%
ESAF SFB	14.67%	8.14%	9.98%	2.57%	2.09%	6.36%	80.53%
Suryoday SFB	7.20%	9.35%	9.89%	2.41%	2.78%	2.60%	37.70%

Note: NA: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

In FY24, Arohan reported a cost of borrowing of 11.23%. Operating expenses stands at 7.24% of average AUM, while other income at 3.81% of average advances have provided incremental support to operating profitability, resulting in PPOP of 8.37%. Credit costs stand at 2.87% which is 6<sup>th</sup> best among peers NBFC – MFIs.

NBFCs (FY24)	Cost of borrowing	NIM	Opex (as % of average AUM)	Other income as % of average advances	PPOP (%)	Credit costs (Provision/ Avg Total Assets)	Provision coverage ratio
CreditAccess Grameen Ltd	9.08%	12.84%	4.38%	1.23%	9.44%	1.89%	70.75%
Muthoot Microfin Ltd	11.61%	10.06%	5.68%	3.45%	7.77%	1.61%	60.99%
Satin Creditcare Network Ltd	13.18%	8.63%	5.48%	4.43%	8.01%	1.56%	60.45%
Annapurna Finance Pvt Ltd	11.47%	8.20%	6.62%	6.18%	7.27%	3.40%	74.56%
IIFL Samasta Finance Ltd	10.82%	12.09%	6.58%	4.22%	10.57%	3.36%	82.52%
Svatantra Microfin Pvt Ltd	10.41%	11.68%	5.63%	2.74%	7.79%	4.86%	NA
Chaitanya India Fin Credit	10.34%	10.68%	6.28%	4.27%	9.15%	1.34%	84.99%
Belstar Microfinance Ltd	9.65%	12.93%	5.51%	2.93%	10.53%	3.95%	NA
Fusion Finance Ltd	10.27%	12.48%	5.71%	3.56%	9.73%	3.51%	79.71%
Arohan Financial Services Ltd	11.23%	12.20%	7.24%	3.81%	8.37%	2.87%	100.00%
Asirvad Microfinance Ltd	10.28%	13.76%	6.38%	2.30%	9.56%	4.23%	55.24%
Spandana Sphoorty Financial Ltd	12.01%	11.77%	6.22%	3.03%	7.88%	2.44%	80.00%
<b>Banks and SFBs</b>							

NBFCs (FY24)	Cost of borrowing	NIM	Opex (as % of average AUM)	Other income as % of average advances	PPOP (%)	Credit costs (Provision / Avg Total Assets)	Provision coverage ratio
Bandhan Bank	6.00%	6.80%	5.00%	1.90%	4.00%	3.16%	84.50%
Ujjivan SFB	7.30%	10.04%	8.50%	3.30%	5.20%	2.51%	87.00%
Jana SFB	7.50%	7.77%	7.20%	3.30%	4.10%	2.74%	73.70%
Utkarsh SFB	7.30%	9.84%	8.00%	2.00%	4.60%	2.09%	98.90%
ESAF SFB	7.00%	11.18%	9.20%	2.70%	5.00%	3.29%	65.20%
Suryoday SFB	6.90%	10.41%	9.90%	3.10%	4.10%	2.25%	71.20%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatanttra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Weighted Average Interest Rates of Peers NBFC – MFIs

CreditAccess has the lowest weighted average interest rate for Q3FY26 at 22.7%. Among the peers NBFC – MFIs, Arohan has charged one of the lowest weighted average interest rates among NBFC-MFIs based in eastern and northeastern states in India for Q3FY26 at 23.6%.

Name of Lender (Q3FY26)	Minimum Interest Rate	Maximum Interest Rate	Weighted Avg. Interest Rate	Average For	Last updated on*
CreditAccess Grameen Ltd	18.0%	23.8%	22.7%	Q3FY26	18th Jan '26
Chaitanya India Fin Credit Pvt Ltd	22.8%	24.0%	23.2%	Q3FY26	02nd Feb '26
Belstar Microfinance Ltd	22.6%	24.8%	23.5%	Q3FY26	05th Feb '26
Svatanttra Microfin Pvt Ltd	22.8%	24.0%	23.6%	Q3FY26	14th Jan '26
Arohan Financial Services Ltd	23.7%	24.2%	23.6%	Q3FY26	05th Jan '26
Annapurna Finance Pvt Ltd	19.9%	24.0%	23.8%	Q3FY26	29th Jan '26
Fusion Finance Limited	19.0%	24.0%	23.9%	Q3FY26	03rd Feb '26
Asirvad Microfinance Ltd	22.8%	24.0%	23.9%	Q3FY26	03rd Feb '26
IIFL Samasta Finance Ltd	23.5%	25.5%	24.4%	Q3FY26	07th Jan '26
Muthoot Microfin Ltd	24.2%	24.9%	24.4%	Q3FY26	05th Jan '26
Spandana Sphoorty Financial Ltd	23.0%	26.0%	25.3%	Q3FY26	03rd Feb '26
Satin Credit Care Network Ltd	23.0%	28.0%	25.8%	Q3FY26	30th Jan '26

Note: Data not available for Banks and SFBs, hence is excluded from the table. NBFC MFIs are arranged in ascending order of weighted average interest rate for Q3FY26

Source: MFIN, CareEdge Research

### CAGR Analysis of Earnings

Arohan recorded a Total Income CAGR of 24.65% over FY23–FY25, supported by NII (a CAGR of 39.42%). Opex grew at 24.72%, reflecting network expansion, while PPOP grew 37.54%.

Players	Total Income CAGR	Non-interest Income CAGR	Net Interest Income CAGR	Opex CAGR	PPOP CAGR	PAT CAGR
	FY23-FY25	FY23-FY25	FY23-FY25	FY23-FY25	FY23-FY25	FY23-FY25
CreditAccess Grameen Ltd	27.32%	-3.24%	29.86%	18.71%	32.29%	-19.79%

Players	Total Income CAGR	Non-interest Income CAGR	Net Interest Income CAGR	Opex CAGR	PPOP CAGR	PAT CAGR
	FY23-FY25	FY23-FY25	FY23-FY25	FY23-FY25	FY23-FY25	FY23-FY25
Muthoot Microfin Ltd	33.16%	11.90%	39.13%	30.76%	38.77%	NM
Satin Creditcare Network Ltd	9.58%	5.73%	11.93%	6.32%	0.07%	1.77%
Annapurna Finance Pvt Ltd	17.94%	2.12%	30.27%	29.03%	12.93%	45.47%
IIFL Samasta Finance Ltd	21.18%	28.18%	20.49%	28.17%	16.64%	-60.11%
Svatantra Microfin Pvt Ltd	8.57%	10.76%	-22.05%	32.54%	-1.48%	12.73%
Chaitanya India Fin Credit	43.05%	10.05%	53.15%	36.14%	56.39%	31.30%
Belstar Microfinance Ltd	43.09%	-11.57%	61.62%	32.87%	56.55%	-40.34%
Fusion Finance Ltd	14.72%	8.36%	16.48%	33.14%	1.68%	NM
Arohan Financial Services Ltd	24.65%	-10.35%	39.42%	24.72%	37.54%	24.54%
Asirvad Microfinance Ltd	24.67%	-20.43%	29.68%	22.26%	23.09%	NM
Spandana Sphoorty Financial Ltd	26.89%	8.84%	23.44%	34.47%	6.68%	NM
<b>Banks and SFBs</b>						
Bandhan Bank	16.45%	49.91%	-1.91%	23.47%	2.07%	11.84%
Ujjivan SFB	23.07%	26.51%	11.94%	24.50%	6.65%	-18.75%
Jana SFB	21.76%	11.55%	22.22%	22.98%	10.72%	39.96%
Utkarsh SFB	24.76%	39.76%	10.67%	27.75%	9.60%	-75.79%
ESAF SFB	17.39%	22.77%	2.77%	26.25%	-21.05%	NM
Suryoday SFB	30.18%	31.08%	22.58%	35.80%	7.39%	21.65%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25; NM – Not Meaningful, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Operating expenses (except depreciation) split for peers NBFC – MFIs in FY25

Arohan's operating expense mix in FY25 stood at 73.75% employee expenses and 24.95% other expenses, broadly aligned with the peer NBFC – MFIs set. The share of employee costs is the highest among the peers NBFC – MFIs. In contrast, SFBs continued to report structurally higher other-expense proportions, led by ESAF at 65.20%.

Players – As on FY25	As a % of operating expense	
	Employee benefits expenses	Other expense
CreditAccess Grameen Ltd	62.47%	32.21%
Muthoot Microfin Ltd	72.02%	22.20%
Satin Creditcare Network Ltd	73.44%	23.15%
Annapurna Finance Pvt Ltd	70.40%	27.50%
IIFL Samasta Finance Ltd	72.71%	25.09%
Svatantra Microfin Pvt Ltd	65.22%	32.42%
Chaitanya India Fin Credit Pvt Ltd	63.38%	34.67%
Belstar Microfinance Ltd	70.03%	28.19%
Fusion Finance Ltd	72.69%	25.83%
Arohan Financial Services Ltd	73.75%	24.95%
Asirvad Microfinance Ltd	69.11%	23.87%
Spandana Sphoorty Financial Ltd	71.20%	26.37%
<b>Banks and SFBs</b>		

Players – As on FY25	As a % of operating expense	
	Employee benefits expenses	Other expense
Bandhan Bank	64.52%	35.48%
Ujjivan SFB	56.84%	43.16%
Jana SFB	65.06%	34.94%
Utkarsh SFB	56.24%	43.76%
ESAF SFB	34.80%	65.20%
Suryoday SFB	51.95%	48.05%

Note: Depreciation is excluded from calculation of operating expenses, No. for Svatantira is on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Cost to income ratio

Arohan's cost-to-income ratio stood at 49.63% in FY25 (6<sup>th</sup> high among the peers NBFC – MFIs), improving from 54.51% in FY23 though higher than 43.29% in FY24.

Cost to income ratio	FY23	FY24	FY25
CreditAccess Grameen Ltd	35.49%	30.39%	30.70%
Muthoot Microfin Ltd	48.32%	43.74%	45.36%
Satin Creditcare Network Ltd	37.56%	41.67%	48.41%
Annapurna Finance Pvt Ltd	55.10%	49.83%	61.57%
IIFL Samasta Finance Ltd	47.38%	43.15%	52.09%
Svatantira Microfin Pvt Ltd	37.41%	39.50%	51.96%
Chaitanya India Fin Credit	54.48%	43.88%	47.56%
Belstar Microfinance Ltd	46.53%	35.24%	38.53%
Fusion Finance Ltd	37.80%	36.04%	50.94%
Arohan Financial Services Ltd	54.51%	43.29%	49.63%
Asirvad Microfinance Ltd	48.24%	39.18%	47.90%
Spandana Sphoorthy Financial Ltd	45.44%	41.65%	56.96%
Banks and SFBs			
Bandhan Bank	39.54%	46.84%	48.89%
Ujjivan SFB	54.82%	54.31%	62.31%
Jana SFB	56.22%	57.35%	61.30%
Utkarsh SFB	54.15%	56.38%	61.61%
ESAF SFB	57.93%	58.65%	77.88%
Suryoday SFB	60.02%	61.61%	70.59%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Profitability of Players

Arohan's average ROE was 10.28% over FY23–FY25, 6<sup>th</sup> highest among peers NBFC – MFIs. The period remained volatile across NBFC-MFIs.

Players	ROE %			
	FY23	FY24	FY25	Avg (FY23-FY25)
CreditAccess Grameen Ltd	17.81%	24.77%	7.86%	16.81%

Players	ROE %			
	FY23	FY24	FY25	Avg (FY23-FY25)
Muthoot Microfin Ltd	11.06%	20.30%	-8.19%	7.72%
Satin Creditcare Network Ltd	15.02%	18.46%	7.86%	13.78%
Annapurna Finance Pvt Ltd	3.28%	16.63%	4.28%	8.06%
IIFL Samasta Finance Ltd	11.04%	30.20%	1.01%	14.08%
Svatantra Microfin Pvt Ltd	12.86%	11.97%	5.67%	10.16%
Chaitanya India Fin Credit	26.50%	32.54%	19.49%	26.18%
Belstar Microfinance Ltd	13.38%	24.09%	2.65%	13.37%
Fusion Finance Ltd	21.16%	19.55%	-54.53%	-4.61%
Arohan Financial Services Ltd	5.99%	19.30%	5.57%	10.28%
Asirvad Microfinance Ltd	17.07%	24.82%	-34.87%	2.34%
Spandana Sphoorty Financial Ltd	0.41%	14.18%	-30.97%	-5.46%
<b>Banks and SFBs</b>				
Bandhan Bank	11.88%	10.84%	11.96%	11.56%
Ujjivan SFB	31.80%	26.43%	12.59%	23.60%
Jana SFB	17.19%	25.06%	13.10%	18.45%
Utkarsh SFB	22.64%	20.01%	0.80%	14.48%
ESAF SFB	19.41%	20.29%	-23.53%	5.39%
Suryoday SFB	5.03%	12.74%	6.16%	7.98%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25; Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

Arohan's ROA was 1.46% in FY25, 5<sup>th</sup> highest among the peers NBFC – MFIs; the average ROA for Arohan was 2.39% over FY23–FY25.

Players	ROA %			
	FY23	FY24	FY25	Avg (FY23- FY25)
CreditAccess Grameen Ltd	4.20%	5.70%	1.88%	3.93%
Muthoot Microfin Ltd	2.32%	4.47%	-1.98%	1.60%
Satin Creditcare Network Ltd	3.52%	4.77%	2.07%	3.45%
Annapurna Finance Pvt Ltd	0.42%	2.66%	0.77%	1.28%
IIFL Samasta Finance Ltd	2.69%	4.95%	0.20%	2.61%
Svatantra Microfin Pvt Ltd	1.95%	2.57%	1.87%	2.13%
Chaitanya India Fin Credit	4.30%	5.80%	4.01%	4.70%
Belstar Microfinance Ltd	2.42%	4.36%	0.55%	2.44%
Fusion Finance Ltd	4.65%	4.78%	-12.20%	-0.92%
Arohan Financial Services Ltd	1.26%	4.44%	1.46%	2.39%
Asirvad Microfinance Ltd	2.63%	4.04%	-6.00%	0.22%
Spandana Sphoorty Financial Ltd	0.15%	4.24%	-9.17%	-1.59%
<b>Banks and SFBs</b>				
Bandhan Bank	1.5%	1.34%	1.49%	1.44%
Ujjivan SFB	3.9%	3.48%	1.65%	3.00%
Jana SFB	1.1%	2.29%	1.41%	1.61%

Players	ROA %			
	FY23	FY24	FY25	Avg (FY23- FY25)
Utkarsh SFB	2.4%	2.31%	0.09%	1.59%
ESAF SFB	1.6%	1.84%	-1.96%	0.49%
Suryoday SFB	0.9%	1.94%	0.82%	1.21%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatanttra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Operating expenses as % of total assets vs Return on Assets for NBFC-MFI players & Banks in FY25

Arohan's operating expense to average total assets was 7.04% (7<sup>th</sup> best among peers NBFC – MFIs) with ROA at 1.46%.

Players	Operating expense/ Average total asset	ROA
CreditAccess Grameen Ltd	4.13%	1.88%
Muthoot Microfin Ltd	6.61%	-1.98%
Satin Creditcare Network Ltd	6.59%	2.07%
Annapurna Finance Pvt Ltd	9.28%	0.77%
IIFL Samasta Finance Ltd	8.80%	0.20%
Svatanttra Microfin Pvt Ltd	6.32%	1.87%
Chaitanya India Fin Credit	7.87%	4.01%
Belstar Microfinance Ltd	6.52%	0.55%
Fusion Finance Ltd	7.86%	-12.20%
Arohan Financial Services Ltd	7.04%	1.46%
Asirvad Microfinance Ltd	7.65%	-6.00%
Spandana Sphoorty Financial Ltd	7.47%	-9.17%
<b>Banks and SFBs</b>		
Bandhan Bank	3.83%	1.49%
Ujjivan SFB	6.34%	1.65%
Jana SFB	5.46%	1.41%
Utkarsh SFB	6.21%	0.09%
ESAF SFB	7.37%	-1.96%
Suryoday SFB	6.67%	0.82%

Note: Depreciation is excluded from calculation of operating expenses, Numbers for Svatanttra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Debt to Equity

Arohan's debt-to-equity ratio improved from 3.14x in FY24 to 2.32x in FY25 and stood at 2.50x in 9MFY26. Capital adequacy was 34.09% in FY25 and 31.20% in 9MFY26 (2<sup>nd</sup> highest among peers NBFC – MFIs), with a Tier 1 ratio of 31.82% in FY25 (2<sup>nd</sup> highest among peers NBFC – MFIs).

Top 11 NBFC-MFIs	Debt to equity ratio (x)			Capital adequacy ratio (%)			Tier 1 Ratio (%)		
	FY24	FY25	9MFY26	FY24	FY25	9MFY26	FY24	FY25	9MFY26
CreditAccess Grameen Ltd	3.32	2.94	2.78	23.13%	25.43%	26.44%	22.24%	24.47%	25.80%
Muthoot Microfin Ltd	3.00	3.01	1.21	28.97%	27.85%	26.44%	28.97%	27.39%	NA
Satin Creditcare Network Ltd	2.70	2.74	2.94	27.70%	25.85%	24.60%	26.25%	25.21%	NA

Top 11 NBFC-MFIs	Debt to equity ratio (x)			Capital adequacy ratio (%)			Tier 1 Ratio (%)		
	FY24	FY25	9MFY26	FY24	FY25	9MFY26	FY24	FY25	9MFY26
Annapurna Finance Pvt Ltd	4.37	4.23	4.30	25.45%	29.61%	29.66%	21.78%	19.67%	NA
IIFL Samasta Finance Ltd	4.48	3.43	3.77	23.99%	32.38%	NA	17.67%	26.00%	NA
Svatantra Microfin Pvt Ltd	1.42	1.42	1.97	18.54%	29.61%	22.73%	13.87%	26.00%	NA
Chaitanya India Fin Credit Pvt. Ltd	4.81	4.07	3.44	22.27%	23.55%	24.56%	17.98%	20.77%	NA
Belstar Microfinance Ltd	4.21	3.17	3.77	20.64%	24.97%	21.99%	17.78%	22.40%	NA
Fusion Finance Ltd	3.03	3.90	2.22	27.53%	22.42%	38.80%	26.60%	20.89%	NA
Arohan Financial Services Ltd	3.14	2.32	2.50	29.01%	34.09%	31.20%	26.85%	31.82%	30.58%
Asirvad Microfinance Ltd	4.66	4.73	3.02	22.80%	20.90%	22.80%	18.40%	15.83%	NA
Spandana Sphoorty Financial Ltd	2.53	1.98	1.67	31.95%	36.31%	30.43%	32.00%	36.30%	NA
<b>Banks and SFBs</b>									
Bandhan Bank	0.76	0.46	0.41	14.69%	18.70%	17.80%	13.83%	17.90%	16.50%
Ujjivan SFB	0.39	0.47	0.37	24.69%	23.10%	21.62%	22.58%	21.38%	20.13%
Jana SFB	1.46	0.95	0.87	20.30%	20.70%	20.00%	19.00%	19.80%	NA
Utkarsh SFB	0.80	0.79	0.88	22.57%	20.93%	20.11%	20.95%	17.88%	17.10%
ESAF SFB	1.54	0.63	1.41	23.27%	21.78%	22.70%	19.70%	17.60%	16.00%
Suryoday SFB	1.35	1.41	0.83	28.40%	25.80%	21.90%	26.54%	24.45%	21.00%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

Source: Company reports, CareEdge Research

### Asset Quality

Arohan's Gross NPAs stood at 2.85% in FY25, 3<sup>rd</sup> best among the peers NBFC – MFIs. Chaitanya had the best Gross NPAs at 1.55% among all the peers NBFC – MFIs. Ujjivan SFB had the best Gross NPAs at 2.18% as of FY25 among the Bank and SFBs.

NBFCs	Gross NPAs %		
	FY23	FY24	FY25
CreditAccess Grameen Ltd	1.21%	1.18%	4.76%
Muthoot Microfin Ltd	2.97%	2.29%	4.84%
Satin Creditcare Network Ltd	3.30%	2.50%	3.70%
Annapurna Finance Pvt Ltd	3.84%	2.69%	2.74%
IIFL Samasta Finance Ltd	2.12%	1.91%	4.71%
Svatantra Microfin Pvt Ltd	5.00%	3.08%	2.97%
Chaitanya India Fin Credit Pvt. Ltd	0.28%	0.29%	1.55%
Belstar Microfinance Ltd	2.42%	1.82%	4.98%
Fusion Finance Ltd	3.46%	2.89%	7.92%
Arohan Financial Services Ltd	2.86%	1.67%	2.85%
Asirvad Microfinance Ltd	2.80%	3.70%	8.50%
Spandana Sphoorty Financial Ltd	10.46%	1.50%	5.63%
<b>Banks and SFBs</b>			
Bandhan Bank	4.90%	3.80%	4.70%
Ujjivan SFB	2.60%	2.20%	2.18%
Jana SFB	3.60%	2.00%	2.54%
Utkarsh SFB	3.23%	2.50%	9.40%

NBFCs	Gross NPAs %		
	FY23	FY24	FY25
ESAF SFB	2.49%	4.76%	6.87%
Suryoday SFB	3.10%	2.80%	7.20%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

Arohan's Net NPAs was 0.53% in FY25, 4<sup>th</sup> best among peers NBFC – MFIs. Chaitanya had the best Net NPAs at 0.29% among all the peers NBFC – MFIs. Ujjivan had the best Net NPAs at 0.49% among Bank and SFB peers.

NBFCs	Net NPAs%		
	FY23	FY24	FY25
CreditAccess Grameen Ltd	0.35%	0.35%	1.77%
Muthoot Microfin Ltd	1.22%	0.93%	1.33%
Satin Creditcare Network Ltd	1.49%	0.98%	1.42%
Annapurna Finance Pvt Ltd	1.40%	0.92%	0.99%
IIFL Samasta Finance Ltd	0.08%	0.34%	1.46%
Svatantira Microfin Pvt Ltd	1.94%	0.38%	0.58%
Chaitanya India Fin Credit Pvt. Ltd	0.05%	0.05%	0.29%
Belstar Microfinance Ltd	0.66%	0.17%	0.44%
Fusion Finance Ltd	0.88%	0.61%	0.31%
Arohan Financial Services Ltd	0.21%	0.00%	0.53%
Asirvad Microfinance Ltd	1.17%	1.75%	2.52%
Spandana Sphoorty Financial Ltd	0.63%	0.32%	1.16%
<b>Banks and SFBs</b>			
Bandhan Bank	1.20%	1.10%	1.30%
Ujjivan SFB	0.04%	0.28%	0.49%
Jana SFB	2.40%	0.50%	0.88%
Utkarsh SFB	0.40%	0.03%	4.84%
ESAF SFB	1.13%	2.26%	2.99%
Suryoday SFB	1.50%	0.80%	4.60%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

Based on Gross NPAs and Net NPAs data available, Arohan has delivered one of the strongest asset quality performances among peers NBFC – MFIs, gross non-performing assets ("Gross NPAs") to loans to customers outstanding ("Gross NPA/Loans to Customers Outstanding") of 1.69%, being the second lowest among Peer NBFC-MFIs, while net non-performing assets ("Net NPA") to loans to customers outstanding ("Net NPA/Loans to Customers Outstanding") was 0.39%, the third lowest among Peer NBFC-MFIs, each as of December 31, 2025.

Players	Gross NPAs – As of Dec 2025	Net NPAs – As of Dec 2025
CreditAccess Grameen Ltd	4.04%	1.36%
Muthoot Microfin Ltd	4.40%	1.30%
Satin Creditcare Network Ltd	3.30%	1.10%

Players	Gross NPAs – As of Dec 2025	Net NPAs – As of Dec 2025
Annapurna Finance Pvt Ltd	3.70%^	1.16%^
IIFL Samasta Finance Ltd	4.80%^	NA
Svatantra Microfin Pvt Ltd	1.62%^	0.26%^
Chaitanya India Fin Credit Pvt. Ltd	1.90%*	0.33%*
Belstar Microfinance Ltd	4.90%	0.20%
Fusion Finance Ltd	4.40%^	0.63%^
Arohan Financial Services Ltd	1.69%	0.39%
Asirvad Microfinance Ltd	4.90%^	1.77%^
Spandana Sphoorty Financial Ltd	2.60%	0.50%
<b>Banks and SFBs</b>		
Bandhan Bank	3.30%	1.00%
Ujjivan SFB	2.40%	0.60%
Jana SFB	2.60%	0.90%
Utkarsh SFB	11.10%	4.50%
ESAF SFB	5.60%	2.70%
Suryoday SFB	6.70%	4.40%

Source: Company reports, CareEdge Research

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition.

\*Indicates data as on H1FY26, (^) Indicates Gross NPAs and Net NPAs as Gross Stage III (%) and Net Stage III (%)

### Stage 3 recovery as a % of opening stage 3 over past 3 years

Spandana reported the highest stage 3 recovery as percentage of opening stage 3 in FY25 among NBFC-MFIs, followed by Chaitanya with 599.71% recovery during the same period. Arohan reported 391.85% recovery in FY25.

Players	FY23	FY24	FY25
CreditAccess Grameen Ltd	128.62%	144.26%	396.76%
Muthoot Microfin Ltd	49.05%	77.72%	371.41%
Satin Creditcare Network Ltd	153.49%	71.21%	248.19%
Annapurna Finance Pvt Ltd	NA	NA	NA
IIFL Samasta Finance Ltd	93.09%	95.68%	93.30%
Svatantra Microfin Pvt Ltd	94.03%	105.24%	185.76%
Chaitanya India Fin Credit Pvt. Ltd	104.07%	-191.34%	599.71%
Belstar Microfinance Ltd	221.53%	188.17%	570.58%
Fusion Finance Ltd	68.97%	110.34%	448.22%
Arohan Financial Services Ltd	290.03%	176.33%	391.85%
Asirvad Microfinance Ltd	528.03%	194.59%	377.70%
Spandana Sphoorty Financial Ltd	116.01%	73.67%	948.06%
<b>Banks and SFBs</b>			
Bandhan Bank	NA	NA	NA
Ujjivan SFB	76.98%	78.95%	170.68%
Jana SFB	179.53%	186.95%	324.45%

Players	FY23	FY24	FY25
Utkarsh SFB	113.82%	111.96%	160.77%
ESAF SFB	138.69%	100.53%	145.84%
Suryoday SFB	152.52%	75.95%	104.08%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Digital collections and disbursements reported by NBFC-MFIs in FY25

Arohan Financial Services is among the select few NBFC-MFIs that have adopted a full-scale Core Banking System ("CBS"), which supports scalability, operational standardization and improved governance (based on data available for peers NBFC – MFIs).

Belstar reported highest digital collections at 44% among peers NBFC – MFIs in FY25 based on data available for peers NBFC – MFIs.

Players	CBS adoption	Digital collection (Rs Mn)	Digital collection share (%)	Digital client acquisition (Rs Mn)	Digital disbursement (%)
CreditAccess Grameen Ltd	Yes (Temenos)	24,064.98	10.6%	0.75	NA
Muthoot Microfin Ltd	NA	22,965.97	25%	0.65	NA
Satin Creditcare Network Ltd	NA	NA	9%	NA	100%
Annapurna Finance Pvt Ltd	NA	NA	NA	NA	NA
IIFL Samasta Finance Ltd	NA	NA	NA	NA	NA
Svatantira Microfin Pvt Ltd	Yes (OMNI)	NA	NA	NA	NA
Chaitanya India Fin Credit Pvt. Ltd	NA	NA	NA	NA	NA
Belstar Microfinance Ltd	NA	NA	44%	NA	NA
Fusion Finance Ltd	NA	NA	94.28%	NA	99.98%^
Arohan Financial Services Ltd	Yes (FIS)	8,481.62	12.37%	NA	100%
Asirvad Microfinance Ltd	Yes	NA	NA	NA	NA
Spandana Sphoorty Financial Ltd	NA	NA	NA	NA	NA

Note: All Data points not available for Banks and SFBs, hence is excluded from the table. NBFC MFIs are arranged in ascending order of AUM as of Dec'25, NA -Data not available Numbers for Svatantira are on standalone basis and excludes Chaitanya acquisition. ^Indicates data for Q4FY25.

Source: Company reports, CareEdge Research

### 5.9 Asset liabilities Management of NBFC-MFI players in FY25 (Rs. Million)

FY25 (Rs Mn)	Asset		Liability		Net	
	Within 12 months	After 12 months	Within 12 months	After 12 months	Within 12 months	After 12 months
CreditAccess Grameen Ltd	167,420.70	110,601.60	107,443.30	101,019.60	59,977.40	9,582.00
Muthoot Microfin Ltd	66,564.36	42,005.85	46,966.13	35,281.81	19,598.23	6,724.04
Satin Creditcare Network Ltd	64,658.70	44,204.30	43,335.00	37,095.20	21,323.70	7,109.10
Annapurna Finance Pvt Ltd	NA	NA	NA	NA	NA	NA
IIFL Samasta Finance Ltd	59,773.80	32,484.50	43,156.10	49,102.30	16,617.70	-16,617.80

FY25 (Rs Mn)	Asset		Liability		Net	
	Within 12 months	After 12 months	Within 12 months	After 12 months	Within 12 months	After 12 months
Svatantra Microfin Pvt Ltd	45,161.60	37,930.40	32,173.30	17,422.20	12,988.30	20,508.20
Chaitanya India Fin Credit Pvt Ltd	45,438.11	24,178.12	31,505.77	22,833.99	13,932.33	1,344.13
Belstar Microfinance Ltd	56,260.17	19,623.63	41,443.86	16,728.26	14,816.31	2,895.37
Fusion Finance Ltd	60,634.00	22,292.70	49,386.30	17,107.10	11,247.70	5,185.60
Arohan Financial Services Ltd	49,841.97	19,015.90	25,697.68	22,908.93	24,144.32	-3,893.03
Asirvad Microfinance Ltd	51,584.91	69,073.40	44,008.47	64,981.22	7,576.43	4,092.18
Spandana Sphoorty Financial Ltd	61,676.30	18,403.50	40,114.70	13,737.40	21,561.60	4,666.10

Note: As nature of liabilities, ALM regulatory framework, asset profile and behavioural maturity, etc. are different and therefore not comparable, data for Banks not included. Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Increase in cost of borrowing to increase in repo rates over the last 2 years

NBFCs	Increase in cost of fund from FY23-FY25	Increase in repo rates from FY23-FY25
CreditAccess Grameen Ltd	0.91%	-0.25%
Muthoot Microfin Ltd	0.91%	-0.25%
Satin Creditcare Network Ltd	2.11%	-0.25%
Annapurna Finance Pvt Ltd	1.98%	-0.25%
IIFL Samasta Finance Ltd	1.05%	-0.25%
Svatantra Microfin Pvt Ltd	0.11%	-0.25%
Chaitanya India Fin Credit Pvt Ltd	0.74%	-0.25%
Belstar Microfinance Ltd	2.01%	-0.25%
Fusion Finance Ltd	1.00%	-0.25%
Arohan Financial Services Ltd	0.97%	-0.25%
Asirvad Microfinance Ltd	3.04%	-0.25%
Spandana Sphoorty Financial Ltd	3.02%	-0.25%
Banks and SFBs		
Bandhan Bank	1.30%	-0.25%
Ujjivan SFB	0.60%	-0.25%
Jana SFB	-0.80%	-0.25%
Utkarsh SFB	-0.20%	-0.25%
ESAF SFB	0.20%	-0.25%
Suryoday SFB	1.10%	-0.25%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### Adjustment factor to Net worth - Net NPAs amount as a % of Net worth (FY25)

Arohan's Net NPAs as a percentage of net worth was 1.53%, one of the lowest among the peer NBFC – MFIs.

Net NPAs amount as a % of Net worth (FY25)	Ratio
<b>NBFCs</b>	
CreditAccess Grameen Ltd	6.16%
Muthoot Microfin Ltd	4.40%
Satin Creditcare Network Ltd	4.28%
Annapurna Finance Pvt Ltd	4.47%
IIFL Samasta Finance Ltd	4.91%
Svatantra Microfin Pvt Ltd	1.17%
Chaitanya India Fin Credit Pvt Ltd	1.19%
Belstar Microfinance Ltd	1.66%
Fusion Micro Finance Ltd	1.36%
Arohan Financial Services Ltd	1.53%
Asirvad Microfinance Ltd	11.66%
Spandana Sphoorty Financial Ltd	2.23%
<b>Bank and SFBs</b>	
Bandhan Bank	7.04%
Ujjivan SFB	2.57%
Jana SFB	5.84%
Utkarsh SFB	30.45%
ESAF SFB	27.71%
Suryoday SFB	23.81%

Note: NBFC MFIs are arranged in ascending order of AUM as of Dec'25, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### 5.10 Approval from the Government to perform Aadhar authentication under the Aadhaar Act

The Ministry of Finance, under the Aadhaar Act, 2016 and the Prevention of Money-Laundering Act, 2002, has authorised select NBFC-MFIs to conduct Aadhaar authentication for customer identification. This approval enables faster digital onboarding, strengthens KYC compliance, reduces operational costs, and supports financial inclusion, particularly in rural and underserved segments. Several NBFC-MFIs have received such authorisation, reflecting the growing integration of digital identity systems within the microfinance ecosystem.

Among peers NBFC – MFIs, Arohan Financial Services is among the first NBFC-MFIs in India and the first among its peers NBFC MFIs to receive Aadhar enabled e-KYC approval from the Ministry of Finance, Government of India (as per the gazette notification) enabling a more efficient and compliant customer onboarding process.

**Table 28: NBFC-MFIs which received approval of Ministry of Finance to perform Aadhar authentication under the Aadhaar Act**

Sr. No.	NBFC - MFI	Date of approval
1	Arohan Financial Services Ltd.	8 <sup>th</sup> April 2022
2	CreditAccess Grameen Ltd	-
3	Muthoot Microfin Ltd	05 <sup>th</sup> March 2025
4	Satin Creditcare Network Ltd	-

5	Annapurna Finance Pvt Ltd	12 <sup>th</sup> December 2024
6	IIFL Samasta Finance Ltd	4 <sup>th</sup> May 2023
7	Svatantra Microfin Pvt Ltd	4 <sup>th</sup> May 2023
8	Chaitanya India Fin Credit Pvt Ltd	4 <sup>th</sup> May 2023
9	Belstar Microfinance Ltd	4 <sup>th</sup> May 2023
10	Fusion Finance Ltd	4 <sup>th</sup> May 2023
11	Asirvad Microfinance Ltd	2 <sup>nd</sup> June 2022
12	Spandana Sphoorty Financial Ltd	-

Source: The Gazette of India, Ministry of Finance, Department of Revenue, CareEdge Research

### 5.11 Product offerings

MFIs provide a wide range of products to address the financial and non-financial needs of their customers. Arohan offers a range of products to meet both the credit and non-credit needs of its customers.

NBFC-MFI	MFI Loans	MSME Loans	Consumer Durable loans	Two-wheeler loans	Cross sell loans	Others
CreditAccess Grameen Ltd	✓	✓		✓		Individual loans, Secured business loans, Affordable housing, Emergency need loan
Muthoot Microfin Ltd	✓	✓	✓			Emergency need loans, Health & Hygiene loans, Life betterment solution, Livelihood solution
IIFL Samasta Finance Ltd	✓	✓	✓	✓	✓	Mortgage Loans
Satin Creditcare Network Ltd	✓	✓	✓			Long-term loans, social impact financing, Co-lending, Housing finance
Fusion Finance Ltd	✓	✓				Emergency need loans, Secured business loans, solar loans
Annapurna Finance Pvt Ltd	✓	✓	✓			Agri input, Samarth loans, Dairy development, Housing loans
Asirvad Microfinance Ltd	✓	✓				Gold loans
Spandana Sphoorty Financial Ltd	✓	✓	✓			LAP, Individual Loan
Belstar Microfinance Ltd	✓	✓				Gold loans, education loan, emergency need loans and other loans
Chaitanya India Fin Credit Pvt Ltd	✓					Group lending
Svatantra Microfin Pvt Ltd	✓	✓				Individual loans, insurance
Arohan Financial Services Ltd	✓	✓			✓	Insurance, loans to small MFIs
Bank and SFBs						
Bandhan Bank	✓	✓	✓	✓	✓	Being banks, these are offering many other products which are allowed as per the Regulator such as Gold loans, Housing loans, LAP, Auto loans, and Deposits.
Ujjivan SFB	✓	✓	✓	✓	✓	
Jana SFB	✓	✓	✓	✓	✓	
Utkarsh SFB	✓	✓	✓	✓	✓	
ESAF SFB	✓	✓	✓	✓	✓	
Suryoday SFB	✓	✓	✓	✓	✓	

Note: Information provided as per availability in the authentic public domain. Source: Company reports, CareEdge Research

### 5.12 ISO & Great place to work certifications as of December 2025

Players	ISO certification	Great place to work ranking
CreditAccess Grameen Ltd	ISO 27001:2013	As per Great Places to Work, among India's Top 25 Best Workspaces in BFSI 2024
Muthoot Microfin Ltd	ISO 22301:2012	As per Great Place to Work, secured a place in top 50 in Health and Wellness 2024.
	ISO 27002:2013	
	ISO 9001 and ISO 27001	
Satin Creditcare Network Ltd	ISO 27001:2022	As per Great Place to Work, ranked as 57th amongst India's great places to work in 2024. Secured a position in top 25 best workplaces in BFSI 2025.
Annapurna Finance Pvt Ltd	NA	NA
IIFL Samasta Finance Ltd	ISO 27001:2022	As per Great Place to Work (India), one of the Top 50 Best Workplaces in BFSI. In 2024
Svatantra Microfin Pvt Ltd	NA	NA
Chaitanya India Fin Credit Pvt Ltd	NA	NA
Belstar Microfinance Ltd	ISO 27001: 2022	NA
Fusion Finance Ltd	NA	NA
Arohan Financial Services Ltd	ISO/IEC 27001:2013	As per Great Place to Work, recognised among the top 50 India's best workplaces, Best Workplaces in BFSI 2024: Top 25, and the Best in the Microfinance Industry, by the Great Place To Work® Institute as of 2024.
	ISO 9001:2015	
Asirvad Microfinance Ltd	ISO 27001: 2013	NA
	ISO 2001 2013	
Spandana Sphoorty Financial Ltd	ISO 27001	NA
<b>Banks and SFBs</b>		
Bandhan Bank	ISO 27001:2013	NA
Ujjivan SFB	ISO 27001:2022	As per Great Place to Work, Ujjivan SFB has been recognised as one of India's top 25 best places to work in the BFSI sector for 2024
Jana SFB	ISO/IEC 27001:2013	NA
Utkarsh SFB	ISO 27001:2013	NA
	ISO 22301: 2019	
ESAF SFB	ISO 9001:2015	NA
	ISO 26000:2010	
	ISO/ IEC 27001:2022	
Suryoday SFB	NA	NA

Source: Company reports, CareEdge Research

### 5.13 Experience of leadership team

Arohan Financial Services ranks second highest in terms of total number of directors and third highest in terms of team size of key managerial personnel among the NBFC-MFIs as of December 2025.

Players	Date of incorporation	Total number of directors	Total number of independent directors	Key managerial personnel (KMP) and Senior Management (SM)	Average of total experience (KMP and SM)
					years
CreditAccess Grameen Ltd	1991	8	4	16	~21
Muthoot Microfin Ltd	1992	10	5	7	~21
Satin Creditcare Network Ltd	1990	7	5	10	~25
Annapurna Finance Pvt Ltd	1986	12*	3	18	~15
IIFL Samasta Finance Ltd	1995	7	4	10	~18
Svatantra Microfin Pvt Ltd	2012	9	2	13	~16
Chaitanya India Fin Credit Pvt Ltd	2009	5	2	NA	NA
Belstar Microfinance Ltd	2003	12	5	7	~23
Fusion Finance Ltd	1994	8	4	13	~25
Arohan Financial Services Ltd	2009	14	4	16	~23
Asirvad Microfinance Ltd	2007	10	7	12	~19
Spandana Sphoorty Financial Ltd	2003	10*	5	10	~24
<b>Banks and SFBs</b>					
Bandhan Bank	2014	13	8	24	~31
Equitas Small Finance Bank Ltd	1993	11	9	14	~22
Ujjivan Small Finance Bank Ltd	2016	8	6	15	~25
Utkarsh SFB	2016	8	5	11	~25
ESAF SFB	2016	14	8	10	~21
Suryoday SFB	2008	12	6	24	~24

Note: \* indicates nominee directors, Numbers for Svatantra are on standalone basis and excludes Chaitanya acquisition

Source: Company reports, CareEdge Research

### List of formulae

Parameters	Formula
Cost to Income Ratio	Operating expenses for the relevant fiscal year divided by total income minus interest expense
Operating Expense	Operating Expenditure (Employee Expenses + Depreciation and amortization expense + Fees and commission expense+ Other expenses)
Other income	Non-interest income
Opex to total average assets	Operating expenses divided by total average assets at the end of the financial year
RoA	Profit after tax / average of total assets on book
RoE	Profit after tax / average net worth
NIMs	(Interest income on loans and advances – interest paid) / average of assets under management
Yield on advances	Interest earned on loans and advances / average of total advances on book
Cost of borrowings	Interest paid / (average of deposits and borrowings)
Credit cost	Provisions / average total assets under management
Debt to Equity Ratio	Total Borrowings / Total shareholder equity of the same fiscal
PPOP %	Pre provisioning operating profit (Total income – Interest expenses – Operating expenditure)/ Average total assets

## 6 KPIs

**Table 29: Arohan Financial Services Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	74,618.38	68,857.87	81,154.41	60,181.68
Total Borrowings	Rs Million	52,194.32	47,034.03	60,158.43	45,334.90
Total Income	Rs Million	11,330.54	16,952.62	16,346.33	10,909.96
Net Interest Income	Rs Million	6,071.99	8,590.85	7,606.33	4,419.49
Total Non-Interest Income	Rs Million	953.96	1,140.84	2,169.47	1,419.47
Total Expenses	Rs Million	10,538.43	15,571.76	12,222.01	10,010.42
Profit / (Loss) After Tax	Rs Million	607.44	1,096.86	3,138.21	707.16
Debt to Equity Ratio	x times	2.50	2.32	3.14	3.39
Basic Earnings Per Equity Share	Rs	3.98	7.20	26.62	6.05
Diluted Earnings Per Equity Share	Rs	3.98	7.18	26.57	5.84
Provision Coverage Ratio	%	77.05%	81.70%	100.00%	92.80%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	3,483.23	5,355.99	5,911.93	2,831.19
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	-9.40%	108.81%	29.51%
Net Worth	Rs million	20,918.07	20,251.28	19,147.56	13,380.25
Return on Average Net Worth	%	2.95%	5.57%	19.30%	5.99%
Return on Average Total Assets	%	0.85%	1.46%	4.44%	1.26%
Cost to Income Ratio	%	53.44%	49.63%	43.29%	54.51%
Net Interest Margin	%	9.86%	13.10%	12.20%	9.32%
Capital Adequacy Ratio CRAR	%	31.20%	34.09%	29.01%	28.74%
Tier I Capital	%	30.58%	31.82%	26.85%	25.46%
Tier II Capital	%	0.62%	2.27%	2.16%	3.28%
<b>II. Operational Measures</b>					
AUM	Rs Million	63,084.14	60,025.77	71,120.41	53,573.71
AUM Growth	%	5.10%	-15.60%	32.75%	29.97%
AUM Share in Top 3 states	%	67.89%	69.38%	69.09%	64.64%
AUM Per Branch	Rs Million	58.79	54.42	72.87	64.55
Gross Disbursement	Rs Million	44,916.84	46,356.63	67,088.91	52,992.75

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Gross Disbursement Growth	%	NA	-30.90%	26.60%	36.76%
Gross Disbursement Per Branch	Rs Million	41.86	42.03	68.74	63.84
Average Ticket Size – Microfinance Loans	Rs	55,551.67	52,028.15	45,092.85	39,524.71
Number of Active Borrowers	Million	1.95	2.14	2.41	2.01
Number of Active Borrowers Growth	%	-8.68%	-11.29%	19.80%	5.92%
Total Number of Branches	Units	1,073.0	1,103.0	976.0	830.0
Total % of Digital Collection	%	13.53%	12.37%	10.78%	6.89%
No. of States	Units	17	17	16	13
No. of Districts	Units	320	323	293	254
Average Cost of Borrowings	%	7.76%	11.79%	11.23%	10.82%
Operating Expenses / Average AUM	%	6.50%	8.05%	7.24%	7.16%
Credit Cost Ratio	%	4.37%	6.06%	2.87%	4.08%
Gross NPA Ratio	%	1.69%	2.85%	1.67%	2.86%
Net NPA Ratio	%	0.39%	0.53%	-	0.21%
Collection Efficiency	%	108.67%	103.92%	108.85%	112.42%
Credit Rating		Care A- Stable, ICRA A Stable			

Source: Company Reports, MFIN

Note: The credit rating mentioned represent the latest available rating for the company.

**Table 30: CreditAccess Grameen Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	285,935.00	278,022.30	288,706.80	218,580.60
Total Borrowings	Rs Million	206,814.00	204,457.70	218,410.10	163,122.60
Total Income	Rs Million	44,639.60	57,561.40	51,726.50	35,507.60
Net Interest Income	Rs Million	27,636.70	34,815.50	30,656.00	20,645.30
Total Non-Interest Income	Rs Million	2,267.20	2,093.75	2,725.40	2,236.27
Total Expenses	Rs Million	38,757.60	50,472.70	32,334.70	24,453.70
Profit / (Loss) After Tax	Rs Million	4,380.90	5,314.00	14,459.30	8,260.30
Debt to Equity Ratio	x times	2.78	2.94	3.32	3.19
Basic Earnings Per Equity Share	Rs	27.41	33.32	90.88	52.04
Diluted Earnings Per Equity Share	Rs	27.30	33.24	90.41	51.81
Provision Coverage Ratio	%	67.20%	64.83%	70.75%	65.70%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	20,303.60	26,394.80	23,948.50	15,082.10
Adjusted Pre Provision Operating Profit Before Tax Growth	%	NA	10.21%	58.79%	39.58%
Net Worth	Rs million	74,395.00	69,559.40	65,699.50	51,069.40

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Return on Average Net Worth	%	6.09%	7.86%	24.77%	17.81%
Return on Average Total Assets	%	1.55%	1.88%	5.70%	4.20%
Cost to Income Ratio	%	33.28%	30.70%	30.39%	35.49%
Net Interest Margin	%	10.53%	13.22%	12.84%	10.97%
Capital Adequacy Ratio CRAR	%	26.44%	25.43%	23.13%	23.58%
Tier I Capital	%	25.80%	24.47%	22.24%	22.69%
Tier II Capital	%	0.64%	0.96%	0.89%	0.89%
<b>II. Operational Measures</b>					
AUM	Rs Million	265,660	259,480	267,140	210,300
AUM Growth	%	2.38%	-2.87%	27.03%	26.69%
AUM Share in Top 3 states	%	70.20%	71.60%	72.50%	74.30%
AUM Per Branch	Rs Million	119.56	125.78	135.81	117.75
Gross Disbursement	Rs Million	165,470	200,370	231,300	185,400
Gross Disbursement Growth	%	NA	-13.37%	24.76%	44.51%
Gross Disbursement Per Branch	Rs Million	74.47	97.13	117.59	103.81
Average Ticket Size – Microfinance Loans	Rs	52,443	51,330	42,812	37,965
Number of Active Borrowers	Million	4.40	4.69	4.92	4.26
Number of Active Borrowers Growth	0.0	-6.24%	-4.55%	15.34%	11.51%
Total Number of Branches	Units	2,222	2,063	1,967	1,786
Total % of Digital Collection	%	NA	10.60%	4.00%	NA
No. of States	Units	17	17	17	15
No. of Districts	Units	450	423	383	352
Average Cost of Borrowings	%	6.91%	9.21%	9.08%	8.30%
Operating Expenses / Average AUM	%	3.86%	4.44%	4.38%	4.41%
Credit Cost Ratio	%	5.48%	7.33%	1.89%	2.13%
Gross NPA Ratio	%	4.04%	4.76%	1.18%	1.21%
Net NPA Ratio	%	1.36%	1.77%	0.35%	0.35%
Collection Efficiency*	%	94.40%	94.90%	98.50%	NA
Credit Rating		ICRA AA-, stable, Crisil AA-, stable			

Source: Company Reports, MFIN

Note: \* indicates ratio excluding arrears; The credit rating mentioned represent the latest available rating for the company.

**Table 31: Muthoot Microfin Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	120,806.80	108,570.21	115,902.26	85,291.99
Total Borrowings	Rs Million	90,114.00	79,264.21	84,247.85	64,931.76
Total Income	Rs Million	17,418.00	25,644.40	22,552.79	14,463.44
Net Interest Income	Rs Million	9,275.16	14,010.18	10,763.77	7,237.84
Total Non-Interest Income	Rs Million	1,713.97	1,949.61	2,817.01	1,556.99
Total Expenses	Rs Million	16,298.24	28,533.44	16,734.37	12,334.74
Profit / (Loss) After Tax	Rs Million	991.46	-2,225.23	4,495.83	1,638.89
Debt to Equity Ratio	x times	1.21	3.01	3.00	3.99
Basic Earnings Per Equity Share	Rs	5.92	-13.29	30.92	14.19
Diluted Earnings Per Equity Share	Rs	5.82	-13.07	30.25	11.98
Provision Coverage Ratio	%	70.45%	73.32%	60.99%	80.32%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	4,783.13	8,929.99	7,815.66	4,637.29

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	14.26%	68.54%	139.38%
Net Worth	Rs million	74,395.00	26,322.27	28,043.52	16,258.49
Return on Average Net Worth	%	1.97%	-8.19%	20.30%	11.06%
Return on Average Total Assets	%	0.86%	-1.98%	4.47%	2.32%
Cost to Income Ratio	%	56.47%	45.36%	43.74%	48.32%
Net Interest Margin	%	7.29%	11.41%	10.06%	9.36%
Capital Adequacy Ratio CRAR	%	26.44%	27.85%	28.97%	21.87%
Tier I Capital	%	NA	27.39%	28.97%	21.87%
Tier II Capital	%	NA	0.46%	0.00%	0.00%
<b>II. Operational Measures</b>					
AUM	Rs Million	130,786	123,567	121,935	92,083
AUM Growth	%	5.84%	1.34%	32.42%	47.22%
AUM Share in Top 3 states	%	NA	50.00%	NA	NA
AUM Per Branch	Rs Million	77.34	72.73	80.86	78.57
Gross Disbursement	Rs Million	65,418	88,725	106,616	81,045
Gross Disbursement Growth	%	NA	-16.78%	31.55%	74.40%
Gross Disbursement Per Branch	Rs Million	38.69	52.22	70.70	69.15
Average Ticket Size – Microfinance Loans	Rs	90,885	48,932	43,843	37,985
Number of Active Borrowers	Million	3.33	3.43	3.35	2.77
Number of Active Borrowers Growth	0.0	-0.03	0.02	0.21	0.35
Total Number of Branches	Units	1,691	1,699	1,508	1,172
Total % of Digital Collection	%	NA	25.00%	25.92%	20.34%
No. of States	Units	21	20	19	18
No. of Districts	Units	394	388	353	321
Average Cost of Borrowings	%	7.59%	11.38%	11.61%	10.47%
Operating Expenses / Average AUM	%	4.88%	6.04%	5.68%	5.61%
Credit Cost Ratio	%	2.70%	8.49%	1.61%	2.89%
Gross NPA Ratio	%	4.40%	4.84%	2.29%	2.97%
Net NPA Ratio	%	1.34%	1.33%	0.93%	1.22%
Collection Efficiency	%	NA	93.62%	98.41%	95.83%
Credit Rating		Crisil A+ (Positive)			

Source: Company Reports, MFIN

Note: The credit rating mentioned represent the latest available rating for the company.

**Table 32: Satin Creditcare Network Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	121,382.60	108,863.08	100,810.09	76,453.97
Total Borrowings	Rs Million	NA	77,995.28	71,949.61	54,474.80
Total Income	Rs Million	20,288.33	23,767.63	20,506.48	17,534.14
Net Interest Income	Rs Million	13,994.42	9,309.87	7,995.04	2,807.25
Total Non-Interest Income	Rs Million	3,583.91	2,703.91	3,018.86	5,933.30
Total Expenses	Rs Million	18,160.58	21,437.83	14,847.99	14,124.14
Profit / (Loss) After Tax	Rs Million	1,651.33	2,165.62	4,228.44	2,643.29

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Debt to Equity Ratio	x times	2.94	2.74	2.70	2.85
Basic Earnings Per Equity Share	Rs	15.01	19.69	13.01	33.79
Diluted Earnings Per Equity Share	Rs	15.01	19.69	11.97	32.30
Provision Coverage Ratio	%	67.00%	62.35%	60.45%	NA
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	9,988.04	7,361.74	7,103.30	7,351.65
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	3.64%	-3.38%	213.12%
Net Worth	Rs million	29,726.35	28,432.78	26,673.43	19,137.17
Return on Average Net Worth	%	5.68%	7.86%	18.46%	15.02%
Return on Average Total Assets	%	1.43%	2.07%	4.77%	3.52%
Cost to Income Ratio	%	43.18%	48.41%	41.67%	37.56%
Net Interest Margin	%	12.28%	8.50%	8.63%	3.92%
Capital Adequacy Ratio CRAR	%	24.60%	25.85%	27.70%	26.60%
Tier I Capital	%	NA	25.21%	26.25%	25.33%
Tier II Capital	%	NA	0.64%	1.45%	1.27%
<b>II. Operational Measures</b>					
AUM	Rs Million	114,820	113,160	105,930	79,290
AUM Growth	%	1.47%	6.83%	33.60%	23.72%
AUM Share in Top 3 states	%	51.00%	51.49%	49.40%	48.11%
AUM Per Branch	Rs Million	57,785.61	72,168.37	76,044.51	61,656.30
Gross Disbursement	Rs Million	73,820	98,370	96,910	73,900
Gross Disbursement Growth	%	NA	1.51%	31.14%	83.33%
Gross Disbursement Per Branch	Rs Million	37.15	62.74	69.57	57.47
Average Ticket Size – Microfinance Loans	Rs	63,160	53,690	47,833	42,276
Number of Active Borrowers	Million	3.18	3.29	3.34	2.56
Number of Active Borrowers Growth	0.0	-3.34%	-1.50%	30.47%	4.49%
Total Number of Branches	Units	1,987.0	1,568.0	1,393.0	1,286.0
Total % of Digital Collection	%	NA	9.00%	8.00%	NA
No. of States	Units	31	29	26	24
No. of Districts	Units	558	529	421	405
Average Cost of Borrowings	%	NA	12.67%	13.18%	10.56%
Operating Expenses / Average AUM	%	6.66%	6.31%	5.48%	6.17%
Credit Cost Ratio	%	3.49%	4.59%	1.56%	5.50%
Gross NPA Ratio	%	3.30%	3.70%	2.50%	3.30%
Net NPA Ratio	%	1.10%	1.42%	0.98%	1.49%
Collection Efficiency*	%	NA	NA	98.50%	99.6%*
Credit Rating		ICRA A (Stable); Care BBB+ Stable			

Source: Company Reports, MFIN

Note: \* indicates excluding restructured portfolio; The credit rating mentioned represent the latest available rating for the company.

**Table 33: Fusion Finance Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	77,246.72	82,926.70	117,743.20	93,635.40
Total Borrowings	Rs Million	51,762.30	64,020.20	86,159.00	67,784.00
Total Income	Rs Million	13,023.60	23,688.90	24,124.20	17,999.70
Net Interest Income	Rs Million	7,634.10	12,851.20	12,958.00	9,472.10
Total Non-Interest Income	Rs Million	1,323.30	2,346.70	3,205.20	1,998.70

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Total Expenses	Rs Million	14,027.00	35,019.00	17,491.60	12,879.90
Profit / (Loss) After Tax	Rs Million	-1,003.40	-12,245.40	5,052.90	3,871.50
Debt to Equity Ratio	x times	2.22	3.90	3.03	2.92
Basic Earnings Per Equity Share	Rs	-7.73	-111.41	46.06	43.29
Diluted Earnings Per Equity Share	Rs	-7.73	-111.41	45.89	43.13
Provision Coverage Ratio	%	86.08%	NA	79.71%	75.50%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	2,691.90	7,364.80	10,281.20	7,123.50
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	-28.37%	44.33%	81.20%
Net Worth	Rs million	23,313.20	16,433.30	28,481.50	23,219.20
Return on Average Net Worth	%	-5.05%	-54.53%	19.55%	21.16%
Return on Average Total Assets	%	-1.25%	-12.20%	4.78%	4.65%
Cost to Income Ratio	%	69.12%	50.94%	36.04%	37.80%
Net Interest Margin	%	9.63%	12.56%	12.48%	11.78%
Capital Adequacy Ratio CRAR	%	38.80%	22.42%	27.53%	27.94%
Tier I Capital	%	NA	20.89%	26.60%	26.59%
Tier II Capital	%	NA	1.53%	0.93%	1.35%
<b>II. Operational Measures</b>					
AUM	Rs Million	68,760	89,800	114,760	92,960
AUM Growth	%	-23.43%	-21.75%	23.45%	36.99%
AUM Share in Top 3 states	%	NA	NA	NA	NA
AUM Per Branch	Rs Million	44.74	57.16	88.48	85.60
Gross Disbursement	Rs Million	36,270	69,710	102,940	85,960
Gross Disbursement Growth	%	NA	-32.28%	19.75%	39.09%
Gross Disbursement Per Branch	Rs Million	23.60	42.61	79.37	79.15
Average Ticket Size – Microfinance Loans	Rs	59,584	46,797	43,351	37,922
Number of Active Borrowers	Million	2.32	3.19	3.84	3.52
Number of Active Borrowers Growth	0.0	-27.27%	-16.93%	9.09%	29.41%
Total Number of Branches	Units	1,537	1,571	1,297	1,086
Total % of Digital Collection	%	96.00%	94.28%	90.00%	NA
No. of States	Units	22	22	22	20
No. of Districts	Units	489	497	453	398
Average Cost of Borrowings	%	7.02%	11.24%	10.27%	10.24%
Operating Expenses / Average AUM	%	7.90%	7.71%	5.71%	5.53%
Credit Cost Ratio	%	4.66%	18.28%	3.51%	2.49%
Gross NPA Ratio	%	4.38%	7.92%	2.89%	3.46%
Net NPA Ratio	%	0.63%	0.31%	0.61%	0.88%
Collection Efficiency*	%	99.14%	98.44%	97.3%#	96.9%#
Credit Rating		Crisil A- stable, ICRA A- stable, Care A stable			

Source: Company Reports, MFIN

Note: \* indicates the ratio for the fourth quarter of the respective years, # indicates including arrears; The credit rating mentioned represent the latest available rating for the company.

**Table 34: Spandana Sphoorty Financial Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	60,234.90	80,079.80	128,695.80	91,856.40
Total Borrowings	Rs Million	36,503.30	51,966.30	90,121.60	59,342.00
Total Income	Rs Million	6,885.90	22,451.90	23,866.70	13,944.50
Net Interest Income	Rs Million	2,848.40	11,013.20	11,743.60	7,227.30
Total Non-Interest Income	Rs Million	492.40	2,237.60	2,696.20	1,888.80
Total Expenses	Rs Million	15,222.50	35,190.40	17,606.50	13,762.00
Profit / (Loss) After Tax	Rs Million	-6,295.20	-9,567.40	4,678.80	123.40
Debt to Equity Ratio	x times	1.67	1.98	2.53	1.95
Basic Earnings Per Equity Share	Rs	-83.07	-134.18	65.81	1.74
Diluted Earnings Per Equity Share	Rs	-83.07	-134.18	64.84	1.74
Provision Coverage Ratio	%	80.71%	80.16%	80.00%	70.00%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	-1,888.60	5,895.50	8,690.40	5,180.10
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	-32.16%	67.77%	-2.34%
Net Worth	Rs million	21,848.90	26,227.70	35,559.90	30,431.70
Return on Average Net Worth	%	-26.19%	-30.97%	14.18%	0.41%
Return on Average Total Assets	%	-8.97%	-9.17%	4.24%	0.15%
Cost to Income Ratio	%	0.00%	56.96%	41.65%	45.44%
Net Interest Margin	%	6.11%	12.24%	11.77%	10.19%
Capital Adequacy Ratio CRAR	%	30.43%	36.31%	31.95%	36.87%
Tier I Capital	%	NA	36.30%	32.00%	36.87%
Tier II Capital	%	NA	0.01%	-0.05%	0.00%
<b>II. Operational Measures</b>					
AUM	Rs Million	32,960	60,290	119,730	79,800
AUM Growth	%	-45.33%	-49.65%	50.04%	28.71%
AUM Share in Top 3 states	%	41.00%	38.00%	39.00%	40.00%
AUM Per Branch	Rs Million	19.8	33.4	72.9	67.7
Gross Disbursement	Rs Million	21,140	56,050	106,880	81,250
Gross Disbursement Growth	%	NA	-47.56%	31.54%	140.88%
Gross Disbursement Per Branch	Rs Million	12.68	31.07	65.09	68.91
Average Ticket Size – Microfinance Loans	Rs	62,845	45,400	41,921	46,256
Number of Active Borrowers	Million	1.15	2.49	3.32	2.26
Number of Active Borrowers Growth	0.0	-53.65%	-25.00%	46.90%	-3.83%
Total Number of Branches	Units	1,667.0	1,804.0	1,642.0	1,179.0
Total % of Digital Collection	%	NA	NA	NA	NA
No. of States	Units	17	20	20	18
No. of Districts	Units	403	414	408	314
Average Cost of Borrowings	%	8.01%	12.32%	12.01%	9.31%
Operating Expenses / Average AUM	%	11.22%	8.67%	6.22%	6.08%
Credit Cost Ratio	%	13.83%	20.70%	2.44%	7.05%
Gross NPA Ratio	%	2.60%	5.63%	1.50%	10.46%
Net NPA Ratio	%	0.50%	1.16%	0.32%	0.63%
Collection Efficiency	%	93.9%**	91.8%*	97.4%*	103%#

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Credit Rating		Crisil BBB+ stable, Care BBB+ stable, ICRA BBB+ Negative			

Source: Company Reports, MFIN

Note: \*\* indicates net collection ratio and for Q3 FY26 quarter; \* indicates net collection efficiency ratio; # indicates gross collection efficiency; The credit rating mentioned represent the latest available rating for the company.

**Table 35: Bandhan Bank**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	1,961,310.16	1,914,762.88	1,778,416.59	1,560,370.92
Total Borrowings	Rs Million	101,200.00	111,384.93	163,715.24	247,108.23
Total Income	Rs Million	182,240.09	249,148.29	210,410.38	183,732.50
Net Interest Income	Rs Million	80,340.98	89,098.19	79,554.28	92,596.18
Total Non-Interest Income	Rs Million	19,633.28	55,473.65	45,348.34	24,685.51
Total Expenses	Rs Million	138,002.49	175,261.40	188,114.75	161,786.12
Profit / (Loss) After Tax	Rs Million	6,894.24	27,452.96	22,295.63	21,946.38
Debt to Equity Ratio	x times	0.41	0.46	0.76	1.26
Basic Earnings Per Equity Share	Rs	4.28	17.04	13.84	13.62
Diluted Earnings Per Equity Share	Rs	4.28	17.04	13.84	13.62
Provision Coverage Ratio	%	70.80%	73.70%	71.84%	76.82%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	44,237.60	73,886.89	66,394.84	70,913.50
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	11.28%	-6.37%	-11.51%
Net Worth	Rs million	247,909.71	243,591.02	215,654.48	195,722.07
Return on Average Net Worth	%	2.81%	11.96%	10.84%	11.88%
Return on Average Total Assets	%	0.36%	1.49%	1.34%	1.49%
Cost to Income Ratio	%	55.75%	48.89%	46.84%	39.54%
Net Interest Margin	%	5.86%	6.81%	6.80%	8.88%
Capital Adequacy Ratio CRAR	%	17.80%	18.70%	14.69%	19.80%
Tier I Capital	%	16.50%	17.90%	13.83%	18.70%
Tier II Capital	%	1.30%	0.80%	0.86%	1.10%
<b>II. Operational Measures</b>					
AUM	Rs Million	1,452,200	1,369,900	1,247,200	1,091,200
AUM Growth	%	6.01%	9.84%	14.30%	9.84%
AUM Share in Top 3 states	%	44.0%	44.0%	45.0%	45.0%
AUM Per Branch	Rs Million	793.1	798.8	733.6	773.4
Gross Disbursement	Rs Million	513,900.00	694,800.00	761,900.00	657,700.00
Gross Disbursement Growth	%	NA	-8.81%	15.84%	NA
Gross Disbursement Per Branch	Rs Million	280.67	405.13	448.18	466.12
Average Ticket Size – Microfinance Loans	Rs	NA	NA	NA	NA
Number of Active Borrowers	Million	32.50	31.60	33.60	30.00
Number of Active Borrowers Growth	%	2.8%	-6.0%	12.0%	14.1%
Total Number of Branches	Units	1,831	1,715	1,700	1,411
Total % of Digital Collection	%	NA	NA	NA	NA
No. of States	Units	35	35	35	34
No. of Districts	Units	NA	NA	NA	NA
Average Cost of Borrowings	%	6.50%	6.44%	5.64%	5.00%

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Operating Expenses / Average AUM	%	4.16%	5.40%	5.00%	4.45%
Credit Cost Ratio	%	2.52%	2.88%	3.16%	4.03%
Gross NPA Ratio	%	3.30%	4.70%	3.80%	4.90%
Net NPA Ratio	%	1.00%	1.30%	1.10%	1.20%
Collection Efficiency*	%	109.80%	109.50%	117.00%	124.10%
Credit Rating		Crisil AA- stable, ICRA AA- stable			

Source: Company Reports, MFIN

Note: \* indicates ratio for the fourth quarter of the respective years and includes arrears; The credit rating mentioned represent the latest available rating for the company.

**Table 36: Ujjivan Small Finance Bank Ltd**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	522,988.50	476,891.52	404,222.16	333,168.78
Total Borrowings	Rs Million	23,830.00	28,453.63	21,708.15	26,414.64
Total Income	Rs Million	58,539.10	72,005.87	64,639.06	47,541.86
Net Interest Income	Rs Million	21,441.60	28,075.82	27,053.09	22,406.73
Total Non-Interest Income	Rs Million	14,347.70	16,748.83	14,908.93	10,464.20
Total Expenses	Rs Million	46,583.80	55,113.60	51,824.15	36,542.64
Profit / (Loss) After Tax	Rs Million	4,106.60	7,261.03	12,814.91	10,999.22
Debt to Equity Ratio	x times	0.37	0.47	0.39	0.64
Basic Earnings Per Equity Share	Rs	2.12	3.75	6.65	5.82
Diluted Earnings Per Equity Share	Rs	2.09	3.71	6.54	5.81
Provision Coverage Ratio	%	76.00%	78.00%	87.00%	98.00%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	11,955.30	16,892.27	19,171.03	14,850.33
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	-11.89%	29.09%	133.09%
Net Worth	Rs million	64,210.00	59,937.68	55,411.68	41,578.87
Return on Average Net Worth	%	6.62%	12.59%	26.43%	31.80%
Return on Average Total Assets	%	0.82%	1.65%	3.48%	3.86%
Cost to Income Ratio	%	66.60%	62.31%	54.31%	54.82%
Net Interest Margin	%	6.20%	9.07%	10.04%	10.61%
Capital Adequacy Ratio CRAR	%	21.62%	23.10%	24.69%	25.81%
Tier I Capital	%	20.13%	21.38%	22.58%	22.69%
Tier II Capital	%	1.49%	1.72%	2.11%	3.12%
<b>II. Operational Measures</b>					
AUM	Rs Million	370,570	321,220	297,800	240,850
AUM Growth	%	15.36%	7.86%	23.65%	32.61%
AUM Share in Top 3 states	%	37%	41%	39%	41%
AUM Per Branch	Rs Million	492.1	426.6	396.0	382.9
Gross Disbursement	Rs Million	227,640	234,640	233,890	200,370
Gross Disbursement Growth	%	NA	0.32%	16.73%	41.98%
Gross Disbursement Per Branch	Rs Million	302.3	311.6	311.0	318.6
Average Ticket Size – Microfinance Loans	Rs	NA	NA	NA	NA
Number of Active Borrowers	Million	9.96	9.18	8.24	7.33
Number of Active Borrowers Growth	0.0	8%	11%	12%	18%
Total Number of Branches	Units	753.0	753.0	752.0	629.0
Total % of Digital Collection	%	NA	NA	NA	NA

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
No. of States	Units	26	26	26	25
No. of Districts	Units	339	326	326	271
Average Cost of Borrowings	%	87.02%	13.43%	13.49%	10.41%
Operating Expenses / Average AUM	%	6.89%	9.02%	8.46%	8.53%
Credit Cost Ratio	%	0.18%	0.67%	2.51%	0.07%
Gross NPA Ratio	%	2.38%	2.18%	2.20%	2.60%
Net NPA Ratio	%	0.57%	0.49%	0.28%	0.04%
Collection Efficiency*	%	NA	96.60%	99.00%	101.00%
Credit Rating		Care AA- (stable)			

Source: Company Reports, MFIN

Note: \*indicates for 1 EMI + Overdraft; The credit rating mentioned represent the latest available rating for the company.

**Table 37: Jana SFB**

Key Performance Indicators (KPIs)		9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	433,222.73	384,636.17	327,097.83	256,436.90
Total Borrowings	Rs Million	37,510.00	38,668.17	52,114.59	62,774.60
Total Income	Rs Million	46,972.59	54,856.55	46,840.56	36,998.75
Net Interest Income	Rs Million	14,773.86	19,517.50	17,301.28	13,066.17
Total Non-Interest Income	Rs Million	12,172.49	12,172.49	10,680.23	9,782.68
Total Expenses	Rs Million	38,336.26	42,592.84	40,145.16	34,439.04
Profit / (Loss) After Tax	Rs Million	1,866.10	5,014.19	6,695.40	2,559.71
Debt to Equity Ratio	x times	0.87	0.95	1.46	3.53
Basic Earnings Per Equity Share	Rs	17.74	47.89	90.85	47.47
Diluted Earnings Per Equity Share	Rs	17.66	47.67	90.72	42.64
Provision Coverage Ratio	%	64.44%	66.09%	73.70%	34.01%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	8,636.32	12,263.71	11,933.12	10,003.75
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	2.77%	19.29%	74.06%
Net Worth	Rs million	43,250.57	40,916.03	35,665.00	17,770.68
Return on Average Net Worth	%	4.43%	13.10%	25.06%	17.19%
Return on Average Total Assets	%	0.46%	1.41%	2.29%	1.12%
Cost to Income Ratio	%	67.37%	61.30%	57.35%	56.22%
Net Interest Margin	%	5.00%	7.19%	7.77%	7.46%
Capital Adequacy Ratio CRAR	%	20.00%	20.70%	20.30%	15.60%
Tier I Capital	%	NA	19.80%	19.00%	13.00%
Tier II Capital	%	NA	0.90%	1.30%	2.60%
<b>II. Operational Measures</b>					
AUM	Rs Million	NA	295,450	247,460	198,080
AUM Growth	%	NA	19.39%	24.93%	29.97%
AUM Share in Top 3 states	%	38.0%	38.0%	38.0%	38.0%
AUM Per Branch	Rs Million	NA	368.39	306.26	262.71
Gross Disbursement	Rs Million	47,750	198,300	176,050	148,120
Gross Disbursement Growth	%	NA	12.64%	18.86%	0.00%
Gross Disbursement Per Branch	Rs Million	58.52	247.26	217.88	196.45
Average Ticket Size – Microfinance Loans	Rs	NA	NA	NA	NA
Number of Active Borrowers	Million	4.30	4.20	5.40	4.60
Number of Active Borrowers Growth	%	2.4%	-22.2%	17.4%	24.3%
Total Number of Branches	Units	816.0	802.0	808.0	754.0

Key Performance Indicators (KPIs)		9MFY26	FY25	FY24	FY23
Total % of Digital Collection	%	NA	NA	NA	NA
No. of States	Units	25	25	24	24
No. of Districts	Units	NA	NA	NA	NA
Average Cost of Borrowings	%	0.00%	14.05%	13.58%	12.52%
Operating Expenses / Average AUM	%	6.03%	7.16%	7.20%	7.33%
Credit Cost Ratio	%	NA	2.55%	2.74%	3.76%
Gross NPA Ratio	%	2.59%	2.54%	2.00%	3.60%
Net NPA Ratio	%	0.94%	0.88%	0.50%	2.40%
Collection Efficiency	%	NA	NA	NA	NA
Credit Rating		ICRA A (stable), Care A (stable)			

Source: Company Reports, MFIN

Note: 9MFY26 gross disbursements are of Q3FY26; The credit rating mentioned represent the latest available rating for the company.

**Table 38: Utkarsh SFB**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	282,796.03	281,274.37	239,026.77	191,172.92
Total Borrowings	Rs Million	26,240.00	23,547.66	19,950.81	23,494.75
Total Income	Rs Million	28,576.77	43,647.60	35,787.55	28,042.86
Net Interest Income	Rs Million	7,091.85	15,948.99	15,874.47	13,021.72
Total Non-Interest Income	Rs Million	7,071.02	10,277.99	6,986.99	5,261.65
Total Expenses	Rs Million	28,136.36	43,410.60	30,811.28	23,997.84
Profit / (Loss) After Tax	Rs Million	-9,629.63	237.01	4,976.29	4,045.02
Debt to Equity Ratio	x times	0.88	0.79	0.80	1.32
Basic Earnings Per Equity Share	Rs	-7.75	0.22	4.79	4.52
Diluted Earnings Per Equity Share	Rs	-7.75	NA	4.75	4.51
Provision Coverage Ratio	%	45.00%	51.18%	98.92%	88.30%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	440.41	10,069.32	9,972.68	8,383.24
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	0.97%	18.96%	63.76%
Net Worth	Rs million	29,610.00	29,745.04	29,731.88	20,003.21
Return on Average Net Worth	%	-32.45%	0.80%	20.01%	22.64%
Return on Average Total Assets	%	-3.41%	0.09%	2.31%	2.37%
Cost to Income Ratio	%	96.89%	61.61%	56.38%	54.15%
Net Interest Margin	%	3.74%	8.40%	9.84%	10.59%
Capital Adequacy Ratio CRAR	%	20.11%	20.93%	22.57%	20.64%
Tier I Capital	%	17.10%	17.88%	20.95%	18.25%
Tier II Capital	%	3.01%	3.05%	1.62%	2.39%
<b>II. Operational Measures</b>					
AUM	Rs Million	183,060	196,660	182,990	139,570
AUM Growth	%	-6.92%	7.47%	31.11%	31.29%
AUM Share in Top 3 states	%	91.0%	0.0%	0.0%	0.0%
AUM Per Branch	Rs Million	166	180	206	168
Gross Disbursement	Rs Million	NA	NA	NA	NA
Gross Disbursement Growth	%	NA	NA	NA	NA

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
Gross Disbursement Per Branch	Rs Million	NA	NA	NA	NA
Average Ticket Size – Microfinance Loans	Rs	NA	NA	NA	NA
Number of Active Borrowers	Million	5	5	5	NA
Number of Active Borrowers Growth	%	3.01%	10.64%	NA	NA
Total Number of Branches	Units	1,105	1,092	888	830
Total % of Digital Collection	%	NA	NA	NA	NA
No. of States	Units	27	27	26	26
No. of Districts	Units	NA	NA	NA	NA
Average Cost of Borrowings	%	0.00%	14.57%	13.28%	12.15%
Operating Expenses / Average AUM	%	7.23%	8.51%	7.99%	8.05%
Credit Cost Ratio	%	6.94%	5.16%	2.09%	2.46%
Gross NPA Ratio	%	11.05%	9.40%	2.50%	3.23%
Net NPA Ratio	%	4.48%	4.84%	0.03%	0.40%
Collection Efficiency	%	82.00%	86.00%	98.00%	NA
Credit Rating		ICRA A (negative), Care A (negative)			

Source: Company Reports, MFIN

Note: \* indicates the ratio is for the fourth quarter and excludes pre-payments; The credit rating mentioned represent the latest available rating for the company.

**Table 39: ESAF SFB**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	291,369.80	271,782.89	260,868.95	202,236.79
Total Borrowings	Rs Million	26,154.30	14,057.30	32,225.30	33,541.96
Total Income	Rs Million	26,030.69	43,293.08	42,602.52	31,415.72
Net Interest Income	Rs Million	8,650.60	15,998.12	20,126.93	15,146.65
Total Non-Interest Income	Rs Million	3,778.99	9,188.07	7,988.25	6,095.89
Total Expenses	Rs Million	26,811.00	37,141.90	38,346.84	28,392.39
Profit / (Loss) After Tax	Rs Million	-1,899.10	-5,213.90	4,255.68	3,023.33
Debt to Equity Ratio	x times	1.41	0.63	1.54	2.15
Basic Earnings Per Equity Share	Rs	-3.68	-10.13	8.96	6.73
Diluted Earnings Per Equity Share	Rs	-3.67	-10.12	8.94	6.71
Provision Coverage Ratio	%	53.80%	80.53%	65.15%	56.67%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	-780.41	5,571.11	11,626.88	8,937.10
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	-52.08%	30.10%	81.70%
Net Worth	Rs million	17,559.80	19,450.12	24,861.14	17,091.28
Return on Net Worth / Return on Average Net Worth	%	-10.26%	-23.53%	20.29%	19.41%
Return on Average Total Assets	%	-0.67%	-1.96%	1.84%	1.59%
Cost to Income Ratio	%	106.28%	77.88%	58.65%	57.93%
Net Interest Margin	%	4.29%	8.14%	11.18%	10.57%
Capital Adequacy Ratio CRAR	%	22.70%	21.78%	23.27%	19.83%
Tier I Capital	%	16.00%	17.60%	19.70%	18.12%
Tier II Capital	%	6.70%	4.18%	3.57%	1.71%
<b>II. Operational Measures</b>					
AUM	Rs Million	206,790	196,428	196,590	163,312

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
AUM Growth	%	5.28%	-0.08%	20.38%	32.34%
AUM Share in Top 3 states	%	69.00%	69.00%	68.80%	NA
AUM Per Branch	Rs Million	262.42	249.59	261.08	233.30
Gross Disbursement	Rs Million	296,040.00	209,844.00	170,137.40	149,409.10
Gross Disbursement Growth	%	NA	23.34%	13.87%	NA
Gross Disbursement Per Branch	Rs Million	375.69	266.64	225.95	213.44
Average Ticket Size – Microfinance Loans	Rs	NA	NA	NA	NA
Number of Active Borrowers	Million	9.99	9.40	8.37	6.80
Number of Active Borrowers Growth	%	NA	-5.91%	-10.96%	-18.76%
Total Number of Branches	Units	788	787	753	700
Total % of Digital Collection	%	NA	NA	NA	NA
No. of States	Units	26	26	25	NA
No. of Districts	Units	NA	NA	NA	NA
Average Cost of Borrowings	%	0.00%	14.67%	12.55%	11.29%
Operating Expenses / Average AUM	%	6.55%	9.98%	9.16%	8.58%
Credit Cost Ratio	%	3.60%	6.36%	3.29%	3.40%
Gross NPA Ratio	%	5.60%	6.87%	4.76%	2.49%
Net NPA Ratio	%	2.70%	2.99%	2.26%	1.13%
Collection Efficiency	%	NA	NA	NA	NA
Credit Rating		Care A (negative)			

Source: Company Reports, MFIN

Note: The credit rating mentioned represent the latest available rating for the company.

**Table 40: Suryoday SFB**

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
<b>I. Financial Measures</b>					
Total Assets	Rs Million	170,392.00	156,143.86	123,776.85	98,612.21
Total Borrowings	Rs Million	16,802.00	27,102.87	24,429.80	27,654.14
Total Income	Rs Million	18,280.70	21,710.01	18,080.85	12,811.05
Net Interest Income	Rs Million	5,898.60	8,832.15	7,681.15	5,878.18
Total Non-Interest Income	Rs Million	4,616.70	4,401.74	4,135.02	2,561.79
Total Expenses	Rs Million	15,509.90	20,560.36	17,818.00	12,034.14
Profit / (Loss) After Tax	Rs Million	1,022.50	1,149.65	2,159.59	776.91
Debt to Equity Ratio	x times	0.83	1.41	1.35	1.75
Basic Earnings Per Equity Share	Rs	9.62	10.82	20.34	7.32
Diluted Earnings Per Equity Share	Rs	9.61	10.75	20.15	7.32
Provision Coverage Ratio	%	36.60%	37.72%	71.17%	51.42%
Adjusted Pre Provision Operating Profit Before Tax	Rs Million	2,770.80	3,892.02	4,536.66	3,374.58
Adjusted Pre Provision Operating Profit Growth Before Tax Growth	%	NA	-14.21%	34.44%	27.39%
Net Worth	Rs million	20,292.00	19,270.91	18,049.58	15,847.28
Return on Average Net Worth	%	5.17%	6.16%	12.74%	5.03%
Return on Average Total Assets	%	60.40%	0.82%	1.94%	0.86%
Cost to Income Ratio	%	73.65%	70.59%	61.61%	60.02%
Net Interest Margin	%	5.33%	9.35%	10.41%	10.52%
Capital Adequacy Ratio CRAR	%	21.90%	25.80%	28.40%	33.70%
Tier I Capital	%	21.00%	24.45%	26.54%	30.84%
Tier II Capital	%	0.90%	1.35%	1.86%	2.86%
<b>II. Operational Measures</b>					

Key Performance Indicators (KPIs)	Units	9MFY26	FY25	FY24	FY23
AUM	Rs Million	206,790.00	196,427.82	196,590.00	163,312.00
AUM Growth	%	15.94%	18.51%	41.48%	20.73%
AUM Share in Top 3 states	%	72.00%	70.00%	NA	65.60%
AUM Per Branch	Rs Million	167	144	124	106
Gross Disbursement	Rs Million	73,890	69,890	69,190	50,830
Gross Disbursement Growth	%	NA	1.01%	36.12%	44.08%
Gross Disbursement Per Branch	Rs Million	103.78	98.44	99.55	88.09
Average Ticket Size – Microfinance Loans	Rs	NA	NA	NA	NA
Number of Active Borrowers	Million	3.80	3.40	2.80	2.30
Number of Active Borrowers Growth	%	11.76%	21.43%	21.74%	21.05%
Total Number of Branches	Units	712	710	695	577
Total % of Digital Collection	%	NA	NA	NA	NA
No. of States	Units	16	15	15	15
No. of Districts	Units	NA	NA	NA	NA
Average Cost of Borrowings	%	46.22%	12.76%	12.26%	11.02%
Operating Expenses / Average AUM	%	7.00%	9.89%	9.86%	9.06%
Credit Cost Ratio	%	1.29%	2.60%	2.25%	4.23%
Gross NPA Ratio	%	6.69%	7.20%	2.80%	3.10%
Net NPA Ratio	%	4.35%	4.60%	0.80%	1.50%
Collection Efficiency	%	88.7%#	87.70%	95.80%	89.90%
Credit Rating		ICRA A (stable)			

Source: Company Reports, MFIN

Note: \* indicates the Collection efficiency is adjusted with 1 EMI; # indicates the ratio is for Q3 FY26; The credit rating mentioned represent the latest available rating for the company.

## Notes

i) Financial measures referred to parameters that are directly derived from the financial statements of the Companies prepared in accordance with Indian Accounting Standards (Ind AS) and applicable provisions of the Companies Act, 2013.

iii) Operational Measures refer to non-financial measures relating to the Companies' business operations, which are derived from internal records and available in the public domain and are used by the management for operational monitoring and decision-making.

## Definitions

(1) Total Assets represents total assets as of the last day of the relevant period/year as per Financial Statements.

(2) Total Borrowings represents the aggregate of debt securities, subordinated liabilities, and borrowings (other than debt securities), as per Financial Statements for the relevant period/year.

(3) Total income represents the aggregate of total revenue from operations and other income.

(4) Net interest income represents interest on loan portfolio in the relevant year/period as reduced by finance costs in such year/period as per the Financial Information

(5) Total Non-interest income represents summation of dividend income, fees and commission income, net gain on fair value changes, net gain on derecognition of financial instruments under amortised cost category other operating income and other income as per Financial Information for the relevant years/period.

(6) Total expenses represent the aggregate of finance costs, employee benefits expenses, depreciation and amortisation expense, impairment on financial instruments and other expenses as per the Financial Statement

(7) Profit After Tax represents profit for the year (after tax) as per Financial Statements for the relevant period/year.

(8) Debt to Equity Ratio represents total borrowings divided by total equity attributable to shareholders as of the last day of the relevant year/period.

(9) Basic Earnings Per Equity Share represent Basic Earnings per Equity share as per Financial Statements for the relevant year.

(10) Diluted Earnings Per Equity Share represent Diluted Earnings per Equity share as per Financial Statements for the relevant year.

- (11) *Provision coverage ratio (%) represents Total Loss Allowances (Provisions) as required under Ind AS 109 held on Gross NPAs as of the last day of the relevant period/years, as a percentage of Gross NPAs as of the last day of the relevant period/years as per the Financial Information*
- (12) Adjusted Pre Provision Operating Profit Before Tax represents profit before tax after adding back impairment on financial instruments for the relevant year/period as per the Financial Statements.
- (13) Adjusted Pre Provision Operating Profit Before Tax Growth (%) represents percentage growth in pre provision operating profit for the relevant year/period over the previous year/period.
- (14) Net Worth as of the last day of the relevant year/period represents total equity which includes equity share capital and other equity as per the Financial Information
- (15) Return on Average Net Worth (%) represents profit after tax for the relevant year/period as a percentage of average net worth for such year/period.
- (16) Return on Average Total Assets (%) represents profit after tax for the relevant year/period as a percentage of average total assets for such year/period.
- (17) Cost to Income Ratio (%) represents operating expenses as a percentage of total income for the relevant year/period.
- (18) Net Interest Margin (%) represents net interest income for the relevant year/period as a percentage of average assets under management
- (19) Capital Adequacy Ratio represents capital adequacy ratio maintained by the Company in accordance with applicable RBI regulatory requirements.
- (20) Tier I Capital ratio maintained by the Company in accordance with applicable RBI regulatory requirements.
- (21) Tier II Capital ratio maintained by the Company in accordance with applicable RBI regulatory requirements.
- (22) AUM represents the aggregate of principal outstanding for all loans to customers and assets pertaining to securitization, assignment and business correspondent portfolio, as of the last day of the relevant period/year.
- (23) AUM Growth (%) represents percentage growth in AUM as of the last day of the relevant year/period over the previous year/period.
- (24) AUM Share in Top 3 states represents proportion of AUM concentrated in the top three states as of the last day of the relevant year/period.
- (25) AUM per branch represents AUM as of the last day of the relevant year/period divided by number of branches as of the last day of the relevant year/period
- (26) Gross Disbursements represent aggregate of all loan amounts extended to customers during the relevant year/period.
- (27) Gross Disbursement Growth (%) represents percentage growth in disbursements for the relevant year/period over the previous year/period.
- (28) Gross Disbursement per branch represents gross disbursements during the relevant year/period divided by number of branches as of the last day of such year/period.
- (29) Average Ticket Size – Microfinance Loans represents aggregate of all microfinance loan disbursement amounts extended to customers divided by total number of microfinance loans disbursed during the relevant year/period.
- (30) Number of Active Borrowers represents borrowers having at least one active loan account outstanding as of the last day of the relevant year/period, including loan accounts transferred by way of securitisation or assignment and outstanding as of such date
- (31) Number of Active Borrowers Growth (%) is Percentage growth in number of active borrowers as of the last day of the relevant year/period over the previous year/period.
- (32) Total Number of Branches is Total operational branches of the Company as of the last day of the relevant year/period.
- (33) Total % of Digital Collection is Proportion of total collections received through digital channels during the relevant year/period.
- (34) Number of states in which the Company operates as of the last day of the relevant year/period.
- (35) Number of districts in which the Company operates as of the last day of the relevant year/period.
- (36) Average Cost of Borrowings (%) represents interest cost and related borrowing costs for the relevant year/period as a percentage of average borrowings outstanding for such year/period.

(37) Operating Expenses / Average AUM (%) represents operating expenses excluding finance cost and impairment on financial instruments as a percentage of average AUM for the relevant year/period.

(38) Credit Cost Ratio (%) represents impairment on financial instruments for the relevant year/period as a percentage of average AUM for such year/period.

(39) Gross NPA Ratio (%) represents gross non-performing assets as a percentage of gross loan portfolio as of the last day of the relevant year/period.

(40) Net NPA Ratio (%) represents net non-performing assets as a percentage of net loan portfolio as of the last day of the relevant year/period.

(41) Collection Efficiency (%) represents ratio of total collections including overdue, advance and prepayment collections to total billings for the relevant year/period.

(42) Credit Rating represents external credit ratings assigned to the Company by recognised credit rating agencies.

DRAFT

## Contact

Tanvi Shah	Sr. Director – Advisory & Research	<a href="mailto:tanvi.shah@careedge.in">tanvi.shah@careedge.in</a>	022 6837 4470
Kalpesh Mantri	Assistant Director	<a href="mailto:kalpesh.mantri@careedge.in">kalpesh.mantri@careedge.in</a>	022 6837 4400
Disha Ahuja	Lead Analyst	<a href="mailto:disha.ahuja@careedge.in">disha.ahuja@careedge.in</a>	022 6837 4637

## CARE Analytics and Advisory Private Limited

(Wholly-owned subsidiary of CARE Ratings Ltd.)

303B, B wing Times Square' Building Andheri - Kurla Rd, Gamdevi, Marol, Andheri East, Mumbai, Maharashtra 400059

Phone: +91-22-68374400

Connect:



## About:

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and holding leadership positions in high-growth sectors such as BFSI and Infra. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd previously known as CARE Risk Solutions Pvt Ltd, and (II) CARE ESG Ratings Ltd, previously known as CARE Advisory Research and Training Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings Africa (Private) Limited in Mauritius, CARE Ratings South Africa (Pvt) Ltd, and CARE Ratings Nepal Limited.