Crisil
Intelligence

Analysis of microfinance industry in India

August 2026

by S&P Global

Macroeconomic Scenario

Global economy showed resilience in CY2025

The International Monetary Fund's (IMF) World Economic Outlook of April 2026 reports that the global economy showed remarkable resilience in calendar year 2025, with global real gross domestic product (GDP) growth reaching 3.4%. Despite initial uncertainties concerning tariffs imposed by the United States (US) and its potential impact on global growth, trade disruptions remained limited, given frontloading of imports in the first half of the year and swift reorganisation of supply chains to redirect trade flows.

The India-Europe free trade agreement finalised on January 27, 2026, aims to reshape trade, with the European Union dropping tariffs on 99.5% of Indian exports over 7 years, and India reducing tariffs on European luxury cars (from 110% to 10% over five years) and wines (from 150% to 75%). The deal serves as a strategic hedge to reduce dependency on China and the US. On the other hand, the FTA with New Zealand, signed in April 2026, aims to enhance exports, support MSMEs, attract investment, facilitate skills mobility, and promote broader economic cooperation. It grants immediate zero-duty access for 100% of Indian exports to New Zealand, subject to product-specific rules of origin, benefiting key sectors such as textiles, engineering, pharmaceuticals, marine products, and chemicals. This FTA further serves as a gateway to the wider Oceania and Pacific Island markets.

On February 6, 2026, the US and India reached an interim trade agreement that reduced the former's reciprocal tariffs on Indian goods to 18% from 50%. However, the US Supreme Court invalidated these emergency tariffs. In response, President Trump issued a new executive order by imposing a 10% tariff on most imported goods. With reciprocal tariffs based on the US-India trade deal now invalidated, India will face a lower global tariff of 10% under the section instead of the negotiated 18%. This will result in a more favourable outcome despite the shift in the tariff framework.

The global geopolitical landscape is undergoing significant transformation, marked by rising conflicts in West Asia and a shift in traditional power dynamics. The IMF projects the World GDP growth to moderate to 3.1% in 2026 and recover to 3.2% in 2027. The private sector's swift adaptation of supply chains and trade flows has mitigated immediate damage. However, a prolonged conflict could adversely impact commodity prices, inflation and financial conditions, potentially testing global and country-specific economic resilience. These challenges are particularly pronounced in countries that are not directly involved in the conflict but rely on West Asia for various needs.

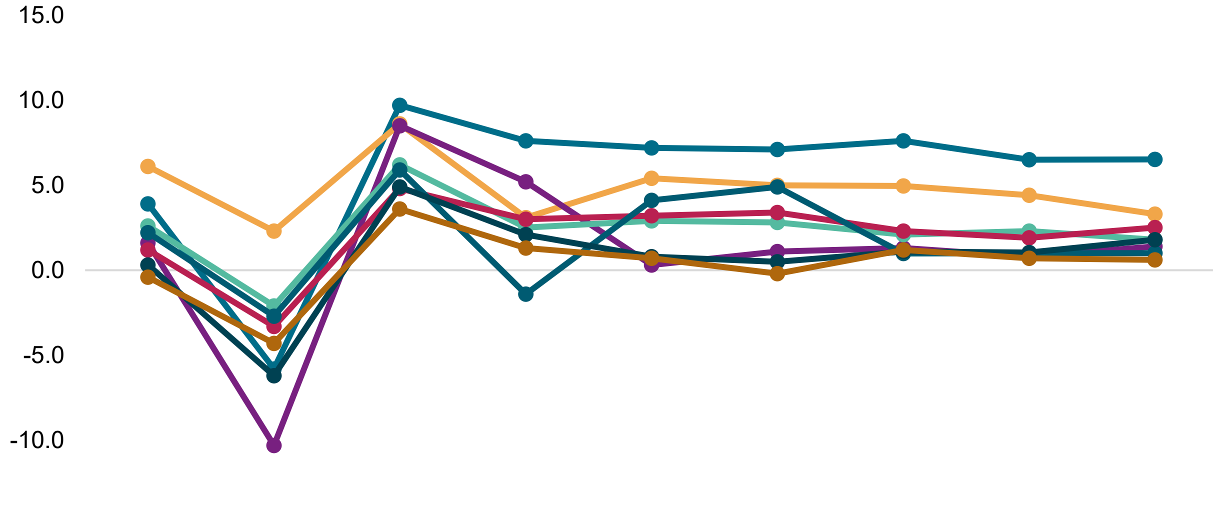
Even as a major geopolitical risk has seemingly reduced, weather-related ones stemming from the manifestation of El Niño conditions have reared up. The monsoon season this time has begun on a weak note, with cumulative rainfall 42% below average as of June 21. The India Meteorological Department (IMD) has trimmed its rainfall forecast for the southwest monsoon season to 90% of the long-period average, which, if realised, would mark the weakest monsoon in a decade.

Global inflation is expected to increase to 4.4% in calendar year 2026, reflecting expected higher energy and food prices, before falling to 3.7% in 2027. Inflation in China is projected to rise from low levels, while India's is expected to return to near-target levels after a significant decline in 2025, driven by subdued food prices.

India's National Statistics Office (NSO) estimated Real GDP growth at 7.4% in fiscal 2026, driven by strong domestic demand, high infrastructure spending and improvements in manufacturing and services. India has mitigated external shocks, such as US tariffs on account of diversified trade partnerships and robust foreign exchange reserves ($726 billion as on February 13, 2026).

India to be the fastest growing major economy

India's GDP fastest-growing among major economies (on-year %)



	2019	2020	2021	2022	2023	2024	2025	2026P	2030P
India*	3.9	-5.8	9.7	7.6	7.2	7.1	7.6	6.5	6.5
China	6.1	2.3	8.6	3.1	5.4	5.0	5.0	4.4	3.3
UK	1.6	-10.3	8.5	5.2	0.3	1.1	1.3	0.8	1.4
US	2.6	-2.1	6.2	2.5	2.9	2.8	2.1	2.3	1.8
Brazil	1.2	-3.3	4.8	3.0	3.2	3.4	2.3	1.9	2.5
Russia	2.2	-2.7	5.9	-1.4	4.1	4.9	1.0	1.0	1.0
South Africa	0.3	-6.2	4.9	2.1	0.8	0.5	1.1	1.1	1.8
Japan	-0.4	-4.3	3.6	1.3	0.7	-0.2	1.2	0.7	0.6

*Note: All forecasts refer to IMF's; GDP growth is based on constant prices; data for calendar years; * - data for fiscal years; E – Estimate, P – Projected. Source: IMF (World Economic Outlook – April 2026), Crisil Intelligence*

Driven by strong domestic demand, robust consumption and improved financial conditions, India's growth is significantly outperforming other major economies and emerging markets. The country's real GDP growth is fuelled by high consumer spending and positive investment sentiment, allowing it to outpace China's real GDP growth, which is projected to be ~4.4% in calendar year 2026 and 4.0% in 2027.

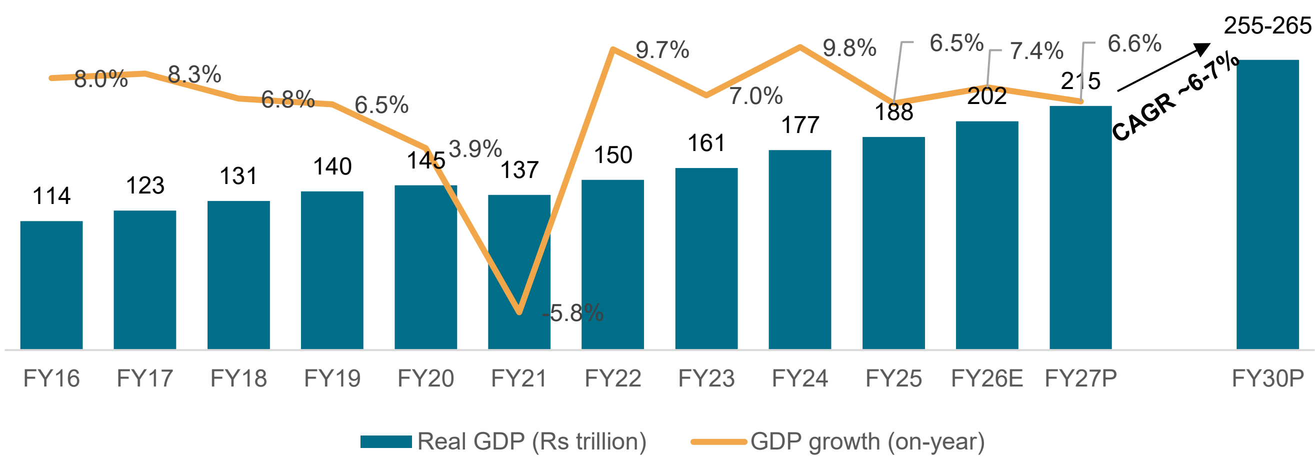
Crisil Intelligence expects inflation based on the Consumer Price Index (CPI) to rise to 5.1% on average in fiscal 2027 from an estimated 2.0% in the previous fiscal as food inflation is expected to normalise from the lows of the past year. This is based on the expectation that crude oil prices will average $90-95 per barrel in fiscal 2027 compared with an estimated ~$70 per barrel last fiscal. The forecast is in line with recent trends as CPI inflation rose to 3.4% in March 2026 from 3.2% in February 2026 but remained within the Reserve Bank of India's (RBI) target range of 2-6%. Given the uptick in inflation, we expect the RBI to maintain the current policy rates by keeping a close watch on the evolving inflation trajectory.

Past GDP growth and projections

GDP projected to grow at 6.6% in fiscal 2027

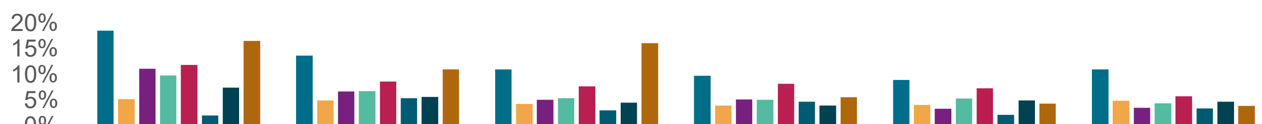
From fiscal 2024 to 2026, the economy has outpaced its global peers with faster growth. Crisil Intelligence forecasts the GDP growth to moderate at 6.6% in fiscal 2027, mainly due to an upward revision in average crude oil price outlook and its spillover effects, along with ongoing geopolitical uncertainties.

GDP to grow at a CAGR of 6.0-7.0% over the next 4 years



Note: E – Estimate, P – projected; GDP growth until fiscal FY24 is based on first revised estimate. GDP estimates for fiscal FY25 is based on provisional estimate and FY26 is based on first advance estimate as per NSO's estimates; GDP growth for fiscal 2026-30 is based on IMF estimate. Source: NSO, Crisil Intelligence

India's nominal GDP position is strengthening compared with other major economies (GDP growth, % on year)



	CY21	CY22	CY23	CY24	CY25	CY26P
India*	18.54%	13.65%	10.97%	9.74%	8.94%	10.97%
China	5.14%	4.93%	4.24%	3.90%	4.06%	4.85%
UK	11.12%	6.63%	5.03%	5.08%	3.28%	3.44%
US	9.82%	6.74%	5.35%	5.01%	5.26%	4.34%
Brazil	11.85%	8.57%	7.64%	8.14%	7.29%	5.73%
Japan	1.98%	5.32%	2.95%	4.66%	2.09%	3.33%
South Africa	7.41%	5.57%	4.47%	3.94%	4.89%	4.68%
Russia	16.53%	11.00%	16.10%	5.53%	4.26%	3.86%

India* China UK US Brazil Japan South Africa Russia

*Note: GDP growth is based on current prices in national currency for each country; * - data for fiscal years; CY26 is projected*
Source: IMF (World Economic Outlook – April 2026), Crisil Intelligence

India's nominal GDP has been growing at a rapid pace, with an average annual growth rate of around 10% over the past decade. As per IMF, India's nominal GDP is estimated to have grown by 8.94% in FY25-26 and is further projected to grow by ~11% in FY26-27. This is one of the fastest growth rates among major economies, followed by Brazil with an annual growth rate of 7%.

Domestic growth resilience: GST rate cuts, government capex, and repo rate reduction mitigate external challenges

RBI held the repo rate unchanged at 5.25% in June 2026, maintaining neutral stance

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) initiated a monetary policy easing cycle in calendar year 2025 through calibrated repo rate cuts to support economic growth. This decision reflected low inflation risks owing to healthy monsoon in 2025, and goods and services tax (GST) rate rationalisation, as well as a growth outlook, allowing the RBI to offer support while remaining vigilant on inflation. Non-banking financial companies will benefit from lower funding costs and improved liquidity. This will enable them to offer cheaper credit and lower equated monthly instalments. The rate cut will spur loan demand and fuel economic activity. It will also benefit rural India with the help of MFIs by enabling them to offer cheaper credit, as lower funding costs and improved liquidity will allow MFIs to provide loans at reduced interest rates, thereby increasing access to credit for rural populations and stimulating economic activity in these areas.

The MPC kept the repo rate unchanged at 5.25% at its June 2026 meeting and maintained a 'neutral' stance, signalling continued confidence that India's economic growth will remain resilient, driven by a significant increase in capital expenditure outlined in the Union Budget 2026. The budget increased the capital expenditure outlay for fiscal 2027 to Rs 12.2 lakh crore, which accounts for 4.4% of the GDP. The MPC also cited sustained growth in private consumption and fixed capital formation as factors supporting its optimistic outlook. That said, it warned that external risks persist, including the expected El Niño this year and the prolonged conflict in West Asia. Higher energy and other input costs arising from the conflict, along with disrupted supply chains, could weigh on overall economic activity.

While the conflict in West Asia and uncertainty surrounding US tariffs remain a risk to external demand, the RBI expects structural reforms, including GST rate rationalisation, to partly offset these headwinds. Additionally, the standing deposit facility rate remained 5.0%, while the marginal standing facility rate and bank rate stood at 5.50%, supporting financial system stability.

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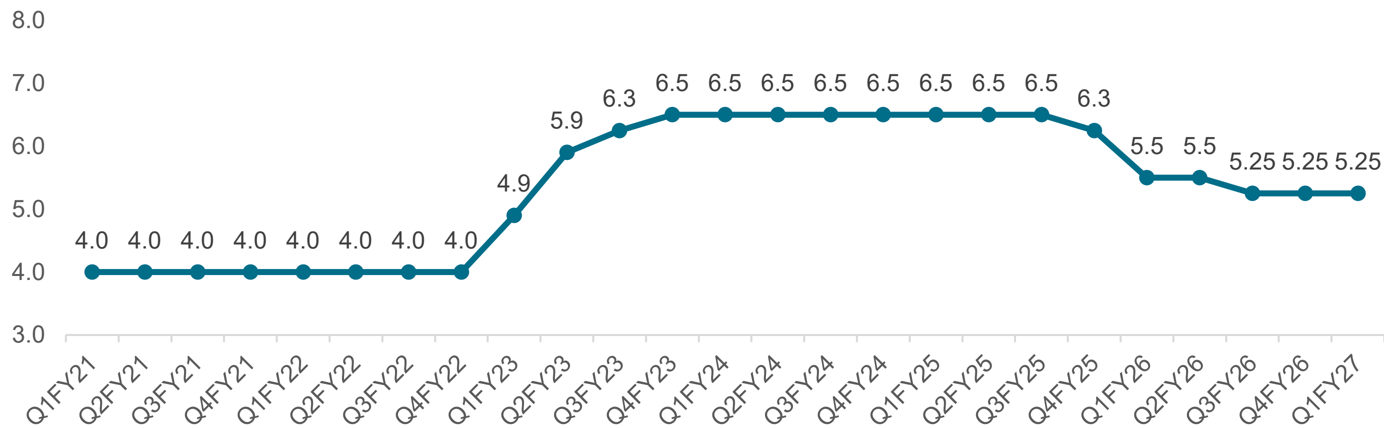
Repo rate movement (%)



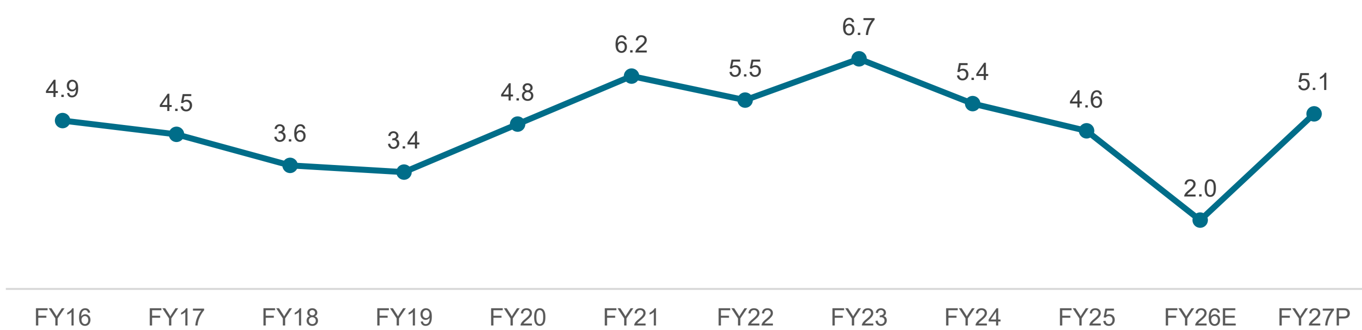
Source: RBI, Crisil Intelligence

CPI inflation to average at 5.1% in fiscal 2027 owing to the West-Asia conflict

Inflation based on the revised CPI series, with 2024 as the base year, rose to 3.48% in April 2026 from 3.40% in March 2026 as food inflation further normalised, driven by an uptick in food (4.8% in May 2026 vs 4.2% in April 2026) and fuel (0.8% in May vs 0.7% in April) inflation. Within the non-food category, fuel and transport inflation are the first to face pressures from higher oil and gas prices and supply shocks arising from the prolonged conflict in West Asia.

Crisil Intelligence projects CPI inflation to average 5.1% in fiscal 2027 compared with 2.0% in fiscal 2026 as the direct as well as indirect effects of higher transportation fuel prices reverberate through the economy. Additionally, the below-normal monsoon rainfall expected amid El Niño conditions and the ongoing heatwaves can hurt agricultural production and exert further pressure on food inflation.

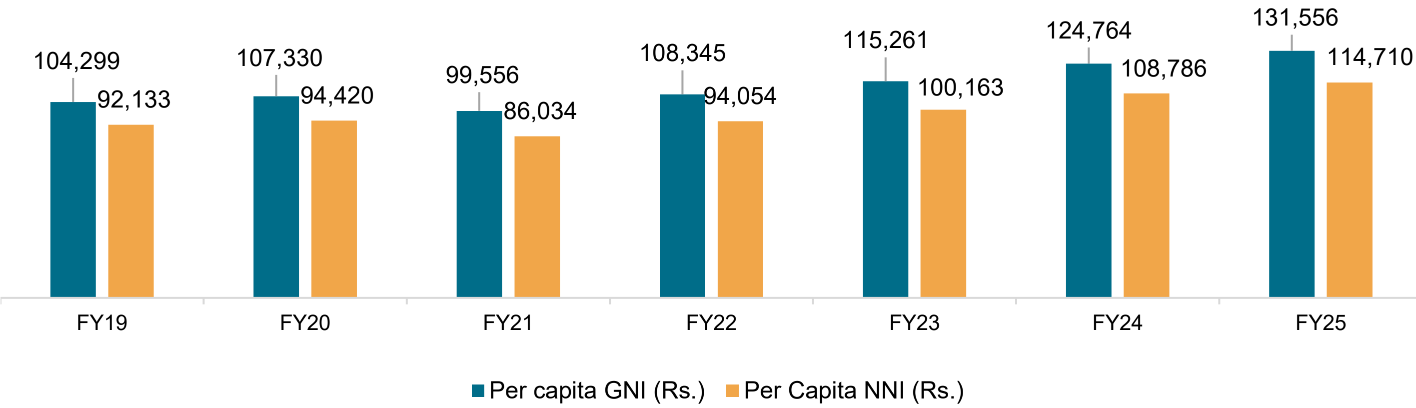
CPI general index trend (%)



Note: E – Estimate, P – Projected. Source: Crisil Intelligence

GDP growth drivers

Increasing per capita income



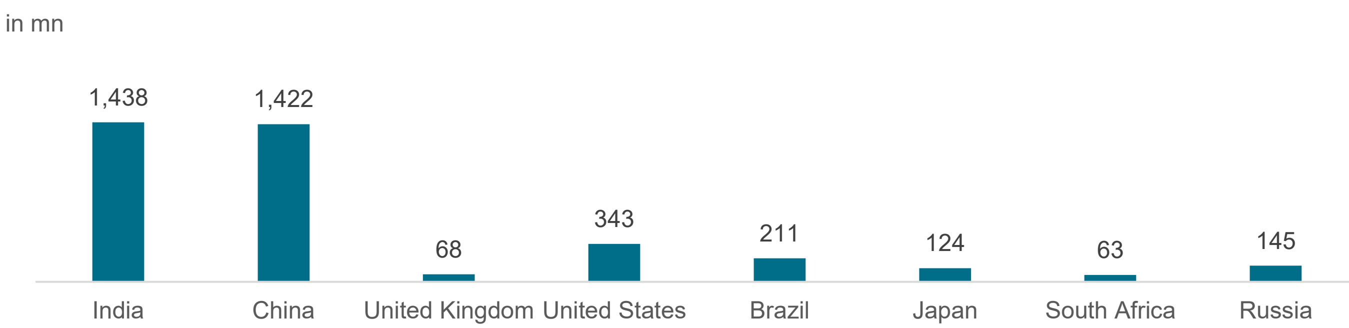
Note: Data is based on the RBI Handbook (August 2025). GNI: Gross National Income, NNI: Net National Income.
Source: RBI, PIB, Crisil Intelligence

The increase in per capita income in recent years reflects the overall economic growth and improvement in living standards across various sectors. Higher income levels have resulted in greater purchasing power, enabling individuals to access better goods and services, including education, healthcare and technology. This upward trend also highlights the success of policy reforms, infrastructure development and financial inclusion efforts that have contributed to employment generation and wealth distribution. As per capita income continues to rise, it is expected to drive sustained economic momentum and elevate the quality of life for the broader population.

World's largest population

India's population grew at ~1.5% compound annual growth rate (CAGR) between 2001 and 2011, to ~1.26 billion, as per the 2011 Census (latest available data). Also, the number of households was ~187 million in 2011.

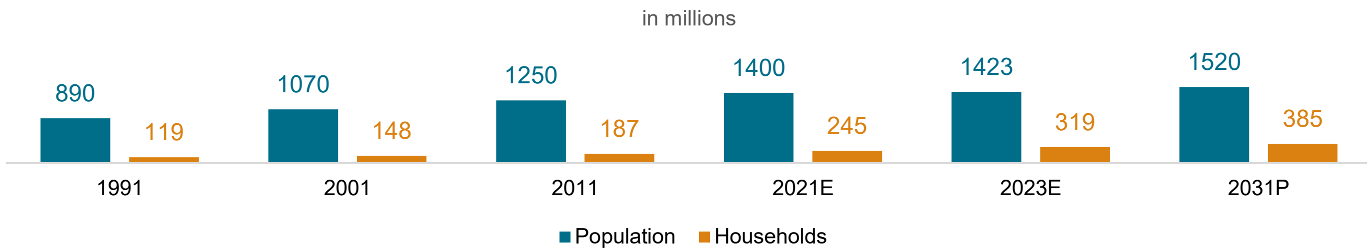
Population of India as compared to other major economies



Source: Population as of July 2023, World Population Prospects 2024, Crisil Intelligence

While the 2027 Census is at an early stage, having commenced on April 1, 2026, based on the past growth rate, we project the country's population to reach ~1.52 billion by 2031, reflecting a CAGR of approximately 1% from 2011 to 2031. Additionally, the number of households is projected to increase to around 385 million from 245 million in 2021, with an expected CAGR of about 4.6% during the 2021-31 period.

India's population and number of households trajectory



Note: E – Estimate, P – Projected; Note: Numbers are as at the end of each fiscal. Source: United Nations Department of Economic and Social Affairs, (https://population.un.org/wpp/), Census India, Crisil Intelligence

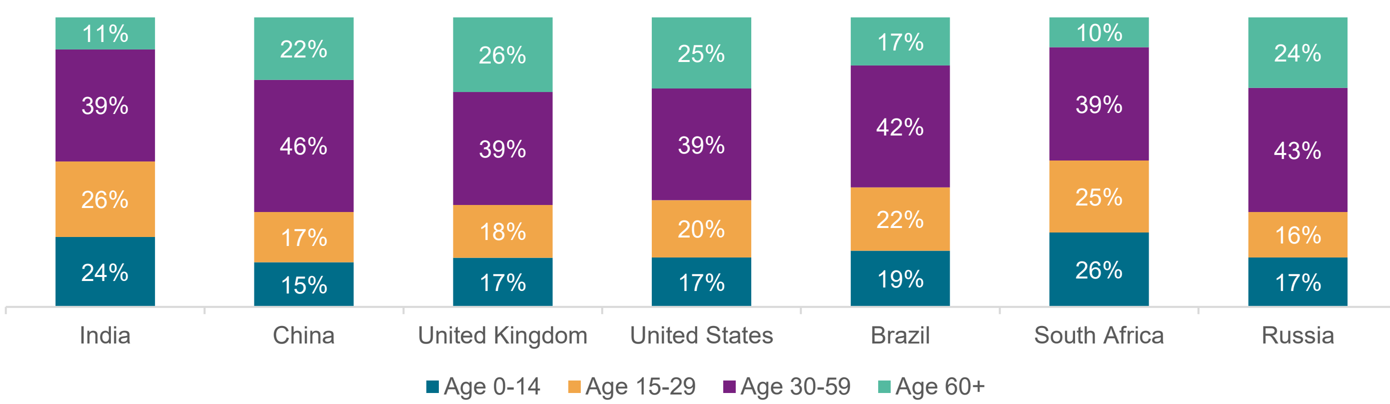
The Government of India has initiated the 2027 Census using a phased approach. This will be the eighth census since Independence and the first to be conducted digitally.

Unlocking India's demographic dividend: A huge opportunity for microfinance

India has the largest youth population in the world, with a median age of 28 years. Also, ~90% of the population is below 60 years. In 2025, at 26%, India was estimated to have the highest share of young working population (15-29 years) among major developed and developing economies as well. We expect that this large working-age population, along with rapid urbanisation and rising affluence, will drive economic growth.

India's demographic strength is further reflected in its population of ~381.5 million aged 15-29 years. This segment represents a significant opportunity for Microfinance Institutions (MFIs) to tap into a large and growing market. This age group is likely to drive demand for financial services, including microloans, as they seek to establish their careers, start businesses, and achieve financial stability. By targeting this demographic, MFIs can benefit from a vast and underserved market, potentially leading to increased outreach and business growth.

India's youth to power economic growth of the country

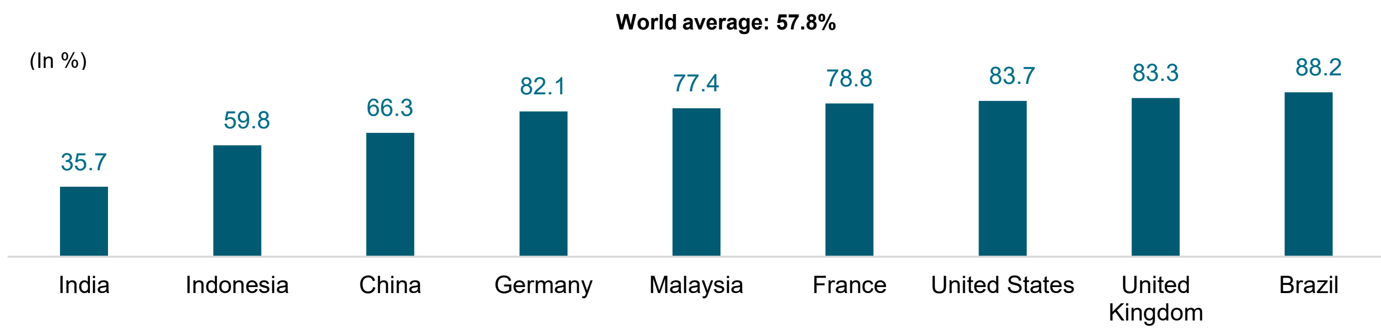


Source: 2024 Revision of World Population Prospects, Crisil Intelligence

Financial inclusion in rural India: a critical component of sustainable economic growth

Urbanisation is expected to also drive economic growth, investments in infrastructure and job creation. The share of urban population is estimated to have grown to 35.7% in fiscal 2025. Given that two-thirds of the population resides in rural areas, MFIs play a vital role in providing financial services to these underserved communities. By catering to the financial needs of rural populations, MFIs can help bridge the gap in access to credit and other financial services, ultimately supporting economic growth and development in these areas. This, in turn, presents a significant opportunity for MFI businesses to expand their reach and impact.

Urban population as a percentage of total population (calendar year 2025P) at the global level



Source: United Nations World Urbanisation Prospects 2025, Crisil Intelligence

Key structural reforms

- Pradhan Mantri Awas Yojana (PMAY) was introduced in calendar year 2014 to provide affordable housing for all by calendar year 2022. The scheme targeted the completion of sanctioned urban houses by December 31, 2025, and has now aimed at building 49.5 million houses in rural areas by 2029. Under the scheme, eligible families receive financial assistance, including Rs 0.25 million in urban areas and up to Rs 0.12 million in rural areas, along with concessional loans and additional support, such as toilet construction assistance and liquified petroleum gas connections, to facilitate housing construction and upgradation
- Pradhan Mantri Jan Dhan Yojana (PMJDY), introduced in 2015, aims at ensuring affordable access to financial services, including basic savings and deposit accounts, remittance, credit, insurance and pension. Under the scheme, a basic savings bank deposit account can be opened at any bank branch or business correspondent (bank Mitra) outlet.

Also, the GST regime is enhancing transparency and formalisation of business activities, ultimately supporting higher economic growth. The recent rationalisation of GST rates for a range of products and services is likely to reduce the cost burden on common citizens, especially rural India, thereby improving their purchasing power. This, in turn, could enable higher savings, investments and improvement in living standards.

India's digital leap: Internet and mobile penetration drive financial inclusion

India had ~1,162 million wireless subscribers at the end of fiscal 2026. The expanding reach of mobile networks, internet connectivity and electricity is extending subscriber access to remote areas, driving higher smartphone and internet penetration. MFI businesses can capitalize on this trend by offering innovative, digitally enabled financial services that cater to the growing demand for online and mobile-based transactions. This could lead to increased financial inclusion, improved customer engagement, and expanded business opportunities for MFIs.

Empowering rural India: The Viksit Bharat Guarantee for Rozgar and Ajeevika Mission

Year	Cumulative expenditure on unskilled wages (Rs billion)	Employment provided to (in million)	
		No. of households	No. of persons
FY15	196.85	41.26	62.03
FY20	462.76	54.79	78.81
FY25	717.59	57.82	78.79

Source: MGNREGA - Ministry of Rural Development, Crisil Intelligence

The MGNREGA scheme represents one of India's most significant anti-poverty interventions, delivering wage employment and income support to millions of rural workers since its launch in 2005 and up to it being superseded by the Guarantee for Rozgar and Ajeevika Mission (Gramin) Bill, 2025.

The most significant transformation introduced by the Bill is the expansion of the legal employment guarantee to 125 days annually, along with a reimagined governance model that emphasises panchayat-led planning, national digital convergence and measurable infrastructure outcomes. Recognising the seasonal dynamics of rural economies, the bill incorporates an agriculture-labour balancing mechanism that empowers state governments to pause the programme for up to 60 days in a fiscal during the peak sowing and harvesting seasons. This restructured approach positions rural employment not merely as a social safety net, but as a strategic lever for rural asset formation and climate resilience.

By guaranteeing enhanced employment opportunities and income security, the scheme is expected to significantly augment household incomes and improve the repayment capacity of rural borrowers, particularly those with microfinance institution loans. This, in turn, will enable them to service debt obligations more reliably and access additional credit for productive activities.

Financial Inclusion

Financial penetration to grow as awareness of financial products rises

As per a survey conducted by the National Statistical Office (NSO) from July 2022 to June 2023, literacy in India was 80.3%, a notch below the global average of 87.35%.

Yet only 27% of the country's population was financially literate defined as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being according to the National Financial Literacy and Inclusion Survey 2019.

The wide gap in financial literacy indicates the financial services industry has considerable room to grow. Crisil Intelligence expects financial penetration to increase further as financial literacy grows.

The remarkable progress can be attributed to the government's concerted efforts to promote financial inclusion through a range of initiatives, including the launch of PMJDY, the proliferation of mobile banking and digital payment systems, and the implementation of government subsidies and benefits such as the Direct Benefit Transfer (DBT) scheme. Advancements in financial technology have also contributed to a significant improvement in financial inclusion.

Financial Inclusion Index

The RBI's Financial Inclusion Index (FI-Index), developed to measure the extent of financial inclusion in the country, rose to 67.0 in fiscal 2025 from 64.2 in fiscal 2024.

The index is a composite measure that ranges from 0-100, wherein 0 represents complete financial exclusion and 100 indicates universal financial inclusion.

Financial inclusion has improved over the years (FI-Index)

Source: RBI, Crisil Intelligence

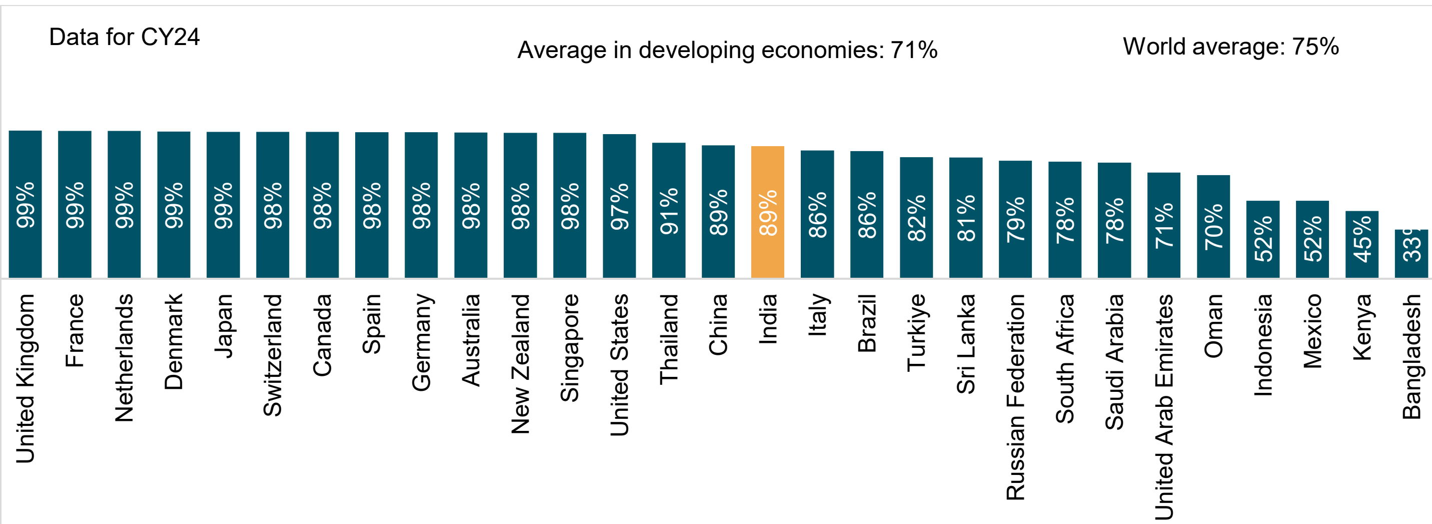
Adult population with a bank account: India vis-à-vis other countries

The Global Findex Database 2025 states that 1.3 billion adults do not have a financial account. Of this, 650 million (~50%) unbanked adults live in eight countries: India, Bangladesh, China, Indonesia, Egypt, Mexico, Nigeria and Pakistan.

According to the database, India's adult population with an account in a bank, financial institution or a mobile money provider has increased to 89% in 2024 from 53% in 2014. Globally, financial account ownership in calendar year 2024 was 75% of adults.

Despite India's high rate of account ownership, the sheer size of the population puts it among the countries with a high number of unbanked adults. The 2025 report (which used 2024 data) indicated that while 89% of Indian adults now own a financial account, **14% of the adults (representing a significant portion of the global unbanked population) still had inactive accounts**, which provides immense opportunity for financial institutions to increase financial inclusion.

People with financial accounts (% of the population)



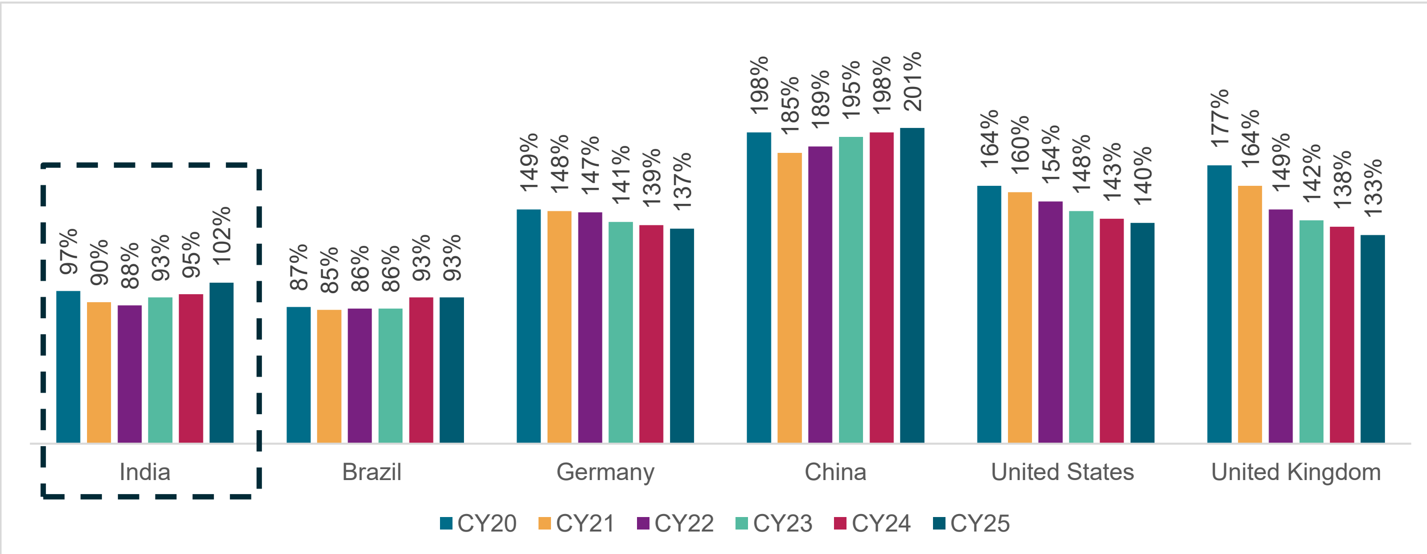
Notes:
1. Global Findex data for India excludes northeastern states, remote islands and selected districts
2. Account penetration is for the population in the age group of 15+
Source: World Bank–The Global Findex Database 2025, Crisil Intelligence

Under-penetration of the Indian banking sector provides opportunities

The number of commercial bank branches is lower in India. This provides immense growth opportunities for banks and financial institutions. For context, Italy and Japan had the highest number of commercial bank branches per 100,000 adults at 34, while India had 15.

To be sure, the number of bank branches per 100,000 adults in major economies has remained stable due to the digitalisation of banking services, with customers preferring online and mobile banking over physical visits.

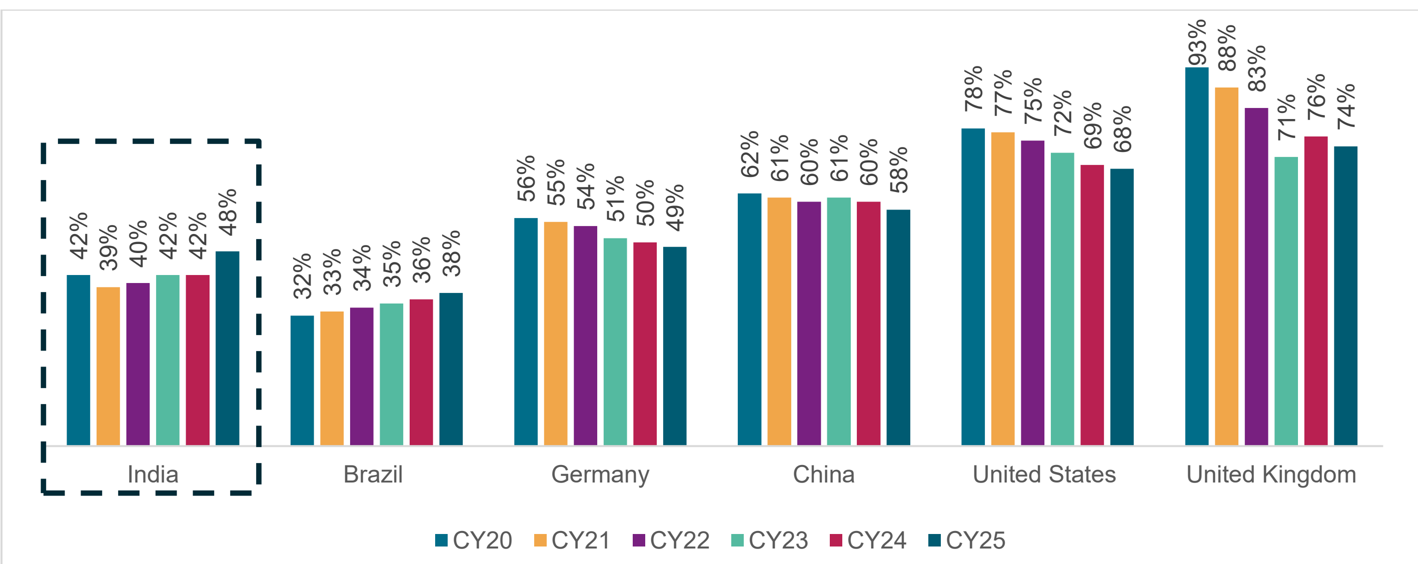
Bank credit to GDP ratio from CY20 to CY25



Source: Bank of International Settlements, Crisil Intelligence

In CY 2025, China has the highest bank credit-to-GDP ratio, at 201%, followed by United States (US), at 140%. The under-penetrated Indian banking sector has a bank credit-to-GDP ratio of 102%. India's low credit-to-GDP ratio compared to global peers indicates significant untapped potential for formal lending expansion.

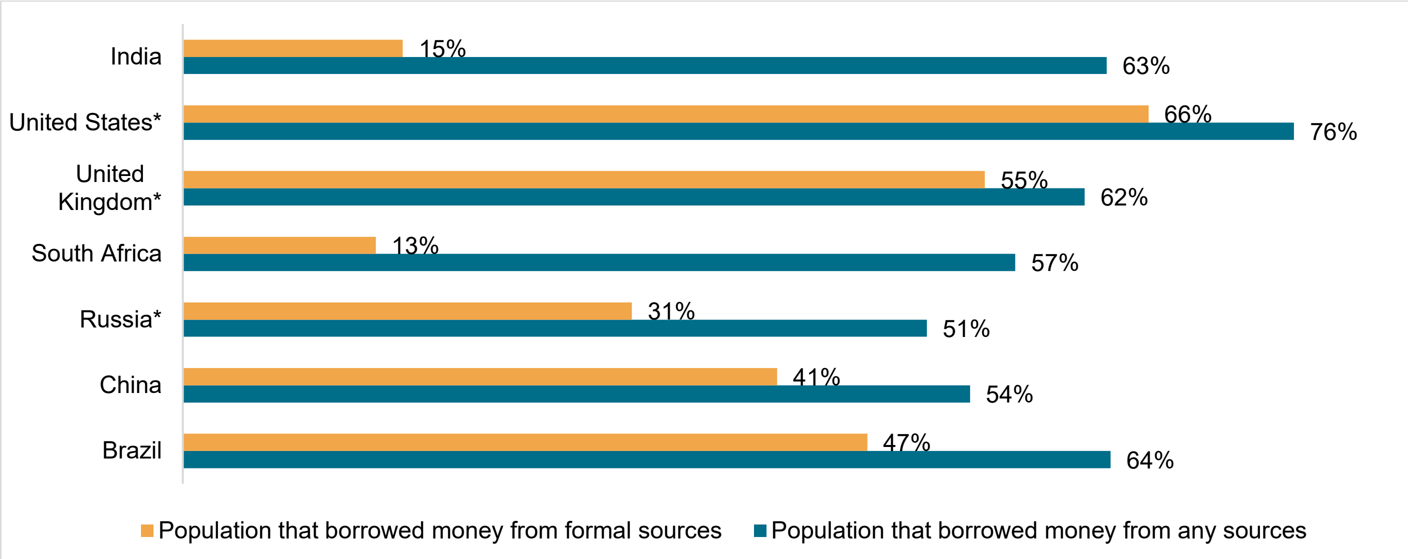
Household credit-to-GDP ratio from CY20 to CY25



Source: Bank of International Settlements, Crisil Intelligence

The UK had the highest household credit-to-GDP ratio of 74% among the major economies as of CY 2025, followed by US with 68%. India’s ratio was 48%. India's low household credit-to-GDP ratio compared to global peers indicates significant untapped potential for formal lending expansion.

Only 15% of the population in India borrowed money from formal sources (CY24)



** Data is for calendar year 2021*
Notes:
1. Global Findex data for India excludes northeastern states, remote islands and selected districts
2. Data is for the population in the age group of 15+ years
3. Money borrowed from formal sources includes money borrowed from banks, NBFCs and through credit cards
Source: World Bank – The Global Findex Database 2025, Crisil Intelligence

In the metric of borrowing from formal sources, India ranked poorly when compared with the major economies. While 66% of the population in the US and 55% in the UK borrowed money from formal sources in 2021, only 15% of the population in India borrowed from formal sources. A significant majority in the country relied on friends, family or unorganised lenders, among others. The key reason could be that a huge portion of the population may not have the necessary documents, such as proof of income or identity, to access formal credit.

Around 64% of the population in India stays in the rural parts of the country but accounts for only ~8% of the total banking credit

In value terms, bank credit and deposits are predominantly concentrated in the metropolitan and urban centres of the country, while these are considerably low in semi-urban and rural pockets. NBFCs catering to rural credit serve a large population that still does not have complete access to credit. Therefore, NBFCs have an important role to play, ensuring last mile credit delivery.

Region-wise share of banking credit (fiscal 2026)

Region and population group-wise credit (Rs trillion)					
Region	**Metropolitan**	**Rural**	**Semi-urban**	**Urban**	**Total credit**
Central	7.39	2.56	3.46	5.96	19.37

Region and population group-wise credit (Rs trillion)					
Region	**Metropolitan**	**Rural**	**Semi-urban**	**Urban**	**Total credit**
East	5.23	2.40	2.51	4.54	14.68
Northeast	-	0.54	0.68	1.06	2.27
North	24.23	2.94	4.56	9.27	41.01
South	27.19	6.24	13.94	12.22	59.59
West	60.59	1.82	4.33	4.70	71.44
Total credit	**124.64**	**16.50**	**29.47**	**37.75**	**208.36**

Notes:

1. *Region and population group-wise credit according to place of sanction*
2. *Centre classification for opening of branches: Rural (population up to 10,000), semi-urban (population more than 10,000 up to 1,00,000), urban (population 1,00,000+ up to 10,00,000) and metropolitan (population 10,00,000+)*
3. *The Northeast includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura*
4. *Central includes Chhattisgarh, Madhya Pradesh, Uttar Pradesh and Uttarakhand*
5. *West includes Goa, Gujarat, Maharashtra, Dadra and Nagar Haveli, and Daman and Diu*
6. *East includes Bihar, Jharkhand, Odisha, Sikkim, West Bengal, and Andaman and Nicobar Islands*
7. *South includes Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Lakshadweep and Puducherry*
8. *North includes Haryana, Himachal Pradesh, Jammu and Kashmir, Ladakh, Punjab, Rajasthan, Chandigarh and Delhi*

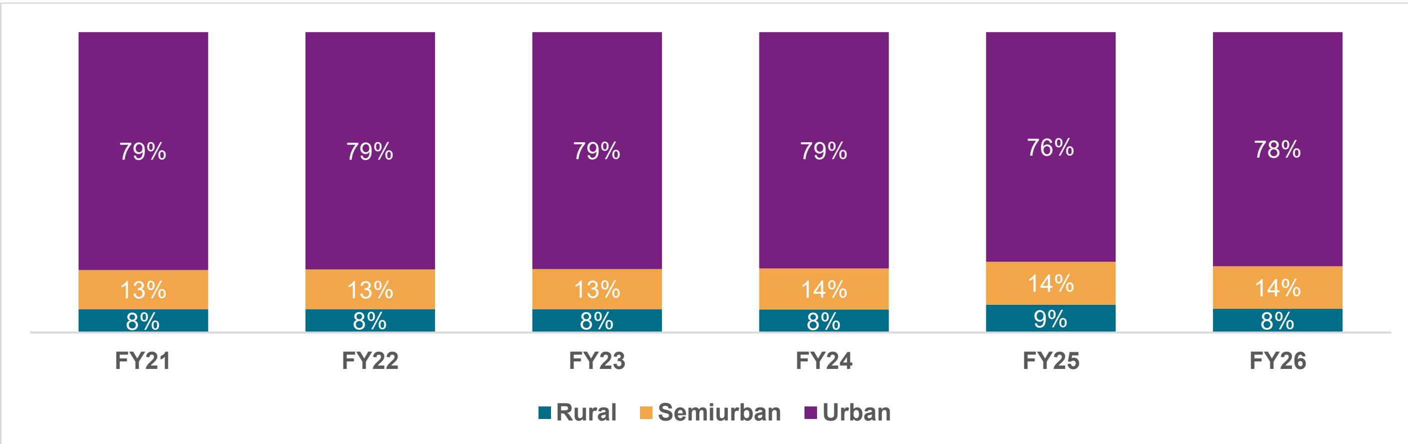
Source: RBI, Crisil Intelligence

About 64% of India's population resides in rural areas, according to World Bank estimates for calendar year 2024. As per the 2011 Census, India had over 0.64 million villages. Rural India's share in total bank deposits and credit remains low at about ~9.00% and ~8.00%, respectively, as of March 2026. Limited banking infrastructure, low financial literacy and investment awareness, and lack of formal identification are the key reasons for this low penetration.

Although most Indian households are in rural areas, the potential of banking infrastructure in these areas remains largely untapped. Hence, a gap exists between the supply of and demand for financial services in these regions, presenting pockets of opportunity for the NBFCs and MFIs to address these gaps.

Share of bank credit indicates low penetration in rural areas

Population group-wise share of credit



Note:

1. *Urban includes data for both urban and metropolitan areas*
2. *The above data represents indicators for scheduled commercial banks in India*
3. *Total may not add up to 100% due to rounding off of decimals*

Source: RBI, Crisil Intelligence

Financial inclusion is lower in rural areas than in urban areas, presenting significant growth opportunities in this segment. Initiatives such as the PMJDY and digital banking, along with an increased focus on financial literacy, have helped improve financial inclusion in rural areas.

Majority of Indian states have banking credit penetration of less than 100%

While Maharashtra, Tamil Nadu, Haryana, Delhi and Telangana exhibit credit to GDP ratios above 100%, reflecting mature financial sectors, most Indian states lag behind, indicating significant scope for credit expansion and deeper financial inclusion.

Additionally, the low share of credit extended to rural areas across states presents a vast untapped potential to drive economic expansion by improving last-mile credit access. Addressing this disparity by improving rural credit delivery through the reach of NBFCs, microfinance institutions and targeted government schemes will play a pivotal role in fostering inclusive growth, enabling broader participation in the formal financial system.

Bank credit penetration (fiscal 2026)

State/union territory	Gross state domestic product (GSDP) (constant price) (Rs in billion)	Total banking credit (Rs. in billion)	Banking credit penetration	% of overall credit for each state	% of credit in rural areas for each state
Maharashtra	28,826.99	59,409.08	206.09%	28.53%	6.12%
Tamil Nadu	19,198.04	19,710.34	102.67%	9.47%	15.29%
Gujarat	18,776.67	11,588.59	61.72%	5.57%	4.42%
Karnataka	17,230.06	13,893.11	80.63%	6.67%	7.68%
*Uttar Pradesh	16,349.24	10,156.71	62.12%	4.88%	9.23%
West Bengal	10,286.17	7,073.18	68.76%	3.40%	5.95%
Rajasthan	9,818.07	7,084.21	72.15%	3.40%	5.21%
Andhra Pradesh	9,522.61	8,466.93	88.91%	4.07%	8.62%
Telangana	8,895.82	10,568.82	118.81%	5.08%	5.15%
Madhya Pradesh	7,819.11	5,718.56	73.14%	2.75%	3.91%
*Kerala	6,852.83	6,686.23	97.57%	3.21%	0.90%
*Haryana	6,770.33	6,852.02	101.21%	3.29%	2.87%
#NCR of Delhi	6,698.63	19,881.42	296.80%	9.55%	0.28%
Bihar	5,766.45	2,916.81	50.58%	1.40%	3.36%
Odisha	5,743.50	2,968.81	51.69%	1.43%	3.53%
Other States	24,008.30	15,254.89	63.54%	7.33%	17.49%

Note:

1. *Bank credit penetration is calculated as bank credit to the geography divided by the state's GSDP (at constant prices) as of fiscal 2026*
2. *GSDP is measured at constant prices, with 2011-2012 as the base year*
3. **GSDP is taken for fiscal 2025, # GSDP is taken for fiscal 2024.*

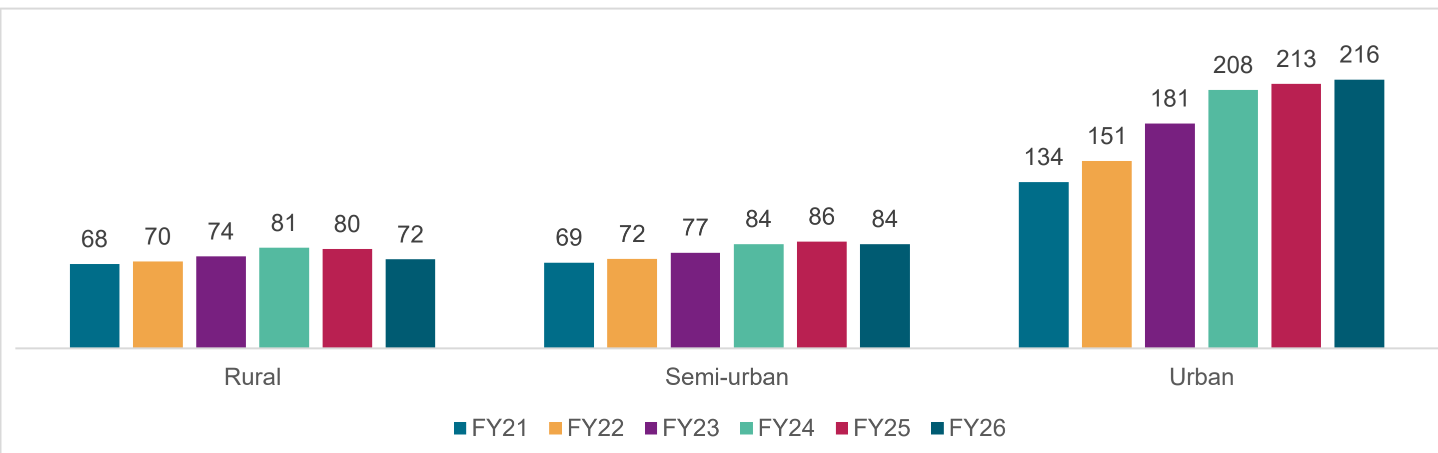
Source: RBI, Ministry of Statistics and Programme Implementation, Crisil Intelligence

Women empowerment

The transformative potential of self-help groups (SHGs), highlighted through their key role in the on-ground response to Covid-19, has served as the fulcrum of rural development through women's empowerment. As on January 31, 2025, about 100.50 million women were mobilised into 9.90 million SHGs. In addition, the rural female labour force participation rate rose steadily to 47.60% in fiscal 2024 from 24.60% in fiscal 2018 (female labour utilisation in India).

Additionally, Joint Liability Groups (JLGs) have played a significant role in women empowerment, especially in rural and semi-urban areas. By enabling women to collectively access credit without collateral, JLGs have facilitated financial inclusion and enhanced their entrepreneurial capabilities. This access to microfinance has allowed women to start or expand small businesses, contribute to household income, and gain financial independence. Moreover, the group-based model of JLGs fosters solidarity, confidence, and leadership skills among women, empowering them to participate actively in decision-making processes both within their families and communities.

Bank credit accounts in rural, semi-urban and urban areas (in million)



Note:

1. *Urban includes data for urban and metropolitan areas*
2. *Numbers are as of the end of the fiscal year indicated*
3. *The above data represents only bank credit accounts and indicators for scheduled commercial banks in India*

Source: RBI, Crisil Intelligence

Untapped market presents growth opportunity for financiers

Share of bank credit to metropolitan areas has decreased over the past few years, declining from 66% as of March 31, 2019, to 60% as of March 31, 2026. During the period, credit share rose marginally in urban (15% in fiscal 2019 to 18% in fiscal 2026), rural (7% in fiscal 2019 to 8% in fiscal 2026) and semi-urban areas (12% to 14%). As on March 31, 2026, rural areas received just 8% of the overall banking credit according to the RBI's banking credit data, which shows the vast market opportunity for banks and NBFCs to lend in these areas. Further, usage of alternative data to underwrite customers is also expected to help banks and NBFCs to assess customers and cater to the informal sections of the society in the rural areas.

Rural areas and small towns (Tier 3 and 4) are becoming structurally resilient to shocks and are shifting towards digital adoption

According to the 2011 Census, India had about 640,000 villages with a population of 893 million. The rural and semi-urban economies are far more resilient today, supported by higher spending under schemes such as PM-KISAN, MGNREGA, 2005, and higher MSPs. In addition, initiatives such as DBT, PM Ujwala Yojana for cooking gas, PM Awas Yojana for housing, and Ayushman Bharat scheme for healthcare are supporting growth in rural and semi-urban areas.

The rural economy is largely driven by agriculture, which was less impacted by the Covid-19 lockdowns compared with urban sectors such as services and manufacturing. With farming activities continuing, rural households maintained some level of income stability, supported in part by government interventions such as the PM-KISAN scheme and increased funding under MNREGA.

However, in banking and financial services, rural and semi-urban areas remain underpenetrated, with only a fraction of the population fully integrated into the formal financial system. Significant opportunities exist to expand access to credit, insurance and digital payments. Improvements in digital infrastructure, rising smartphone penetration and increasing internet connectivity are enabling fintech and banking players to reach previously untapped rural and semi-urban markets, particularly through initiatives such as PMJDY and the use of Aadhaar-enabled payment systems. Tier-3 and -4 towns have economies driven largely by micro, small, and medium enterprises (MSMEs), which have shown greater adaptability to disruptions. Moreover, many residents engage in entrepreneurial or informal work, providing flexibility during economic shocks.

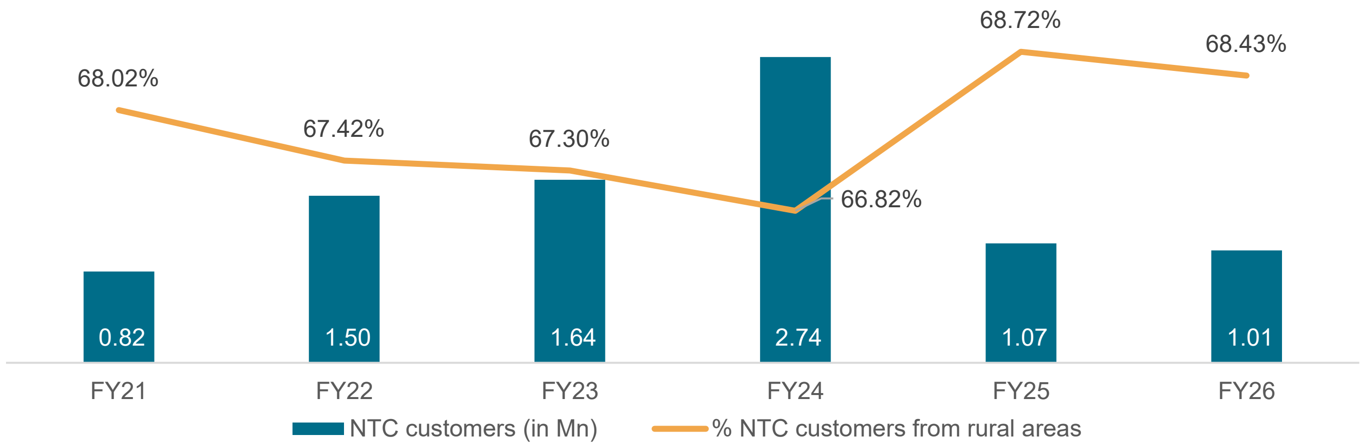
Digitization aided by technology to play pivotal role in growth of rural economy

Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years. Among many initiatives by the government, the Unified Payments Interface (UPI) is playing a pivotal role towards financial inclusion. It provides a single-click digital interface across all systems for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. The volume of digital transactions has also seen a surge in the past few years, driven by increased adoption of UPI. Apart from financial services industry, digitization in other industries like retail will also play an important role in the growth of rural economy.

Microfinance Institutions (MFIs) are acting as the primary contact for movement from informal credit to formal credit for first time borrowers

MFIs have emerged as one of the most effective last-mile channels for financial inclusion, consistently converting “credit-invisible” individuals into first-time formal borrowers, with a strong rural orientation. A key strength of MFI-led NTC onboarding is that the rural borrowers consistently form ~two-thirds of first-time credit customers highlighting MFIs ability to originate new credit relationships in under-penetrated geographies. This rural anchoring also appears resilient: even as NTC volumes normalized after the fiscal 2024 peak the rural share improved to 68.72%, indicating MFIs continued to prioritize core inclusion segments despite the slowdown. By continuously adding first-credit borrowers predominantly in rural India, MFIs expand the base of customers by creating formal credit histories and scorable profiles, which strengthens long-term borrower growth for the financial system and supports a structural rise in India's overall credit penetration over time.

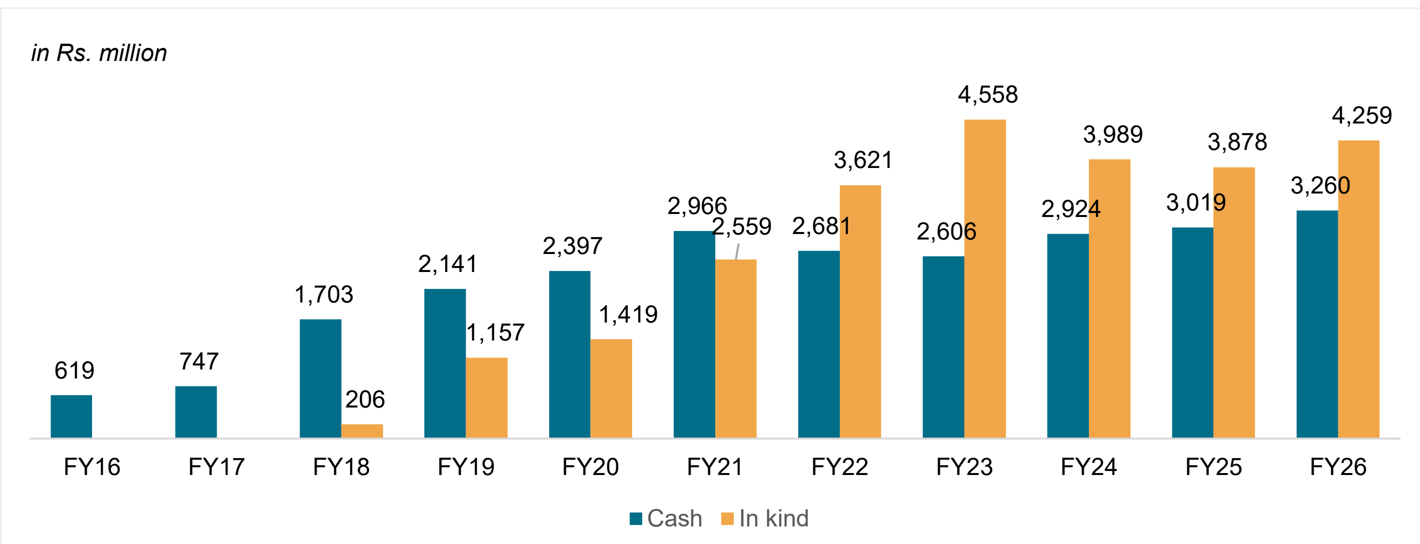
Cumulatively 8.78 Mn New to Credit (NTC) customers have been given first time loans through formal channels by MFIs



Source: CRIF Highmark, Crisil Intelligence

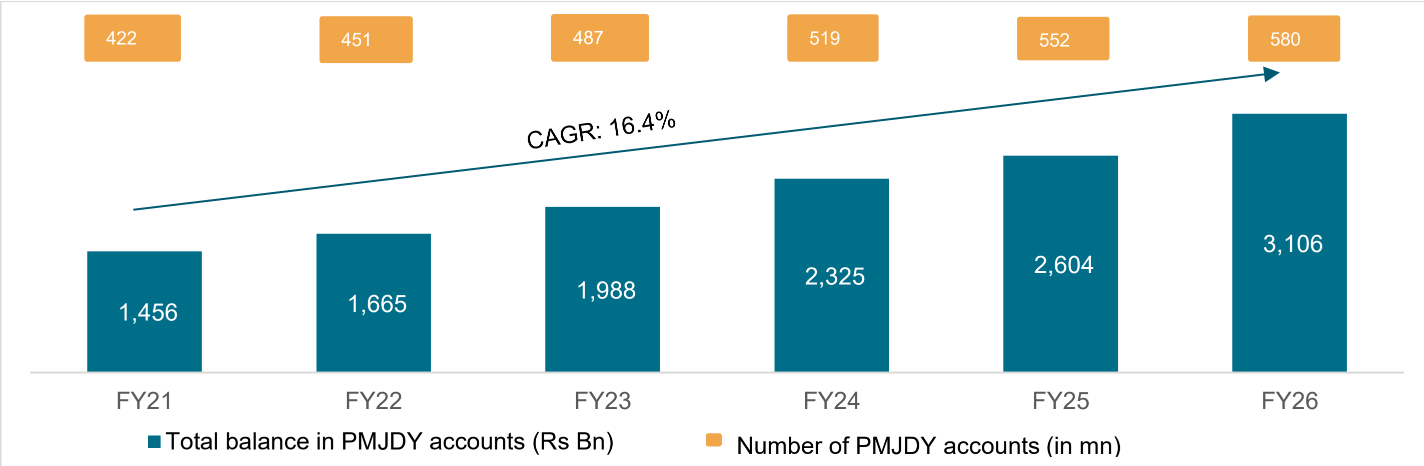
Government measures to improve financial inclusion and digital adoption

Government schemes delivered through digital adoption – fund transfer



Source: Direct Benefit Transfer, Crisil Intelligence

Number of PMJDY accounts and total balance



Source: PMJDY; Crisil Intelligence

Priority sector lending

Priority sector lending (PSL) is an important policy tool used by the RBI to promote financial inclusion in India. The PSL requirement mandates banks to allocate a specified percentage of their lending portfolio to priority sectors, such as agriculture, micro, small and medium-sized enterprises (MSMEs), education, housing and other weaker sections of society. Lending to such priority sectors not only increases the credit access to underserved sectors but also leads to higher economic growth and promotes inclusive development. It also encourages banks to develop innovative products and services specifically for priority sectors. As of March 2026, bank credit to PSL stood at Rs 95.28 trillion, up from Rs 78.32 trillion in March 2025.

Overview of Systemic Credit and NBFC sector in India

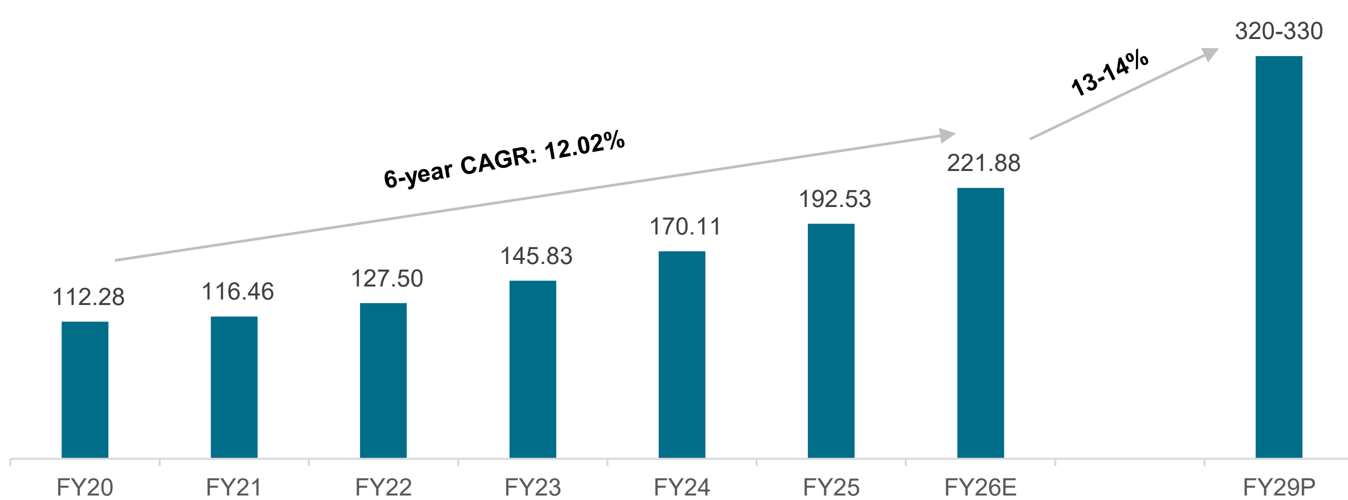
India's impressive credit expansion over the past few years has been driven by parallel structural reforms and technological innovations across both banks and non-banking financial companies (NBFCs), creating a comprehensive ecosystem conducive for sustained credit growth.

Notably, NBFCs have demonstrated remarkable agility in adopting new technologies, using digital platforms to tap previously unbanked or underbanked segments in retail, microfinance and micro, small and medium enterprises (MSME) lending.

The formalisation of the co-lending model between banks and NBFCs has amplified credit delivery by combining banks' capital strength and risk-sharing capabilities with NBFCs' digital reach and specialised underwriting expertise. Digital platforms, neobanks and financial technology (FinTech) applications have reduced customer acquisition costs and turnaround times while democratising consumption credit across demographic segments.

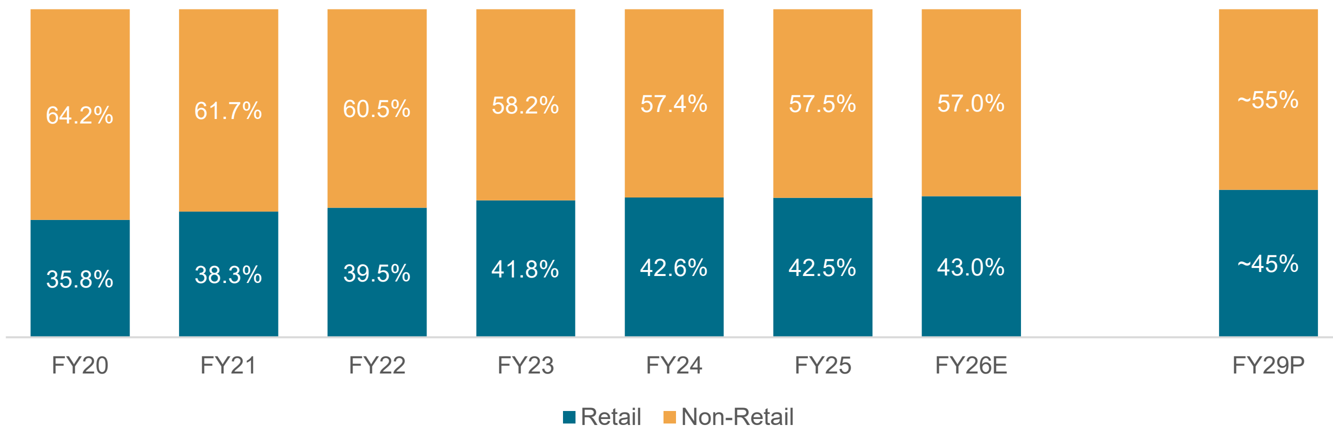
Technology has not only enhanced operational efficiency but has also expanded the credit market itself by making previously "uncreditworthy" borrowers bankable through advanced risk evaluation and dramatically lower operational costs. Consequently, the systemic credit in India clocked a CAGR of 12.02%, reaching ~Rs 221.88 trillion in fiscal 2026 from Rs 112.28 trillion in fiscal 2020. The credit market is expected to sustain a CAGR of 13-14% and reach Rs 320-330 trillion by the end of fiscal 2029.

Systemic credit to grow 13-14% between fiscals 2026 and 2029



Note: E: Estimate, P: Projected; This excludes credit from Banks to NBFCs, food credit & credit to agriculture and allied activities. Source: RBI, company reports, Crisil Intelligence

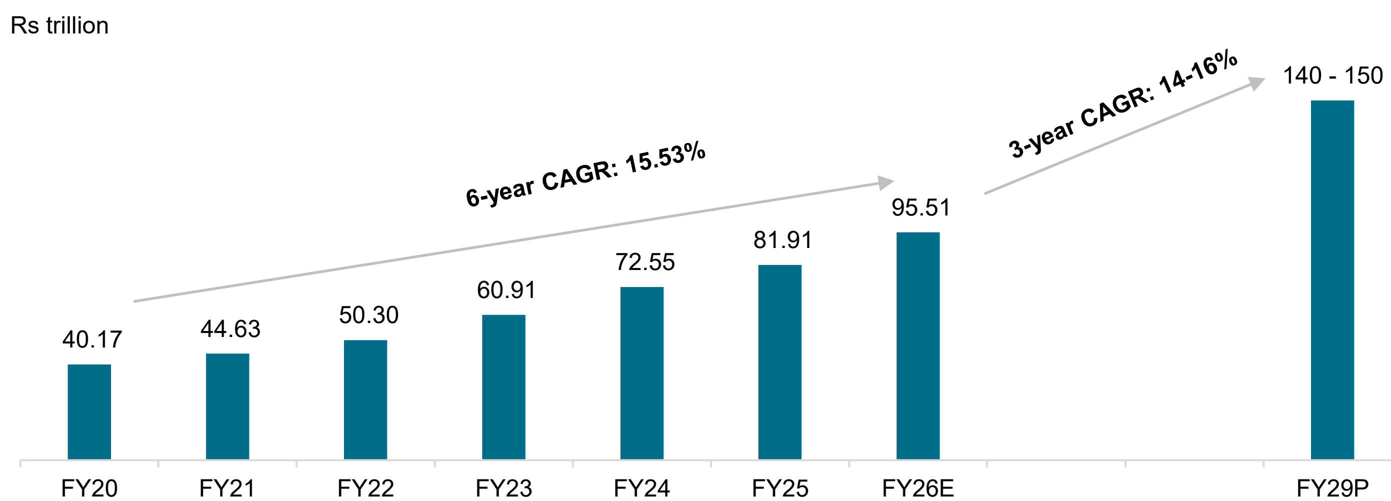
Rising retail credit share in the systemic lending landscape



Note: E: Estimate, P: Projected. Source: RBI, company reports, Crisil Intelligence

Retail credit continued to lead the systemic credit growth in fiscal 2026, supported by the focused approach of banks and NBFCs in expanding the retail portfolio. The retail credit portfolio continues to outpace non-retail credit. This shift across the financial sector indicates a fundamental reassessment of risk-return profiles and market opportunities. We project systemic retail credit to have a share of ~45% by fiscal 2029.

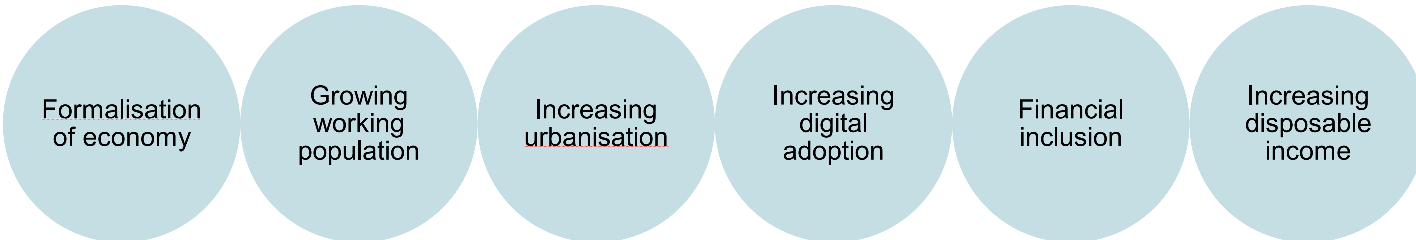
Systemic retail credit growth is projected to outpace the overall credit growth between fiscals 2026 and 2029



Note: E-Estimate, P-Projected. Source: RBI, Crisil Intelligence

The Indian retail credit market, encompassing asset classes such as housing, microfinance, vehicle financing and personal loans, stood at ~Rs 95.51 trillion in fiscal 2026, clocking a 6 year-CAGR of 15.53% from Rs 40.17 trillion in fiscal 2020. Furthermore, the market is expected to exhibit a projected growth rate of 14-16% between fiscal 2026 and fiscal 2029 to reach Rs 140-150 trillion.

Factors that will support retail credit growth



Source: Crisil Intelligence

The Indian retail credit market is poised for significant growth, driven by increasing disposable incomes, changing lifestyles and a shift towards discretionary spending. This trend is evident in both rural and urban India, with the share of discretionary items in the consumption basket growing between fiscals 2012 and 2024 as per Household Consumption Expenditure Survey (HCES) 2023-24 by Ministry of Statistics and Programme Implementation (MoSPI). For instance, rural average monthly per-capita expenditure (MPCE) increased from Rs. 1,430 in FY12 to Rs. 2,079 by FY24. On the other hand, the urban average MPCE increased from Rs. 2,630 in FY12 to Rs. 3,632 by FY24. With improving financial health, consumers are seeking credit to finance purchases, such as vehicles and homes, creating a sizable market for lenders.

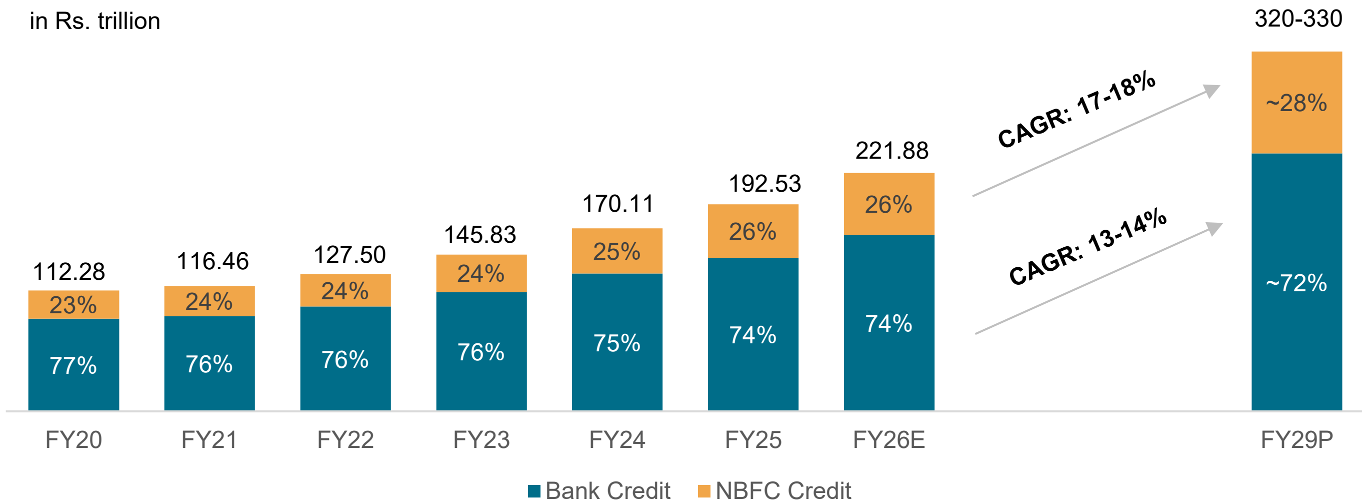
Government initiatives to promote digitalisation and financial inclusion have improved access to credit for underserved segments such as MSMEs and low-income households. Despite rapid growth, retail credit penetration remains low, presenting an opportunity for lenders to expand their customer base and increase market share. India's demographic dividend, with a large working-age population, is expected to drive consumption and credit demand, fuelling the growth of the retail credit market. The young population's aspirations for a better lifestyle and increased access to credit are expected to contribute to a sustained growth trajectory, offering lenders opportunities.

NBFC credit is expected to clock higher growth (17-18%) than bank credit (13-14%) between fiscals 2026 and 2029

The credit growth of NBFCs has consistently outpaced India's gross domestic product (GDP) growth, and this trend is expected to persist, with NBFCs poised to continue growing at a faster pace. NBFCs have shown remarkable resilience and have emerged as a vital component of the financial ecosystem. Their assets under management (AUM) expanded from less than Rs 2 trillion in 2000 to ~Rs 58 trillion by the end of fiscal 2026.

The traditional banking system had many limitations for certain sections of society with lower gross state domestic product (GSDP) and no credit score. NBFCs were able to bridge this gap by opening branches in rural and semi-urban areas and providing credit and other financial services due to their flexibility in assessing customers with low or no credit scores. Unlike banks, they could provide customised services to retail and institutional customers and introduce newer credit products. NBFCs have niche and differentiated skills to serve the customer segment underserved by banks, offering flexibility of products, faster turnaround time and the ability to assess credit in the absence of a complete set of formal documentation.

Overall NBFC credit constitutes ~26% of the overall systemic credit in fiscal 2026



Note: E - Estimate, P - Projected. Source: RBI, Company reports, Crisil Intelligence

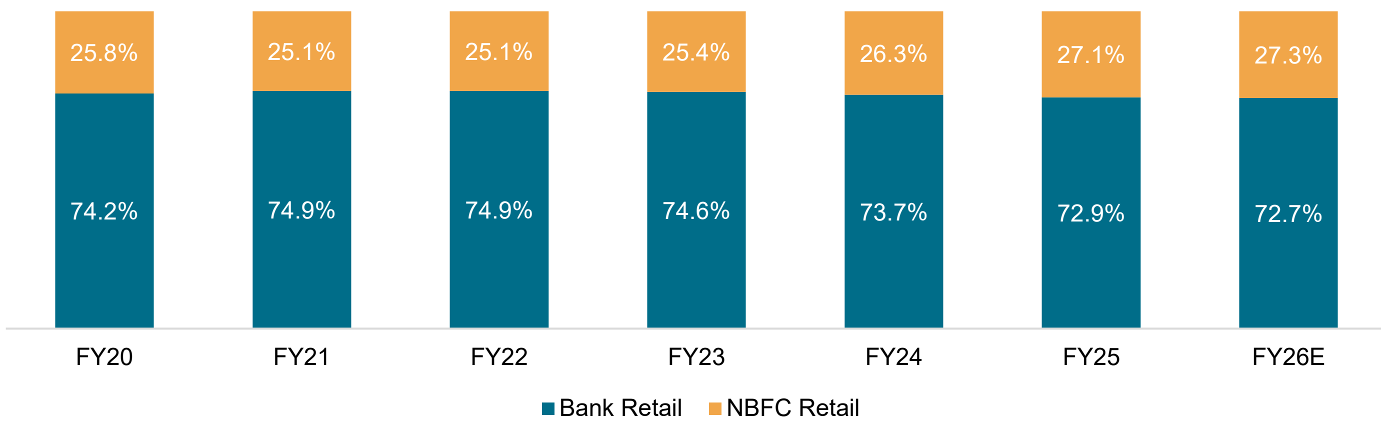
The share of NBFCs in systemic credit is expected to have increased to 26% in fiscal 2026 from 23% in fiscal 2020 and is likely to be marginally higher at 28% in fiscal 2029. During the fiscal 2026-29 period, NBFCs are projected to outpace banks in credit deployment due to their higher growth potential, greater flexibility in lending to underserved segments, and focus on niche markets.

We believe that NBFCs will remain a force to reckon with in the Indian credit landscape, given their inherent strength of providing last-mile funding and catering to customer segments not conventionally targeted by the banks. NBFCs are expected to continue to gain market share over banks due to their ability to provide flexible lending solutions and tailored services, focused approach to tap underserved and niche customer segments, ability to penetrate deeper into geographies, leveraging technology to reimagine the lending process, strong origination skills and shorter turnaround time.

NBFCs drive financial inclusion

NBFC credit to the retail segment formed approx. 45% of its portfolio in fiscal 2026 as compared to Banks' 42%, indicating greater focus on retail customers, with rural and semi-urban areas presenting vast market opportunity for NBFCs. Their stronger presence in rural and semi-urban areas where MSMEs are prominent helps them to serve the under-penetrated segments. NBFCs bridge this gap by offering customised solutions.

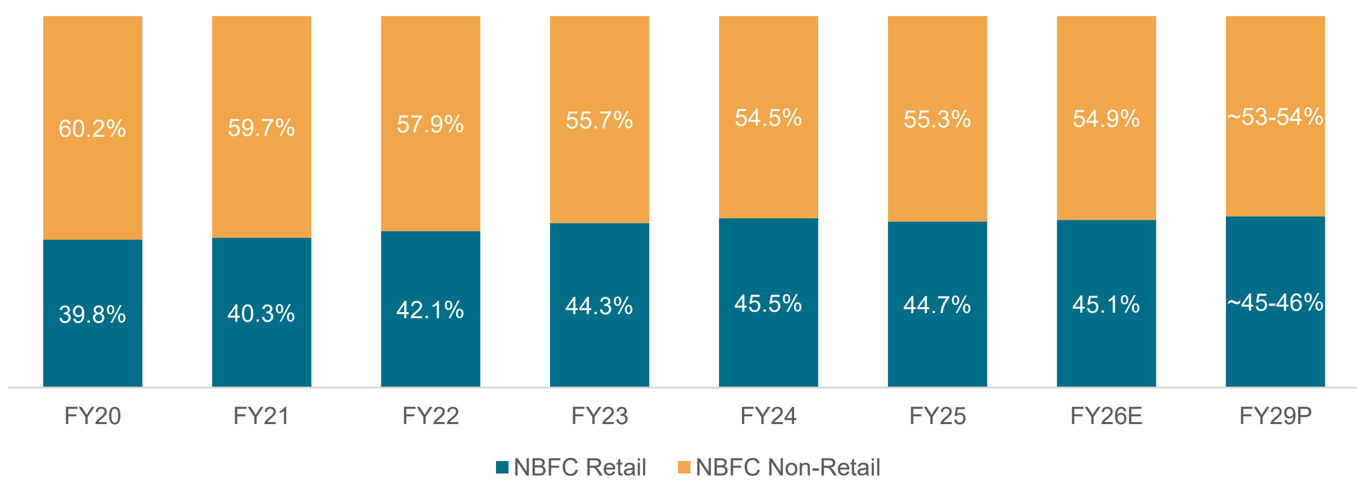
NBFC retail credit has grown at faster pace



Note: E = Estimate. Source: RBI, Company reports, Crisil Intelligence

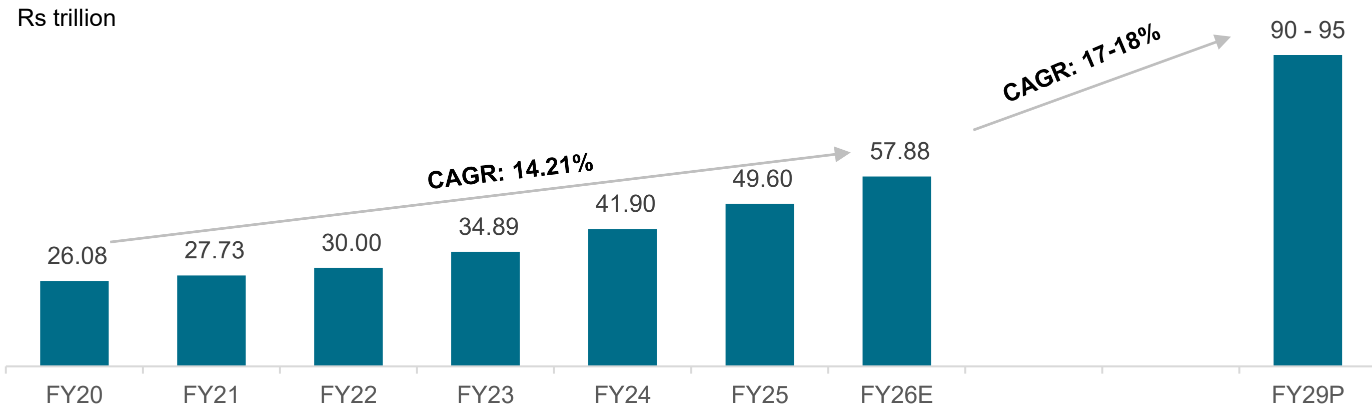
The retail credit sector has witnessed steady growth, with both banks and NBFCs experiencing an upward trend. Notably, NBFCs have been growing at a faster rate, increasing their significance in the retail credit market. Their extensive penetration in tier 2 and tier 3 cities, where banks have limited presence, has enabled them to serve MSMEs and first-time retail borrowers.

Share of NBFC retail credit stood at ~45% of overall NBFC credit in FY26



Note: E = Estimate, P = Projected. Source: RBI, Company reports, Crisil Intelligence

NBFCs' AUM growth is expected to outpace banks' and overall systemic credit growth from fiscal 2026 to 2029



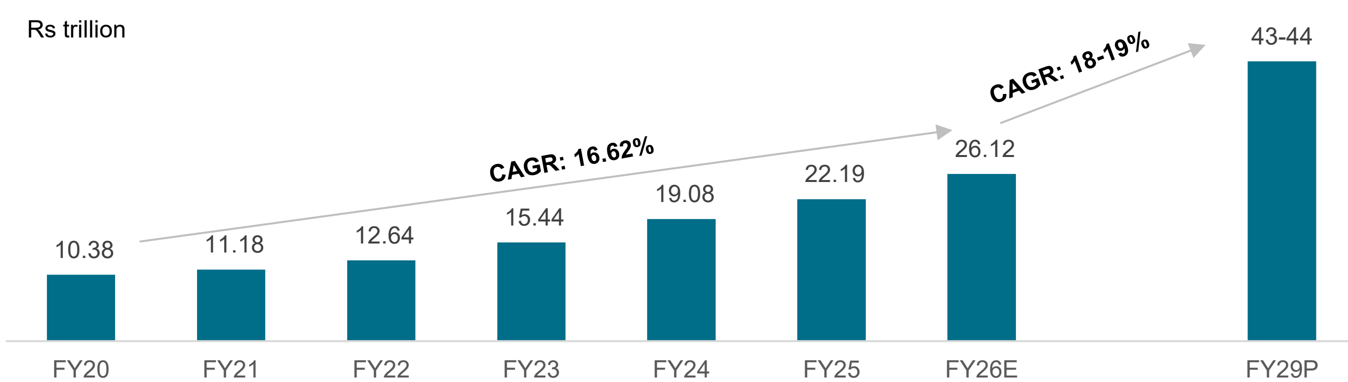
Note: E - Estimate, P - Projected. Source: RBI, Company reports, Crisil Intelligence

The NBFC sector has evolved considerably over the years in terms of size, operations, technological sophistication, and entry into newer areas of financial services and products. NBFC credit is estimated to have clocked a CAGR of 14.21% between fiscals 2020 and 2026, driven by the retail segment, which is estimated to have witnessed a CAGR of ~16.62%, while non-retail credit is estimated to have witnessed a growth of ~12.47% during the same period.

The unsecured segment within the retail portfolio grew rapidly over the past five fiscals, raising concerns about potential risks. In response, the RBI issued a circular in November 2023 mandating higher capital buffers for such exposures. This resulted in a slowdown of credit growth in the latter half of fiscal 2024, which persisted into fiscal 2025. Consequently, NBFCs reduced unsecured loan exposure in 2025 to maintain asset quality and began gradually expanding again in fiscal 2026.

Going forward, the NBFC retail segment is expected to see an 18-19% growth from fiscal 2026 to fiscal 2029, which will support overall NBFC credit growth, with continued focus on the retail segment.

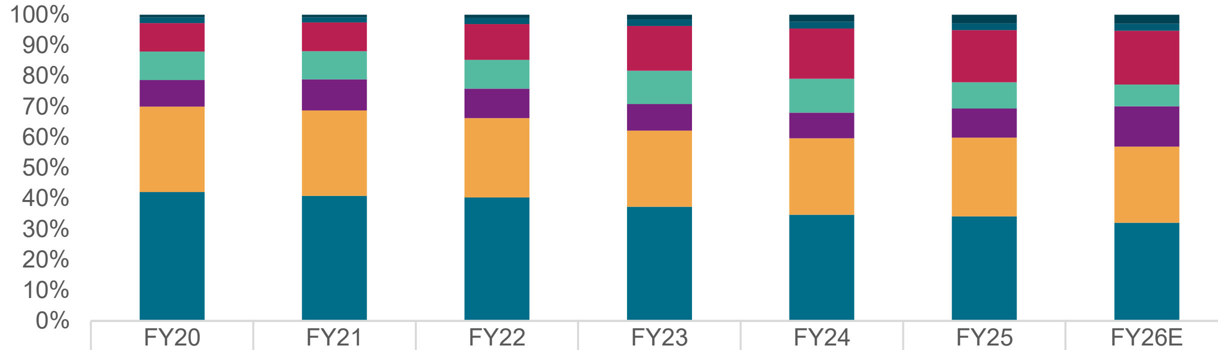
NBFC retail credit trend



Note: E: Estimate, P: Projected. Source: RBI, company reports, Crisil Intelligence

The NBFC's retail credit market is expected to grow by 18-19% during fiscal 2026-29, surpassing its overall credit growth of 17-18%. This expansion is driven by steady increases in NBFC lending, highlighting ongoing demand for retail financing led by housing, auto, gold and personal loans.

Trend in asset-wise share of NBFC's retail credit book



	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
Education loans	0.9%	0.8%	1.1%	1.6%	2.4%	2.9%	2.9%
Consumer durables	1.8%	1.7%	2.0%	2.1%	2.1%	2.2%	2.3%
Personal loan	9.3%	9.4%	11.6%	14.6%	16.5%	17.0%	17.6%
Microfinance	9.2%	9.2%	9.5%	10.9%	11.1%	8.6%	7.1%
Gold finance	8.7%	10.2%	9.6%	8.6%	8.3%	9.5%	13.1%
Auto finance	27.9%	27.9%	25.9%	24.9%	25.0%	25.8%	24.9%
Housing finance	42.1%	40.8%	40.3%	37.3%	34.6%	34.1%	32.0%

Housing finance Auto finance Gold finance Microfinance Personal loan Consumer durables Education loans

Note: E – Estimate. Source: RBI, Company reports, Crisil Intelligence

The microfinance book experienced steady growth from FY20 through FY24, after which it declined due to a sharp decrease in disbursements, elevated GNPA levels, and the implementation of strict MFIN guardrails aimed at promoting sustainable growth and reducing overleveraging risks. In contrast, the housing credit segment nearly doubled over the past six years, supported by lower repo rates, government initiatives under PMAY, and increasing disposable incomes, which helped sustain its momentum.

Asset quality and profitability

Profitability of NBFCs

Profitability of NBFCs (fiscal 2021-27P)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27P
Interest on loans	11.99%	11.30%	11.68%	12.46%	12.62%	12.77%	12.70-12.80%
Interest expense	6.48%	5.64%	5.68%	6.27%	6.41%	6.33%	6.20-6.30%
NIMs	5.51%	5.65%	6.00%	6.19%	6.21%	6.44%	6.45-6.55%
Opex	2.07%	2.45%	2.79%	2.83%	2.86%	2.78%	2.70-2.80%
Credit costs	2.53%	1.70%	1.03%	1.01%	1.51%	1.23%	1.10-1.20%
Tax	0.52%	0.69%	0.88%	1.04%	0.77%	0.94%	0.90-1.00%

Profitability of NBFCs (fiscal 2021-27P)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27P
Post-tax return on assets (ROA)	**1.57%**	**1.99%**	**2.71%**	**2.87%**	**2.50%**	**2.90%**	**2.90-3.00%**

Note: E – Estimate, P: Projected; The above analysis, data of 100 NBFCs were considered for fiscal 2021 to fiscal 2025. The trends for fiscal 2026 was estimated basis bottom up analysis of key NBFC segments such as, housing, microfinance, auto finance, gold finance, and education loans. Source: Crisil Intelligence

Over fiscal 2021 to fiscal 2025, the yield on advances rose from 11.99% to 12.62% on the back of RBI's decision to raise the repo rate to 6.50% in February 2023. Although the repo rate has been gradually reducing since February 2025, the transmission of these rate cuts is expected to moderate the growth of yield on advances. Consequently, in fiscal 2026, the yield on advances is estimated to be around 12.77% mark and is projected to remain so through fiscal 2027.

However, operating expenses have demonstrated an upward trajectory, increasing from 2.07% in fiscal 2021 to 2.86% in fiscal 2025, owing to the expansion of branch networks and investments in technology by NBFCs. It is further estimated to stay above 2.70% mark in fiscal 2026 and 2027.

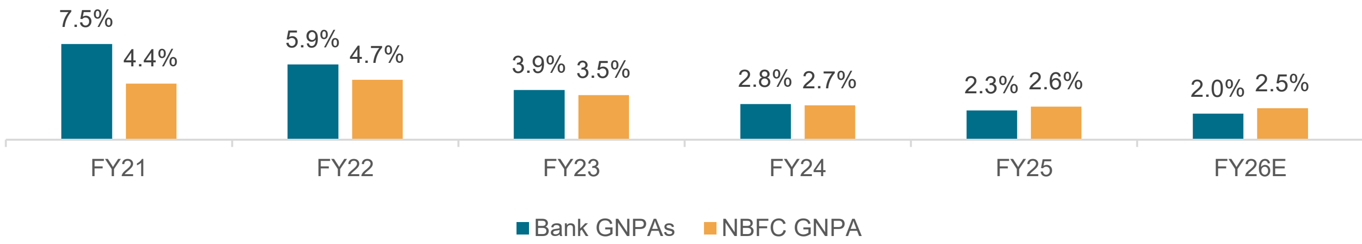
Notably, credit costs have decreased significantly from 2.53% in fiscal 2021 to 1.01% in fiscal 2024, mitigating the impact of the Covid-19 pandemic. However, a 50 bps increase in credit costs was observed in fiscal 2025 over previous fiscal, due to underwriting concerns and over-leveraging issues in the unsecured loan segment. The same is estimated to have been reduced to 1.23% in fiscal 2026 and is expected to further moderate in fiscal 2027.

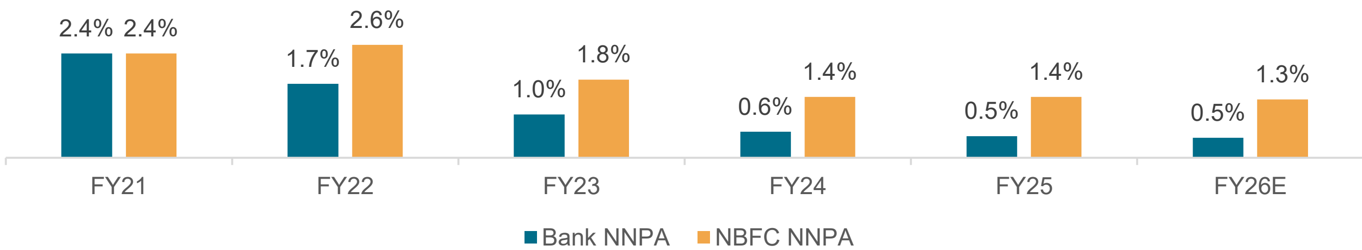
The overall return on assets of the key 100 NBFCs has demonstrated a marked improvement, increasing from 1.57% in fiscal 2021 to 2.50% in fiscal 2025. In fiscal 2026, it is further estimated to have improved to 2.90%.

Asset quality of NBFCs

The asset quality of NBFCs improved marginally in fiscal 2026, with gross non-performing assets (GNPAs) at 2.47% vs 2.60% in fiscal 2025, despite challenges in the unsecured lending space where personal loans and microfinance faced asset quality concerns due to borrower overleveraging. Intensified collection efforts and monitoring, especially in the case of early delinquencies (+1 days past due), along with higher provisions, supported the boost in overall asset quality. Also, the GNPA of secured retail assets, such as housing and vehicle loans, improved, owing to effective collection and provisioning.

Asset quality improved in fiscal 2026 despite stress in unsecured loans

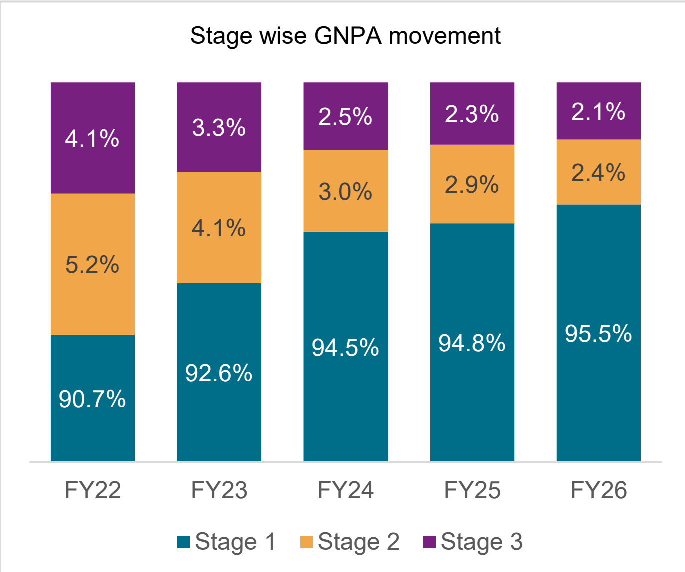


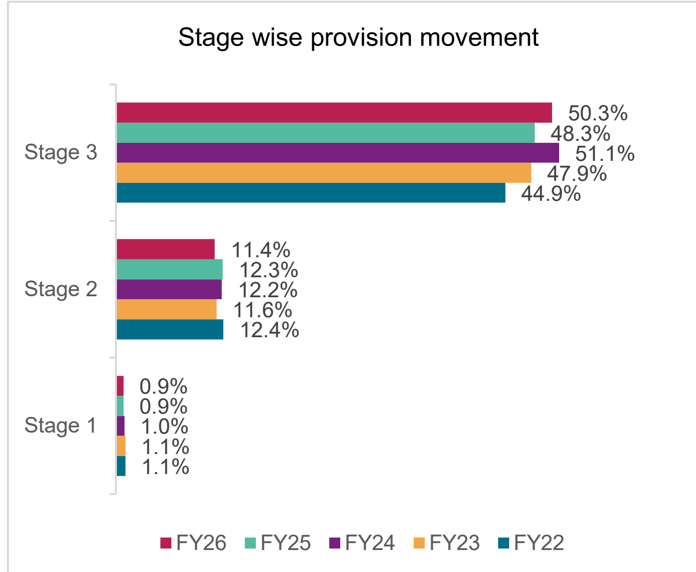


Note: E: Estimate; The analysis is based on data from over 100 NBFCs, including HFCs, which collectively accounted for loans and advances of Rs 30,600 billion as on March 31, 2025. These NBFCs comprise over 80% of the total loans and advances outstanding in the overall NBFC sector. The set excludes Power Finance Corporation (PFC)and Rural Electrification Corporation (REC). Source: RBI, company reports, Crisil Intelligence

In fiscal 2026, GNPA stress in the unsecured segment likely persisted despite regulatory measures, and this trend is expected to continue in fiscal 2027 as retail borrowers increase their unsecured lending exposure. The gold loan GNPA ratio may slightly rise in 2027 due to borrower leverage from multiple gold loans and gold price volatility, which could pressure LTV ratios and lead to higher slippages. Additionally, vehicle loan GNPA may see a marginal increase in the near term due to risks from potential El Niño, inflation, oil price fluctuations, and ongoing geopolitical tensions that could impact borrowers' repayment capacity. Additionally, the personal loan segment is expected to maintain elevated GNPA levels in fiscal 2027, due to ongoing high write-offs since fiscal 2026.

Decline in Stage 2 and 3 assets, along with higher provisioning, instilled optimism among NBFCs





Note: The above analysis is basis aggregate data for 30 NBFCs / HFCs that collectively account for a gross exposure of Rs 25 trillion as on March 31, 2026. PFC and REC Limited are excluded
Source: Company reports, Crisil Intelligence

The asset quality of NBFCs is showing improvement, as evidenced by the decline in Stage 2 and Stage 3 GNPAs from 5.20% and 4.10% in FY22 to 2.40% and 2.10% in FY26, respectively, highlighting an improvement in the asset quality and financial health of NBFCs.

Borrowing mix and cost of funds for NBFCs

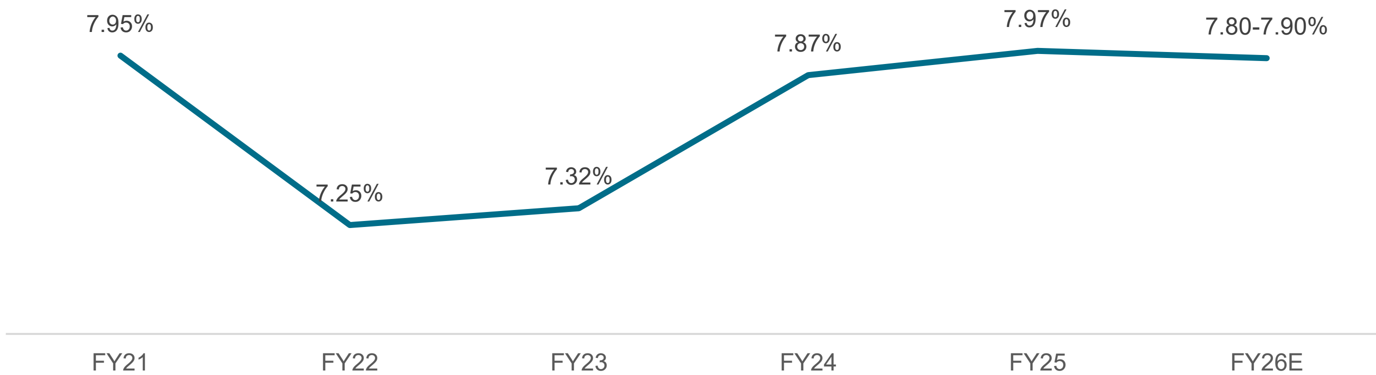
The share of bank borrowings by NBFCs reduced in fiscal 2025, as dynamic management of liquidity in the system increased lending rates among banks. Owing to the rise in unsecured lending by NBFCs, the RBI issued a circular on risk weights in November 2023, to deter the increase of such loans. The risk weights on bank lending to NBFCs were increased by 25 percentage points, further compounding the slowdown in offtake by NBFCs. The central bank raised the risk weights for all consumer loans extended by banks and NBFCs.

Consumer credit exposures for banks and NBFCs attracted a risk weight of 125%, up from 100%, excluding housing, vehicle, education and gold loans. Also, the risk weight on banks' exposure to NBFCs, where the extant risk weight of the NBFC was below 100%, was also increased. However, we believe that the recent reversal of the 25-percentage-point increase in risk weights on banks' exposure to NBFCs effective April 01, 2025, along with the normalisation of rates in the capital markets and a reduction in asset quality stress, are expected to boost lending by banks to NBFCs.

In March 2026, the Government of India introduced the Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0). Under this scheme, the National Credit Guarantee Trustee Company Limited (NCGTC) provides guarantee cover to banks and financial institutions against expected losses on financial assistance extended to NBFC-MFIs and other MFIs for lending to small borrowers. By reducing the credit risk for lenders, the scheme is expected to improve credit flow to the microfinance sector. It is expected to support lending by NBFC-MFIs and MFIs to nearly 3.6 million small borrowers.

This will benefit NBFC-MFIs by improving their access to bank funding, reducing lenders' risk perception, and potentially lowering their borrowing costs, thereby enabling them to expand credit outreach more effectively.

Borrowing cost for NBFCs also rose to highest level in five years



Note: E – Estimate; The analysis is based on data from over 100 NBFCs, including HFCs, which collectively accounted for loans and advances of Rs 30,600 billion as on March 31, 2025. These NBFCs comprise over 80% of the total loans and advances outstanding in the overall NBFC sector. Source: Company reports, Crisil Intelligence

The rise in the borrowing cost for NBFCs drove demand for securitisation and co-lending. NBFCs also needed to maintain adequate capital buffers. Consequently, many NBFCs, particularly large and high-rated ones, resorted to overseas and capital market borrowings, reducing their dependence on bank funding.

Borrowing mix of NBFCs

	Term Loans from banks/FI	Bonds and NCDs	Deposits	ECBs	Commercial Paper	Others*
FY21	42.68%	36.58%	7.09%	4.65%	4.27%	4.74%
FY22	45.09%	35.57%	7.20%	4.60%	3.46%	4.08%
FY23	49.80%	32.07%	6.72%	3.22%	3.93%	4.27%
FY24	51.68%	30.14%	6.63%	2.71%	4.46%	4.38%
FY25	48.48%	30.30%	6.47%	6.37%	4.42%	3.96%
FY26E	49.48%	29.20%	6.67%	5.37%	4.82%	4.46%

*Note: The analysis is based on data from over 100 NBFCs, including HFCs, which collectively accounted for loans and advances of Rs 30,600 billion as on March 31, 2025. These NBFCs comprise over 80% of the total loans and advances outstanding in the overall NBFC sector. The set excludes PFC and REC. *others include refinance from NHB, subordinated debt, securitization, inter corporate deposits and working capital loans. Source: Company reports, Crisil Intelligence*

Overview of Microfinance industry

Overview of the global microfinance industry

The global microfinance industry has evolved into a critical financial inclusion ecosystem, enabling formal credit access for underserved and underbanked populations across emerging markets. The global microfinance market size stood at USD ~124 billion in 2018 and is estimated to have crossed USD 250 billion in 2025, with the long-term industry compound annual growth rate (CAGR) projected at around 10-12%.

The sector has undergone significant institutionalisation, driven by increasing financial inclusion, digital lending adoption, women entrepreneurship and formalisation of micro, small and medium enterprises (MSMEs). This has been supported by stronger regulatory frameworks, technology-enabled underwriting and expanding participation from formal financial institutions.

Globally, Asia-Pacific remains the largest microfinance market (50-55%), led by India, Bangladesh and Indonesia, and supported by large, underpenetrated borrower segments and increasing digital financial infrastructure. The industry has demonstrated resilience across economic cycles, with regulatory reforms and improved risk management practices strengthening long-term sustainability and institutional credibility.

Regional distribution of global microfinance industry

Region	Estimated share in global microfinance	Key countries	Some of the key drivers
Asia-Pacific	50-55%	India, Bangladesh, Indonesia, Philippines	Financial inclusion, women borrowers, MSME finance, digital lending
Latin America	18-20%	Peru, Mexico, Brazil, Colombia	SME financing, fintech lending, digital payments
Africa and Middle East	12-15%	Kenya, Nigeria, Ghana, Egypt	Mobile-money ecosystem, underbanked population
Europe and North America	10-12%	Eastern Europe, community lenders in the United States	Small business finance, social lending
Others	~5%	Emerging markets	Government-led inclusion programmes

Source: World Bank Global Findex, IMF FAS 2024, CGAP, World Bank (Data as per latest available source as of 2024)

India (with an estimated 71 million borrowers as of December 2025) has emerged as one of the largest and fastest-growing microfinance markets globally. The expansion is supported by rising formal credit penetration, strong policy focus on financial inclusion, expanding digital infrastructure and increasing demand for small-ticket credit across rural and semi-urban geographies.

Country-wise microfinance borrowers

Country	Date as of	Asset under Management (AUM) ($ billion)	Estimated borrowers (million)
India	Dec-25	34.88 Bn	71

Bangladesh	Dec-24	~18–20 Bn	~32+
Indonesia	Dec-24	~15 Bn+	~20–25

Source: RBI 2025, Bangladesh MRA 2024, Mix Market 2024, Bank Indonesia, ADB 2024, IMF FAS 2024, World Bank, 1 USD – Rs. 92

Overview of the Microfinance industry in India

Historical growth and development of the Indian microfinance industry

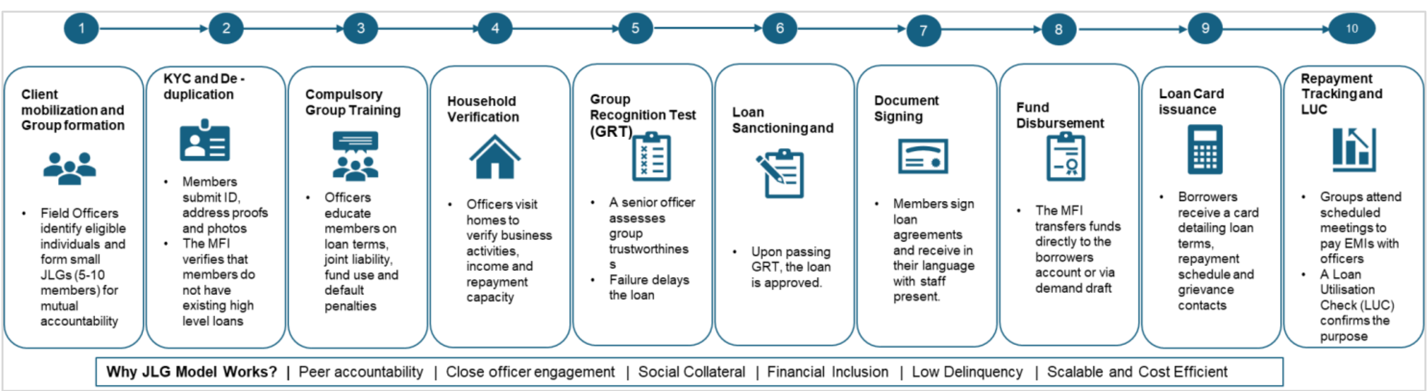
The Indian microfinance industry is a vital component of the country's financial inclusion efforts, providing formal credit access to underserved and underbanked segments, particularly low-income households, women borrowers, micro-entrepreneurs and rural communities. Over the past decade, the industry has evolved from a fragmented lending ecosystem into a more regulated, institutionalised and technology-enabled sector, supported by enhanced regulatory oversight, increasing credit bureau integration, digital financial infrastructure, and improved underwriting practices.

Business models in the microfinance sphere

MFIs focus on the JLG model for lending to borrowers as it is easier to form such groups, while banks have a dominant presence in the SHG model through their self-help group-bank linkage programme (SHG-BLP).

JLG lending: Under the JLG lending model, the primary task is to identify a prospective village, based on parameters such as total population, total income and population of poor individuals. Subsequently, potential members (usually women) are identified, based on factors such as total household income and number of members in the household. These candidates are then organised into groups of 5 to 10 members each, with three to five such groups coming together to form a centre. The amount is lent to an individual borrower. If an individual borrower defaults, the concept of social collateral comes into play, and the other group members repay the dues. In case of a default, the group is blacklisted and deemed ineligible for other loans from any MFI. This model ensures that an individual borrower is subject to constant peer pressure to make timely repayments.

Operating model for JLG in the microfinance business



Source: Crisil Intelligence

Advantages of JLG lending model

- **Reduced risk:** Since the group is collectively responsible for loan repayment, peer pressure and mutual accountability reduce the likelihood of default. Members tend to support and monitor each other, ensuring timely repayments. NBFC-MFIs undertake household-level assessments at the time of underwriting for deeper understanding of the borrower and his background
- **Easier access to credit:** The JLG model gives individuals without traditional collateral or a strong credit history access to loans. The collective responsibility of the group acts as a social collateral, making it easier for microfinance institutions to lend to the underserved population

- **Lower transaction costs:** MFIs save on administrative costs by dealing with groups rather than individuals. Processing loans for multiple people at once reduces paperwork, time and efforts, allowing MFIs to extend their reach more efficiently
- **Empowerment and social capital:** The JLG model fosters a sense of community and cooperation among members. It promotes financial discipline, trust and collaborations, which can lead to improved social and economic outcomes. In many cases, women, in particular, benefit from the collective approach, gaining confidence and decision-making power within their households and communities
- **Increased loan repayment rates:** Due to the social dynamics within the group, default rates tend to be lower in JLGs. Group members do not want to be held liable for others' defaults, which encourages both individual and group accountability

SHGs lending model: SHGs are typically formed at the grassroot level, comprising individuals from similar socioeconomic backgrounds. Members pool their savings and contribute to a fund for common goal by supporting each other. MFIs provide capacity building support to their SHGs, offering training and guidance on financial literacy, entrepreneurship, and other relevant skills to empower members and enhance their financial management capabilities.

An SHG is a financial intermediary, formed by 15-20 local members (mostly women). These members contribute small amounts on a regular basis for a few months to build the base capital in the group and subsequently commence lending activities. Once a group's credit history is in place, the SHG gets linked to a bank and becomes a channel for microfinance. MFIs extend loans to the groups, which are collectively responsible for the repayment. This fosters a sense of accountability and peer pressure from the group members encouraging timely repayments.

Advantages of SHG lending model

- **Financial inclusion with low risk:** SHGs utilise peer pressure and joint liability to ensure low default rates, making them an attractive, low-risk option for banks to extend financial services to rural populations.
- **Savings and self-reliance**: Unlike pure credit-based MFI loans, SHGs prioritise saving. Members pool their resources into a common fund, reducing reliance on external credit and creating a financial cushion for emergencies.
- **Digital integration and future directions:** The latest developments in SHG models focus on digitising SHG accounts. This digital integration aims to facilitate faster and more transparent transactions and improve the monitoring of financial health, further enhancing the efficiency and effectiveness of SHGs in promoting financial inclusion and empowerment.

The increasing participation of banks and formal financial institutions has significantly strengthened the microfinance ecosystem. This has improved access to low-cost funding, enhanced governance standards and integrated microfinance into the broader financial system. The shift from a fragmented structure to a more institutionalised framework reduces systemic risks and supports scalable, long-term growth.

Comparison of different participants in the microfinance lending business

	Scheduled commercial banks	SFBs	NBFC-MFIs
Priority sector lending			
Targeted lending to sectors	40% for priority sector lending (PSL) of their adjusted net bank credit (ANBC) or equivalent off-balance-sheet exposure (whichever is higher). i. Agriculture: 18% of ANBC or credit equivalent of off-balance sheet exposure (CEOBE) ii. Micro enterprise: 7.5% of ANBC or CEOBE iii. Weaker sections: 12% of ANBC or CEOBE	60% for priority sector lending of their ANBC within it: i. 40% must continue to be allocated to various sub-sectors under PSL as per existing prescriptions. ii. The remaining 20% can be deployed towards any PSL sub-sector(s) based on the SFB's strategic or competitive advantage	60% of total assets should be microfinance assets
Prudential norms			
Capital adequacy and liquidity framework	Minimum Tier 1 capital: 7% Minimum capital adequacy ratio: 9% Minimum Common Equity Tier: 5.5% Minimum Capital Conservation Buffer: 2.5% Maintenance of CRR/SLR mandatory	Minimum Tier 1 capital: 7.5% Minimum capital adequacy ratio: 15% Maintenance of CRR/SLR mandatory	Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025
Leverage ratio	Minimum leverage ratio of 4%	Minimum leverage ratio of 4%	No such requirement
Liquidity coverage ratio/ net stable funding ratio (NSFR)	Mandatory requirement to maintain the liquidity coverage ratio.	Minimum liquidity coverage ratio of 100% by January 1, 2021. NSFR will be applicable to SFBs on par with scheduled commercial banks as and when finalised. The minimum NSFR requirement is also 100%.	Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025
Funding			
Deposits	Primarily rely on deposits for funding requirements	Primarily rely on deposits for funding requirements Deposit ramp-up will take time	Cannot accept deposits
Bank loans/ market funding	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 and MUDRA loans
Products			

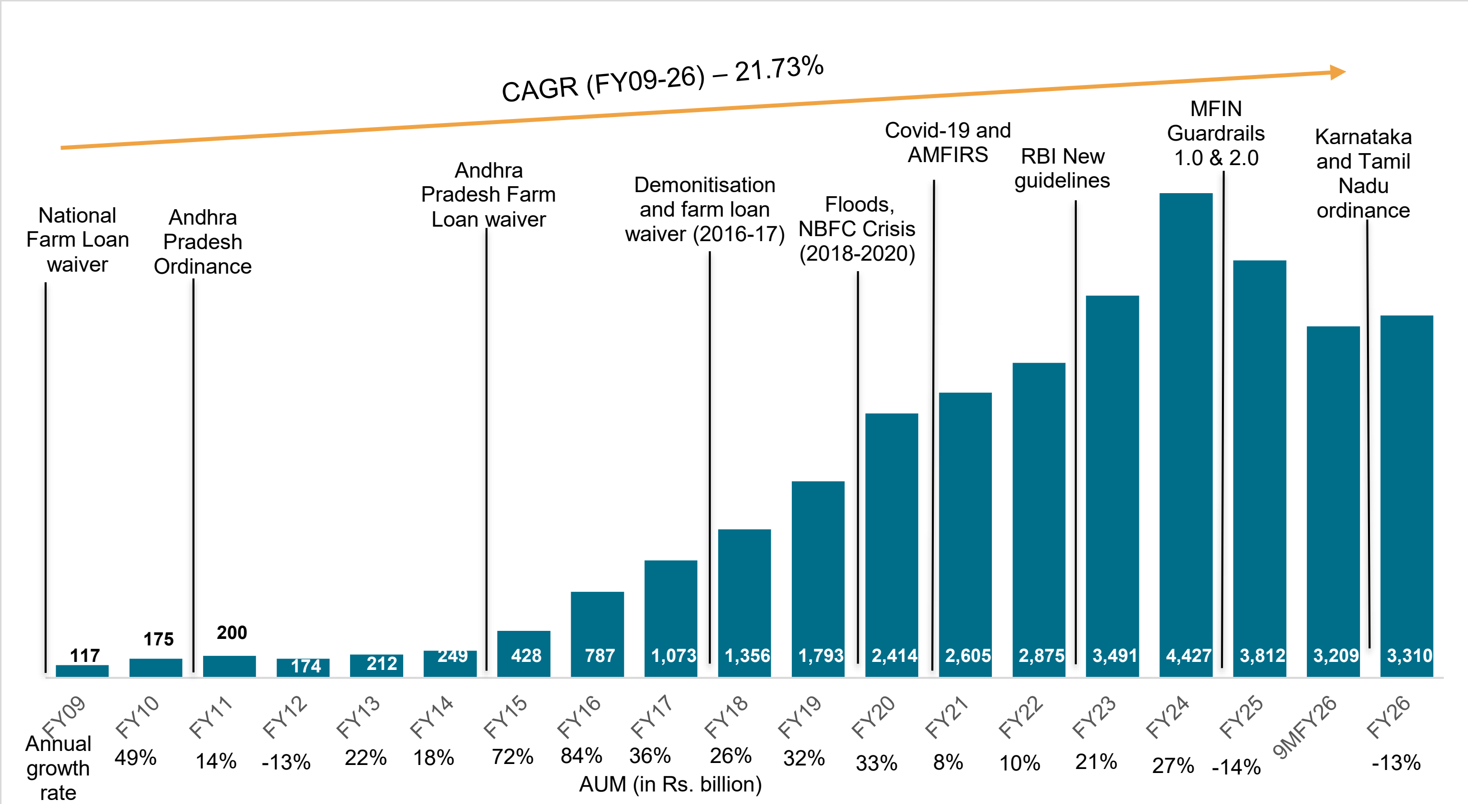
	Scheduled commercial banks	SFBs	NBFC-MFIs
Products offered	Full spectrum of banking, savings, investment and insurance products	Can offer savings and investment products apart from credit products and loans Can act as corporate agent to offer insurance products Cannot act as business correspondent to other banks	Can act as a business correspondent to another bank and offer savings, deposits credit and investment products Can act as a corporate agent to offer insurance products

Source: Crisil Intelligence

Industry emerges resilient from a slew of challenges

The overall MFI industry AUM has increased from Rs. 117 billion in fiscal 2009 to Rs. 3,310 billion in fiscal 2026 recording a compounded growth rate of 21.73%. Between this period, the industry has navigated several high-impact events, including the Andhra Pradesh microfinance crisis (2010), demonetisation (2016), farm loan waivers across multiple states (2016-2017), the non-banking financial company (NBFC) liquidity crisis (2018), the Covid-19 pandemic (2020-2021), the Assam Microfinance Incentive and Relief Scheme (AMFIRS), the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance, 2025 and Tamil Nadu Money Lending Entities (Prevention of Coercive Actions) Act, 2025. Each of these events had a temporary adverse impact on disbursements, collections, and asset quality. The sector, however, has consistently demonstrated its ability to stabilise operations, restore portfolio quality and resume growth trajectories within a relatively short period. Recovery is noted in the last quarter of fiscal 2026 where AUM has grown to Rs. 3,310 billion from Rs. 3,209 billion as of December 2025.

MFI industry: Resilience across business cycles and events



Note: The chart includes data on bank lending through joint liability groups (JLGs), small finance banks (SFBs), NBFC-MFIs, other NBFCs and non-profit MFIs; it excludes data on banks' lending through self-help groups (SHGs). The amounts are as at the end of fiscal; Source: MFIN, CRIF Highmark, Crisil Intelligence

Impact of key events

Event	Impact on Microfinance
National Farm Loan Waivers (2009)	Waived ~₹525 Bn loans for ~40 million farmers; full relief for small/marginal borrowers and partial settlement for others.
Andhra Pradesh Ordinance (2010)	Caused major disruption to collections and disbursements, but ultimately strengthened regulation via credit bureaus, borrower protections, and better governance.
Demonetisation (2016)	Temporarily disrupted collections/disbursements for cash-dependent borrowers, but collections recovered and digital payments accelerated, improving resilience and digitisation.
Farm Loan Waiver (2016–17)	Raised expectations of relief in some geographies, weakening repayment initially; borrower education improved collections after March 2017.
Floods in key states (2018–2020)	Reduced collection efficiency and increased delinquencies/PAR; relief measures plus restructuring/moratoriums supported gradual recovery.
NBFC liquidity crisis (2018)	Tightened funding and increased risk aversion after IL&FS; impact was moderated by diversified funding and better liability management, boosting balance-sheet strengthening.
Covid-19 pandemic (2020–2021)	Disrupted incomes, field operations, and collections; mitigated by moratoriums/restructuring/liquidity support and credit guarantees, with faster-than-expected recovery.
Assam Microfinance Relief Scheme (AMFIRS) (2021)	Phased borrower incentives and relief (for vulnerable borrowers) helped restore repayment discipline and stabilized portfolios.

Event	Impact on Microfinance
Karnataka Micro Loan Ordinance (2025)	Enhanced oversight, disclosure, and recovery compliance; likely caused short-term operational/collection disruption but expected to improve transparency and customer confidence.
Tamil Nadu Money Lending Entities Act (2025)	Tightened registration and transparency and banned coercive recovery may disrupt collections/disbursements short-term but support more formal, ethical growth.

Regulatory framework

RBI guidelines issued in December 2011

MFIs were largely unregulated until 2010, when the Andhra Pradesh (AP) Ordinance came into effect. Subsequently, in 2011, the RBI released guidelines that defined NBFC-MFIs and provided an operating and regulatory framework for MFIs in India.

In November 2010, the RBI set up a sub-committee under the chairmanship of YH Malegam to address issues concerning the microfinance industry. This was in light of the heightened risk towards the sector after the enactment of the AP ordinance. Based on the committee's recommendations, the NBFC-MFI directions issued by the RBI came into effect in December 2011. These guidelines were last updated in July 2022. The guidelines defined an NBFC-MFI as a non-deposit taking NBFC, with the following parameters:

NBFC-MFI – regulatory guidelines

Parameter	Provision
Minimum net owned funds (NOF)	Current NOF – Rs 50 million (Rs 20 million in the northeast region) NOF by March 31, 2025 – Rs 70 million (Rs 50 million in northeast) NOF by March 31, 2027 – Rs 100 million
Qualifying assets*	A minimum of **60%** of an NBFC-MFI's total assets (netted off by intangible assets) must be in the form of 'qualifying assets' (microfinance loans) on an ongoing basis
Capital adequacy	Capital adequacy ratio, consisting of Tier I and II capital, should not be less than 15% of aggregate risk-weighted assets
Loan repayment obligations	A maximum of 50% of monthly household income. The computation of loan repayment obligations, including principal and interest, for all existing (collateral-free as well as collateralised) loans and loans under consideration shall be capped at 50% of monthly household income

***Qualifying assets**

Parameter	Provision
Total monthly repayment obligations of the borrower should not exceed	50% of monthly household income
Household annual income	Up to Rs 300,000
Collateral	None

Breakup of qualifying and non-qualifying assets from fiscal 2023 to nine months of fiscal 2026

Category	FY23	FY24	FY25	9MFY26

Qualifying assets	77%	76%	74%	64%
Non-qualifying assets	23%	24%	26%	36%

Source: MFIN, Crisil Intelligence

The new regulatory regime ensures a level playing field (April 2022)

In its master directions on microfinance loans released in March 2022, the RBI did away with the interest rate cap on loans provided by NBFC-MFIs. Entities providing microfinance loans will have to put in place a Board-approved policy for the pricing of loans. 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, along with all the other charges on MFI loans. With microfinance loans provided by NBFC-MFIs and banks/SFBs now subject to the same rules, the RBI has ensured a level playing field for all entities.

The increase in the annual household income cap for microfinance borrowers to Rs 300,000 in both urban and rural areas, the removal of the two-lender norm for lending by NBFC-MFIs, and the greater flexibility to offer non-MFI loans (MFI loans should account for 60% of total assets for NBFC-MFIs as per a notification dated June 6, 2025) will enable NBFC-MFIs to achieve a more balanced portfolio.

Following the RBI's revised regulations for MFI loans, effective October 1, 2022, some MFIs have increased interest rates for borrowers by 150-200 bps, especially for those who are new to credit.

The key changes in the regulatory framework and their potential impact on NBFC-MFIs are as follows:

Area of regulation	Earlier regulations		New regulations (effective April 1, 2022)
	For NBFC-MFIs	For banks and SFBs	For all regulated entities*
Loan pricing	Margin cap at 10% for large MFIs (loan portfolios more than Rs 1 billion) 12% for small MFIs (loan portfolios less than Rs 1 billion)	No restrictions for banks and SFBs	No pricing cap. Underwriting of loans to be based on a risk-based analysis, and a risk premium to be charged based on the borrower. A Board-approved policy for pricing of loans to be put in place. The policy should include the interest rate model, the spread of each component for various categories of borrowers and the interest rate ceiling, along with all the other charges on MFI loans. Entities to exercise regulatory freedom responsibly and ensure fair, reasonable and transparent pricing, especially for small value loans. The Board will review interest rates to pass on efficiency gains to clients and restrict deductions from loan amounts to only processing fees and credit life insurance.
Processing fees	Not more than 1% of the gross loan amount		
Qualifying criteria	85% of loans unsecured	Must meet the target set for priority sector loans	The minimum requirement of microfinance loans is revised to 60% (as per the June 6, 2025, notification) of an NBFC-MFI's total assets. The maximum limit on microfinance loans for NBFCs, other than NBFC-MFIs, stands revised to 25% of total assets from 10%.

<table>
<tr><th rowspan="2">Area of regulation</th><th colspan="2">Earlier regulations</th><th>New regulations (effective April 1, 2022)</th></tr>
<tr><th>For NBFC-MFIs</th><th>For banks and SFBs</th><th>For all regulated entities*</th></tr>
<tr><td>Household income</td><td>Rural areas: Rs 125,000 per annum
Urban areas: Rs 200,000 per annum</td><td rowspan="3">No restrictions for banks and SFBs</td><td rowspan="3">Annual household income: Up to Rs 300,000 for urban and rural areas (higher than the amount stated in the consultation paper issued in June 2021—up to Rs 125,000 for rural areas and Rs 200,000 for urban and semi-urban areas).
Board-approved policy for the assessment of household income.</td></tr>
<tr><td>Ticket size of loans</td><td>Rs 75,000 in the first cycle and Rs 125,000 in subsequent cycles</td></tr>
<tr><td>Tenure of loans</td><td>Not less than 24 months for loan amount exceeding Rs 30,000</td></tr>
<tr><td>Lending to the same borrower</td><td>No more than two lenders allowed per borrower</td><td>More than two banks can lend to the same borrower</td><td rowspan="2">Limit on maximum loan repayment obligation of a household towards all loans: 50% of monthly household income. This requirement is mandated by the RBI.
Members of the MFIN on August 1, 2024, also agreed to the following guardrails:
• Restricting the number of microfinance lenders to a borrower to a maximum of four
• Limiting total microfinance indebtedness to Rs 200,000, with nearly 80% of loans having a tenure of 1.5 years (18 months) or more
Additionally, the MFIN introduced another set of guardrails from April 2025:
• Restricting the number of microfinance lenders to a microfinance client to three instead of four
• Capping total indebtedness of a microfinance client, including unsecured retail loans, to Rs 200,000
• No lending to a delinquent client who is overdue for over 60 days with an outstanding amount exceeding Rs 3,000</td></tr>
<tr><td>Overall borrower indebtedness</td><td>Should not exceed Rs 125,000</td><td>No restrictions for banks and SFBs</td></tr>
</table>

** 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, Crisil Intelligence

Role of Self-Regulatory Organisations (SRO)

The MFIN was recognised as an SRO for NBFC-MFIs in India in June 2014, becoming the first network in India and Asia to attain such recognition, with authority from the RBI to regulate and ensure compliance with industry standards. In September 2017, it released its Mutually Agreed Code of Conduct (MACC), which prohibits lending to borrowers who have already taken loans from three microcredit lenders. As an SRO, the MFIN also undertakes research, training, and submits financials of MFIs to the RBI, with over 50 NBFC-MFIs as members.

Sa-Dhan is the second association granted SRO status by the RBI, tasked with engaging policymakers, monitoring the microfinance segment and submitting annual reports. Post-demonetisation, both organisations played proactive roles in raising awareness and managing socio-political disturbances through local engagement and workshops.

MFIN Guardrails Reinforce Lending Discipline in Microfinance

In 2024, MFIN introduced industry-wide guardrails to address rising borrower over-indebtedness and asset-quality stress in the microfinance sector. The framework limits the number of active lenders per borrower, caps total unsecured and microfinance debt at Rs 2 lakh, mandates credit bureau checks before every disbursement, and restricts fresh lending to borrowers with overdue loans beyond 60 days.

These measures were implemented to reduce multiple lending, prevent debt build-up beyond household repayment capacity, and curb evergreening of stressed accounts. While the guardrails have led to some moderation in disbursements and credit growth, they have strengthened lending discipline, supported portfolio clean-up, and improved the sector's foundation for sustainable growth.

MFIN guardrails to protect borrowers from over-leveraging

The MFIN has been collaborating with its members to ensure that flexibility is used responsibly, ultimately benefiting borrowers. To achieve this, the MFIN has taken proactive measures such as streamlining guidelines to reduce interest rates and implementing safeguards to prevent borrowers from over-leveraging and defaulting on repayments.

Guardrail 1.0 (August 2024)

On August 1, 2024, the MFIN announced measures to protect customers and provide guardrails against over-indebtedness. The self-regulatory body suggested a range of underwriting standards, which the industry has started to implement. These included:

- Restricting the number of microfinance lenders to a borrower to four
- Limiting microfinance indebtedness to Rs 200,000, with nearly 80% of loans having a tenure of 18 months or more

Guardrail 2.0 (April 2025)

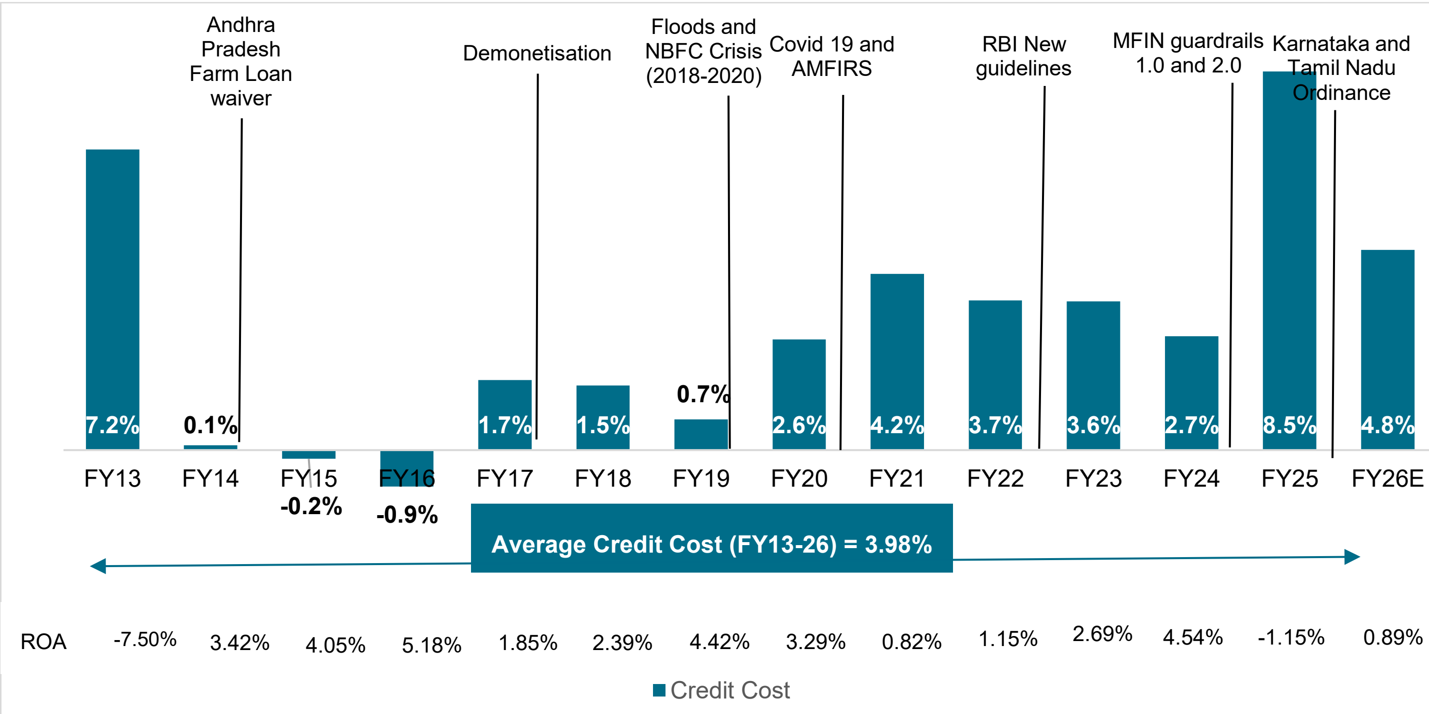
Considering the rising stress, the MFIN introduced new norms on November 25, 2024, effective April 1, 2025. These included:

- Restricting the number of microfinance lenders per borrower to three instead of four
- Capping total indebtedness of a microfinance client, including unsecured retail loans, to Rs 200,000
- No lending to a delinquent client who is overdue for more than 60 days with an outstanding amount exceeding Rs 3,000
- Board members must monitor interest rates closely. Further, deduction of any charges from the sanctioned amount other than processing fee and credit life insurance is not permitted

The revised norms aim to promote credit discipline; the industry has experienced short-term impacts, including moderated disbursements and slower credit growth. While these rules promote responsible lending, they have also contributed to tighter liquidity and a temporary credit squeeze, with stress visible in deeper days-past-due buckets. At the same time, accelerated write-offs have helped lenders manage reported portfolio stress. These developments are enabling lenders to clean up their portfolios, identify disciplined borrowers, and build a stronger foundation for sustainable growth in the segment.

At a broader level, while these interventions have at times resulted in short-term operational disruptions, these may reflect a broader trend of progressive regulatory tightening and sectoral formalisation. The sector has been able to bounce back from all the economic shocks and deliver profit in long run. Barring few short-term disruptions, the sector has been able to curb the credit cost and return to normalcy quickly.

Trend in credit cost and return on assets across business cycles for the overall microfinance industry



Note: Data includes information for Spandana Sphoorty, CreditAccess Grameen, Asirvad Microfinance, Muthoot Microfin, Satin Creditcare Network, Annapurna Finance, Fusion Finance, IIFL Samasta Finance, Svatantra Microfin, Belstar Microfinance, Arohan Financial Services, Chaitanya India Fin Credit Private Limited, Repco Micro Finance Limited; Source: Crisil Intelligence

The chart highlights the microfinance industry's cyclical profitability pattern, where RoA moves inversely with credit costs across business cycles. During stress periods such as the Andhra Pradesh crisis in fiscal 2013, Covid-19 in fiscal 2021, and the expected credit-cost spike in fiscal 2025, higher credit costs sharply weaken profitability, while stable operating and regulatory phases support stronger returns. The credit cost turned negative in fiscals 2015 and 2016 at -0.2% and -0.9% due to excessive provisions and write offs due to stress in prior years. The same was reversed as credit costs were lower than expected. The peak RoA of 4.5% reflects the benefit of improved discipline under MFIN guardrails, whereas fiscal 2025 shows that policy disruptions, such as state-level ordinances, can pressure RoA even when credit costs are exceptionally high. Overall, the trend underscores that credit quality and regulatory stability remain key drivers of profitability for the microfinance industry.

Trends in the microfinance industry

India's microfinance sector has transitioned from a phase of rapid growth to one of recalibration, with aggregate portfolios declining in fiscal 2025 and fiscal 2026 after strong expansion through fiscal 2024. This slowdown was driven by rising borrower leverage, multiple-lender exposure, tighter underwriting norms, and deliberate portfolio rationalisation by lenders. Asset quality weakened after fiscal 2024, particularly among highly leveraged borrower segments, prompting lenders to strengthen bureau-led underwriting, reduce high-risk exposure, and intensify collection efforts. These corrective measures, supported by regulatory and industry guardrails, are expected to improve portfolio stability and support gradual asset-quality recovery.

Strong growth until fiscal 2024 followed by a calibrated slowdown up to fiscal 2026

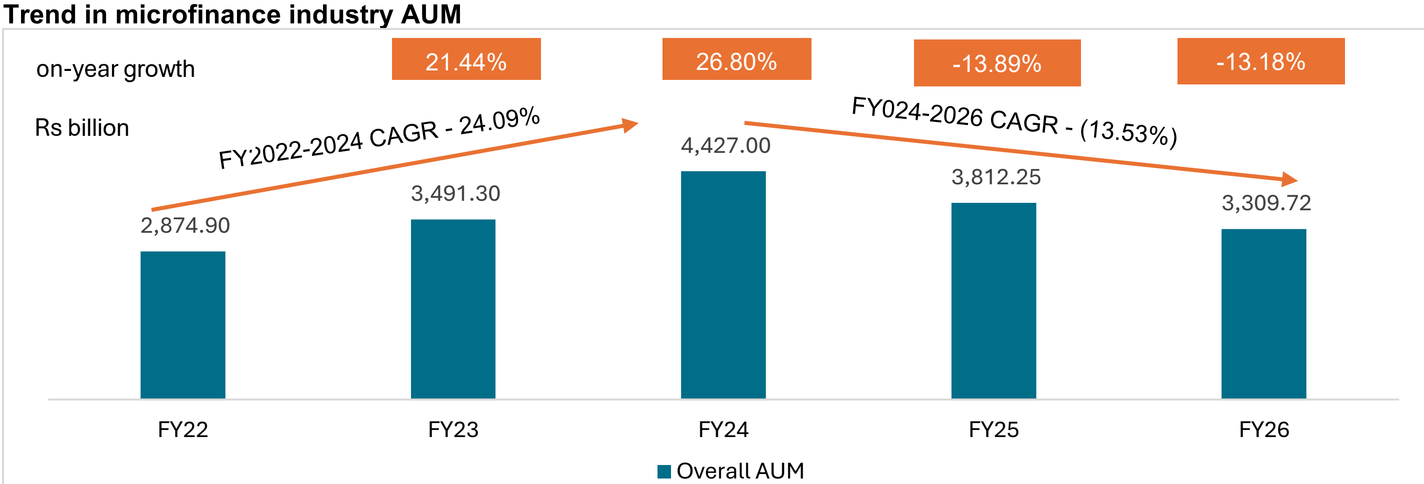
The Indian microfinance industry posted a strong growth between fiscals 2022 and 2024, driven by post-pandemic normalisation, improved rural economic activity, rising borrower confidence and deepening penetration of formal credit across underserved markets.

The industry's aggregate portfolio increased to Rs 4,427.00 billion in fiscal 2024 from Rs 2,874.90 billion in fiscal 2022, on the back of sharp on-year growths of 21.44% and 26.80% in fiscals 2023 and 2024, respectively.

The rapid expansion phase was supported by strong disbursement momentum, revival in collection efficiencies, increasing participation of new-to-credit (NTC) borrowers and broader adoption of harmonised RBI microfinance regulations effective from April 2022, which enhanced standardisation across lending practices and improved the scalability of operations.

However, the industry entered a recalibration phase in fiscals 2025 and 2026, with aggregate portfolios declining 13.89% on-year and 13.18% on-year, respectively, primarily attributable to rising borrower leverage resulting in increased delinquencies, tighter underwriting practices, reduced incremental lending to highly leveraged borrowers and industry-wide portfolio rationalisation measures. Lenders increasingly adopted a calibrated strategy that focused on preserving portfolio quality, improving collection efficiency and reducing exposure to borrowers with elevated multi-lender obligations.

Trend in microfinance industry AUM



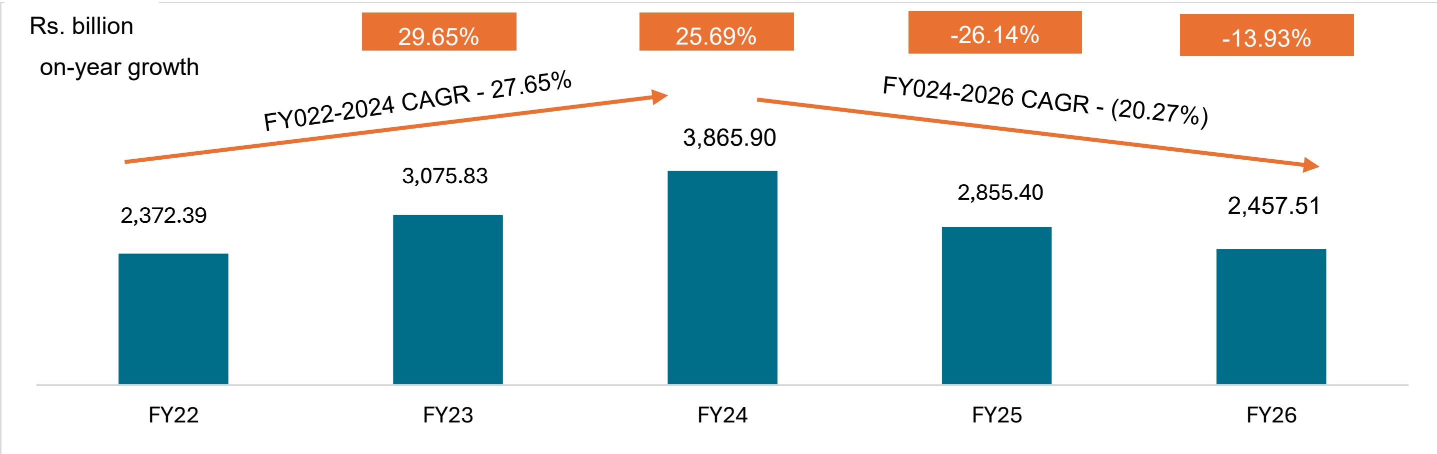
Source: CRIF Highmark, Crisil Intelligence

Disbursements peaked in fiscal 2024 before shifting towards sustainable growth

Industry disbursements rose sharply between fiscals 2022 and 2024, supported by a strong post-pandemic recovery, improved borrower repayment capacity and expansion into underpenetrated geographies. Disbursement volumes peaked in fiscal 2024, reflecting elevated borrower demand and aggressive lender expansion strategies.

Following the rapid growth phase, the industry saw a moderation in disbursement volume over fiscals 2025- 2026, as lenders prioritised portfolio quality over portfolio growth.

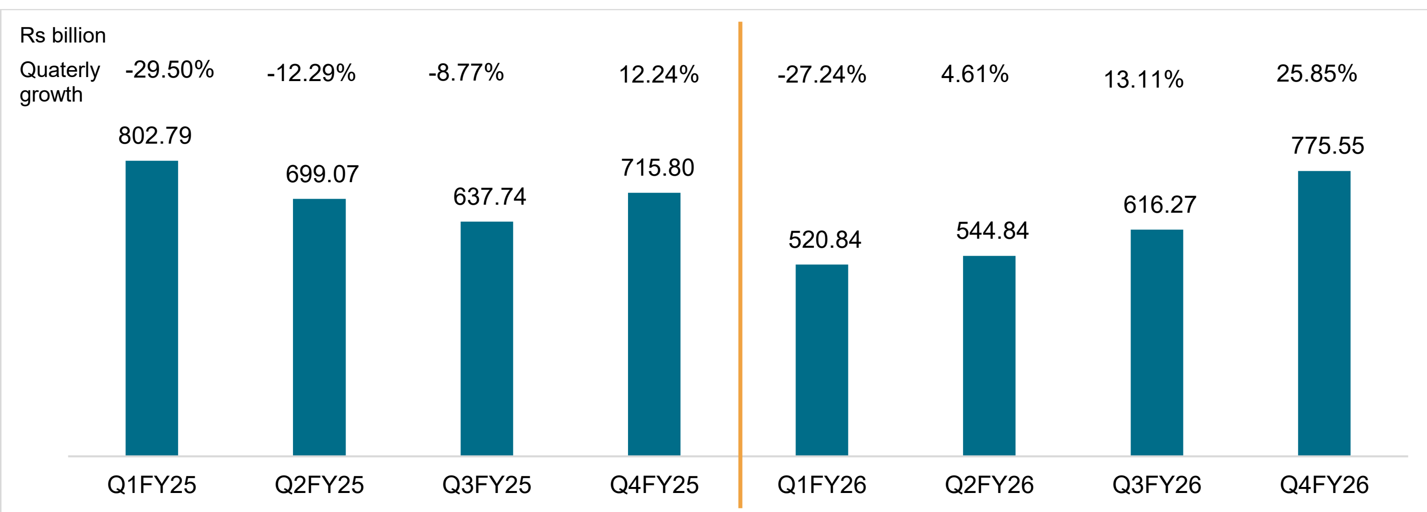
Trend in yearly disbursements



Source: CRIF Highmark, Crisil Intelligence

Disbursement trends in fiscal 2026, though, indicated early signs of stabilisation and gradual recovery, with on-quarter growth improving sequentially through the fiscal. The improving trajectory reflected calibrated lender confidence, normalisation in borrower quality and a gradual revival in credit demand from financially resilient customer segments.

Quarterly disbursement trajectory



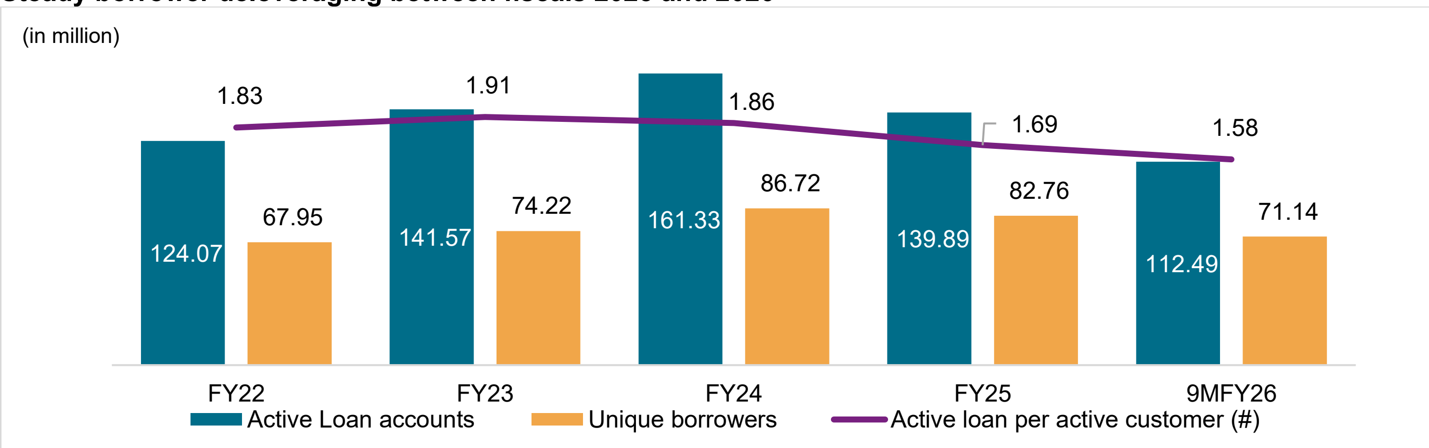
Source: CRIF Highmark, Crisil Intelligence

Active borrower leverage moderates on shift towards disciplined underwriting

The industry saw a sharp rise in active loan accounts and unique borrowers between fiscals 2022 and 2024, reflecting deeper credit penetration and stronger customer acquisition across rural and semi-urban geographies. Active loan accounts increased to 161.33 million in fiscal 2024 from 124.07 million in fiscal 2022, whereas unique borrowers rose to 86.72 million from 67.95 million during the period. Resultantly, the ratio of active loan accounts per customer peaked during fiscals 2023 and 2024, indicating rising borrower leverage and increasing exposure to multiple lenders during the industry's rapid growth phase.

Subsequently, RBI introduced Guardrails 1.0 and 2.0 to address over leveraging by limiting the number of lenders per borrower to 3. Thereafter, lenders adopted stricter bureau-led underwriting frameworks, tighter customer selection criteria and enhanced leverage assessment mechanisms, resulting in moderation in borrower indebtedness levels during fiscals 2025 and 2026. By nine months-ended fiscal 2026, active loan accounts per borrower had reduced to 1.58 compared with 1.91 in fiscal 2023, reflecting the impact of guardrail-based lending frameworks and stronger portfolio discipline across the industry.

Steady borrower deleveraging between fiscals 2025 and 2026



Note: #- count; Source: CRIF Highmark, Crisil Intelligence

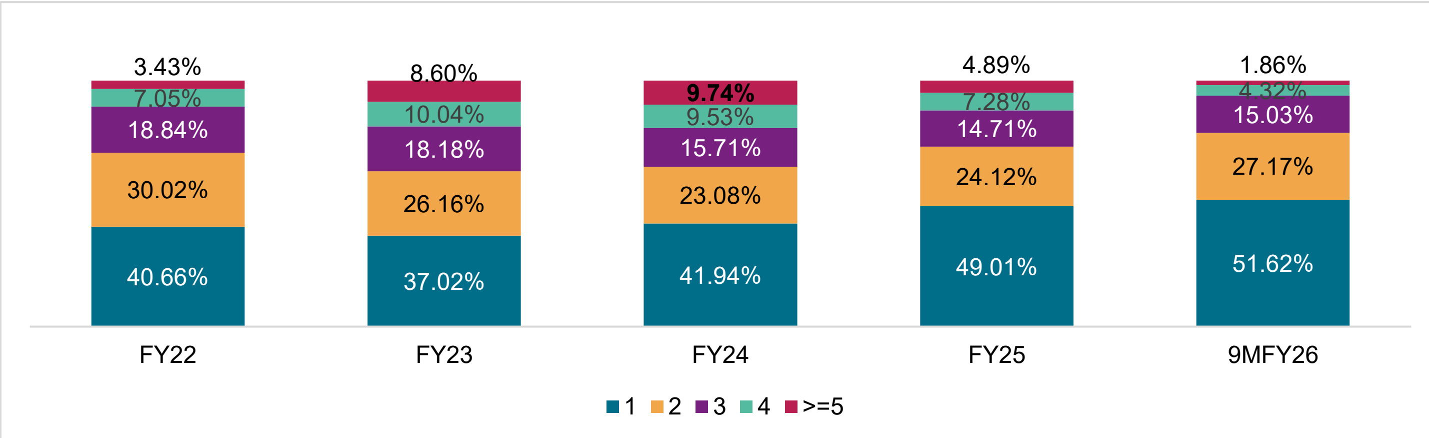
Active lenders per borrower declining post fiscal 2024 owing to MFIN guardrails

The trend shows that the mix of overall MFI portfolio against one active lender has increased to 51.62% in the first nine months of fiscal 2026 from 40.66% in fiscal 2022. Conversely, the share of portfolio against two active lenders has reduced to 27.17% from 30.02% during the same period.

Portfolio mix of four active lenders increased to 9.53% in fiscal 2024 and fell to 4.32% in the first nine months of fiscal 2026. Similarly, portfolio mix for more than five active lenders rose to 9.74% and subsequently fell to 1.86% during the same period.

Increasing share of portfolio with higher number of active lenders during fiscal 2024 is marked by the aggressive growth phase. However, increasing share of lower active lenders (one and two) is marked by introduction of MFIN guardrails, where upper limit on the number of lenders is 3.

Portfolio outstanding mix according to the number of lenders



Source: CRIF Highmark, Crisil Intelligence

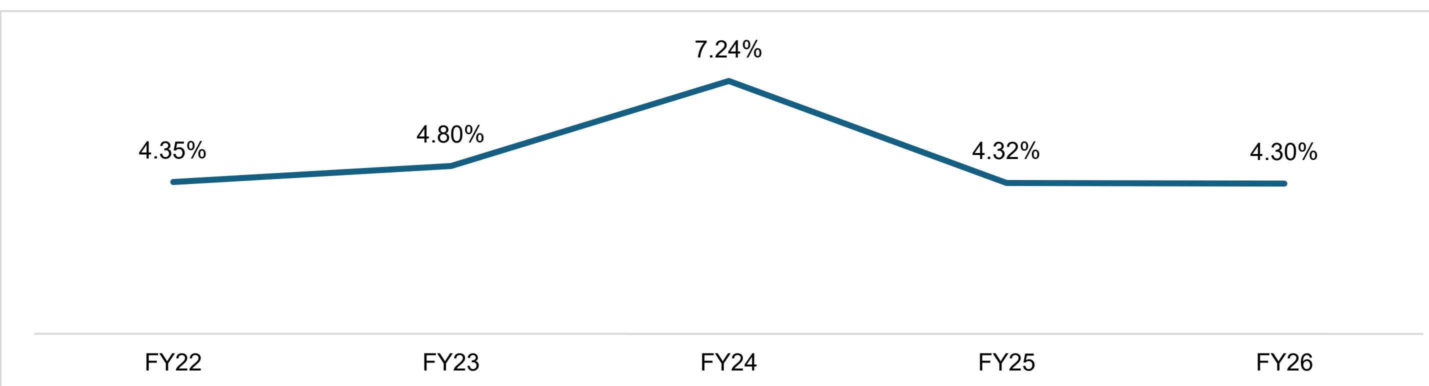
New-to-credit customers buoyed growth but also led to portfolio seasoning risks

The share of NTC borrowers increased meaningfully in fiscal 2024, contributing significantly towards industry-wide disbursement growth and deeper financial inclusion, increasing penetration into previously underserved borrower segments, and enabling lenders to expand market reach and improve rural credit access.

However, as these relatively new borrower cohorts matured over subsequent periods, portions of the industry experienced elevated asset quality pressures, particularly in geographies witnessing rapid portfolio expansion and higher borrower leverage. This led to increased credit costs, higher provisioning requirements and moderation in profitability across certain lenders.

In fiscals 2025 and 2026, the industry adopted a more calibrated customer acquisition strategies that focused on bureau-backed underwriting, repayment behaviour monitoring and controlled borrower onboarding. The shift reflects the industry’s transition towards more sustainable and risk-aware growth practices.

Share of NTC customers in terms of disbursement value



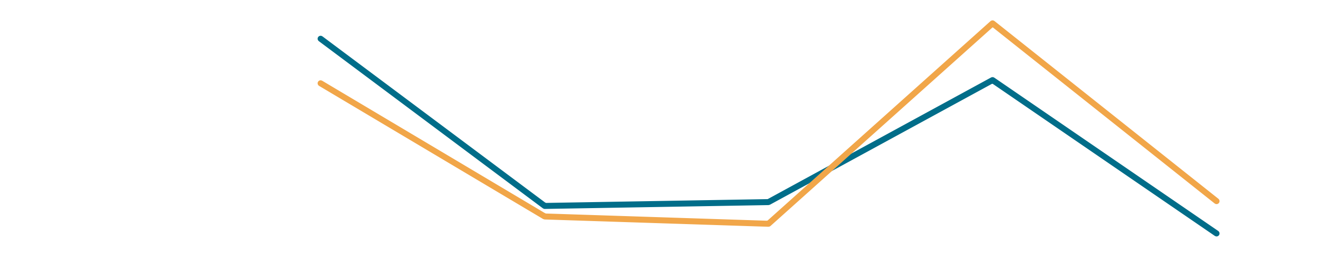
Source: CRIF Highmark, Crisil Intelligence

Asset quality pressures rose post fiscal 2024 due to borrower over-leveraging and macroeconomic stress followed by early signs of improvement in fiscal 2026

Industry asset quality indicators remained relatively stable through fiscal 2024 before witnessing stress during fiscals 2025 and 2026. PAR 90-180 DPD levels increased meaningfully during this period as aggressive credit expansion, rising borrower over leveraging due to excessive indebtedness and multiple lender exposure affected repayment behaviour across certain borrower cohorts. PAR 31-90 increased to 1.21% in fiscal 2024 and further increased to 2.73% in fiscal 2025. Fiscal 2026 saw improvement in this bucket at 0.82%. PAR 91-180 stood at 0.94%, 3.45% and 1.22% in fiscals 2024, 2025 and 2026 respectively.

Further, macroeconomic pressures affecting rural borrower cash flows, including inflationary trends, climatic disruptions, seasonal income volatility and localised collection-related challenges in select states amplified the stress. Certain regulatory interventions and state-level developments also affected collection efficiencies and borrower repayment discipline in sections of the industry.

Asset quality deteriorated between fiscals 2024 and 2025; witnessed improvement in fiscal 2026



	FY22	FY23	FY24	FY25	FY26
31-90 DPD	3.25%	1.16%	1.21%	2.73%	0.82%
91-180 DPD	2.70%	1.03%	0.94%	3.45%	1.22%

31-90 DPD 91-180 DPD

Source: CRIF Highmark, Crisil Intelligence

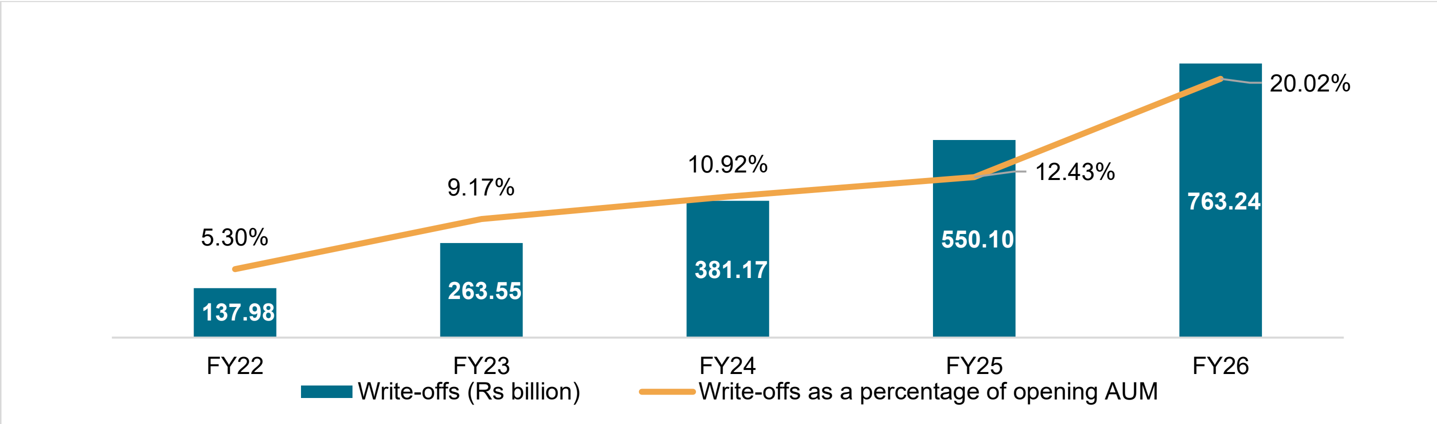
In response, lenders strengthened their underwriting discipline, cut exposure to high-risk borrower segments, intensified collection efforts and enhanced bureau integration frameworks to improve portfolio visibility and early warning sign detection. As a result, asset quality has shown improvements in the second half of fiscal 2026 where PAR 31-90 and PAR 91-180 have declined considerably as compared to fiscal 2025.

Strategic clean-up and write-offs strengthened long-term portfolio quality

The industry undertook accelerated write-off and portfolio clean-up exercises during fiscals 2025 and 2026 to address legacy stress induced by aggressive growth. Industry write-offs increased materially during this period as lenders proactively recognised stressed accounts and expedited balance sheet normalisation.

The clean-up exercise was aimed at improving long-term collection efficiency, reducing vintage stress and enabling lenders to rebuild healthier portfolios through disciplined underwriting and stronger operational controls. Increased write-offs also reflected the industry's focus on transparency, prudential provisioning and proactive stress recognition. The portfolio rationalisation undertaken by lenders is expected to bring about stronger operating metrics and improved portfolio quality over the medium term.

Write offs done / undertaken as a % of opening AUM



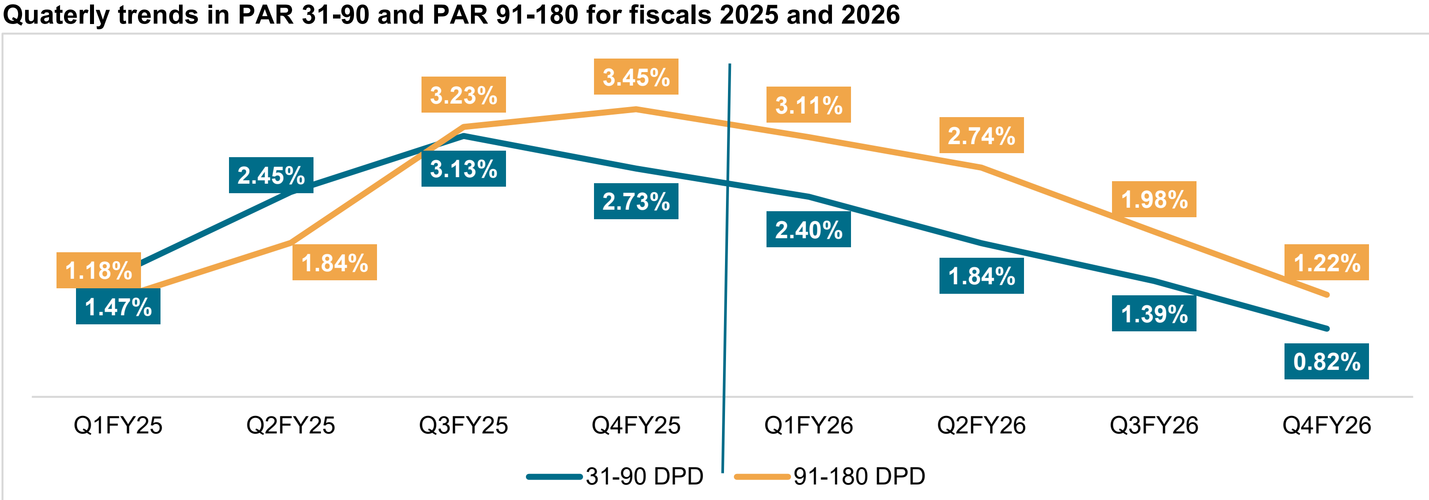
Source: CRIF Highmark, Crisil Intelligence

Early signs of recovery in the microfinance industry

DPD buckets 31-90 and 91-180 have shown improvement in fiscal 2026

The delinquencies had peaked in Q4 of fiscal 2025 where PAR 91-180 was at 3.45%. The quarterly trends in fiscal 2026 show improvement in the DPD buckets (31-90 and 91-180), suggesting lower slippages and how the asset quality improved in the industry post implementation of guardrails and portfolio sanitisation. PAR 31-90 has improved from 2.40% in the first quarter of fiscal 2026 to 0.82% in the fourth quarter of the same year. Similarly, PAR 91-180 improved to 1.22% from 3.11% in the same period.

Quaterly trends in PAR 31-90 and PAR 91-180 for fiscals 2025 and 2026



Source: CRIF Highmark; Crisil Intelligence

Borrowers with higher active lenders fall under higher DPD buckets

Borrowers with more lenders fall in higher DPD buckets. Borrowers with one to two active lenders have a higher share of portfolio in the current bucket (0 DPD). Borrowers with four to five active lenders fall under various DPD buckets.

The table below shows the portfolio shift between fiscals 2022 and 2026 in various DPD buckets. The share in the current bucket has remained rangebound for borrowers with one active lender (76-78%) and has increased for two and three active lenders showcasing improved collection mechanism. It remained stable for four active lenders and reduced for over five active lenders. This indicates slippages for borrowers with more lenders.

Further, improvement can be seen across all DPD buckets (excluding PAR>180). This signifies how slippages have been curbed by identifying early warning signs and taking corrective measures. This also indicates the improved asset quality in the fiscal 2026 portfolio after the churn amid an industry-wide crisis.

However, the DPD bucket of PAR>180 has seen a significant rise in fiscal 2026. This is because the quality of legacy loans turned out to be poor, especially in the case of four to five active lenders.

Worst DPD of borrowers as per active lenders

FY26	Active Lenders				
Worst DPD	1	2	3	4	>=5
CURRENT	76.2%	74.1%	70.3%	48.7%	23.6%
1_30	1.0%	2.0%	3.1%	4.6%	4.4%
31_60	0.6%	1.3%	2.5%	5.2%	6.2%
61_90	0.7%	1.4%	2.5%	5.0%	8.3%
91_180	1.6%	1.9%	2.5%	3.7%	4.1%
>180	19.2%	18.7%	18.8%	32.6%	53.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Active lenders are for MFI loans and no other retail loans. Worst DPD illustrates the highest DPD bucket of borrower among all the active lenders
Source: CRIF Highmark, Crisil Intelligence

FY22	Active Lenders				
Worst DPD	1	2	3	4	>=5
CURRENT	77.9%	66.1%	58.3%	48.6%	36.1%
1_30	2.7%	5.4%	7.7%	10.0%	12.3%
31_60	1.6%	3.9%	6.0%	8.4%	11.3%
61_90	1.4%	3.6%	5.9%	8.7%	12.9%
91_180	2.2%	3.8%	4.4%	5.0%	5.8%
>180	13.0%	16.2%	17.2%	18.8%	21.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Active lenders are for MFI loans and no other retail loans. Worst DPD illustrates the highest DPD bucket of borrower among all the active lenders
Source: CRIF Highmark, Crisil Intelligence

Collection efficiency has improved between fiscals 2024 and 2026

The horizontal DPD buckets (in green) reflect the month of March of the respective year. The vertical DPD buckets (in blue) reflect the month of February of the respective year. The percentage reflects the collection efficiency in each DPD bucket. The yellow cells mean the roll forward rates, while the green cells mean roll back rates. The blue cells mean the stabilised collection efficiency for the same bucket.

The collection efficiency improved from fiscal 2024 to fiscal 2026 visible from decrease in roll forward rates. This is mainly due to asset quality issues faced by the industry in fiscal 2024 where collection efficiency was hit resulting in delinquencies.

The collection rate for 0 DPD bucket has improved from 90.53% in fiscal 2024 to 96.08% in fiscal 2025 and further to 96.42% in fiscal 2026. Similarly, roll forward rates to higher DPD buckets have improved during same period. Stage 1 roll forward rates (1-30 DPD buckets) was at 0.70% in fiscal 2024 which increased to 1.58% in fiscal 2025 and subsequently came down to 0.90% in fiscal 2026 highlighting recovery post the stress period in fiscal 2025.

Early in the recent stress phase, the microfinance sector saw roll forward rates rise, which explains the subsequent uptick in delinquencies, gross non-performing assets (GNPA) and credit costs. Importantly, these indicators also proved their value as reliable early warning signs, enabling lenders to act quickly and prevent broader and more persistent deterioration.

Supported by guidance from the Microfinance Institutions Network (MFIN) and aligned with the RBI's prudential approach, MFIs responded decisively by tightening underwriting standards, calibrating disbursements and strengthening collection intensity. These actions have led to improvements in roll back rates and clear early signs of portfolio stabilisation in fiscal 2026.

Average monthly collection efficiency for fiscal 2024

Fiscal 2024	0	1-30	31-60	61-90	91-120	121-150	151-180	Over 180	Closed	DDD	W/Off
0	90.53%	0.70%	0.10%	0.07%	0.05%	0.06%	0.06%	0.21%	1.65%	6.52%	0.05%
1-30	24.22%	29.01%	31.56%	2.22%	0.07%	0.07%	0.08%	1.62%	2.52%	8.03%	0.61%
31-60	2.22%	3.04%	18.99%	56.23%	3.44%	0.17%	0.06%	2.14%	2.60%	10.20%	0.92%
61-90	1.49%	0.66%	2.12%	31.93%	45.79%	3.23%	0.10%	2.44%	2.17%	9.24%	0.84%
91-120	1.39%	0.42%	0.27%	1.78%	12.08%	65.00%	5.21%	2.41%	1.35%	7.97%	2.12%
121-150	0.85%	0.20%	0.09%	0.24%	0.70%	8.32%	71.12%	8.36%	1.25%	7.50%	1.37%
151-180	0.34%	0.09%	0.04%	0.08%	0.13%	0.65%	14.31%	72.24%	0.94%	7.21%	3.97%
Over 180	0.26%	0.02%	0.04%	0.01%	0.01%	0.01%	0.02%	90.35%	0.57%	6.24%	2.48%

Note: Closed: Portfolio account closed by borrower; DDD – DPD not reported; W/Off – written off; Source: CRIF Highmark, Crisil Intelligence

Average monthly collection efficiency for fiscal 2025

Fiscal 2025	0	1-30	31-60	61-90	91-120	121-150	151-180	Over 180	Closed	DDD	W/Off
0	96.08%	1.58%	0.04%	0.00%	0.00%	0.00%	0.00%	0.01%	1.06%	1.20%	0.01%
1-30	12.28%	25.25%	57.54%	1.39%	0.02%	0.01%	0.00%	0.01%	1.54%	1.86%	0.10%
31-60	1.70%	1.95%	14.47%	76.90%	1.37%	0.03%	0.00%	0.02%	1.85%	1.58%	0.12%
61-90	0.97%	0.35%	1.87%	20.92%	70.35%	2.01%	0.05%	0.02%	1.55%	1.62%	0.29%
91-120	0.39%	0.12%	0.19%	0.80%	5.74%	86.50%	2.34%	0.10%	0.77%	1.84%	1.21%
121-150	0.28%	0.08%	0.06%	0.24%	0.41%	4.73%	88.74%	2.03%	0.65%	1.90%	0.89%
151-180	0.16%	0.05%	0.03%	0.05%	0.08%	0.95%	5.41%	82.46%	0.58%	1.52%	8.72%
Over 180	0.17%	0.01%	0.01%	0.01%	0.01%	0.01%	0.02%	92.81%	0.29%	2.81%	3.86%

Note: Closed: Portfolio account closed by borrower; DDD – DPD not reported; W/Off – written off; Source: CRIF Highmark, Crisil Intelligence

Average monthly collection efficiency for fiscal 2026

Fiscal 2026	0	1-30	31-60	61-90	91-120	121-150	151-180	Over 180	Closed	DDD	W/Off
0	96.42%	0.90%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	1.33%	1.32%	0.00%
1-30	14.26%	34.58%	45.54%	1.11%	0.00%	0.03%	0.08%	0.14%	1.89%	2.28%	0.09%
31-60	1.65%	2.80%	20.31%	70.49%	1.50%	0.04%	0.14%	0.18%	1.45%	1.28%	0.18%
61-90	0.67%	0.51%	1.99%	22.91%	68.17%	2.06%	0.07%	0.21%	1.27%	1.51%	0.64%
91-120	0.45%	0.23%	0.43%	1.28%	8.10%	83.02%	2.33%	0.04%	1.05%	1.64%	1.44%
121-150	0.19%	0.08%	0.20%	0.55%	0.79%	6.45%	85.10%	2.30%	1.01%	1.74%	1.59%
151-180	0.12%	0.05%	0.08%	0.13%	0.17%	0.47%	5.23%	83.97%	0.66%	2.35%	6.76%
Over 180	0.07%	0.02%	0.01%	0.01%	0.01%	0.01%	0.03%	94.18%	0.36%	2.46%	2.83%

Note: Closed: Portfolio account closed by borrower; DDD – DPD not reported; W/Off – written off; Source: CRIF Highmark, Crisil Intelligence

Industry is witnessing a healthy mix of recent borrowers and existing customers

Historically, ~50% of the borrowers have been in the credit system for more than 60 months. The share of the same has reduced marginally to 50.36% in the nine months of fiscal 2026 from 53.06% in fiscal 2022. Share of customers between 13 and 24 months has doubled to 10.52% in the first nine months of fiscal 2026 from 5.48% in fiscal 2022. Overall, the share of low vintage borrowers has increased marginally and that of high vintage borrowers has been declining. This can be due to the clean-up activity undertaken in the industry to write off the delinquent borrowers. The share of borrowers acquired in the last 25-36 months is increasing who have shown early signs of improvement. This highlights a healthy mix of borrowers in the industry where disciplined borrowers are retained in the credit system along with acquiring high quality borrowers.

Mix of Borrowers as per the credit vintage

Borrower Vintage	FY22	FY23	FY24	FY25	9MFY26
0-3 months	3.81%	4.05%	6.04%	3.76%	4.02%
3-6 months	2.76%	3.30%	4.34%	2.67%	3.04%
7-12 months	2.79%	5.21%	6.65%	6.82%	5.42%
13-24 months	5.48%	8.92%	10.59%	13.28%	10.52%
25-36 months	10.43%	5.29%	8.00%	10.37%	11.23%
37-48 months	11.69%	9.22%	4.30%	7.48%	9.15%
49-60 months	9.99%	10.63%	7.90%	4.14%	6.26%
Over 60 months	53.06%	53.37%	52.17%	51.47%	50.36%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

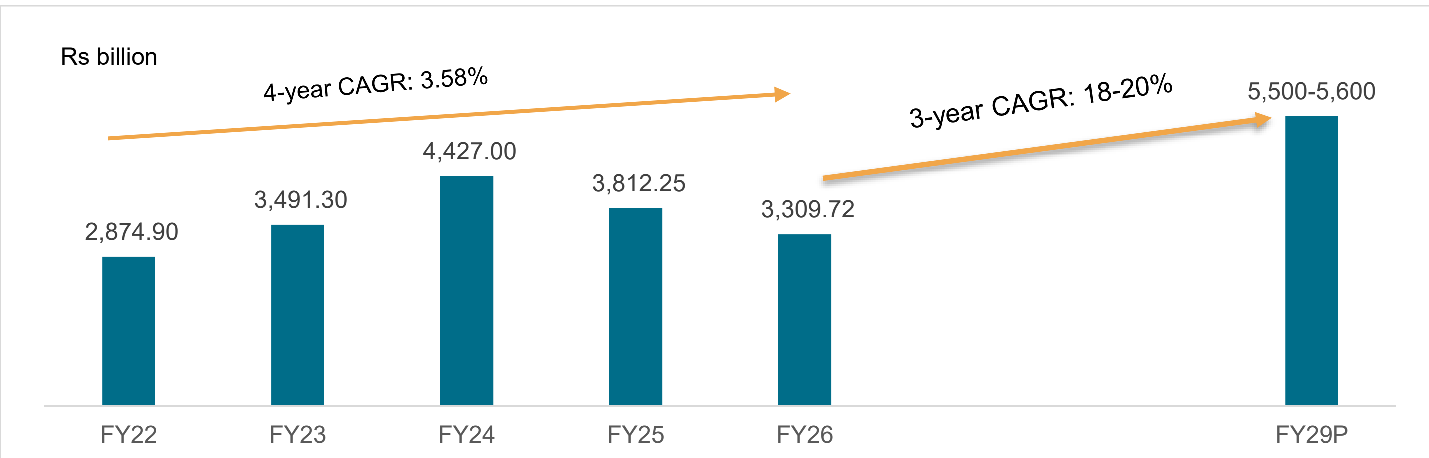
Note: Borrower vintage is for MFI loans and no other retail loans.
Source: CRIF Highmark, Crisil Intelligence

Industry outlook for overall microfinance industry

Following the implementation of Guardrails 2.0, the microfinance sector has focused on portfolio consolidation, balance-sheet recalibration, deleveraging at the borrower level and tightening credit filters and underwriting standards. These measures have led to early signs of stabilisation, such as normalised collection efficiencies, reduced delinquencies and improved borrower credit behaviour. Further, microfinance loans have relatively shorter tenure, making the recovery faster as the portfolio churns faster. As a result, the sector is expected to enter a recovery and growth phase this fiscal year, characterised by more sustainable, risk-calibrated disbursement growth, better asset quality with lower cyclicality and increased lender confidence supported by stronger control frameworks.

We believe the sector is now better positioned to deliver sustainable growth with improved risk-adjusted returns, reinforcing its resilience and long-term structural strength.

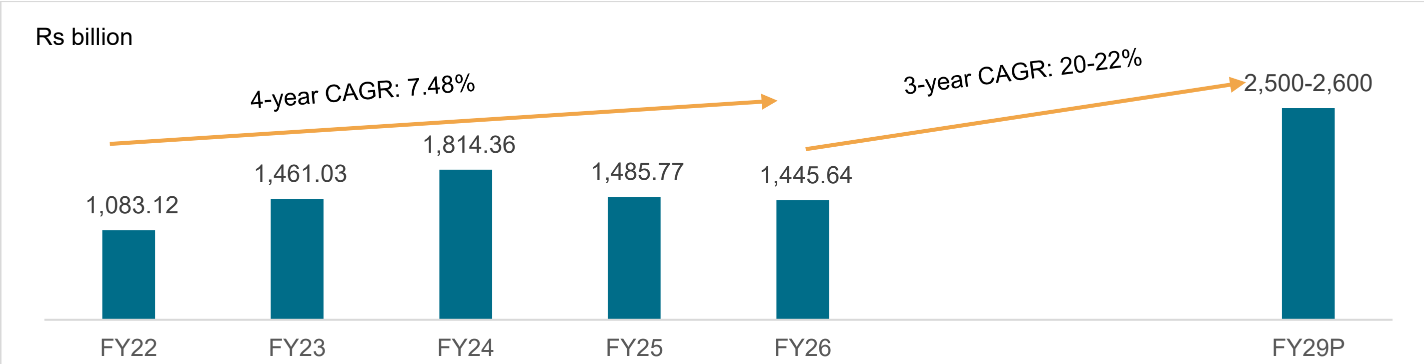
Overall MFI industry to clock a CAGR of 18-20% between fiscals 2026 and 2029



Note: P: Projected
Source: CRIF Highmark, Crisil Intelligence

India's microfinance sector is poised for a structurally stronger growth cycle until fiscal 2029, driven by a healthier rural macro backdrop, tighter borrower-level safeguards and a shift from expansion to quality-led scaling. Rural incomes are improving, with credit demand remaining resilient, particularly for self-employment, livestock and women-led enterprise.

NBFC-MFIs to outpace overall MFI industry growth (AUM)



Note: P: Projected

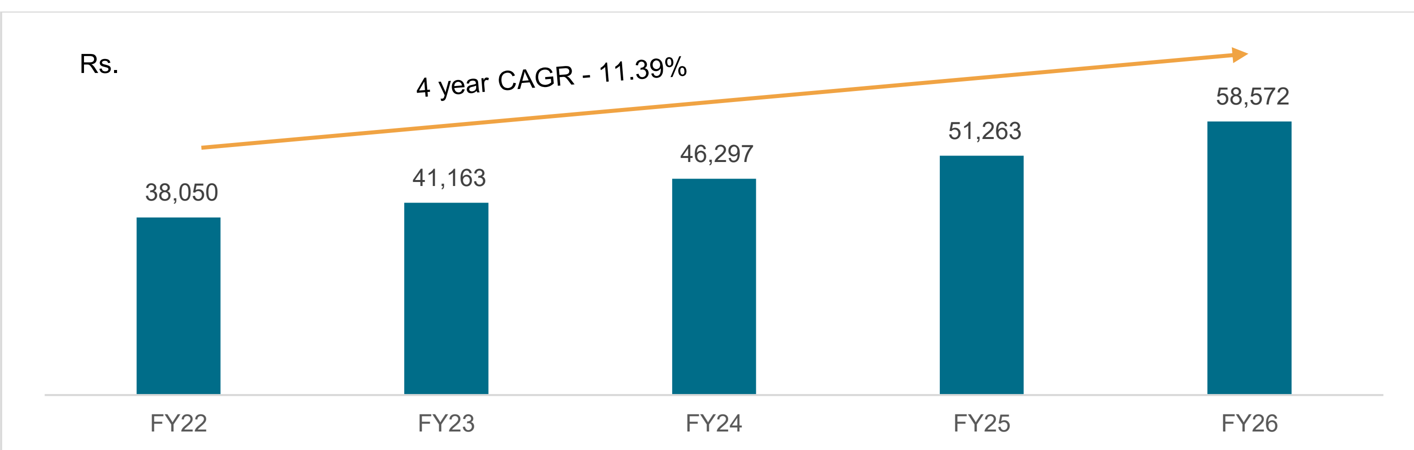
Source: CRIF Highmark, Crisil Intelligence

We expect NBFC-MFIs to grow at a faster pace, clocking a 20-22% CAGR in three years, compared with the overall industry. Having emerged as relatively more stable players with a lower impact on credit costs, they are well positioned to accelerate growth during the recovery phase and gain market share. Their advantages include deep sector specialisation, stronger regulatory preparedness, tighter risk controls, scalable operating models and better access to funding. In an industry increasingly focused on disciplined and sustainable growth, these strengths place NBFC-MFIs in a favourable position to recover earlier, expand more rapidly and consolidate market leadership.

Growth drivers

Building on the structural strength of the business model and the diversified lender ecosystem, the Indian microfinance sector's growth is driven by well-defined and complementary levers, which enable sustained and scalable expansion. Growth does not rely on a single factor; instead, it is the result of a balanced combination of borrower addition, ticket size evolution and geographic expansion.

Steady increase in ticket size reflects maturing credit demand



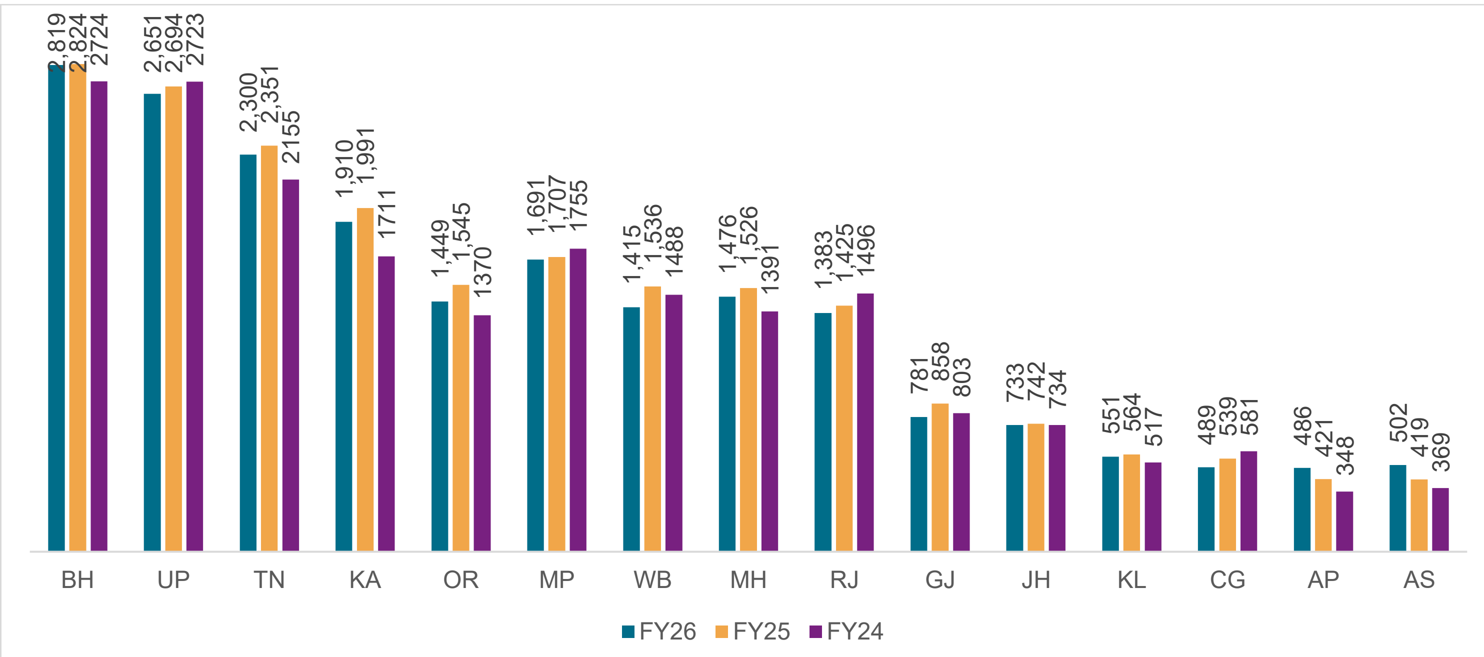
Source: CRIF Highmark, Crisil Intelligence

The microfinance industry has shown steady growth in average ticket sizes from Rs 38,050 in fiscal 2022 to Rs 58,572 in fiscal 2026, driven by customers graduating to higher loan cycles, inflation-adjusted lending and a focus on larger loans, as well as increased demand in semi-urban areas. This positive trend indicates improved borrower creditworthiness, deeper financial inclusion and effective lending strategies within a disciplined regulatory environment, reflecting a successful shift in borrower behaviour and industry momentum.

Players to tap newer and underpenetrated states and districts to widen client base

The industry's branch network has remained largely stable across states in the first nine months of fiscal 2026, with only minor adjustments in certain regions. Key markets such as Bihar, Uttar Pradesh and Tamil Nadu continue to have a strong branch presence, indicating sustained demand and well-established operations. Similarly, southern and western states, such as Karnataka, Maharashtra and Gujarat, as well as eastern and central regions, including West Bengal, Madhya Pradesh, and Odisha, have maintained a steady footprint, supporting ongoing financial inclusion efforts.

Total branches of MFIs in each state and UT



Note: Top 15 states with highest number of branches as of March 2026 are considered in the chart above

Source: MFIN, Crisil Intelligence

The increase in branches from FY24 to FY25 across top 15 states marks the expansion phase of the industry. The decline in branch count in fiscal 2026 compared with fiscal 2025, reflects a strategic shift. Following a period of elevated credit stress and moderation in disbursements in fiscal 2025, MFIs have focused on branch rationalisation, improving productivity per branch and strengthening asset quality. This has been complemented by increased digitisation, better credit bureau usage and more centralised underwriting, reducing the need for extensive physical networks. Overall, the reduction in branches indicates a transition toward more efficient, quality-led and sustainable growth, with the industry prioritising operational optimisation over aggressive expansion. We expect penetration to deepen going forward, which will further drive growth.

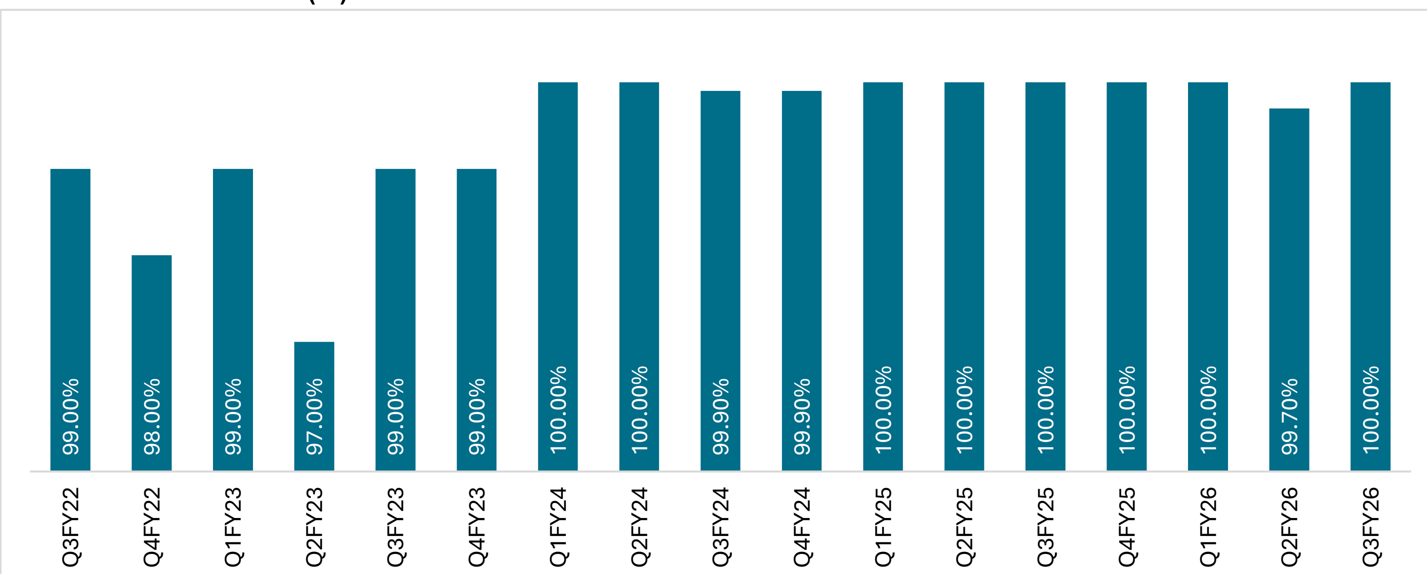
Digital and technology enablement

As the microfinance sector builds on a strong operating model, the next phase of evolution is being driven by the increasing adoption of digital infrastructure and technology-led processes. These are enhancing the way institutions deliver, monitor and scale up operations. While the core principles of microfinance remain rooted in high-touch engagement, digital enablement is transforming execution by making processes more efficient, transparent and scalable.

One of the most significant shifts has been the move toward cashless disbursements and digital collections, reducing reliance on physical cash handling and improving operational efficiency. Digital transactions enable faster disbursement cycles, better traceability and stronger compliance, while also minimising operational risks. This transition supports a more secure and streamlined delivery framework, benefiting both institutions and borrowers.

Based on the third-quarter fiscal 2026 data from 43 NBFC-MFIs, all the loans were disbursed through the cashless mode. Majority of disbursements have been 100% cashless disbursements since Q1FY24.

Cashless disbursement (%)



Source: MFIN, Crisil Intelligence

Parallelly, the adoption of digital onboarding and eKYC processes has significantly improved customer acquisition and verification. The widespread adoption of Aadhaar and the Unified Payments Interface and the increasing number of credit bureaus have transformed the operating model of microfinance.

Digital onboarding, credit assessment and collections are also resulting in improved efficiencies, lower operating costs and better risk management. Advanced analytics and artificial intelligence (AI)-driven underwriting are enhancing scalability and credit discipline as well.

We expect that the lower cost of servicing customers, better productivity and reduced credit costs, driven by technology adoption, will help MFIs enhance their profitability.

Investors show confidence in microfinance sector during challenging times

Private equity investors continue to maintain a strong presence in the NBFC-MFI sector, with no visible trend of capital withdrawal from these institutions. On the contrary, investor activity indicates sustained conviction in the segment's long-term growth potential. A number of recent transactions, a few of which are highlighted below, clearly demonstrate this ongoing private equity interest and reinforce the positive investment outlook for the sector.

1) Private equity firms - Advent International and Multiples invested Rs 1,930 crore jointly in Svatantra Microfin in March 2024.

2) Spandana Sphoorty Financial Ltd raised Rs 400 crores in August 2025 through a rights issue, out of which Rs 200 crores was committed by Kedaara Capital.

3) Fusion Finance Ltd completed a Rs 800 crore rights issue led by existing investors, Warburg Pincus in May 2025 to strengthen its balance sheet.

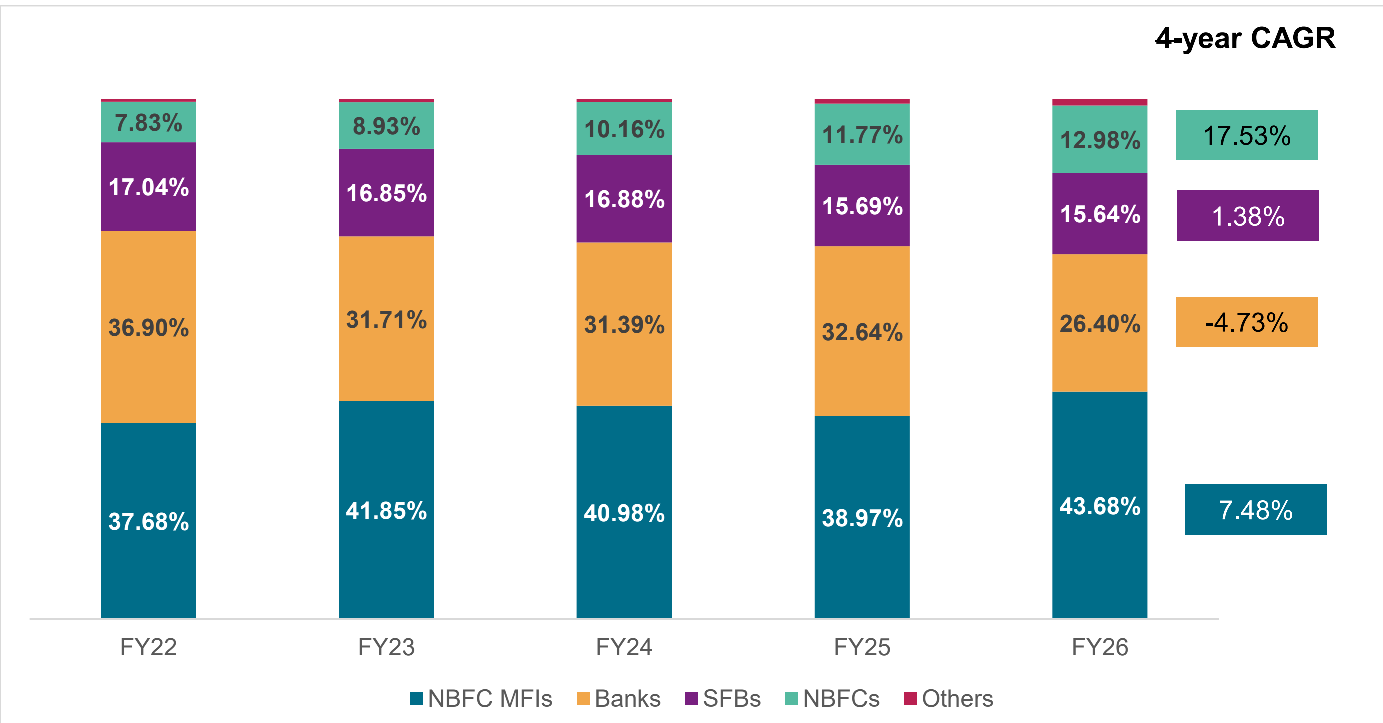
Funding support gives NBFC MFIs the cash and balance-sheet comfort to expand steadily and absorb short-term disruptions. It helps them keep essential operations running—credit, collections, and onboarding—despite temporary challenges. This preparation also strengthens readiness to scale quickly when conditions improve. When the environment reverses, they’re positioned to capture new growth opportunities without delay.

The competitive landscape

NBFC-MFIs demonstrated resilience by increasing market share during a crisis. While NBFCs grew faster albeit on a lower base

A player-wise analysis of the microfinance industry indicates **NBFC-MFIs** emerged as the dominant players in the microfinance industry between **fiscal 2022 and fiscal 2026**. They increased their market share from **37.68% to 43.68%**, delivering a **CAGR of 7.48%**, well above the **industry growth rate of 3.58%**. In contrast, **banks**, while remaining the second-largest category in the industry, saw their market share decline from **36.90% to 26.40%**, clocking a **negative CAGR of 4.73%**. Banks reduced exposure to the segment amid rising NPAs, borrower overleveraging, tighter regulatory norms, political interventions in certain states and pressure on rural incomes. This shift made space for **NBFC-MFIs and NBFCs** to gain share. **NBFCs** expanded rapidly from a smaller base, clocking a **four-year CAGR of 17.53%**, while **small finance banks (SFBs)** remained relatively stable with market share of **15–17%** and a muted **CAGR of 1.38%**.

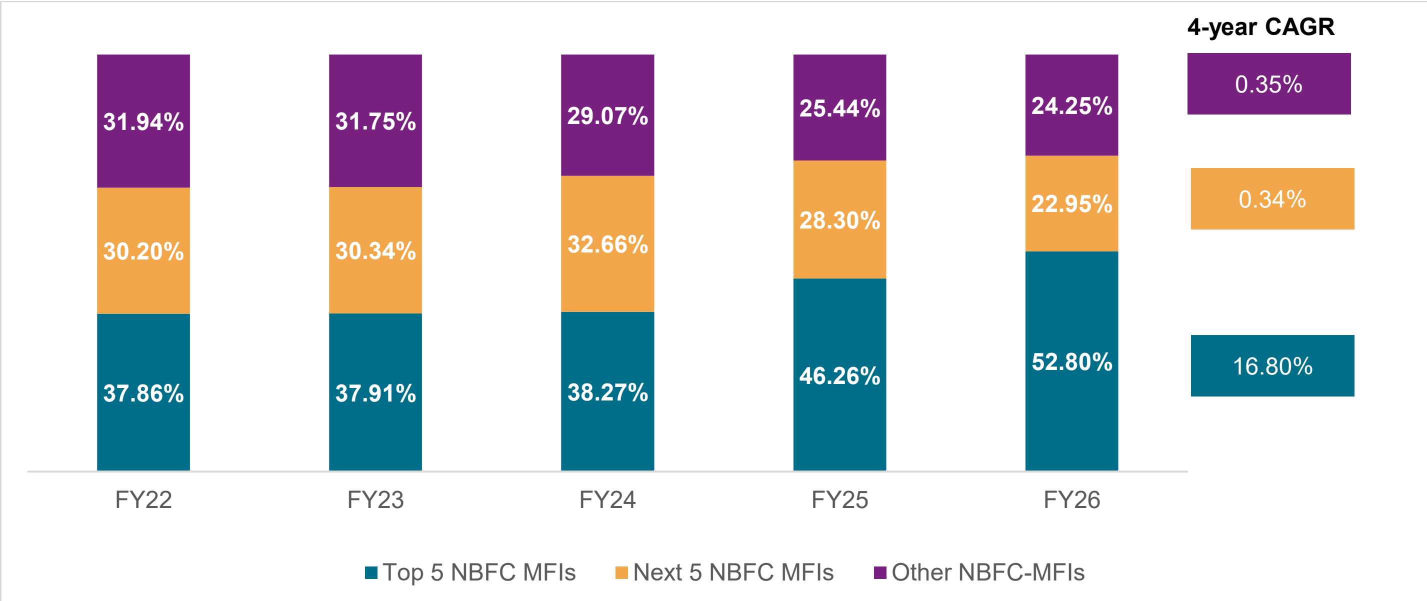
Player group wise yearly trends in AUM share



Source: CRIF Highmark, Crisil Intelligence

Crisil Intelligence

Robust growth of top five NBFC-MFIs as per AUM



Note: The top five NBFC-MFIs are Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; the next five NBFC-MFIs are IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd

Source: CRIF Highmark, Crisil Intelligence

Reasons for accelerated growth for top 5 NBFC MFIs

Within the NBFC-MFI segment, growth was disproportionately driven by the **top five players**. These companies clocked a **CAGR of 16.80%** and increased their collective market share basis of AUM from **37.86% to 52.80%** between fiscals 2022 and 2026.

Their outperformance demonstrated a superior ability to manage sectoral stress, maintain asset quality and sustain borrower growth. These factors were supported by:

- Strong local market expertise along with pan India presence that mitigates the local risks
- Predictive cash flow-based credit assessment using surrogate underwriting methods
- Proven experience of handling crisis while maintaining growth momentum
- Delivering operating leverage and productivity gains through strong economies of scale
- Robust borrower engagement and collection infrastructure
- Consistent on-year addition of unique borrowers
- Training on-ground field officers to deal with evolving customer needs
- Leveraging customers with proven track record by providing higher ticket size
- Ability of raising equity and debt capital on the back of group support and long-standing relations with banks at lower cost of borrowings.

High-value ticket segment gained market share in the overall MFI industry

Between fiscal 2022 and fiscal 2026, there was a significant decline in lower ticket sizes, while ticket sizes in the Rs 45,000–50,000 range displayed muted growth. Conversely, ticket sizes above Rs 50,000 saw double-digit expansion, aligning with the industry trend of increasing the average ticket size. This growth can be attributed to:

a) Lenders favouring long-standing borrowers with proven repayment discipline over riskier new customers, especially after recent asset quality stresses

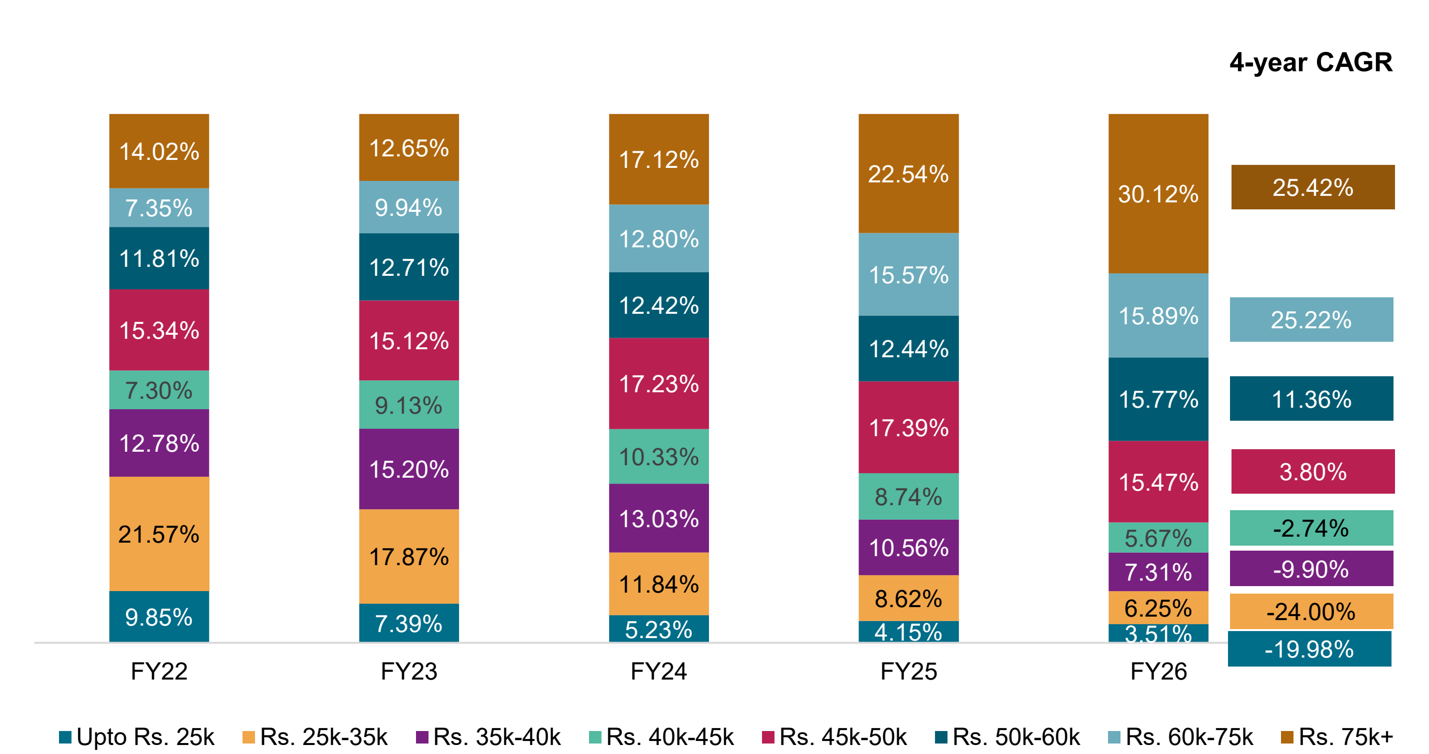
b) MFI loans enabling income generation activities; therefore, rising inflation and raw material costs have led to higher working capital requirements

c) Cost efficiency for lenders in extending larger loans to repeat customers, as servicing fewer, higher-value accounts reduces administrative expenses

d) MFIs gaining the flexibility to adjust interest margins and extend larger loans based on individual borrower risk profiles, following the RBI's implementation of risk-based pricing

The leading lenders are strategically diversifying their portfolios from a predominantly JLG-focused book to include non-JLG products, encompassing both secured and unsecured offerings. This approach enables the company to retain customers beyond the microfinance borrowing phase, facilitate credit extension at higher ticket sizes and manage segment-specific risks in a better way.

Ticket size wise yearly trends for overall microfinance industry

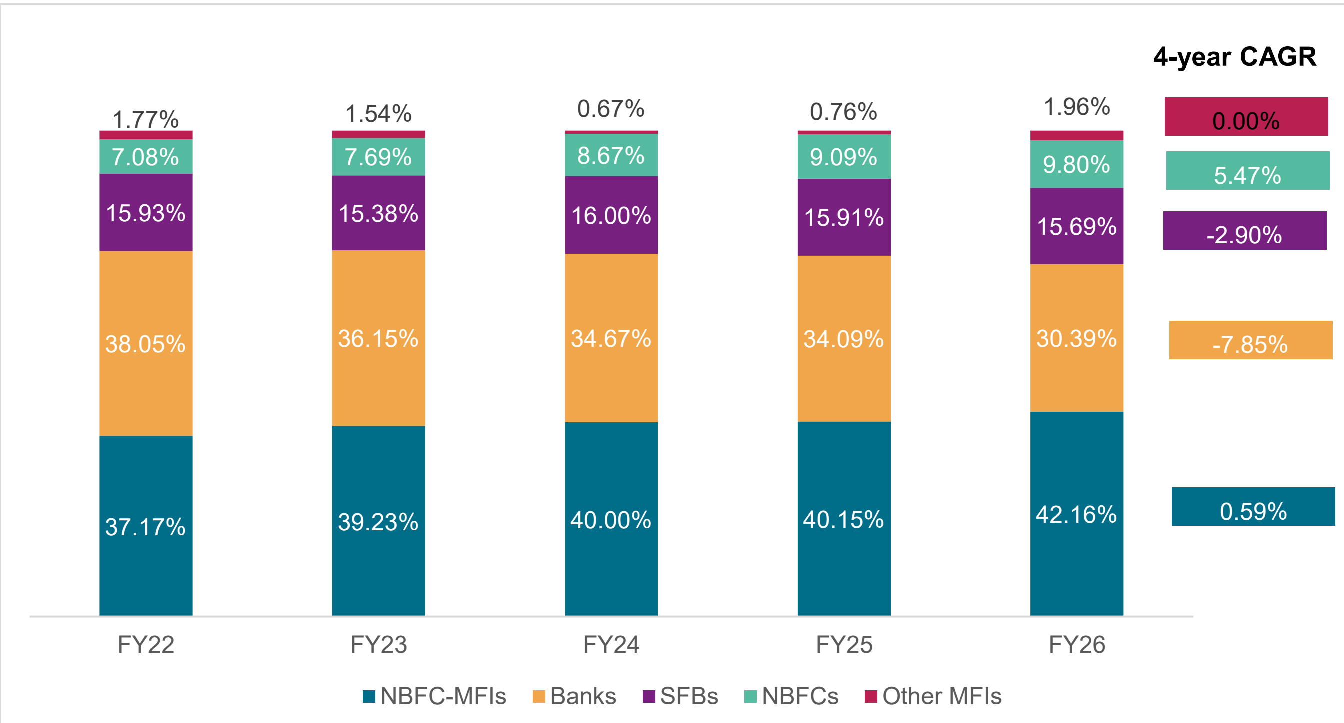


Source: CRIF Highmark, Crisil Intelligence

The share of NBFC-MFIs in active loan accounts increased from 37.17% as of fiscal 2022 to 42.16% in fiscal 2026

NBFC-MFIs maintained their leadership in India's microfinance sector with 43 million active loan accounts as of March 2026. This significant customer base is a testament to their extensive distribution network, rural penetration and established trust among underserved borrowers. Despite industry-wide normalisation, NBFC-MFIs sustained their dominance through prudent portfolio management and execution. Their resilience is attributed to improving collections, stricter underwriting standards and increasing digital adoption, positioning them to drive sustainable growth.

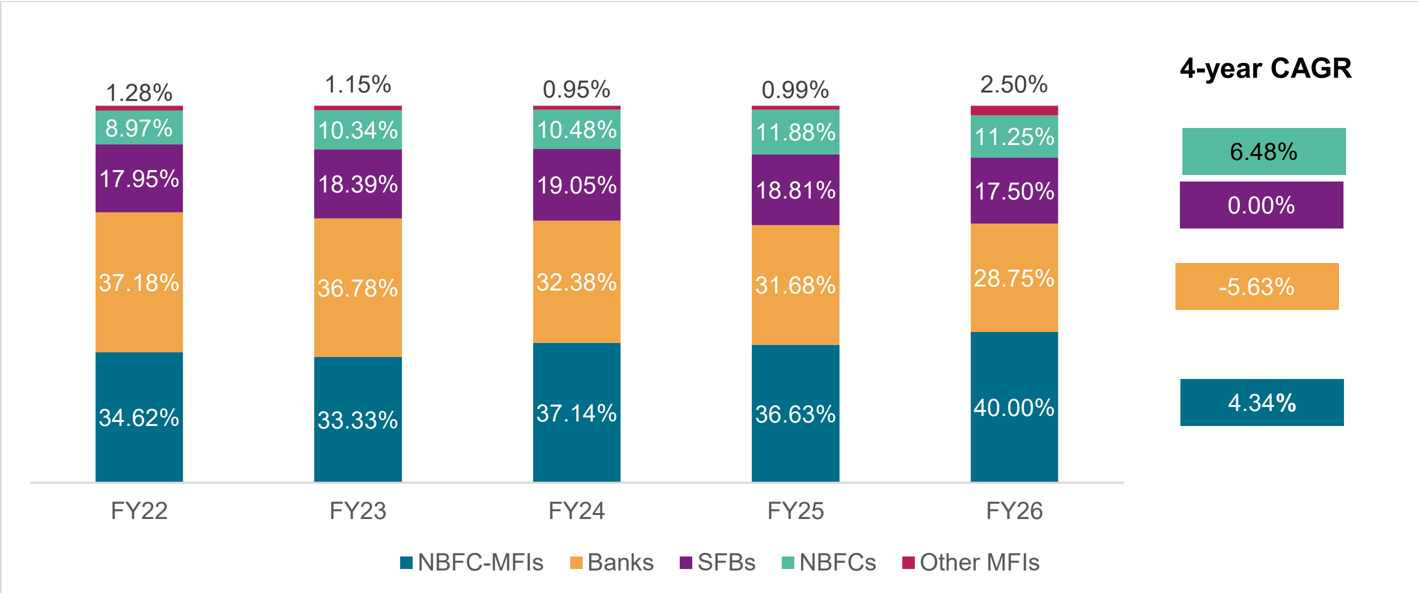
Player group-wise active loan account distribution



Note: 4-year CAGR is growth rate from fiscal 2022 to fiscal 2026

Source: MFIN, Crisil Intelligence

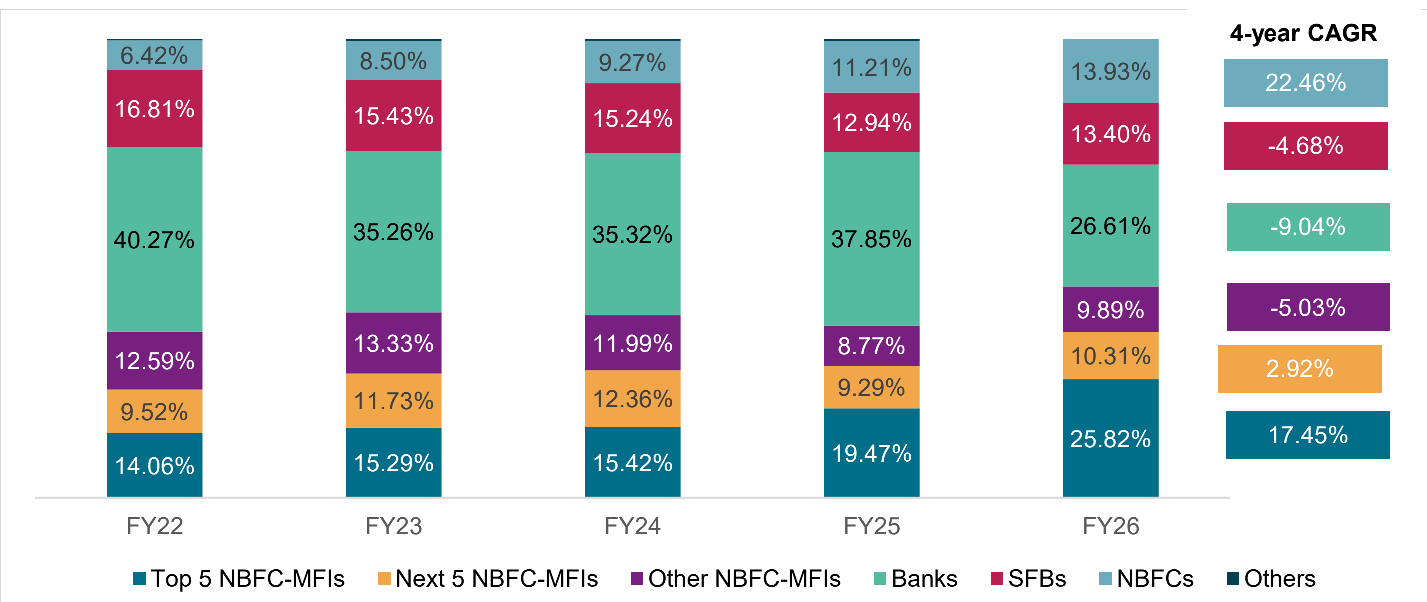
Share of NBFC-MFIs in unique borrowers was 40.00% in fiscal 2026



Note: 4-year CAGR is from fiscal 2022 to fiscal 2026
Source: MFIN, Crisil Intelligence

NBFC-MFIs saw the second highest growth in the number of unique borrowers, clocking a CAGR of 11.01% between fiscals 2022 and 2025. This surpassed the growth seen by banks, which clocked a CAGR of 3.34%.

Top five NBFC-MFIs and NBFCs gained market share, while banks strategically reduced their market share in terms of disbursements



Notes:

1. *The top five NBFC-MFIs are Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; The next five NBFC-MFIs are IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd*
2. *Four-year CAGR is calculated from fiscals 2022 to 2026*

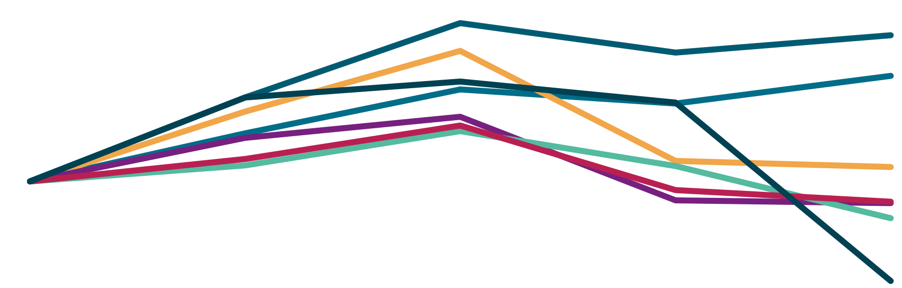
Source: CRIF Highmark, Crisil Intelligence

The top five NBFC-MFIs have consistently maintained a proactive stance on disbursements even during periods of turbulence. They have driven the industry's growth momentum when many other market participants opted to restrict disbursements to safeguard asset quality. Meanwhile, banks are progressively withdrawing from the microfinance sector as part of their strategic realignment.

Despite these industry dynamics, NBFC-MFIs and NBFCs have sustained their growth trajectory by leveraging sophisticated, technology-enabled underwriting processes and robust collection mechanisms. This strategic focus allows them to effectively identify high-quality borrowers, thereby promoting financial inclusion.

The top five NBFC-MFIs have adopted a phygital model that combines their strong on-ground distribution network with app-based customer onboarding. By digitalising a large part of the onboarding journey, they are able to scale up customer acquisition more efficiently, reduce manual paperwork and administrative burden, and improve the turnaround time. This approach also helps lenders capture richer digital customer information, which strengthens credit evaluation and enables more informed risk assessment before loan disbursal.

Top 5 NBFCs maintained a relatively slower growth till fiscal 2024 and picked up pace in fiscal 2025 and 2026 (Rebased to 100)



	FY22	FY23	FY24	FY25	FY26
Top 5 NBFC MFIs	100	141	178.75	166.68	190.26
Next 5 NBFC MFIs	100	160	211.62	117.53	112.22
Other NBFC-MFIs	100	137	155.23	83.87	81.35
Banks	100	114	142.95	113.12	68.45
SFBs	100	119	147.76	92.62	82.56
NBFCs	100	172	235.42	210.20	224.91
Others	100	172	185.40	167.27	14.71

Top 5 NBFC MFIs, Next 5 NBFC MFIs, Other NBFC-MFIs, Banks, SFBs, NBFCs, Others

Note: The top five NBFC-MFIs are Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; the next five NBFC-MFIs are IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd

Source: CRIF Highmark, Crisil Intelligence

The above chart shows the growth rate in disbursements based on fiscal 2022 disbursements which is benchmarked as 100. The top 5 NBFC MFIs maintained a relatively slower approach till fiscal 2024 in terms of growth of disbursements compared to Next 5 NBFC MFIs and NBFCs. This shows the cautious approach of the top leading players. However, in fiscal 2025 and 2026, top 5 NBFC MFIs picked up pace in disbursements and grew at second highest rate after NBFCs. The cautious approach exhibited by the top 5 NBFC MFIs is also visible in the asset quality.

Top 5 NBFCs adopted a cautious approach in fiscal 2024, whereas other players aggressively disbursed to NTC customers

	FY22	FY23	FY24	FY25	FY26
Top 5 NBFC-MFIs	5.62%	4.86%	6.19%	4.67%	3.95%
Next 5 NBFC-MFIs	5.55%	6.02%	9.36%	2.63%	3.81%
Other NBFC-MFIs	6.49%	4.79%	7.06%	5.25%	4.25%
Banks	2.35%	4.14%	6.30%	3.21%	4.55%
SFBs	4.41%	5.58%	8.15%	4.09%	5.42%
NBFCs	8.02%	4.48%	8.60%	8.40%	3.83%
Others	4.45%	3.06%	4.96%	5.26%	5.84%

Note: The top five NBFC-MFIs are Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; the next five NBFC-MFIs are IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd

Source: CRIF Highmark, Crisil Intelligence

Disbursements to NTC customers rose sharply in fiscal 2024 before moderating in the two subsequent fiscals. In contrast, the top five NBFC-MFIs consistently maintained almost the lowest share of disbursements to NTC customers across all years, reflecting a more cautious and orderly lending approach. This prudence is also evident in their relatively stronger asset quality performance after fiscal 2024. As a result, these institutions were able to sustain disbursement growth even after fiscal 2024, while continuing to extend credit to underserved segments through more accurate risk assessment and stronger underwriting standards.

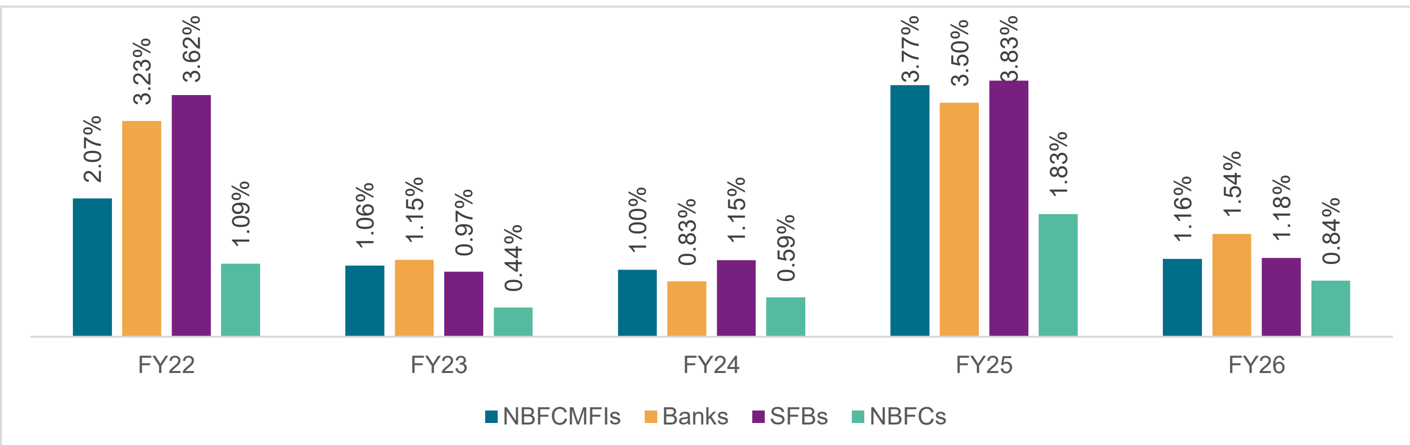
Leading players selectively disburse to NTC customers as they leverage an advanced credit engine that combines AI, real-time credit bureau data, e-KYC and fraud detection for faster and more accurate decisions. Their strategy also focuses on technology modernisation, zero-trust security, regulatory compliance and workforce upskilling, which creates ground for sustainable growth.

Asset quality

NBFC-MFIs have been able to maintain the best asset quality in the industry (PAR 91-180)

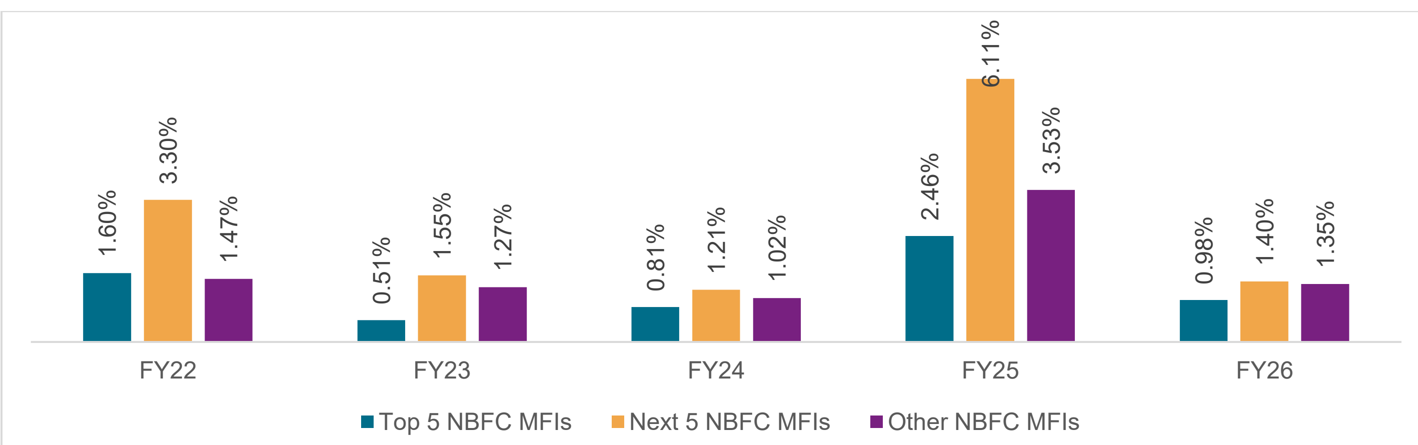
During the industry-wide crisis, NBFC-MFIs demonstrated notable resilience in maintaining asset quality, recording one of the lowest 91-180 DPD delinquency ratios in fiscal 2026. In contrast, banks and SFBs were the most impacted, with the highest 91-180 DPD delinquencies observed between fiscals 2022 and 2024. This ratio continued to rise in fiscal 2025 and moderate in fiscal 2026. Regulatory mandates have driven banks to aggressively buy out microfinance loans to meet priority sector lending (PSL) targets, resulting in concentrated exposure on bank balance sheets. SFBs, in particular, recorded the highest 90-180 DPD ratios in fiscals 2025 and 2026, reflecting the sector's evolving risk profile.

Player group-wise yearly trends in asset quality (PAR 91-180)



Source: CRIF Highmark, Crisil Intelligence

Top 5 NBFC-MFIs have been able to restrict the deterioration of asset quality (PAR 91-180)



Note: The top five NBFC-MFIs are Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; the next five NBFC-MFIs are IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd

Source: CRIF Highmark, Crisil Intelligence

A deeper look shows that the top five NBFC-MFIs have been able to remarkably control the delinquencies and recorded the lowest 90-180 DPD across all periods. The next five NBFCs-MFIs and other NBFC-MFIs, who faced the heat of the crisis, saw a rise in delinquencies.

The top NBFC-MFIs' approach to achieving the best industry asset quality is:

1. **Deep local expertise and borrower relationships**

   Strong on-ground presence via distributed branch network-enabled field officers to build close relationships with borrowers and develop a nuanced understanding of their needs, cash flow patterns and repayment behaviour. This local intelligence supported more informed credit decisions and sharper risk identification.

2. **Usage of technology in sourcing and risk assessment**

   Technology enables better microfinance underwriting by providing access to digital data sources, such as mobile usage and transaction history, for more accurate risk assessment. It automates data collection and analysis, reducing manual errors and processing time. Advanced analytics and machine learning models improve credit scoring, even for underserved populations. Digital platforms also facilitate real-time decision-making and enhance transparency.

3. **Robust collection mechanisms**

   Leading NBFC-MFIs have built strong collection frameworks that are supported by early warning systems to identify signs of stress at an initial stage. Prompt intervention, once an issue is detected, helps contain early-stage delinquencies and stops the slippages from falling into deeper overdue buckets.

Overall, the ability of the top NBFC-MFIs to combine local market understanding, disciplined underwriting and proactive collections enabled them to preserve portfolio quality far better than the rest of the sector during a period of heightened stress.

Top five NBFC-MFIs have been able to identify early delinquency and restrict the flow to higher DPD buckets

Player group-wise asset quality trend

	PAR 31-90					PAR 91-180				
	FY22	FY23	FY24	FY25	FY26	FY22	FY23	FY24	FY25	FY26
Top 5 NBFC MFIs	1.79%	0.64%	0.73%	1.84%	0.60%	1.60%	0.51%	0.81%	2.46%	0.98%
Next 5 NBFC MFIs	4.41%	1.23%	1.35%	4.38%	0.71%	3.30%	1.55%	1.21%	6.11%	1.40%
Other NBFC MFIs	1.80%	0.84%	1.14%	2.76%	1.17%	1.47%	1.27%	1.02%	3.53%	1.35%
Banks	3.87%	1.59%	1.28%	2.67%	0.96%	3.23%	1.15%	0.83%	3.50%	1.54%
SFBs	3.75%	1.34%	1.78%	3.31%	0.81%	3.62%	0.97%	1.15%	3.83%	1.18%
NBFCs	2.47%	0.50%	0.63%	1.98%	0.73%	1.09%	0.44%	0.59%	1.83%	0.84%
Overall MFI Industry	**3.25%**	**1.16%**	**1.21%**	**2.73%**	**0.82%**	**2.70%**	**1.03%**	**0.94%**	**3.45%**	**1.22%**

Note: Top five NBFC-MFIs include Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; Next five NBFC-MFIs include IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd

Source: CRIF High Mark, Crisil Intelligence

The industry-wide delinquency profile reveals a mixed trend, with asset quality improving in fiscal 2023 and then deteriorating till fiscal 2025. However, early-stage delinquency metrics indicate a positive recovery in fiscal 2026, with PAR 31-90 decreasing to 0.82% from 2.73% in fiscal 2025 and DPD 91-180 improving to 1.22% from 3.45%. The significant decline in early DPD buckets suggests the vintage clean-up has been largely successful. This improvement indicates new disbursements are being made to borrowers with disciplined repayment histories, supported by proactive collection efforts, which collectively signal a healthier and sustainable asset quality outlook for the industry.

Notably, the top five NBFC-MFIs have maintained superior asset quality even amid industry challenges. Their DPD 31-90 bucket improved to 0.60% in fiscal 2026 from 1.84% in fiscal 2025, and DPD 91-180 improved to 0.98% from 2.46%. The top five NBFC-MFIs have created higher provisions and management overlays to proactively accommodate the degrading asset quality. This resilience underscores their ability to navigate crises with minimal asset quality deterioration, enabling sustained growth in AUM and disbursements despite industry-wide disruptions. It also highlights the importance of cautious risk assessment and proactive collection strategies in effectively navigating a crisis. Consequently, these industry leaders have continued to grow in terms of AUM and disbursements, while the rest of the industry has slowed down to improve their book quality.

Quarterly trends for fiscal 2026 suggest improvements in asset quality in the third and fourth quarters of fiscal 2026

Across lenders and all DPD buckets, asset quality improved in the third and fourth quarters of fiscal 2026. This points to a healthier credit environment and stronger overall portfolio discipline, suggesting the sector may be moving past its most acute phase of stress. The trend also highlights the ability of market participants, particularly the top five NBFC-MFIs, to withstand the disruption and emerge in a stronger position. Importantly, this improvement indicates the operational, risk and collection infrastructure required to manage periods of stress is firmly in place, providing a solid foundation for faster yet sustainable growth.

Quarterly Trends in fiscal 2026

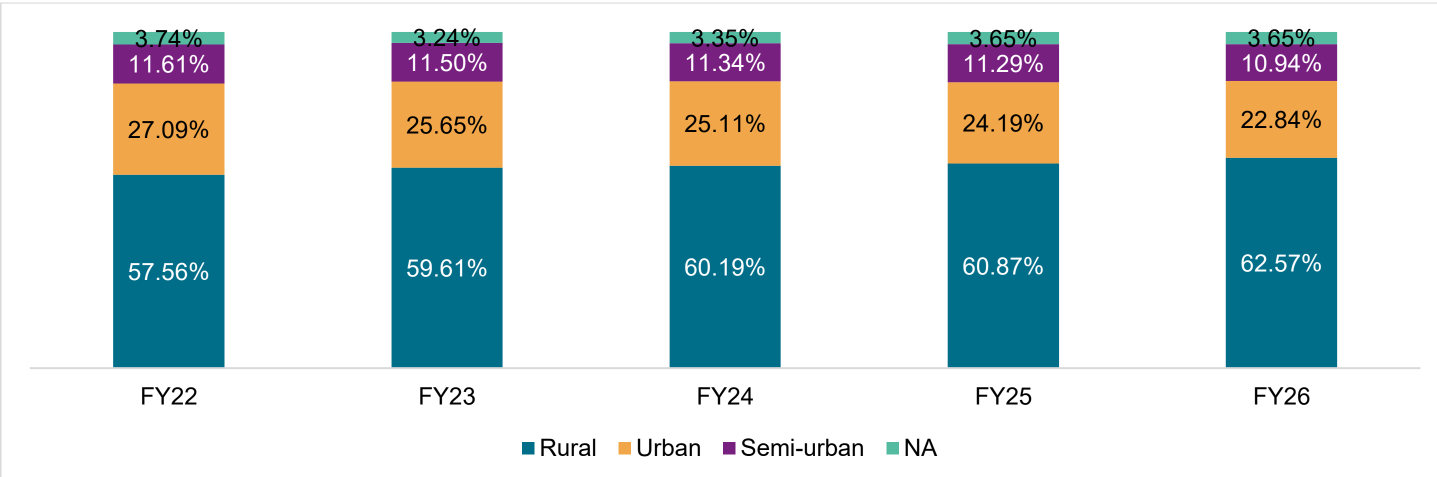
	31-90 DPD				91-180 DPD			
	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Top 5 NBFC MFIs	1.48%	1.30%	1.07%	0.60%	2.11%	1.74%	1.39%	0.98%
Next 5 NBFC MFIs	3.44%	2.20%	1.36%	0.71%	6.12%	4.59%	2.61%	1.40%
Other NBFC MFIs	4.05%	2.45%	1.66%	1.17%	3.10%	4.05%	2.12%	1.35%
Banks	2.19%	1.95%	1.66%	0.96%	3.11%	2.78%	2.58%	1.54%
SFBs	2.85%	2.15%	1.50%	0.81%	3.40%	2.88%	1.97%	1.18%
NBFCs	1.71%	1.38%	1.08%	0.73%	2.03%	1.79%	1.30%	0.84%
Others	0.76%	0.65%	0.61%	0.56%	0.46%	1.39%	0.50%	1.07%
Overall MFI Industry	**2.40%**	**1.84%**	**1.39%**	**0.82%**	**3.11%**	**2.74%**	**1.98%**	**1.22%**

Note: Top five NBFC-MFIs include Credit Access Grameen Ltd, Svatantra Microfin Ltd., Satin Creditcare Network Ltd, Muthoot Microfin Ltd and Annapurna Finance Ltd; Next five NBFC-MFIs include IIFL Samasta Finance Ltd, Belstar Microfinance Ltd, Fusion Finance Ltd, Asirvad Microfinance Ltd and Spandana Sphoorty Financial Ltd

Source: CRIF High Mark, Crisil Intelligence

Geographic analysis

Rural market continues to drive the MFI business based on AUM

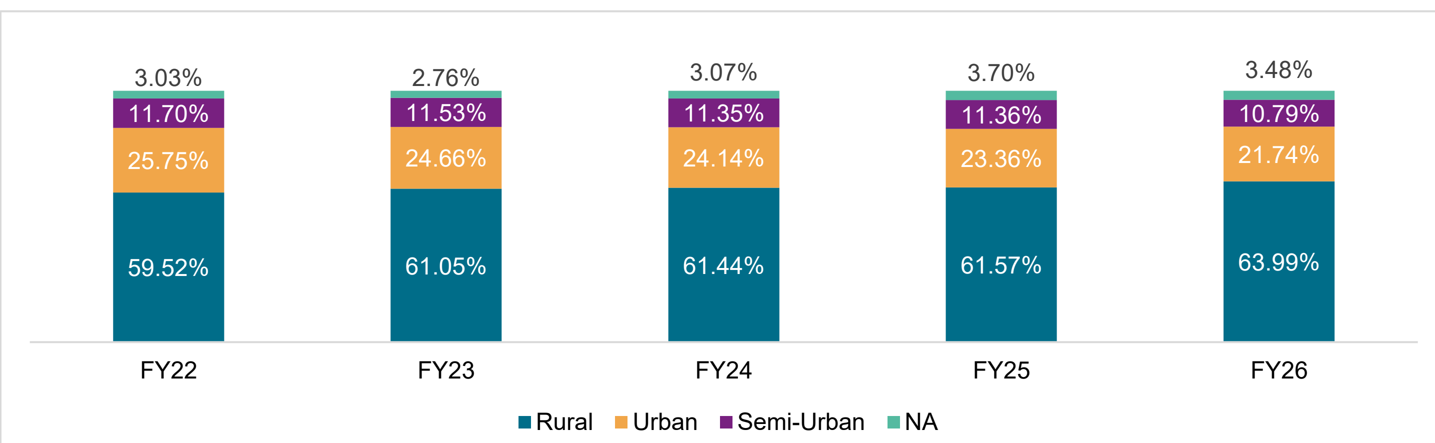


Note: NA – Not available; Source: CRIF High Mark, Crisil Intelligence

Traditionally, microfinance has been rural-focused, driven by limited access to formal credit and reliance on informal sources. This has made rural markets the primary engine of the industry's growth, supporting steady borrower addition and portfolio expansion. With a sharper focus on rural areas over the past few fiscals, NBFC-MFIs have been able to maintain better asset quality in rural areas than in urban areas. This trend in asset quality forms a strong base for NBFC-MFIs to expand further into rural areas. Crisil Intelligence expects burgeoning rural demand to drive business for MFIs.

The government's focus on financial inclusion, coupled with an increasing number of financial institutions opening branches in unbanked areas, has led to a significant increase in demand for loans in rural areas. As of fiscal 2026, the rural market accounted for 62.57% of the overall AUM, increasing from 57.56% in fiscal 2022.

Disbursements in rural areas continue to drive demand for MFI loans



NA – not tagged

Source: CRIF High Mark, Crisil Intelligences

Advantages for rural-focused MFIs

Reaching the unserved/ underserved: Rural MFIs are well positioned in markets where traditional banks have limited presence and competitive intensity is low. By offering collateral-free credit to underserved households especially women, MFIs help reduce reliance on informal moneylenders and support local entrepreneurship and agriculture. Given the scarcity of financial service providers in rural areas, these MFIs can establish themselves as key financial partners, driving economic empowerment and diversified livelihoods in these communities.

Customised services: MFIs with a rural presence can understand local requirements better and offer customised products and services. These offerings can be more relevant and impactful for customers, thereby driving customer loyalty for the lenders.

Social impact: The socio-economic benefits of MFIs are substantial, contributing to improved household well-being. Microfinance loans aim to offer income-generating loans, which supports better borrower outcomes and repayment behaviour. Higher incomes enabled by microfinance are frequently invested in better nutrition, education for children and improved housing, ultimately contributing to overall rural development. By providing financial services to rural populations, MFIs promote financial inclusion, poverty reduction and women's empowerment, leading to a more equitable distribution of resources and opportunities. Overall, rural-centred MFIs have emerged as a vital component of the country's financial landscape.

Overall, rural markets remain the primary growth drivers, supported by unmet credit demand, while urban and semi-urban areas provide diversification and relative stability. As the industry expands across these geographies and customer segments, the broader regulatory framework has evolved to support this growth in a more structured manner.

Challenges for rural-focused MFIs

Over-indebtedness: Due to limited financial literacy, most borrowers in rural areas fail to manage their debt properly, which leads to over-indebtedness and a reduced capacity to repay. Additionally, rural populations often access unorganised and informal borrowing lines that are difficult to track during risk assessment. Further, because these loans are typically collateral-free, monitoring their end-use can be challenging for lenders. In case of over-indebtedness, borrowed money from one lender can be used to payback another, creating a cascading effect on the overall system.

High attrition: Majority of the staff (60-70%) in the NBFC-MFI industry is field-based. The intense administrative work and targets have made adjacent industries such as e-commerce delivery and merchant acquisition more lucrative. Further, the growth achieved in the last fiscal by such non MFI lending segment, has led to the opening of new branches at many locations, which is forcing lending institutions to hire new staff. These new additions, along with high attrition among frontline staff, have affected collection efficiency.

Financial literacy: People in rural areas often have limited financial literacy, making it difficult for them to understand the terms and conditions of loan products. Due to lack of financial literacy, most borrowers are unable to manage their debt properly, which leads to defaults.

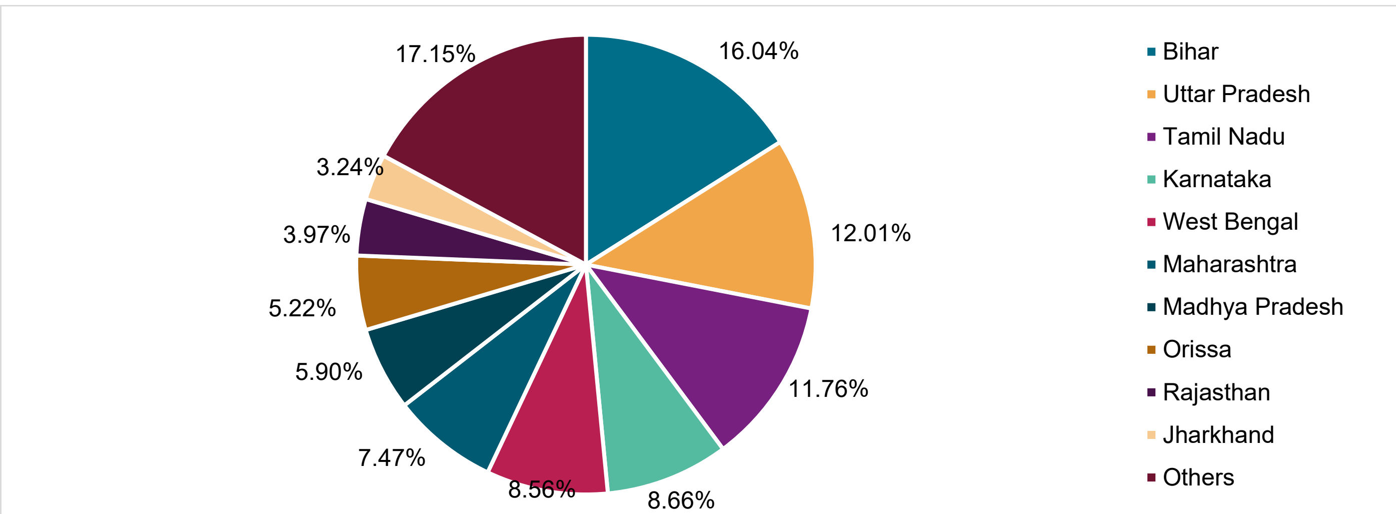
Cost of outreach: Reaching rural areas and servicing small loan amounts involve high operating costs. Setting up branches and/or forming partnerships with agents, along with the high disbursement and collection cost (employees need to visit remote villages for sourcing and collection of small loan amounts, which increases the transportation cost), raises the overall costs for rural-focused MFIs.

State-wise analysis

While the microfinance industry has grown significantly at the aggregate level, its geographical penetration remains limited and irregular, leaving considerable room for expansion.

A state-wise analysis of the industry reveals microfinance penetration is skewed towards a few high-density markets where institutions have historically built scale and operational depth. On the other hand, several states are under-penetrated, not because of a lack of demand but due to limited access, lower institutional presence or evolving market development.

Top 10 states accounted for 82.85% of overall MFI gross loan portfolio in fiscal 2026



Source: CRIF High Mark, Crisil Intelligence

Top 15 states constitute ~94% of the overall MFI portfolio

<table>
<tr><th>Rs. billion</th><th>FY22</th><th>FY23</th><th>FY24</th><th>FY25</th><th>FY26</th><th>4-year CAGR</th><th>AUM mix for FY26</th></tr>
<tr><td>Bihar</td><td>357.43</td><td>491.81</td><td>654.87</td><td>577.12</td><td>531.04</td><td>10.40%</td><td rowspan="5">Top 5 states
57.04%</td></tr>
<tr><td>Uttar Pradesh</td><td>236.07</td><td>338.44</td><td>463.04</td><td>417.74</td><td>397.63</td><td>13.92%</td></tr>
<tr><td>Tamil Nadu</td><td>368.00</td><td>464.03</td><td>582.39</td><td>468.33</td><td>389.22</td><td>1.41%</td></tr>
<tr><td>Karnataka</td><td>241.90</td><td>315.88</td><td>425.60</td><td>353.51</td><td>286.46</td><td>4.32%</td></tr>
<tr><td>West Bengal</td><td>332.09</td><td>309.62</td><td>403.28</td><td>367.30</td><td>283.39</td><td>-3.89%</td></tr>
<tr><td>Maharashtra</td><td>219.76</td><td>274.53</td><td>333.04</td><td>295.96</td><td>247.33</td><td>3.00%</td><td rowspan="5">6th to 10th states
25.81%</td></tr>
<tr><td>Madhya Pradesh</td><td>173.71</td><td>208.82</td><td>248.70</td><td>216.53</td><td>195.22</td><td>2.96%</td></tr>
<tr><td>Odisha</td><td>172.57</td><td>204.44</td><td>256.15</td><td>207.19</td><td>172.89</td><td>0.05%</td></tr>
<tr><td>Rajasthan</td><td>125.15</td><td>156.08</td><td>181.44</td><td>149.30</td><td>131.55</td><td>1.26%</td></tr>
<tr><td>Jharkhand</td><td>80.51</td><td>106.80</td><td>131.18</td><td>111.49</td><td>107.37</td><td>7.46%</td></tr>
<tr><td>Gujarat</td><td>79.72</td><td>101.38</td><td>131.07</td><td>109.13</td><td>91.05</td><td>3.38%</td><td rowspan="2">11th to 15th states
11.31%</td></tr>
<tr><td>Kerala</td><td>104.42</td><td>127.52</td><td>141.59</td><td>112.73</td><td>82.63</td><td>-5.68%</td></tr>
</table>

Rs. billion	FY22	FY23	FY24	FY25	FY26	4-year CAGR	AUM mix for FY26
Assam	88.69	59.74	74.10	70.82	73.17	-4.70%	
Andhra Pradesh	47.99	59.03	83.46	73.22	70.05	9.92%	
Chhattisgarh	52.77	62.05	73.90	65.53	57.49	2.16%	
Top 15 states	**2,680.80**	**3,280.17**	**4,183.81**	**3,595.89**	**3,116.50**	**3.84%**	
Others	**194.10**	**211.13**	**243.19**	**216.35**	**193.21**	**-0.11%**	
Total	**2,874.90**	**3,491.30**	**4,427.00**	**3,812.25**	**3,309.72**	**100.00%**	

Source: CRIF High Mark, Crisil Intelligence

Bihar and Uttar Pradesh gained market share between fiscals 2022 and 2026. The market share of Bihar increased to 16.04% from 12.43%, while that of Uttar Pradesh rose to 12.01% from 8.21% during the same period. These two states have the highest number of MFIs in India. The market share of Tamil Nadu and Karnataka remained range-bound over the period at ~12% and ~9%, respectively, while that of West Bengal decreased to 8.56% from 11.55%.

Bihar, Uttar Pradesh, Tamil Nadu and West Bengal have the highest number of loan accounts

As of December 2025, Bihar led with 16.09 million MFI loan accounts, followed by Uttar Pradesh (12.52 million), Tamil Nadu (11.67 million), West Bengal (9.73 million) and Karnataka (9.42 million). Bihar and Uttar Pradesh have recorded an above-average 3-year CAGR (between fiscals 2022 and 2025) in terms of loan accounts at 13.11% and 16.15%, respectively.

Number of loan accounts in the top 15 states (in million)

State	FY22	FY23	FY24	FY25	9MFY26	3-year CAGR
Bihar	13.98	18.13	22.18	20.23	16.09	13.11%
Uttar Pradesh	9.65	12.87	16.37	15.12	12.52	16.15%
Tamil Nadu	16.19	17.46	18.84	15.16	11.67	-2.15%
Karnataka	10.20	12.00	14.39	12.65	9.42	7.43%
West Bengal	11.00	11.73	13.30	12.29	9.73	3.76%
Maharashtra	9.77	11.22	12.47	11.13	8.82	4.45%
Madhya Pradesh	7.50	8.48	9.35	8.11	6.59	2.63%
Odisha	7.80	8.68	9.81	8.38	6.56	2.43%
Rajasthan	5.27	6.19	6.78	5.63	4.37	2.24%
Jharkhand	3.41	4.30	4.92	4.26	3.59	7.72%
Kerala	4.21	4.56	4.88	4.05	3.31	-1.33%
Gujarat	3.46	4.05	4.67	4.09	3.14	5.73%
Assam	3.26	2.49	2.56	2.59	2.42	-7.39%
Andhra Pradesh	5.84	6.16	6.87	5.00	4.76	-5.03%
Chhattisgarh	2.38	2.63	2.82	2.44	2.01	0.85%
Others	10.15	10.62	11.13	8.75	7.51	-5.06%

State	FY22	FY23	FY24	FY25	9MFY26	3-year CAGR
Total	**124.07**	**141.57**	**161.33**	**139.89**	**112.49**	4.08%

Note: States are arranged in terms of assets under management (AUM);

3-year CAGR is for the period between fiscals 2022 and 2025

Source: CRIF Highmark, Crisil Intelligence

Number of unique customers in the top 15 states (in million)

State	FY22	FY23	FY24	FY25	9MFY26	3-year CAGR
Bihar	7.09	8.51	10.94	11.29	9.73	16.76%
Uttar Pradesh	5.51	6.96	9.14	9.29	8.12	19.04%
Tamil Nadu	8.05	8.32	9.27	8.55	7.20	2.05%
Karnataka	4.86	5.30	6.55	6.27	5.22	8.91%
West Bengal	6.53	6.94	7.72	7.66	6.50	5.42%
Maharashtra	5.22	5.67	6.54	6.28	5.24	6.38%
Madhya Pradesh	4.24	4.67	5.37	5.13	4.41	6.56%
Odisha	3.83	4.06	4.62	4.51	3.81	5.57%
Rajasthan	2.96	3.33	3.84	3.61	2.99	6.84%
Jharkhand	1.73	2.02	2.45	2.40	2.12	11.48%
Kerala	1.92	1.98	2.22	2.21	1.87	4.81%
Gujarat	2.11	2.31	2.73	2.68	2.21	8.28%
Assam	2.19	1.87	1.97	2.09	1.97	-1.58%
Andhra Pradesh	3.90	4.17	4.62	3.30	3.15	-5.42%
Chhattisgarh	1.39	1.49	1.63	1.53	1.33	3.30%
Others	6.41	6.60	7.10	5.95	5.27	-2.45%
Total	**67.95**	**74.22**	**86.72**	**82.76**	**71.14**	**6.79%**

Note: States are arranged in terms of assets under management (AUM);

3-year CAGR is for the period between fiscals 2022 and 2025

Source: CRIF Highmark, Crisil Intelligence

Bihar had the highest loan disbursements in fiscal 2026 (Rs. billion)

State	FY22	FY23	FY24	FY25	FY26	4-year CAGR	Disbursement mix for FY26
Bihar	341.85	482.71	628.24	461.20	419.39	5.24%	Top 5 states 58.84%
Uttar Pradesh	228.82	337.14	439.25	329.14	316.09	8.41%	
Tamil Nadu	290.59	399.17	503.05	311.69	272.33	-1.61%	
West Bengal	264.77	271.64	360.61	314.85	232.44	-3.20%	
Karnataka	204.09	282.46	385.94	264.12	205.65	0.19%	
Maharashtra	177.82	230.56	286.73	228.35	171.46	-0.91%	

State	FY22	FY23	FY24	FY25	FY26	4-year CAGR	Disbursement mix for FY26
Madhya Pradesh	140.63	183.40	209.91	162.25	145.09	0.78%	6th to 10th states 25.10%
Odisha	147.06	180.78	220.62	142.09	118.48	-5.26%	
Rajasthan	107.79	139.35	152.27	104.94	96.29	-2.78%	
Jharkhand	76.59	103.93	123.33	87.22	85.48	2.78%	
Gujarat	67.07	88.83	108.39	73.69	65.30	-0.66%	11th to 15th states 10.46%
Assam	32.61	23.24	38.63	50.81	53.82	13.35%	
Kerala	90.02	104.72	110.94	65.88	50.79	-13.33%	
Chhattisgarh	44.31	54.39	63.61	50.29	44.42	0.06%	
Andhra Pradesh	11.32	27.29	51.21	50.24	42.63	39.30%	
Others	147.04	166.23	183.15	158.65	137.85	-1.60%	
Total	**2,372.39**	**3,075.83**	**3,865.90**	**2,855.40**	**2,457.51**	**0.89%**	

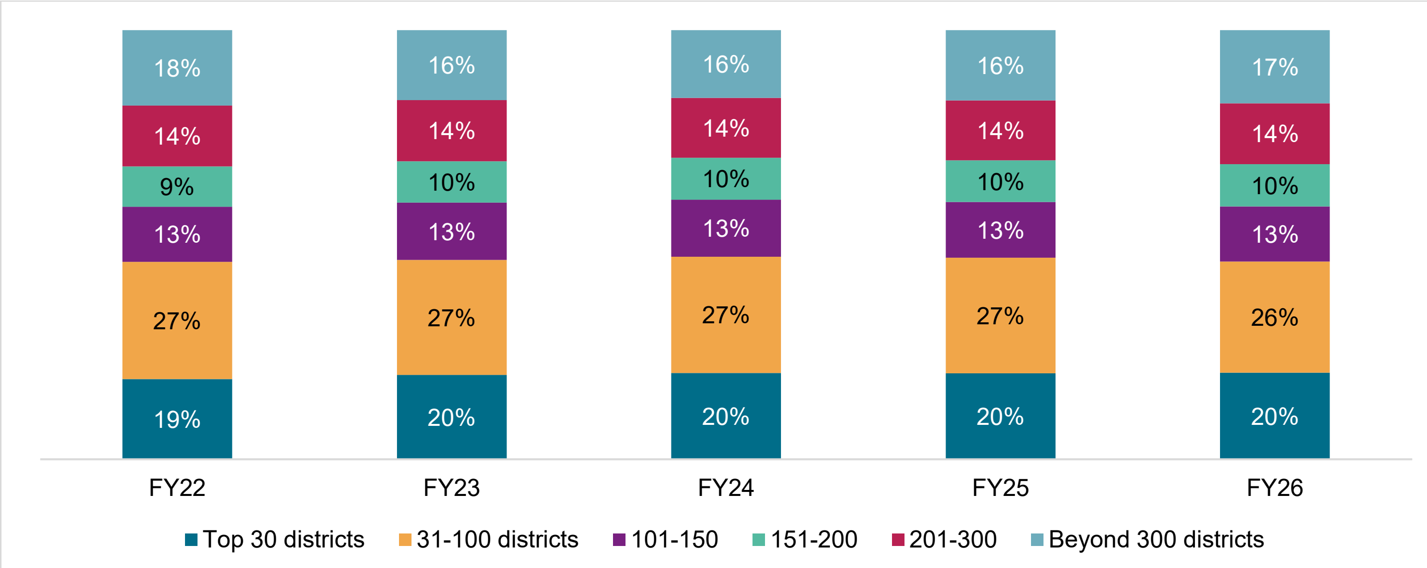
Source: CRIF Highmark, Crisil Intelligence

Average loan outstanding per active customer in the top 15 states (Rs.)

Rs	FY22	FY23	FY24	FY25	FY26	4 year CAGR
Bihar	50,412.76	57,761.26	59,884.08	51,136.28	54,586.75	2.01%
Uttar Pradesh	42,849.90	48,596.69	50,675.03	44,949.48	48,987.34	3.40%
Tamil Nadu	45,738.21	55,803.85	62,797.53	54,775.54	54,067.89	4.27%
Karnataka	49,822.44	59,634.70	64,929.99	56,361.88	54,903.10	2.46%
West Bengal	50,817.80	44,583.11	52,250.74	47,973.16	43,593.43	-3.76%
Maharashtra	42,092.72	48,382.05	50,897.31	47,090.86	47,205.07	2.91%
Madhya Pradesh	40,998.35	44,741.52	46,345.25	42,239.01	44,270.39	1.94%
Odisha	45,039.51	50,296.45	55,494.80	45,955.55	45,432.98	0.22%
Rajasthan	42,281.04	46,863.26	47,192.04	41,364.47	44,062.23	1.04%
Jharkhand	46,468.14	52,784.88	53,636.67	46,446.25	50,691.75	2.20%
Gujarat	37,792.02	43,824.50	47,932.05	40,747.24	41,236.39	2.20%
Kerala	54,351.66	64,501.82	63,825.86	50,968.21	44,071.59	-5.11%
Assam	40,406.88	31,977.04	37,603.84	33,844.25	37,106.95	-2.11%
Andhra Pradesh	12,295.42	14,146.67	18,051.14	22,175.55	22,206.28	15.93%
Chhattisgarh	37,902.11	41,550.72	45,277.55	42,695.30	43,126.70	3.28%
Total	**42,308.19**	**47,038.55**	**51,050.80**	**46,063.91**	**46,526.90**	**2.40%**

Source: CRIF Highmark, Crisil Intelligence

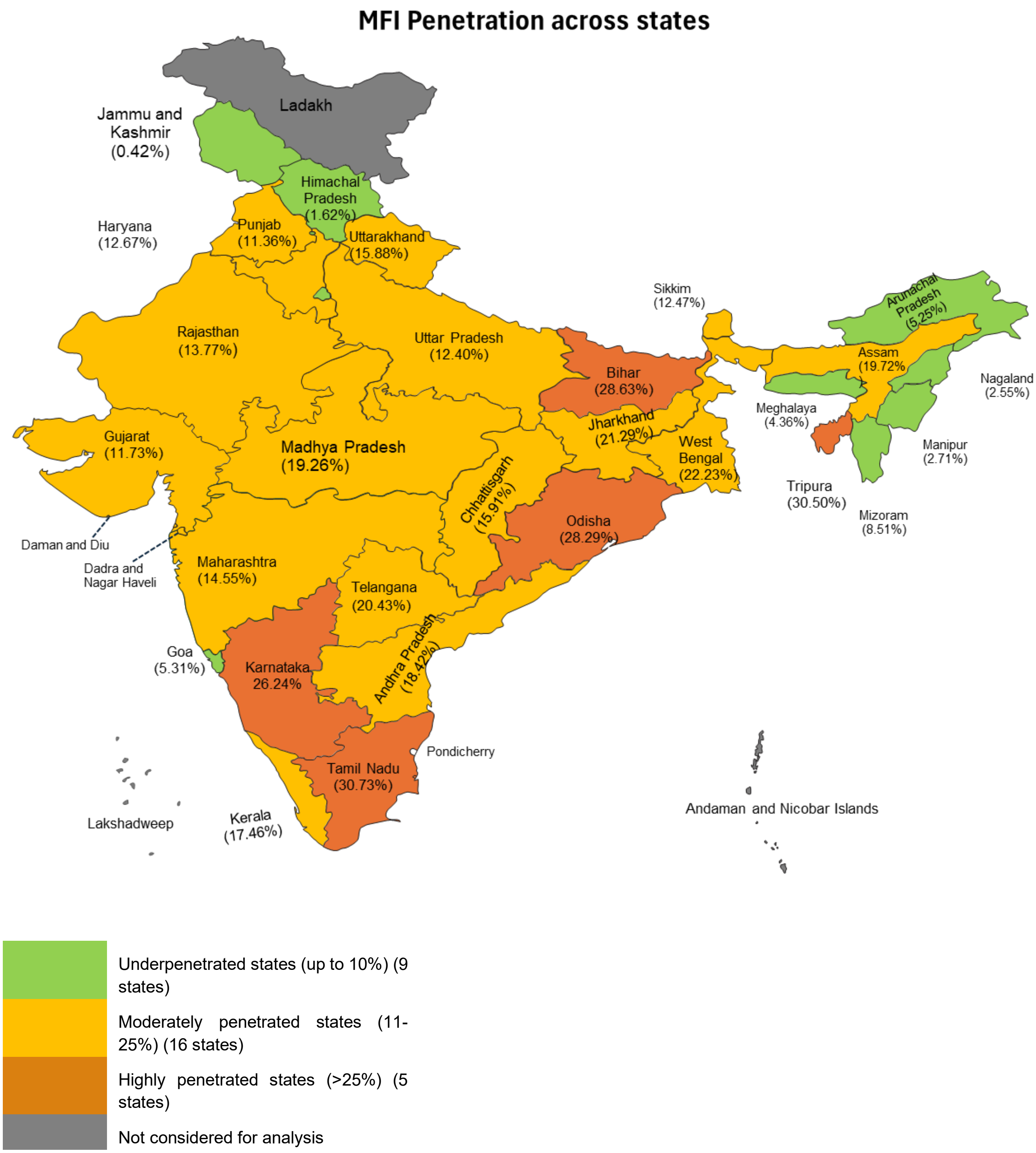
Top 100 districts constituted ~46% of the portfolio historically, creating opportunities for financiers to serve the under-penetrated districts



Source: CRIF Highmark, Crisil Intelligence

46-47% of the portfolio was concentrated in the top 100 districts between fiscals 2022 and 2026. This highlights the underpenetrated districts that remain unserved by organised lenders. This, coupled with banks pulling out of the MFI sector, provides an opportunity for NBFC MFIs and NBFCs to cater to this segment, thus promoting financial inclusion along with organic growth of the loan book.

State-wise unique borrowers per household as of the first nine months of fiscal 2026

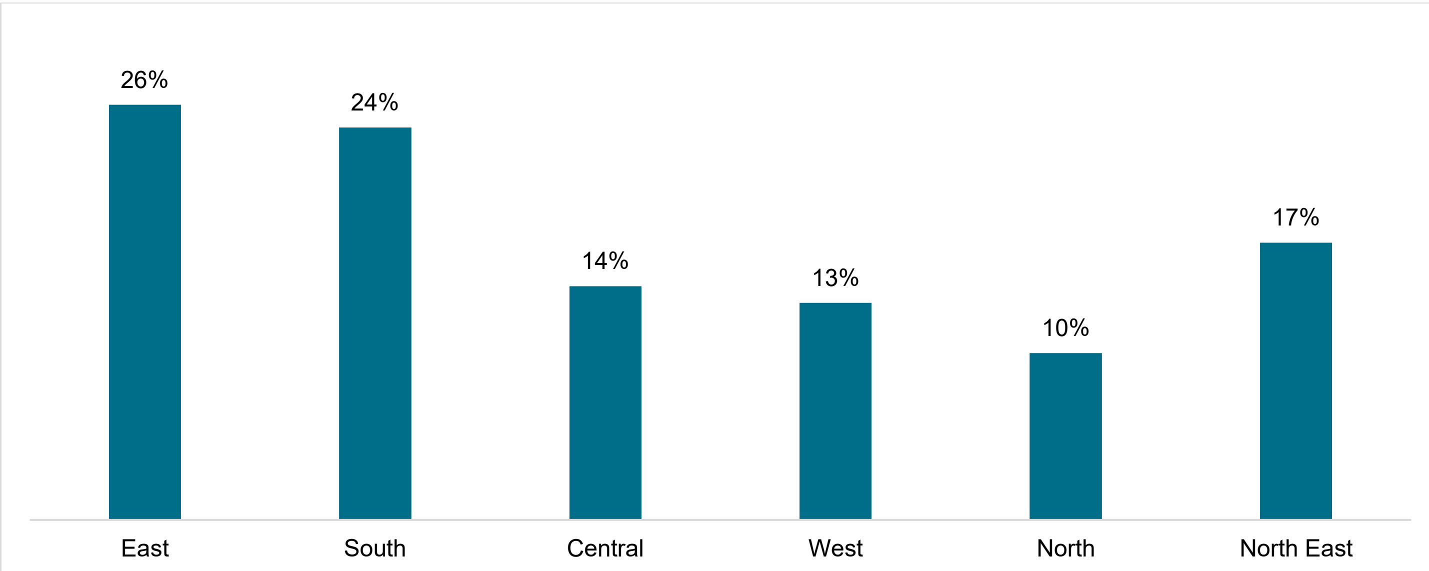


Note: Penetration % = Unique borrowers/Total Household in the state; Source: CRIF Highmark, Crisil Intelligence

Northern and western regions are underpenetrated in microfinance

Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir are the key underpenetrated microfinance regions, with borrower penetration significantly below the mature southern markets despite large populations. These states offer substantial untapped credit demand and long-term growth opportunities through calibrated lending, enhanced credit bureau checks and financial literacy-driven onboarding. As of the first nine months of fiscal 2026, the eastern and southern regions were highly penetrated at 26% and 24%, respectively, while the northern and western regions remain underpenetrated, presenting ample opportunities for MFIs to serve the underserved populations and promote regional economic development.

Region-wise penetration of microfinance as of the first nine months of fiscal 2026



*Note: 1 **Central region** includes Madhya Pradesh, Uttarakhand, Chhattisgarh and Uttar Pradesh; **eastern region** includes Odisha, Bihar, Jharkhand, West Bengal, and Andaman and Nicobar Islands; **northern region** includes Punjab, Haryana, Rajasthan, Delhi, Himachal Pradesh, Chandigarh, and Jammu and Kashmir; **north-eastern region** includes Tripura, Assam, Mizoram, Manipur, Meghalaya, Nagaland, Sikkim and Arunachal Pradesh; **southern region** includes Puducherry, Karnataka, Kerala, Tamil Nadu, Telangana, Andhra Pradesh and Lakshadweep; **western region** includes Maharashtra, Gujarat, Goa, Daman and Diu and Dadra and Nagar Haveli*

At PAN India level, MFI penetration stands at 18.32%. A significant portion of India's population still lacks access to formal credit because of under penetration across regions and borrower segments. This indicates that the industry's growth is structural, supported by the gradual inclusion of new borrowers into the formal financial ecosystem.

This provides a long runway for sustained expansion, with continuous inflow of new demand. This untapped opportunity is particularly concentrated in rural areas, making them central to the industry's growth trajectory.

State-wise asset quality of top 15 states in terms of AUM

	PAR 31-90			PAR 91-180		
	FY24	FY25	FY26	FY24	FY25	FY26
Bihar	0.74%	2.58%	0.75%	0.50%	4.63%	1.24%
Uttar Pradesh	1.30%	2.66%	0.86%	0.90%	4.11%	1.26%
Tamil Nadu	1.24%	3.04%	0.73%	0.85%	3.58%	0.99%
Karnataka	0.42%	6.43%	0.74%	0.41%	3.72%	1.22%
West Bengal	0.68%	1.48%	1.20%	0.59%	1.76%	1.19%
Maharashtra	1.09%	1.69%	0.73%	0.98%	2.38%	1.43%
Madhya Pradesh	1.73%	2.31%	0.89%	1.59%	3.27%	1.54%
Odisha	1.05%	3.06%	0.57%	0.90%	5.45%	1.05%
Rajasthan	1.92%	2.42%	0.98%	1.69%	3.45%	1.46%
Jharkhand	1.29%	2.43%	0.61%	0.99%	4.60%	1.07%
Gujarat	1.49%	3.19%	1.05%	1.46%	4.39%	1.64%
Kerala	3.09%	2.59%	0.88%	1.95%	2.19%	0.75%
Assam	1.01%	0.36%	0.31%	0.46%	0.59%	0.42%
Andhra Pradesh	0.37%	2.66%	0.84%	0.21%	2.24%	1.35%
Chhattisgarh	1.31%	2.00%	0.63%	1.04%	4.03%	0.99%

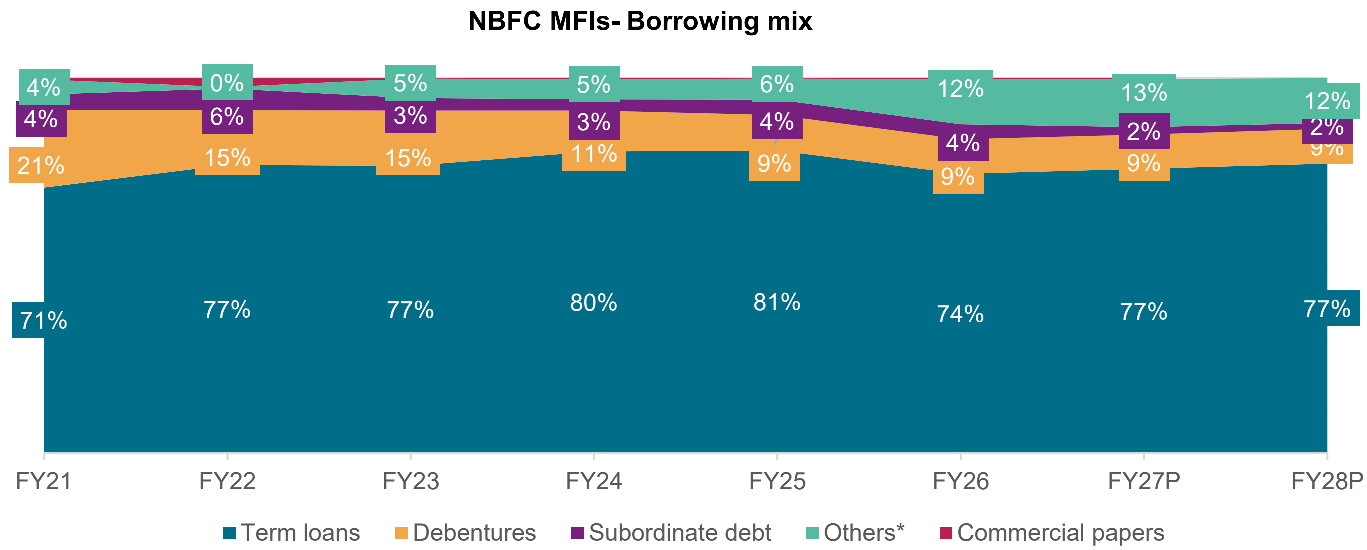
Source: CRIF Highmark, Crisil Intelligence

Kerala had the highest PAR31-90 and PAR 91-180 in fiscal 2024 at 3.09% and 1.95% respectively. In fiscal 2025, Karnataka had the highest PAR31-90 at 6.43%, effects visible from Karnataka Ordinance that was implemented in Q4 of fiscal 2025. PAR 91-180 for Karnataka stood at 0.41%, 3.72% and 1.22% for fiscals 2024, 2025 and 2026 respectively. Odisha had the highest PAR91-180 in fiscal 2025 at 5.45%. Assam had the best asset quality in fiscal 2025 and fiscal 2026 in terms of PAR31-90 at 0.36% and 0.31% respectively and PAR91-180 at 0.59% and 0.42% respectively. Superior asset quality in Assam can be attributed to the Assam Microfinance Incentive and Relief Scheme (AMFIRS) (2021) where timely intervention made a pathway for a sustainable growth.

Diversifying AUM across states is essential given the differing state-level risks and regulatory requirements that follow thereafter. Maintaining a low concentration in any single state helps safeguard asset quality, enables sustainable growth, and reduces exposure to adverse outcomes. Accordingly, companies with pan-India presence that maintain a balanced AUM mix across states are better positioned to benefit.

Borrowing mix of NBFC-MFIs

Bank borrowings to remain the primary funding source; funding mix expected to remain broadly stable over fiscals 2027 and 2028



E – estimated, P – projected

** Primarily includes ECBs and securitisation*

Source: MFIN, Crisil Intelligence

Bank borrowings remained the largest funding source for NBFC-MFIs. However, their share declined to 74% in fiscal 2026 from 81% in fiscal 2025, as lenders adopted a cautious stance amid elevated asset quality stress. Consequently, NBFC-MFIs increasingly relied on alternative funding sources, resulting in a higher share of the 'Others' category, comprising primarily ECBs and securitisation.

With portfolio quality expected to improve, collections strengthening and credit costs normalising, lender confidence is expected to recover in fiscal 2027. Additionally, the enhanced credit guarantee scheme for eligible MFIs is expected to support incremental bank funding, particularly for larger and well-rated NBFC-MFIs. Consequently, the share of bank borrowings is projected to increase to ~77% in fiscal 2027.

In fiscal 2028, the borrowing profile is expected to remain broadly stable, with bank borrowing's continuing to account for nearly three-fourths of the overall funding mix.

The share of non-convertible debentures (NCDs) stood at 9% in fiscal 2026 and is expected to remain broadly stable during fiscals 2027 and 2028. Although improving asset quality and profitability are expected to enhance access to the debt capital market, elevated market yields are likely to keep NCD issuances range bound.

Pass through certificate (PTC) as a strategic anchor for unsecured business loans during asset-quality stress

PTCs are clearly gaining favour across asset classes, especially in the unsecured space. Investors in unsecured loan transactions, like microfinance, are preferring the PTC route due to the support provided by external enhancement, following the asset quality challenges that emerged in the previous fiscal. PTCs accounted for 69% of microfinance securitisation transactions last fiscal, compared with 30% in fiscal 2025.

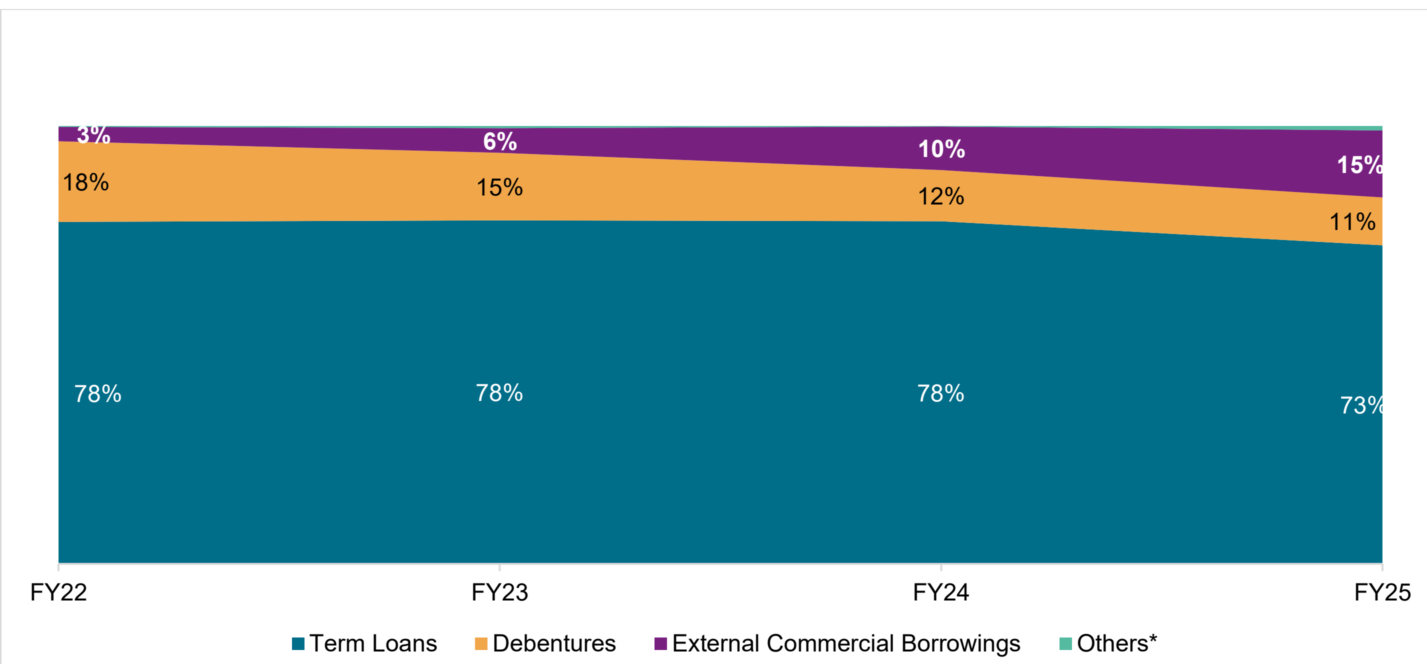
For MFIs, PTC transactions are a powerful tool because they **unlock liquidity, improve balance sheet efficiency, and provide partial protection from concentration and credit stress**. In a normal environment, they help sustain growth; in a stressed environment, they become even more valuable as a **liquidity bridge and risk management instrument**.

Microfinance is the largest unsecured loan segment to exercise high-value PTC transactions in fiscals 2025 and 2026

Note: # Excludes PTCs from non-financial sector entities; Others comprise business loans, personal loans, education loans and lease-backed transactions; Source: Crisil Ratings

Borrowings Mix for top 5 NBFC MFIs

Share of ECBs has increased, offsetting the share of term loans



*Note: *Others include fixed deposits, commercial papers, refinance from NHBs and securitisation, Source: Company reports; Crisil Intelligence*

Term loans have remained the primary funding source from fiscals 2022 to 2025, decreasing slightly to 73% in fiscal 2025 from 78% in fiscal 2022. Conversely, the share of ECBs has increased significantly from 3% in fiscal 2022 to 15% in fiscal 2025. The top five NBFC microfinance institutions (MFIs) have a higher reliance on ECBs compared with other industry players. Despite tighter bank credit flows into the MFI sector, their ability to secure ECBs from foreign investors at competitive rates underscores their strong credibility and market standing.

Profitability of NBFC MFIs

Yields in microfinance have stayed elevated because borrowers are relatively higher risk, including small businesses, household manufacturing units, farmers, and daily wage workers whose repayment capacity is more vulnerable to income and business disruptions. Lenders price for this risk accordingly, and larger players typically disburse loans at lower yields.

In fiscal 2026, lending yields are expected to moderate versus fiscal 2025, mainly due to higher reversals of interest income driven by elevated delinquencies and overdue accounts in stressed portfolios. As a result, interest income is estimated at 18.10% of average AUM (vs 20.18% in fiscal 2025), and credit cost is expected to fall to 4.80% (from 8.50%), though it remains above historical levels (typically 2.5–3.5%). Interest expense is estimated at 7.23% (vs 8.09%), NIM is expected to decline to 10.87% in fiscal 2026, and RoA is likely to stay modest at 0.89% as operating expenses remain elevated (7.43%) due to higher field intensity, incremental hiring, attrition, and rising travel/conveyance. In fiscal 2027, interest income is expected to improve to 19.4–19.6% and interest expense to moderate to ~7.0–7.2%, supported by more complete repo-rate transmission, improving lender confidence, gradual normalization of bank lending, and greater funding diversification. With further marginal improvement in asset quality and credit metrics (credit costs projected at 4.1–4.3%) and operating expenses easing slightly (to 6.9–7.1%), NIM is projected to improve to ~12.2–12.4% and RoA to 2.3–2.5%, though still below pre-stress levels—implying a gradual profitability recovery.

RoA tree	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	2022	2023	2024	2025	2026 E	2027 P
Interest income	16.36%	17.28%	19.74%	20.18%	18.10%	19.4-19.6%
Interest expense	7.63%	7.43%	8.08%	8.09%	7.23%	7.0-7.2%
Net interest income	8.73%	9.86%	11.66%	12.08%	10.87%	12.2-12.4%
Other income	1.96%	3.00%	2.87%	1.95%	2.35%	2.3-2.4%
Operating costs	5.49%	5.79%	5.82%	6.73%	7.43%	6.9-7.1%
Pre-provisioning operating profit (PPOP)	5.20%	7.06%	8.71%	7.31%	5.79%	7.4-7.6%
Credit cost	3.67%	3.49%	2.66%	8.50%	4.80%	4.1-4.3%
RoA	1.15%	2.69%	4.54%	-1.15%	0.89%	2.3-2.5%

Notes:

1. *Interest income = Interest income on average yearly AUM*
2. *Interest expense = Finance cost on average yearly AUM*
3. *Net interest income = (Interest income less interest expense) on average yearly AUM*
4. *Other income = Other income on average yearly AUM*
5. *Operating costs = Operating expenses on average yearly AUM*
6. *PPOP = Net interest income + other income – operating expenses on average yearly AUM*
7. *Credit cost = Impairment on financial instruments on average yearly AUM*
8. *RoA = Profit after tax on average yearly AUM*
9. *Data of Spandana Sphoorty, CreditAccess Grameen, Asirvad Microfinance, Muthoot Microfin, Satin Creditcare Network, Annapurna Finance, Fusion Finance, IIFL Samasta Finance, Svatantra Microfin, Belstar Microfinance, Arohan Financial Services, Chaitanya India Fin Credit Private Limited, Repco Micro Finance Limited has been considered for RoA tree*
10. *E= estimated; P-projected*

Source: Company reports; Crisil Intelligence

Profitability of top five NBFC-MFIs

The top five NBFC-MFIs have been able to generate higher RoA from fiscal 2024 to fiscal 2026 by restricting credit costs from blowing up. This has helped them maintain a positive RoA over the stressful periods. Interest income has remained stable at 18.52% in fiscal 2026 from 18.33% in fiscal 2024. Cost of funds has declined by ~73 bps in fiscal 2026, with benefits uneven across players: larger NBFC-MFIs manage lower costs through stronger credit profiles and better access to funding, while smaller and mid-sized players remain pressured by selective, higher-rate bank lending. Consequently, interest expenses have reduced to 6.84% in fiscal 2026 from 7.57% in fiscal 2024 due to sourcing from foreign commercial bonds at lower rates. Operating costs have increased to 6.66% in fiscal 2026 from 5.07% in fiscal 2024. Credit costs had increased to 5.84% in fiscal 2025 from 2.25% in fiscal 2024 owing to one-time write-offs and higher provisions created. The same reduced to 4.29% in fiscal 2026 with improvement in the credit quality of the portfolio. The top five NBFC-MFIs have been able to remain positive even during the industry crisis mainly due to controlled credit costs when compared with the overall NBFC-MFIs.

Despite turbulent periods top 5 players have demonstrated profitability and have been able to manage stress better. They are better positioned to capture market share and demonstrate continued profitability.

RoA tree	Fiscal	Fiscal	Fiscal
	2024	2025	2026
Interest income	18.33%	19.61%	18.52%
Interest expense	7.57%	7.63%	6.84%
Net interest income	10.76%	11.98%	11.68%
Other income	2.29%	1.76%	2.59%
Operating costs	5.07%	6.24%	6.66%
PPOP	7.98%	7.58%	7.35%
Credit cost	2.25%	5.84%	4.29%
RoA	4.31%	1.36%	2.34%

Notes:

1. *Interest income = Interest income on average yearly AUM*
2. *Interest expense = Finance cost on average yearly AUM*
3. *Net interest income = (Interest income less interest expense) on average yearly AUM*
4. *Other income = Other income on average yearly AUM*
5. *Operating costs = Operating expenses on average yearly AUM*
6. *PPOP = Net interest income + other income – operating expenses on average yearly AUM*
7. *Credit cost = Impairment on financial instruments on average yearly AUM*
8. *RoA = Profit after tax on average yearly AUM*
9. *Data of CreditAccess Grameen, Muthoot Microfin, Satin Creditcare Network, Annapurna Finance, Svatantra Microfin (including Chaitanya India Fin Credit Private Limited) has been considered for RoA Tree*
10. *Data over fiscals 2024 to 2026 has been taken from public disclosures of mentioned companies*

Source: Company reports and Crisil Intelligence

Recent challenges

The MFI sector faces several issues that impact its operations and growth. These challenges can be broadly categorised as follows:

- **Sharp asset quality deterioration:** The sector is experiencing a surge in GNPAs and PAR of over 180 days. The AUM in India contracted 13.18% on year in fiscal 2026.
- **Over-leveraging and borrower stress:** Borrowers face repayment issues due to economic slowdowns, inflation, natural disasters, heatwaves and election related disruptions. Many borrowers have taken loans from multiple lenders, leading to a debt trap casing over leverage issues.
- **High cost of funds and operations:** Smaller MFIs are struggling with funding constraints as banks become more selective in their lending practices. Operating costs remain high due to the manual and field-intensive nature of micro-lending.
- **Shift of borrowers towards individual loans**: The traditional JLG model, which relies on peer pressure to ensure loan repayment, is weakening due to urbanisation and a shift from group-focused credit leading to individual lending, which requires better credit assessment techniques. MFIs must develop more sophisticated credit assessment models to manage the risks associated with individual lending.

The Indian microfinance industry experienced a cautious and disciplined recovery in early DPD buckets in fiscal 2026, marked by a resurgence in disbursements after a significant contraction in fiscal 2025.

The industry is also shifting towards higher-value loans, with growth concentrated in the Rs 50,000-0.1 million range, where the average ticket size is increasing. Specialised NBFC-MFIs are leading this shift and gaining market share, while banks and some SFBs have scaled back their exposure. The recovery is quality-led, with improved asset quality, early delinquency levels contained at 0.82% in Q4 fiscal 2026 as compared to 2.73% in Q4 fiscal 2025, and collection efficiency above 99% for new portfolios.

Overview of the Housing Industry in India

Property and Housing: Fuelling economic progress

Housing is a fundamental pillar in India's socio-economic landscape, firmly embedded in the concept of "Roti, Kapda aur Makaan." It not only addresses a basic human need but also serves as a catalyst for economic expansion, driving demand across more than 250 allied industries including construction materials, electrical goods, logistics, and professional services. Investment in residential property stimulates employment at multiple levels, from unskilled labour to technical specialists and supports wealth creation for households and institutions. The sector's broad impact on industry, employment, and consumer spending underscores its role in fostering inclusive growth and social stability. Accordingly, successive governments have positioned residential development as a strategic lever for accelerating urban expansion and promoting sustainable city planning, recognizing its importance in advancing India's overall economic prosperity.

Demand dynamics: Structural and long term in nature

The demand for housing in India is anchored by enduring structural factors. Rapid urbanization continues to fuel migration from rural to urban areas, sustaining strong demand for residential units, particularly in emerging cities and urbanizing regions. With India's population expected to remain youthful for decades, the expanding workforce and the shift toward nuclear families are intensifying the need for affordable homeownership. Rising disposable incomes and greater access to formal credit have enabled more individuals especially first-time buyers in Tier II, Tier III, and semi-urban markets, to pursue homeownership, where affordability and aspirations for improved living standards are both high. Government initiatives like the Pradhan Mantri Awas Yojana (PMAY) have further bolstered demand by making housing finance more accessible and affordable. Additionally, the formalization of employment, rising financial literacy, and digital adoption have broadened the base of eligible borrowers. Together, these drivers ensure sustained demand for affordable housing and underpin the long-term growth prospects of the housing finance sector, positioning it as a crucial pillar for India's continued economic and social advancement.

Supply constraints and the persistent housing shortage is creating a long-term structural opportunity

Despite sustained demand, India continues to face a structural housing shortage, particularly in urban areas and within economically weaker and lower-income segments. Historical assessments of housing demand and supply indicate that most of this shortage is concentrated in the affordable housing category, highlighting a mismatch between what is supplied and what is required by the population.

Estimated shortage in 2025 and 2030

Housing shortage in India in 2025 and 2030		
In Million	**CY 2025E**	**CY2030E**
Population	1,408.00	1,525.10
Household size	4.00	4.00
No. of houses (A)	290.90	317.30

Housing shortage in India in 2025 and 2030		
In Million	**CY 2025E**	**CY2030E**
Required houses (B)	352.00	381.30
Overall shortage (B-A)	**61.10**	**64.00**

Note: E: Estimated; Required houses = Population/household size

Source: Census 2011, RBI, Crisil Intelligence

Crisil Intelligence estimates the housing shortage for 2025 at 61.10 million housing units, growing to approx 64.00 million by 2030.

Government-run schemes such as PMAY have enabled the completion of ~40 million houses between CY 2019 and CY 2025 (rural and urban). However, the shortfall of 61.10 million houses in CY 2025 is estimated to increase marginally to 64.00 million units by CY 2030, despite additional housing supply through such government-run schemes.

While housing supply has improved over the past decade through private sector participation and government-led initiatives, constraints such as land availability, regulatory approvals, project execution timelines and financing challenges continue to limit the pace at which the gap can be bridged.

As a result, the housing deficit remains a defining feature of the Indian real estate landscape. This persistent shortage underscores that the housing demand is not transient. Instead, it represents a long-term structural opportunity that is likely to play out over multiple economic cycles, particularly as formalization increases and housing quality standards improve.

Housing Loan Demand in rural and urban areas for 2025E	Rural	Urban
Total Shortage of houses (million units)	36.70	24.40
Average value of house (Rs.)	2,706,825	4,392,754
LTV	70%	75%
ATS of housing loans	1,894,777	3,294,566
Total Housing Loan Demand (in trillion)	69	81
Credit Penetration	8.50%	12.60%
Total Addressable demand (in trillion)	**6**	**10**

*Note: Total Housing Loan demand = ATS of housing loan*Total shortage of houses; Source: Crisil Intelligence*

Despite government-led initiatives, the persistent shortage of housing presents a significant long-term opportunity for home financiers. The total addressable housing loan market is estimated to be Rs. 16.00 trillion, with Rs. 10.00 trillion attributed to urban housing and Rs. 6.00 trillion to rural housing. While approximately 35% of the population resides in urban areas, where the housing shortage stands at 24.40 million units, the urban housing loan demand of Rs. 10.00 trillion (24.40 million units) surpasses that of rural housing due to the higher cost of urban dwellings. This disparity presents a promising opportunity for financiers, as urban housing loans typically offer favourable credit profiles and repayment histories, making them an attractive segment for growth.

Overview of the Indian Housing finance market

India's housing finance market has evolved into a critical component of the country's financial ecosystem, facilitating homeownership aspirations across diverse income segments and geographies.

The market is characterized by participation from multiple lender categories, including public and private sector banks, housing finance companies (HFCs), and non-banking financial companies (NBFCs). Each category brings distinct competitive advantages banks leverage lower cost of funds and extensive branch networks, while HFCs and NBFCs offer specialized products, deeper customer engagement, and greater focus on underserved segments such as self-employed and informal sector borrowers.

NBFC/HFCs have a distinct competitive advantage over banks, driven by:

- An extensive distribution network that caters to the peri-urban markets in Metropolitan & Tier I cities, Tier II and Tier III and beyond cities along with a deeper local understanding of micro markets which cannot be incorporated in system driven lending of Banks
- Focused product capabilities, unlike banks where housing finance may not be the core strategic product
- Expertise in underwriting customers with limited or informal income documentation, allowing for more inclusive lending practices.
- Distinct competitive advantage in collections, owing to their specialized field teams, local market knowledge, and decentralized operational frameworks that enable more effective engagement with borrowers.

Housing finance loans have steadily compounded at a rate of 13.65% from fiscal 2021 to 2026

Housing finance credit in India has demonstrated sustained structural growth, with housing credit outstanding recording a compound annual growth rate (CAGR) of 13.65% between fiscal 2021 and fiscal 2026.

While there was a post-pandemic recalibration in loan sizes in select Metropolitan & Tier I cities owing to increased demand for larger homes to support hybrid working, growth within the broader affordable housing construct (loans up to Rs. 2.50 million) remained structurally supported by first-time homebuyers and households upgrading to formal housing. The housing credit market witnessed strong expansion in fiscal 2022 and fiscal 2023, followed by a moderation to 12.68% in fiscal 2025 and 10.38% in fiscal 2026. The tapering down of housing credit growth can be attributed to

a) Deliberate call by many large players to focus on margins rather than growth amid declining interest rate environment and intense pricing competition,

b) Higher risk aversion by lenders especially in the first half of fiscal 2026, due to US tariff impact on few sectors.

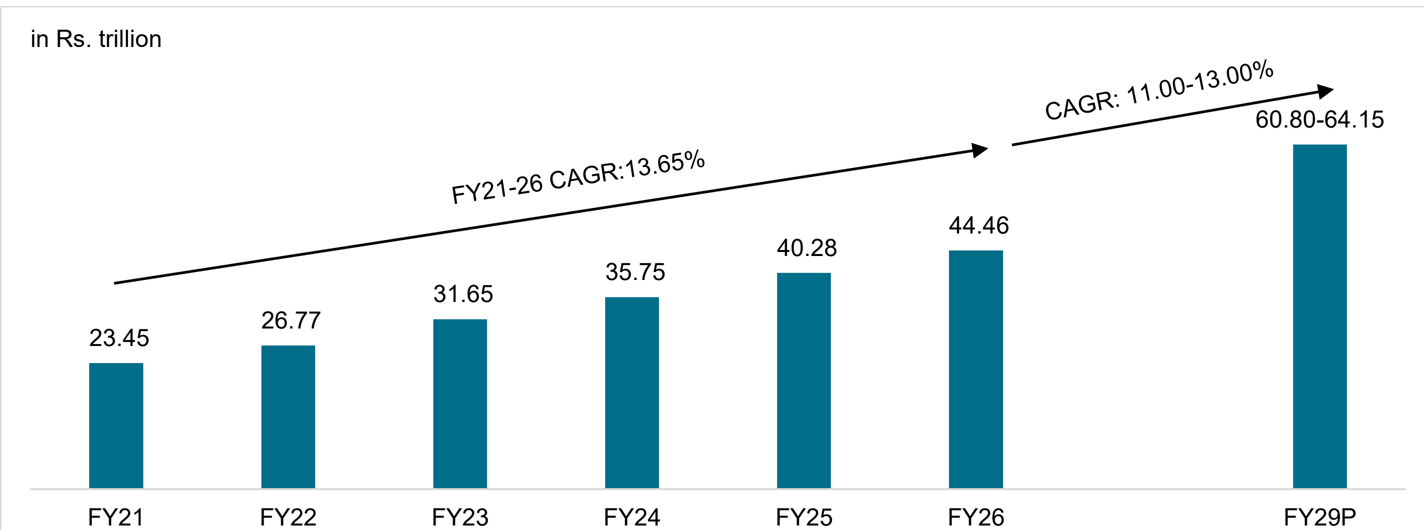
Despite a moderation in growth rates in recent years, the housing finance sector remains fundamentally resilient, underpinned by strong structural demand, favourable demographics, and sustained policy support.

Despite largest share in retail loans, housing finance market is expected to grow faster than nominal GDP growth

Going forward, Crisil Intelligence projects total housing credit outstanding to grow at a CAGR of 11.00-13.00% through fiscal 2029, supported by increase in ticket size of loans, stable income growth, continued urbanisation, and ongoing government support for affordable housing. Despite already accounting for the largest share within overall retail lending, housing finance is projected to grow faster than the nominal GDP growth, indicating that housing finance penetration relative to the size of the economy is likely to improve gradually, reinforcing its position as a structurally expanding asset class within the Indian financial system.

Policy support remains a key enabler for the sector, with the allocation of Rs. 35.00 billion to the Interest Subsidy Scheme under Pradhan Mantri Awas Yojana (PMAY) in the Union Budget 2025–26, and the launch of the second tranche of the Special Window for Affordable and Mid-Income Housing (SWAMIH) fund amounting to Rs. 150.00 billion, aimed at facilitating the completion of approximately 100,000 housing units. These measures are expected to support housing supply completion and sustain credit demand over the medium term.

Housing loans expected to grow at a steady rate of 11.00-13.00% CAGR till fiscal 2029

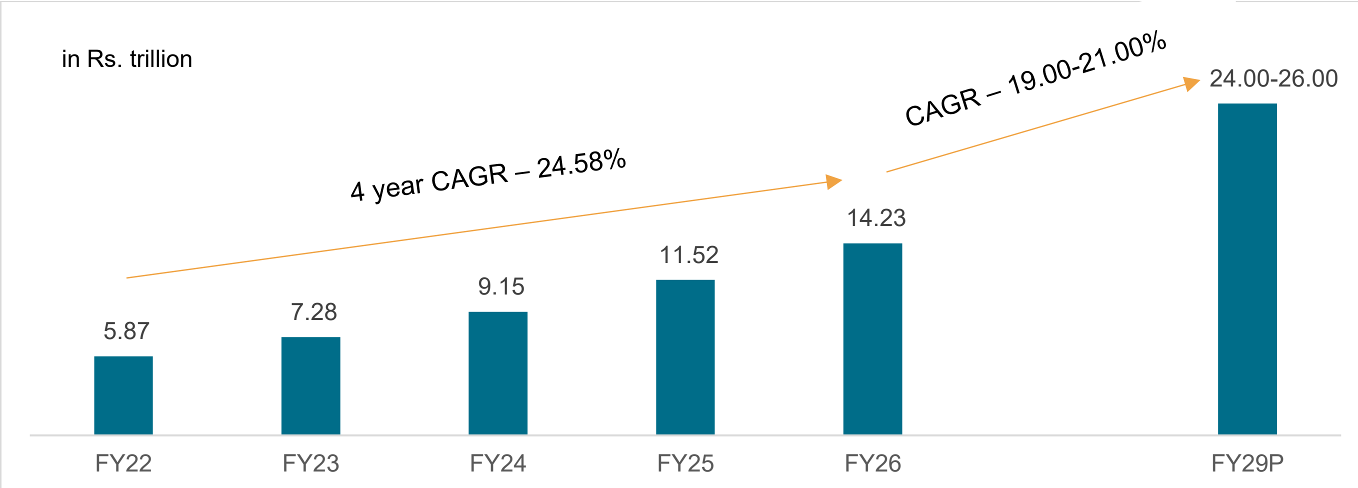


Note: P: Projected; Source: CRIF Highmark Crisil Intelligence

Key growth drivers for housing finance sector

India's real estate sector is witnessing structural maturity, with capital from high-performing assets like equities and gold being channelled into residential property purchases, fuelling housing demand. The country's demographic dividend, changing lifestyle preferences post-pandemic, and rising incomes bolstered by government pay revisions are driving sustained growth in housing loan originations and improved affordability. Enhanced data availability and technology adoption are broadening borrower eligibility, especially among informal and self-employed segments. Continued government support through initiatives like PMAY and SWAMIH further strengthens affordability, supply completion, and lender confidence across the housing finance ecosystem.

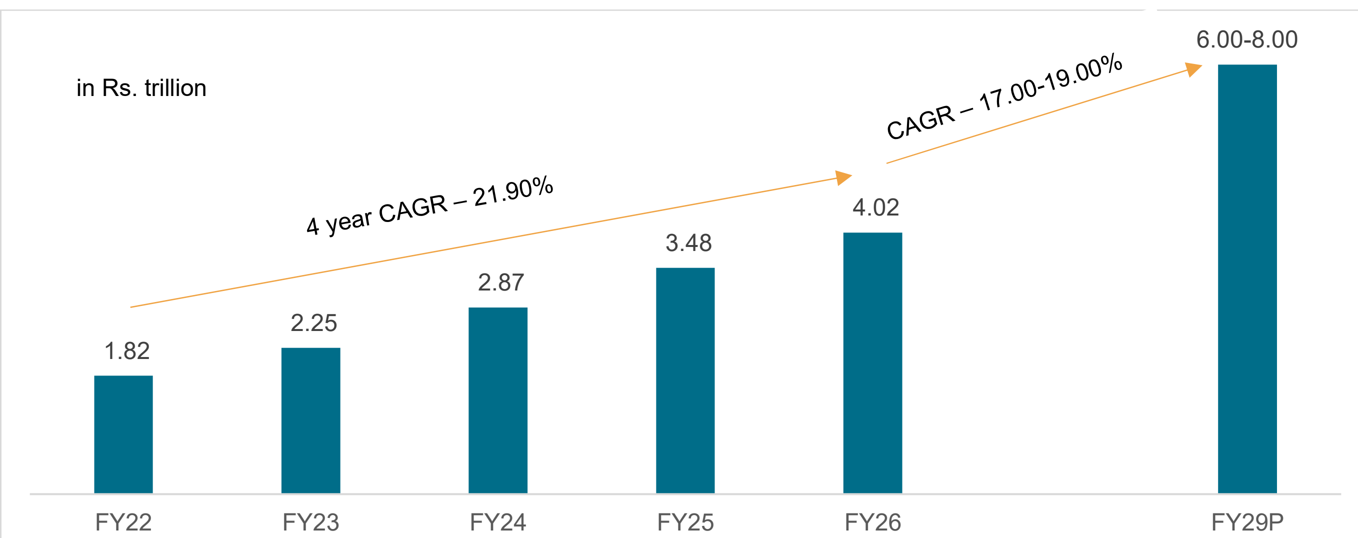
Loan against property (LAP) loans expected to grow at a steady rate of 19.00-21.00% CAGR till fiscal 2029



Note: P: Projected; Source: CRIF Highmark; Crisil Intelligence

Crisil Intelligence expects overall LAP loans to grow at a CAGR of 19.00-21.00% over fiscals 2026 to 2029 driven by the increasing preference of banks and non-banks for secured lending to MSMEs due to asset quality pressure in the unsecured loan segment. Furthermore, HFCs have also started to increase focus on LAP given their higher yields compared to home loans.

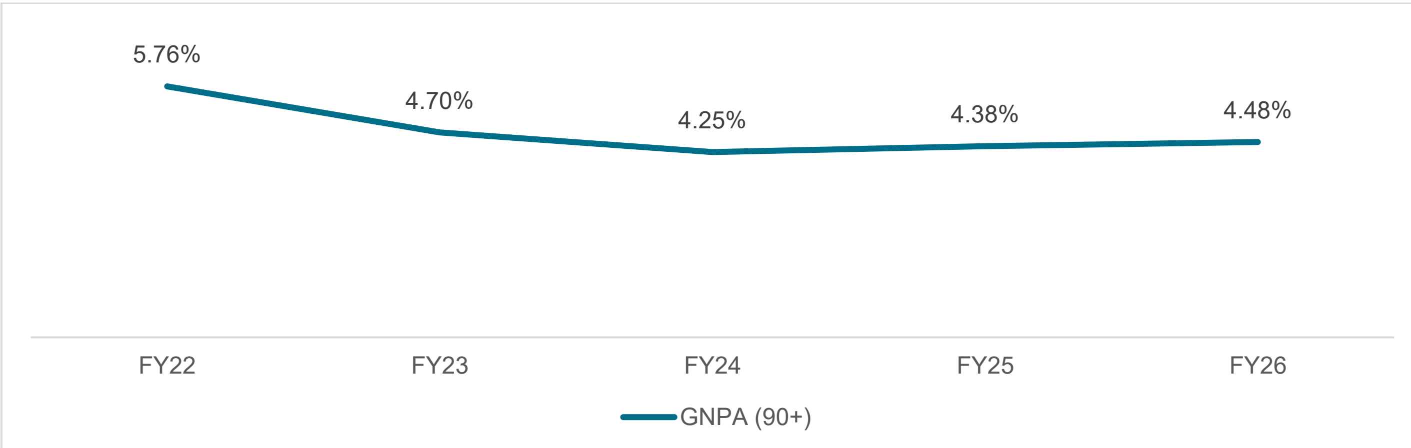
Loan against property (LAP) loans with ticket size less than Rs. 25 lakhs are expected to grow at a steady rate of 17.00-19.00% CAGR till fiscal 2029



Note: P: Projected; Source: CRIF Highmark; Crisil Intelligence

Crisil Intelligence expects the LAP loans with lower ticket size (below Rs. 25 lakhs) to grow at a CAGR of 17.00-19.00% over fiscals 2026 to 2029. Banks and large size HFCs have been more inclined towards higher ticket sizes leaving opportunities affordable HFCs and other players to penetrate further in this segment.

Asset quality for LAP loans less than Rs. 25 lakhs have remained rangebound post fiscal 2022.



Source: CRIF Highmark; Crisil Intelligence

Crisil Intelligence

Overview of Affordable Housing Finance in India (Less than Rs. 25 lakh ticket size)

India's housing finance market broadly comprises prime housing loans and affordable housing loans, with the affordable housing segment typically catering to borrowers with smaller ticket sizes and relatively limited access to formal credit channels. Affordable housing finance continues to represent a structurally underpenetrated segment within India's mortgage ecosystem and remains a key growth driver for lenders focused on mass-market home financing.

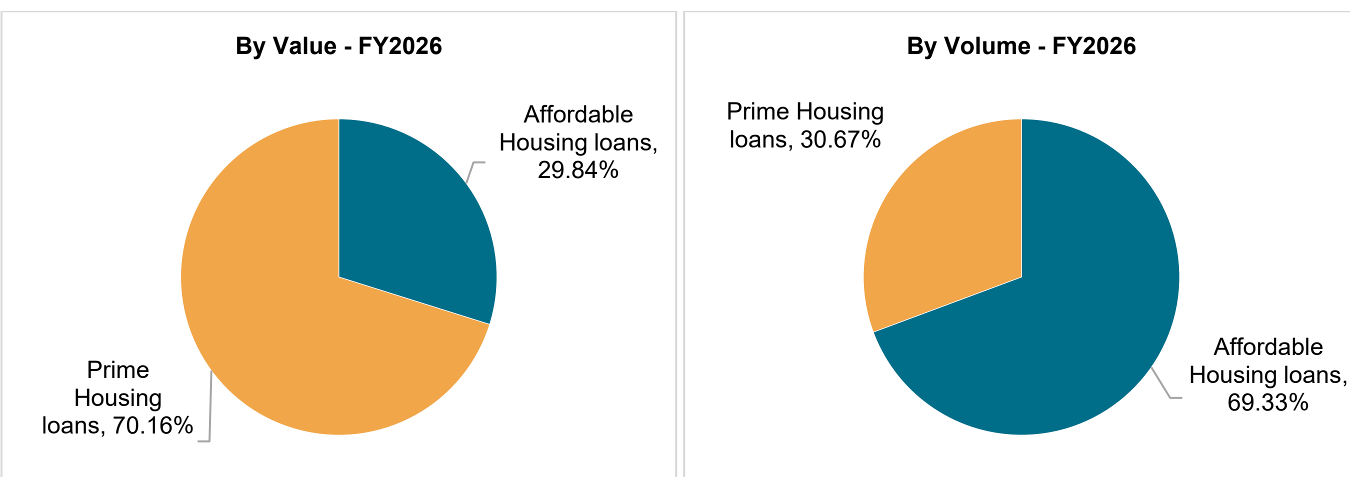
The segment is primarily driven by first-time homebuyers across Tier II, Tier III and semi-urban markets, including salaried borrowers, self-employed individuals, informal income earners and economically underserved customer segments that are often inadequately serviced by traditional banking channels. Increasing formalization of the economy, digitization of financial ecosystems, wider availability of alternative credit assessment tools and supportive government policies have significantly improved credit accessibility within the affordable housing ecosystem.

Government initiatives such as PMAY, the Credit Linked Subsidy Scheme ("CLSS"), infrastructure-led urban expansion and increasing policy focus on affordable housing development continue to improve affordability and strengthen long-term demand fundamentals. Additionally, regulatory reforms including RERA and GST-led formalization have enhanced transparency, execution discipline and borrower confidence within the residential real estate ecosystem.

Affordable housing finance accounts for a lion's share in terms of volume

Affordable housing finance continues to account for a meaningful share of India's housing finance market in terms of borrower volumes, reflecting the large underlying demand base.

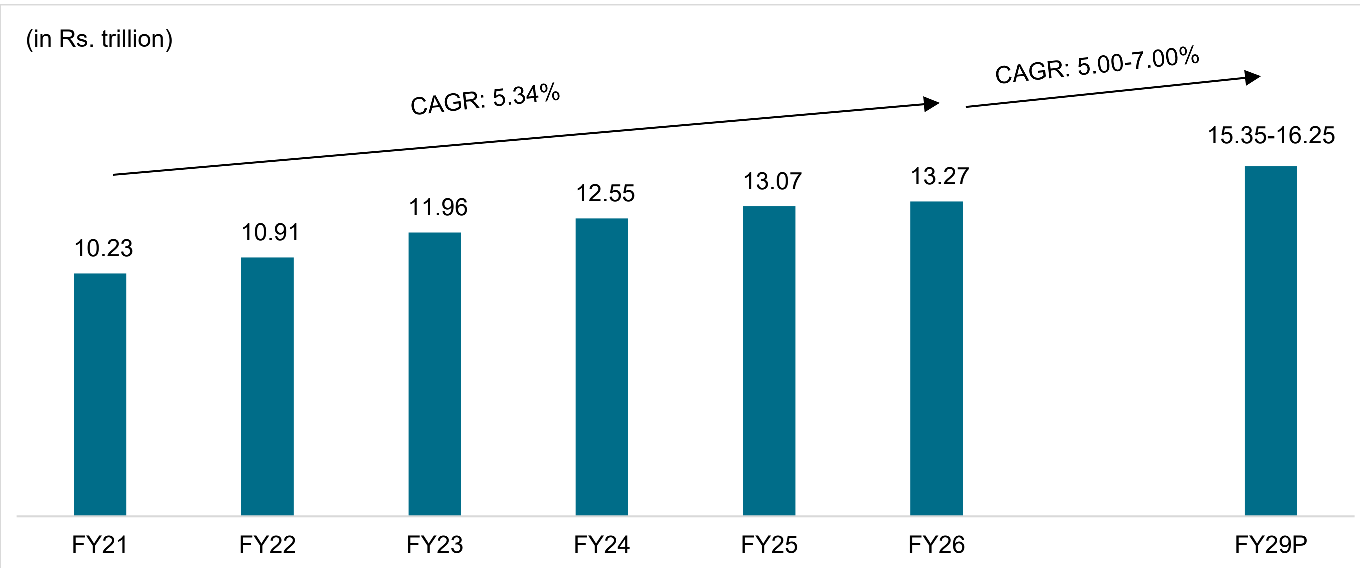
Affordable housing finance constitutes 29.84% of housing loans by value & 69.33% of loan accounts (volumes) as of fiscal 2026



Source: CRIF Highmark, Crisil Intelligence

This segment represents a large and growing opportunity, supported by rising urbanisation, rising incomes and increasing aspiration for home ownership. Further, the segment benefits from relatively lower loan-to-value risk, and policy support through priority sector classification and targeted housing initiatives. While borrowers in this segment often exhibit non-standardised income profiles, repayment behaviour has remained largely stable due to essential housing demand, smaller ticket sizes, and conservative underwriting practices adopted by lenders. As a result, affordable housing finance continues to be a key growth driver for specialised housing finance companies and an important channel for expanding formal housing credit penetration in India.

Affordable-housing finance logged a CAGR of 5.34% between fiscals 2021 and 2026; expected to grow at 5.00-7.00% between fiscal 2026 and fiscal 2029

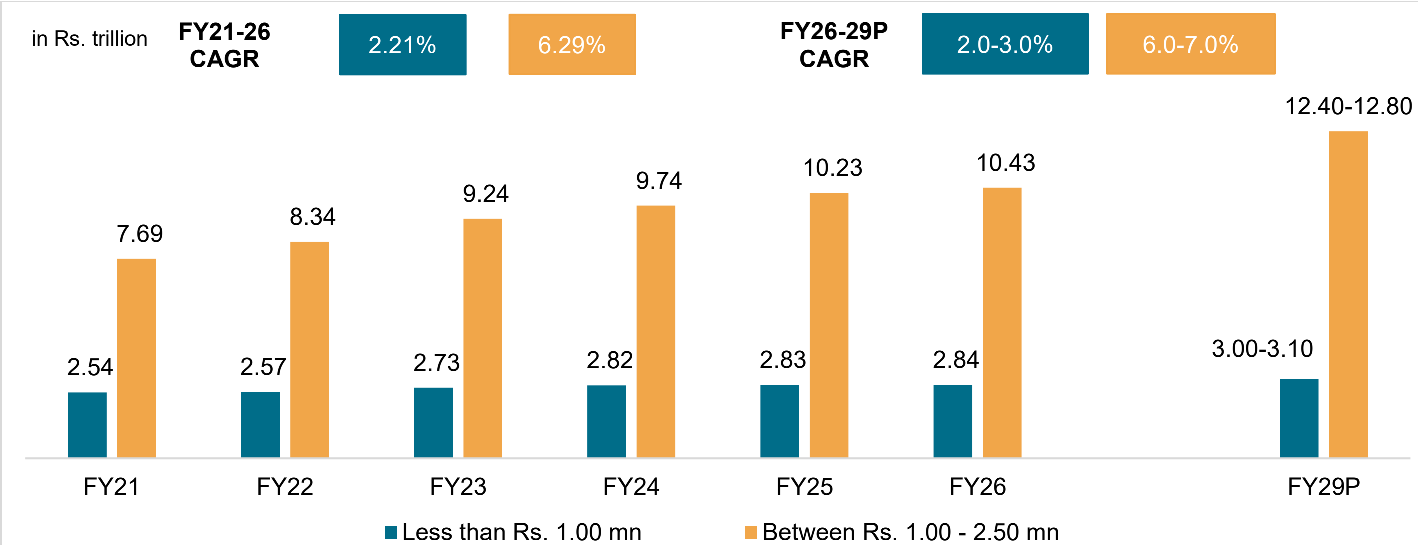


Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

Crisil intelligence projects the affordable housing finance market will expand at a compounded annual growth rate of 5.00-7.00% through fiscal 2029. Within the affordable housing finance market Affordable Housing Finance Companies (AHFCs) have grown at a CAGR 14.27%, showing superior growth prospects and gaining market share from other players in the industry.

We expect rationalisation of GST rates on construction materials, and continued government support through schemes such as PMAY are likely to support demand. Further, structural drivers including urbanization, nuclearization of families, rising disposable incomes, and increasing formalization of borrowers, cash flows will remain intact and continue to underpin growth prospects in the segment.

Growth in affordable housing loans within Rs.1.00-2.50 million ticket size outpaced growth in sub-1.00 million segment



Note: P: Projected, Source: CRIF Highmark, Crisil Intelligence

Within the affordable housing segment, higher ticket-size affordable loans have witnessed relatively stronger growth in recent years, driven by rising property prices, increasing construction costs and improving borrower aspirations for better quality housing.

Demand within the Rs. 1.00-2.50 million ticket-size categories has expanded faster, with the AUM within the category having witnessed a growth of 6.29% between fiscal 2021 and fiscal 2026, when compared to 2.21% for loans less than Rs. 1.00 million.

HFCs in Affordable Housing Finance

Affordable Housing Finance Companies (AHFCs) have emerged as critical participants within India's affordable housing finance ecosystem, particularly in addressing the financing needs of underserved and underbanked borrower segments. These lenders have developed specialised underwriting capabilities tailored towards borrowers with informal income profiles, limited documented credit histories and cash-flow-based repayment structures that are often not adequately addressed by traditional banking models.

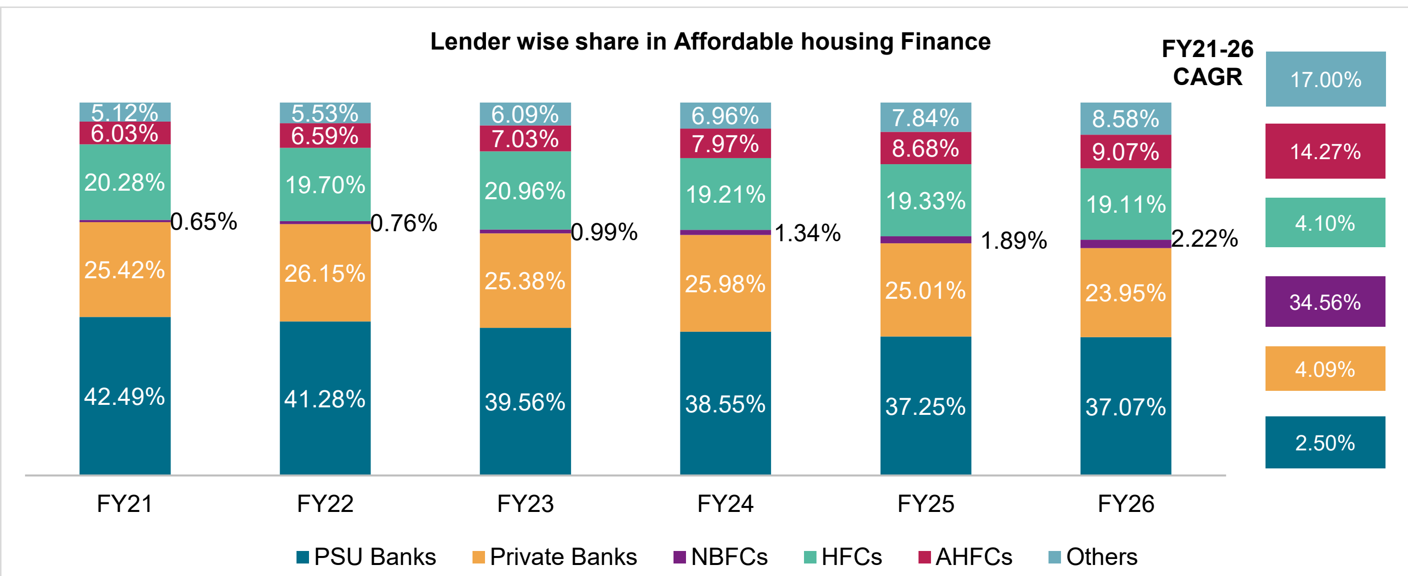
AHFCs have been able to establish a strong presence within Tier II, Tier III and beyond markets through deep distribution reach, local market understanding, flexible underwriting approaches and customised product offerings. Their operating models are typically designed to cater to first-time homebuyers, self-employed borrowers, micro-entrepreneurs and economically weaker sections that may have limited access to formal mortgage financing.

Unlike conventional underwriting frameworks that rely heavily on formal income documentation, AHFCs increasingly utilise surrogate income assessment methodologies, field-based credit evaluation, cash-flow analysis and alternative data-led underwriting mechanisms to assess borrower repayment capability. This has enabled broader financial inclusion while supporting responsible credit expansion within underserved markets.

Lender-wise analysis on portfolio outstanding for affordable housing segment

The affordable housing finance segment has also witnessed increasing participation from NBFCs and AHFCs players due to calibrated risk-adjusted returns, granular portfolio structures and significant long-term growth potential. Over the past several years, AHFCs have steadily expanded their market share within affordable housing finance, supported by focused customer acquisition strategies, differentiated distribution models and faster turnaround times. AHFCs have grown their AUM at a 5-year CAGR of 14.27%. Since the non AHFC players are moving to higher ticket size as suggested by the lender wise trends, AHFCs have been able to exploit the opportunity in the segment of Rs. sub 2.50 million. AHFCs can maintain profitability with favourable risk reward ratio by charging slightly higher yields and containing delinquencies, thereby capitalizing on the opportunity in this segment. AHFCs have been able to increase their share from 6.03% to 9.07% in fiscal 2026.

AHFCs log the third highest 5-year CAGR of 14.27% in affordable-housing loan outstanding



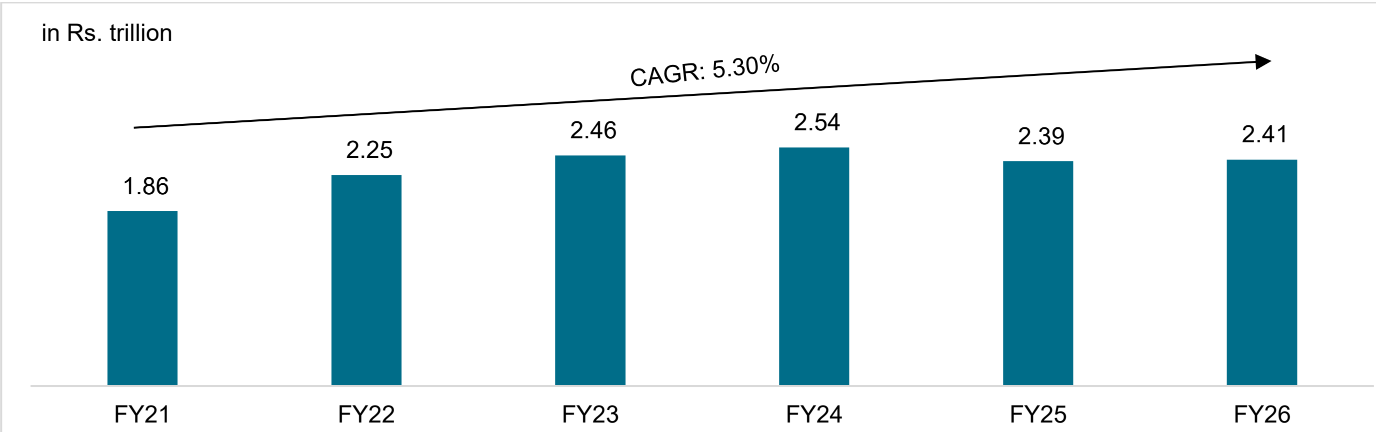
Note: AHFCs include Aadhar Housing Finance Limited, Aavas Financiers Limited, Sundaram Home Finance Limited, Truhome Finance Limited (Shriram Housing Finance Limited), Home First Finance Company India Limited, Aptus Value Housing Finance India Limited, India Shelter Housing Finance Limited, Vastu housing finance corporation Limited, Mahindra Rural Housing Finance Limited, Hero Housing Finance Limited, Motilal Oswal Home Finance Limited.

HFCs are housing finance companies other than affordable housing finance players; Source: CRIF Highmark, Crisil Intelligence

Disbursements in the affordable housing segment have grown at a 5-year CAGR of 5.30%

The disbursements for affordable housing segments have grown at a CAGR of 5.30% between fiscal 2021 to 2026.

Disbursement trend for overall affordable-housing loans in India



Source: CRIF Highmark, Crisil Intelligence

AHFCs are the third fastest growing players in the affordable housing disbursements with a 5 year CAGR of 15.83% as of fiscal 2026

In terms of disbursements, AHFCs have the third fastest CAGR amongst the lenders, growing at a 5-year CAGR of 15.83% as of fiscal 2026.

Given the calibrated lending strategies adopted by banks primarily focusing on prime loans and borrowers with formal salaried profiles in the higher ticket sizes, AHFCs are well positioned to sustain and gradually increase their market share within the affordable housing ecosystem.

Lender wise disbursements trend

Lender segment	FY21	FY22	FY23	FY24	FY25	FY26	CAGR (FY21-26)
PSU Banks	0.71	0.80	0.87	0.80	0.77	0.78	**1.72%**
Private Banks	0.54	0.67	0.61	0.61	0.51	0.46	**-3.36%**
NBFCs	0.01	0.03	0.05	0.08	0.10	0.11	**49.47%**
HFCs	0.33	0.40	0.45	0.51	0.49	0.50	**8.57%**
AHFCs	0.15	0.21	0.28	0.33	0.33	0.32	**15.83%**
Others	0.10	0.14	0.20	0.21	0.21	0.24	**19.00%**

Note: AHFCs include Aadhar Housing Finance Limited, Aavas Financiers Limited, Sundaram Home Finance Limited, Truhome Finance Limited (Shriram Housing Finance Limited), Home First Finance Company India Limited, Aptus Value Housing Finance India Limited, India Shelter Housing Finance Limited, Vastu housing finance corporation Limited, Mahindra Rural Housing Finance Limited, Hero Housing Finance Limited, Motilal Oswal Home Finance Limited. HFCs are housing finance companies other than affordable housing finance players. The CAGR is calculated using the exact, unrounded figures. Converting numbers to trillions before computation may cause rounding discrepancies that alter the final CAGR results; Source: CRIF Highmark, Crisil Intelligence

State-wise share of AHFCs in the affordable-housing segment (based on loan outstanding)

The affordable-housing finance market exhibits significant variations in size and growth across states as well as among districts in the same state, indicating latent opportunities to offer loans to unserved or underserved customers. As of March 2026, the top 10 states/union territories in terms of affordable-housing loan outstanding accounted for 90.68% of the total loans outstanding. Maharashtra held the highest share of 19.28%, followed by Gujarat (12.57%), Rajasthan (12.03%), Tamil Nadu (9.14%) and Madhya Pradesh (9.04%).

Maharashtra government has introduced Housing Policy 2025 that aims at delivering 3.5 million houses for Economically Weaker Sections (EWS), Low-income group (LIG) and Middle-income group (MIG) till 2030 with long term target of 5 million homes in 10 years. This will aid the financiers to provide credit to this segment in Maharashtra which is the largest state by AUM.

Share of the AHFCs in the top 10 states/union territories in the affordable-housing finance market

States	FY21	FY22	FY23	FY24	FY25	FY26	FY21-26 CAGR	Market Share
Maharashtra	23.34%	21.65%	20.04%	19.04%	19.04%	19.28%	9.99%	Top 5 states 62.06%
Gujarat	13.46%	13.30%	13.06%	12.28%	12.51%	12.57%	12.71%	
Rajasthan	10.52%	10.87%	11.49%	11.89%	11.90%	12.03%	17.38%	
Tamil Nadu	11.74%	11.45%	11.00%	10.11%	9.49%	9.14%	8.68%	
Madhya Pradesh	8.20%	8.21%	8.27%	8.67%	8.96%	9.04%	16.51%	
Uttar Pradesh	6.02%	6.20%	6.17%	6.71%	6.68%	6.87%	17.31%	Top 10 states 90.68%
Andhra Pradesh	4.60%	4.96%	5.71%	6.49%	6.80%	6.69%	23.17%	
Telangana	4.49%	4.71%	4.87%	4.92%	5.00%	5.20%	17.71%	
Delhi	5.12%	5.48%	5.67%	5.54%	5.36%	5.11%	14.20%	
Karnataka	4.17%	4.14%	4.39%	4.74%	4.80%	4.75%	17.30%	
Other States	8.33%	9.04%	9.34%	9.61%	9.47%	9.32%	16.87%	
Overall	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**14.27%**	**100.00%**

Note: Highlighted in the table are the states/union territories with highest growth rate among top 10 states; Source: CRIF Highmark, Crisil Intelligence

Geographic dynamics in affordable housing lending

Recent trends indicate that affordable housing finance growth has been most robust in rural and semi-urban markets, with CAGRs of 8.77% and 6.86% respectively between fiscal 2021 and fiscal 2026. This reflects increasing credit penetration and growing homeownership aspirations in these regions, supported by targeted lender strategies and government initiatives. Urban markets, while holding the largest share of AUM, have grown at a more moderate CAGR of 3.41%, suggesting relative market maturity and a slower pace of new customer acquisition. The overall affordable housing finance AUM expanded at a CAGR of 5.34% during this period, highlighting the sector’s resilience and the significant growth potential that remains in rural and semi-urban geographies, where structural demand drivers and financial inclusion efforts continue to support expansion.

	FY21	FY22	FY23	FY24	FY25	FY26	FY21-26 CAGR
Urban							
Affordable housing finance AUM	5.86	6.15	6.62	6.81	6.97	6.93	3.41%
Rural							

	FY21	FY22	FY23	FY24	FY25	FY26	FY21-26 CAGR
Affordable housing finance AUM	2.66	2.91	3.3	3.6	3.85	4.05	8.77%
Semi-urban							
Affordable housing finance AUM	1.17	1.28	1.42	1.52	1.59	1.63	6.86%
NA							
Affordable housing finance AUM	0.54	0.56	0.62	0.62	0.66	0.66	4.80%
Overall	**10.23**	**10.91**	**11.96**	**12.55**	**13.07**	**13.27**	**5.34%**

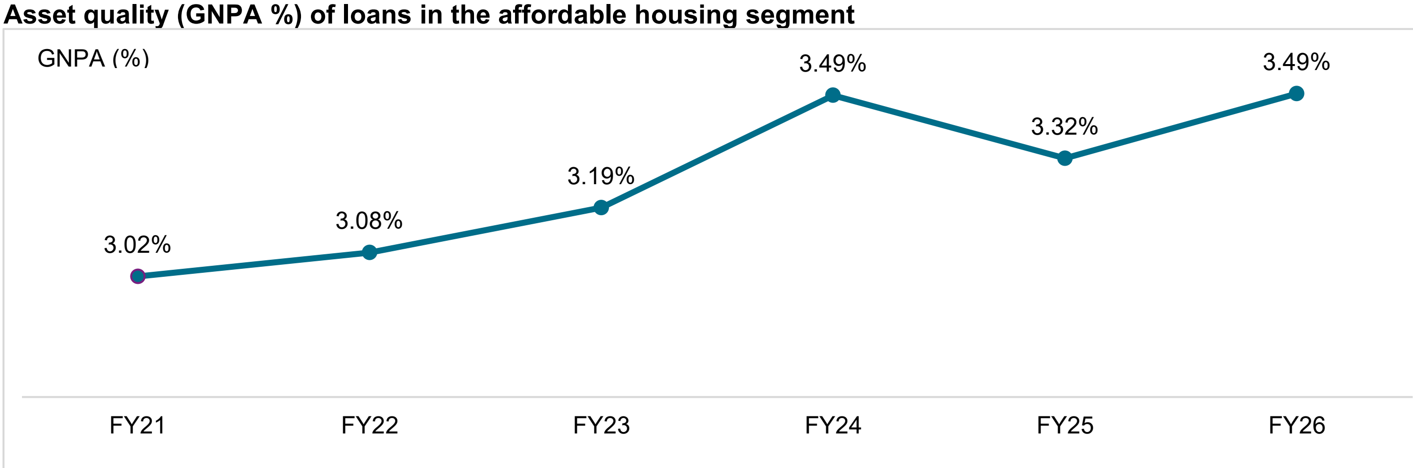
Note: Numbers are in Rs. Trillion; NA represents the portfolio which is untagged as per the bureau data and represents less than 5% of total portfolio.

Source: CRIF Highmark and Crisil Intelligence

Asset quality in affordable housing finance segment has remained relatively resilient

Despite periodic macroeconomic disruptions and inflationary pressures, asset quality trends within the affordable housing finance segment have remained broadly stable across credit cycles. Borrowers within affordable housing finance typically demonstrate strong repayment intent given the essential and emotional nature of home ownership, particularly among first-time homeowners. The segment's granular portfolio composition secured nature of lending and relatively low speculative exposure continue to support balanced risk-adjusted returns for lenders operating within affordable housing finance.

Asset quality (GNPA %) of loans in the affordable housing segment

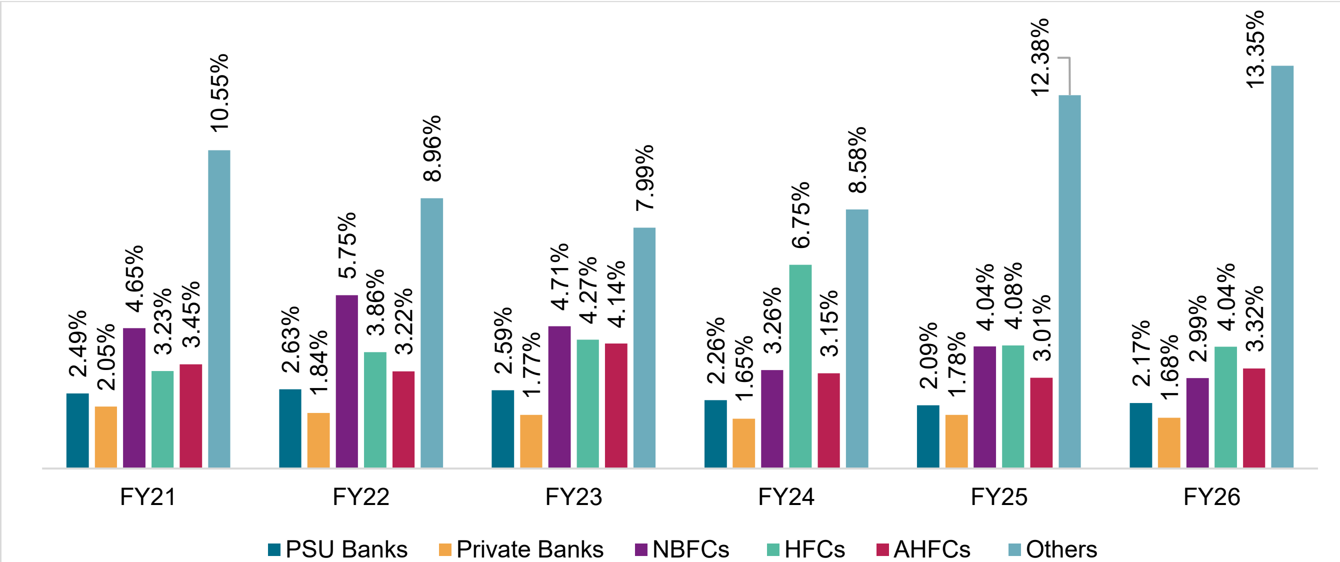


Note: GNPA considered as portfolio greater than 90 days, excluding write-offs.

Source: CRIF Highmark, Crisil Intelligence

The GNPA% for affordable housing loans has exhibited a modest upward trend from 3.02% in fiscal 2021 to 3.49% in fiscal 2026, with a brief improvement to 3.32% in fiscal 2025. This movement reflects the segment's sensitivity to economic cycles and borrower profiles, but overall asset quality has remained within a manageable range. The stability around the 3.5% mark suggests that while there are periodic fluctuations, lenders have been able to maintain asset quality through prudent risk management and underwriting practices, ensuring the segment remains resilient and continues to support homeownership aspirations.

Lender-wise GNPA ratio in the affordable housing segment



Note: GNPA considered as portfolio greater than 90 days, excluding write-offs. Others in the above data set include foreign banks and other lenders in the affordable-housing loans segment; AHFCs include Aadhar Housing Finance Limited, Aavas Financiers Limited, Sundaram Home Finance Limited, Truhome Finance Limited (Shriram Housing Finance Limited), Home First Finance Company India Limited, Aptus Value Housing Finance India Limited, India Shelter Housing Finance Limited, Vastu housing finance corporation Limited, Mahindra Rural Housing Finance Limited, Hero Housing Finance Limited, Motilal Oswal Home Finance Limited. HFCs are housing finance companies other than affordable housing finance players

Source: CRIF Highmark, Crisil Intelligence

As of fiscal 2026, GNPA levels across lender categories primarily reflect differences in customer focus rather than underlying structural stress. Private banks reported a GNPA of 1.68%, public sector banks 2.17%, NBFCs 2.99%, AHFCs 3.32% and HFCs 4.04%. Notably, the players in AHFC group have better GNPAs against other HFCs operating in the housing segment.

While AHFCs GNPA remains higher than that of banks owing to greater exposure to self-employed and semi-formal borrowers, asset quality remains manageable and within expected thresholds. To offset this higher risk, AHFCs typically charge higher yields compared to banks, which operate at the lowest yields in the market.

Profitability metrics for affordable housing players

Parameter	FY21	FY22	FY23	FY24	FY25	FY26E	FY27P
Interest on Loans	10.80%	10.54%	10.90%	11.42%	11.46%	11.38%	11.30-11.40%
Interest Expense	6.48%	5.58%	5.59%	6.08%	6.20%	6.11%	6.00-6.10%
NIMs	4.32%	4.95%	5.31%	5.34%	5.25%	5.26%	5.20-5.30%
Other Income	1.22%	1.34%	1.68%	1.98%	2.06%	2.18%	2.30-2.50%
OPEX	2.00%	2.33%	2.78%	3.00%	3.06%	2.81%	2.80-2.90%
Credit Cost	1.15%	0.99%	0.52%	0.34%	0.53%	0.73%	0.60-0.70%
Post Tax RoA	**1.83%**	**2.31%**	**2.84%**	**3.08%**	**2.89%**	**2.92%**	**2.80-2.90%**

Note: Ratios are calculated on average total assets, E: Estimated, P: Projected

Source: Company Reports, Crisil Intelligence

In fiscal 2026, for the affordable housing players the NIMs are estimated at 5.26%. The interest on loans is estimated to decline ~8 bps year on year to 11.38% because of pricing competition between players, retention of customers seeking balance transfer request at lower rate and partial transfer of repo rate cut benefit.

On the funding side, the interest expense is estimated to decline ~9 bps on-year to 6.11% due to pass-on of rate cut benefit on floating rate loans and reissuance of maturing debt at lower rates.

Credit cost is estimated to increase 20 bps to 0.73% because of write-offs, while operating expense is estimated to decline 25 bps to 2.81%. As a result, RoA is estimated to increase ~3bps to 2.92%.

Crisil Intelligence projects interest on loans to decrease 5-10 bps to 11.30-11.40% in fiscal 2027 as lenders reduce the yields on account of repo rate cuts. Interest expense is expected to drop relatively moderately by 3-8 bps to 6.00-6.10% as most of the rate cut benefit has been passed on. Reissuance of maturing debt at lower rates will continue to accrue funding cost benefit. Overall NIMs are projected to decline 2-7 bps to 5.20-5.30%. Credit cost and operating expense are expected to remain rangebound, leading to RoA of 2.80-2.90%.

There exists a potential for better risk-adjusted returns within the affordable housing segment across customer profiles

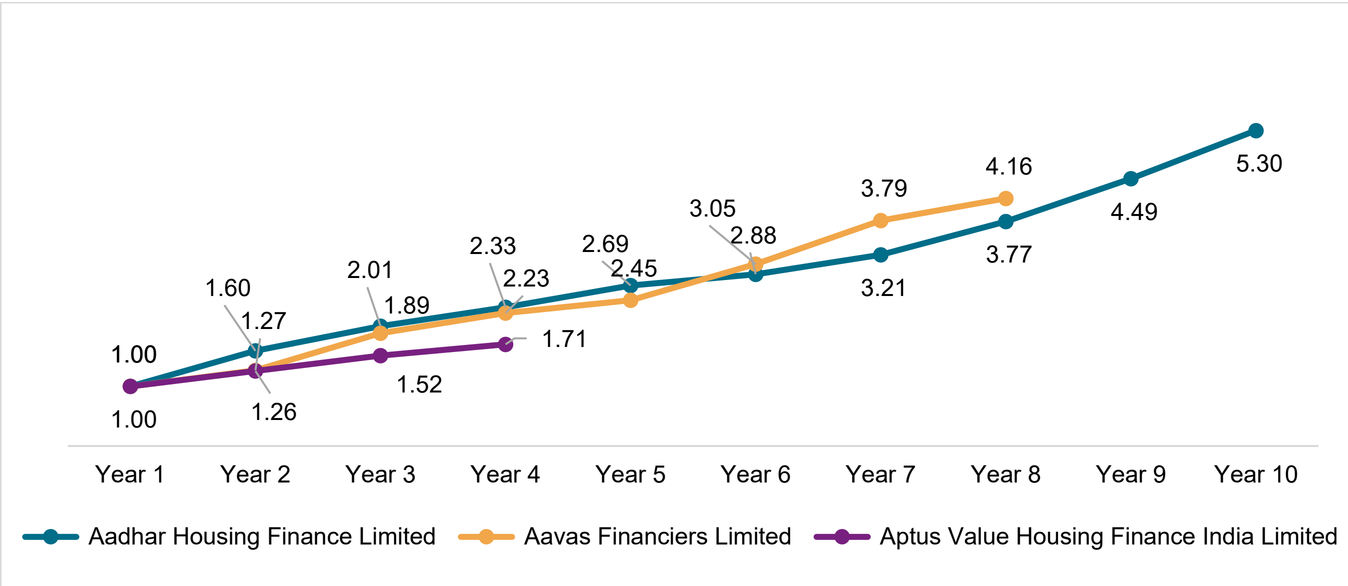
Within the affordable housing segment, salaried borrowers offer stable but moderate returns, characterized by lower yields and competitive pricing, balanced by contained operating and credit costs. Standardized documentation and conservative loan-to-value ratios support portfolio stability, though limited pricing flexibility restricts margin expansion. Consequently, salaried affordable housing loans primarily contribute to balance sheet scale and earnings consistency rather than high profitability

In contrast, self-employed borrowers represent the core profitability driver for AHFCs. Higher yields and ancillary income offset elevated operating costs stemming from decentralized sourcing, cash-flow-based underwriting, and field-level verification. While credit costs are higher than for salaried customers, risks are mitigated through conservative collateral coverage, granular diversification, and shorter loan tenors. As a result, self-employed affordable housing loans deliver superior risk-adjusted returns, underscoring their strategic importance for AHFCs specializing in affordable housing finance.

Potential for Rapid Growth: Insights from Top Players Crossing Rs. 30 billion AUM

The indexed growth trajectories of leading affordable housing finance players such as Aadhar Housing Finance Limited, Aavas Financiers Limited, and Aptus Value Housing Finance India Limited demonstrate significant expansion after surpassing the Rs. 30 billion AUM mark. For example, Aadhar grew its AUM more than fivefold over ten years, while Aavas nearly quadrupled its AUM in eight years, and Aptus showed strong early momentum post this milestone. This historical performance underscores the sector’s scalability and indicates that smaller players (less than Rs. 30 bn AUM) in affordable housing segments, currently in a similar growth phase, have the potential to replicate this trajectory. Supported by robust demand, favourable structural drivers, and proven business models, smaller players are well positioned to achieve accelerated expansion as they reach and move beyond the Rs. 30 billion AUM threshold.

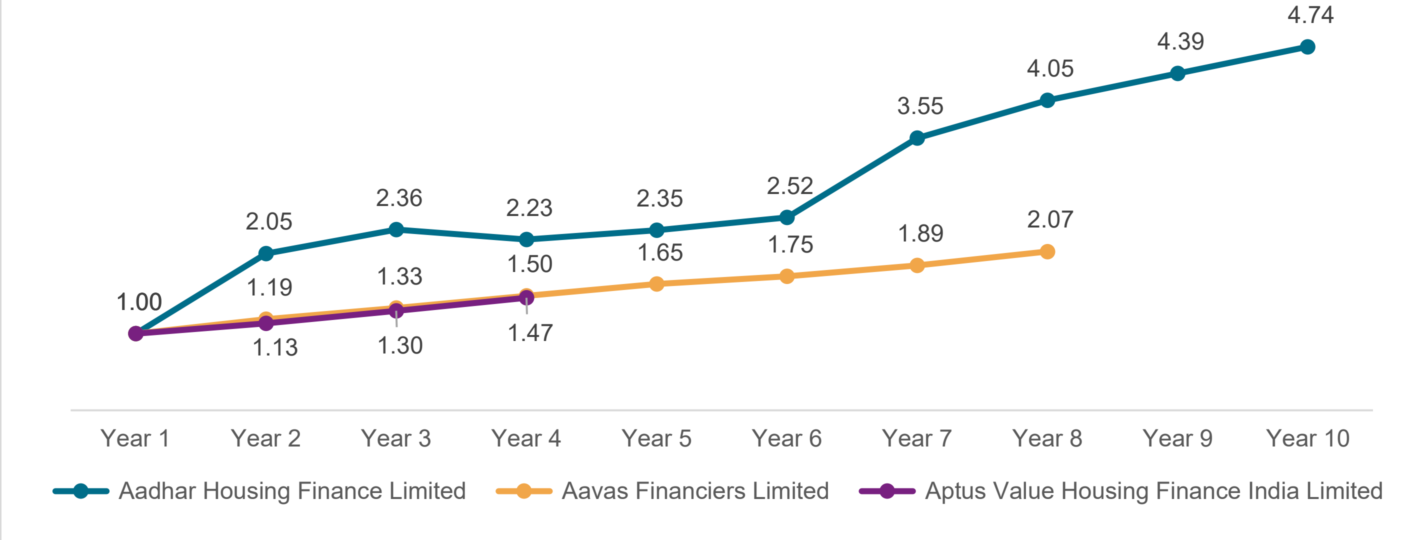
Indexed AUM Growth of Leading Affordable Housing Finance Players Post Rs. 30 billion AUM milestone



Source: Company Reports, Crisil Intelligence

The indexed branch network data for Aadhar Housing Finance Limited, Aavas Financiers Limited, and Aptus Value Housing Finance India Limited highlights substantial expansion following the achievement of Rs. 30 billion AUM. Aadhar more than quadrupled its branch network within ten years, while Aavas nearly doubled its branches in eight years, and Aptus exhibited steady growth in the initial years post milestone. This expansion reflects the strategic focus of affordable housing finance players on enhancing geographic reach and deepening market penetration as their scale increases. The historical trend suggests that smaller players in the affordable housing segment, now entering a similar growth phase, have the potential to replicate this branch network expansion, further supporting accelerated business growth and improved access to underserved markets.

Indexed Branches Growth of Leading Affordable Housing Finance Players Post Rs. 30 billion AUM milestone



Indexed Growth of branch network of leading Affordable Housing Finance Players Post Rs. 30 Billion Milestone

Source: Company Reports, Crisil Intelligence

Key challenges that may affect the affordable housing finance market

While the affordable housing finance market in India continues to benefit from structural demand tailwinds and supportive policy frameworks, the segment is not immune to a range of risks and challenges that could temper its growth trajectory and impact portfolio performance. Some of these key challenges will arise from:

Macroeconomic Sensitivity: Affordable housing borrowers are disproportionately impacted by inflationary pressures and interest rate fluctuations. Rising EMIs during tightening monetary cycles can strain the limited financial buffers of EWS and LIG borrowers, elevating delinquency risks.

Competitive Intensity: Growing participation from banks, large HFCs, and fintech platforms is intensifying pricing competition within the affordable housing segment, particularly in the Rs. 1.00-2.00 mn ticket size category. This heightened competitive pressure can compress NIMs as lenders are compelled to lower yields to retain and attract borrowers, directly impacting profitability. Additionally, aggressive pricing strategies by well-capitalized players may force smaller players to either sacrifice margins or pursue higher-risk borrower segments to maintain growth rates, potentially compromising the quality of customer selection. The pressure to sustain portfolio growth in an increasingly crowded market could lead to dilution of underwriting standards and elevated credit costs over time. Furthermore, competitive intensity may also increase customer acquisition costs as lenders invest more heavily in distribution networks, digital platforms, and incentive structures to maintain market share, further straining operating margins and return profiles.

Rising Construction Costs: Persistent escalation in input costs, particularly steel and cement threaten to push property prices beyond the affordability threshold for target borrowers, potentially shrinking the addressable market and altering the segment's risk profile.

Notwithstanding these challenges, India's favourable demographics, accelerating urbanization, rising home ownership aspirations among a young workforce, and the continued thrust of government policy toward inclusive housing collectively reinforce the segment's structural resilience. With credit penetration still significantly below global benchmarks and a substantial housing shortage persisting across EWS and LIG categories, the runway for sustained growth remains considerable.

Peer Benchmarking

In this section, we have compared financial and operating performance of leading scaled NBFC-MFIs in India with an AUM exceeding Rs.100,000 million as of March 31, 2026, namely CreditAccess Grameen, Muthoot Microfin, Satin Creditcare, IIFL Samasta, Annapurna Finance and Svatantra Microfin, using publicly available information for Fiscal 2024, Fiscal 2025 and Fiscal 2026. These institutions have been selected for peer benchmarking based on factors such as their industry focus, scale and product offerings. The peer group comprises entities that operate at a broadly similar scale to our Company, making them more comparable across key metrics such as business resilience, access to capital, operational efficiency, portfolio quality and profitability. NBFC-MFIs with AUM below Rs.100,000 million have different operating characteristics, funding profiles and financial performance metrics. Small Finance Banks and commercial banks have been excluded due to their fundamentally different business models and regulatory frameworks compared with NBFC-MFIs.

Svatantra Microfin was the first institution to receive the NBFC-MFI license, which was introduced by the Reserve Bank of India in 2011. Over the last three fiscals, Svatantra Microfin demonstrated the ability to grow while maintaining asset quality through industry headwinds and external disruptions on account of a combination of macroeconomic conditions and increased borrower leverage, including the Karnataka crisis. Svatantra Microfin has registered a 2-year CAGR of 20.87% between fiscals 2024 and 2026 in terms of asset under management, highest among the peers considered.

In November 2023, Svatantra Microfin acquired 100% of the Chaitanya India Fin Credit Private Limited ("CIFCPL"). Additionally, the company is supported by marquee institutional investors such as Advent International and Multiples Private Equity. According to Traxcn, **as of March 31, 2026, their combined investment represents the largest private equity investment received by an NBFC-MFI in India, reflecting institutional conviction in their business model.** Svatantra Microfin has significantly increased its scale, geographic reach, operating productivity and portfolio diversification, positioning itself as one of the largest and most scaled NBFC-MFIs in India. Owing to similarities in their product portfolio (MFI and housing), we have also presented a comparison between Svatantra Microfin and Satin Creditcare on a consolidated basis. The peers are arranged in the order of assets under management (AUM), from largest to smallest as of March 2026. Unless otherwise specified, the two-year compound annual growth rate (CAGR) has been calculated for all parameters from fiscal 2024 to fiscal 2026.

Operational parameters for NBFC-MFIs

Svatantra Microfin was the second-largest NBFC-MFI in India in March 2026 in terms of AUM

Svatantra Microfin is the second largest non-banking financial company – microfinance institution ("NBFC-MFI") in India for fiscals 2024, 2025 and 2026, in terms of assets under management. It is the fastest growing NBFC-MFI in India over the last three Fiscals, with AUM growing at a CAGR of 20.87% from Rs. 144,378.72 million as of March 31, 2024, to Rs. 210,932.22 million as of March 31, 2026, among the peers considered in the analysis. The company's AUM expansion is supported by organic growth in core market as well as acquisition of Chaitanya microfinance. Amongst the peer set, Satin Creditcare registered the second-highest growth of 10.15% over the same period.

In terms of annual growth rate, Svatantra Microfin grew at a rate of 92.52%, 3.22% and 41.55% in fiscals 2024, 2025 and 2026 respectively, compared to the microfinance industry average growth rates of 26.80%, -13.89% and -13.18% respectively for the same period, demonstrating consistent outperformance relative to the sector.

Standalone AUM of top 6 NBFC-MFIs

Rs million	FY24	FY25	FY26	2-year CAGR
CreditAccess Grameen	267,140.00	259,480.00	295,900.00	5.25%
Svatantra Microfin	144,378.72	149,020.66	210,932.22	20.87%
Muthoot Microfin	121,935.00	123,567.00	140,056.00	7.17%
Satin Creditcare	105,930.00	113,160.00	128,530.00	10.15%
Annapurna Finance	103,360.00	110,340.00	115,350.00	5.64%
IIFL Samasta	142,110.00	111,010.00	105,010.00	-14.04%
Overall MFI Industry AUM	**4,427,000.63**	**3,812,245.00**	**3,309,720.00**	**-13.54%**
Annual growth rates				
CreditAccess Grameen	27.02%	-2.87%	14.04%	
Svatantra Microfin	92.52%*	3.22%	41.55%	
Muthoot Microfin	32.42%	1.34%	13.34%	
Satin Creditcare	33.60%	6.83%	13.58%	
Annapurna Finance	18.14%	6.75%	4.54%	
IIFL Samasta	34.68%	-21.88%	-5.40%	
Overall MFI Industry Growth Rate	**26.80%**	**-13.89%**	**-13.18%**	

*Note: *The growth rate reflects the inclusion of CIFCPL's AUM in FY24 following its acquisition in November 2023; CIFCPL's AUM was not included in FY23; Source: Company reports, MFIN, CRIF Highmark; Crisil Intelligence*

Consolidated AUM

Rs million	FY24	FY25	FY26	2-year CAGR
Svatantra Microfin	164,716.12	171,744.56	238,177.77	20.25%
Satin Creditcare	118,500.00	127,840.00	151,740.00	13.15%

Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin's rapid market share gains underscored its increasing relevance and strengthened position in the microfinance sector

Svatantra Microfin's share of the total AUM in India increased from 3.26% as of March 31, 2024, to 6.37% as of March 31, 2026, reflecting company's resilient growth through economic cycles. The increase in the market share is the highest among the peers considered. This was on account of adding new clients, expansion in newer geographies and synergies from the merger with Chaitanya.

Market share of top 6 NBFC-MFIs (based on standalone AUM)

Market share	FY24	FY25	Change from FY24 to FY25	FY26	Change from FY25 to FY26	Change from FY24 to FY26
CreditAccess Grameen	6.03%	6.81%	0.77%	8.94%	2.13%	2.91%
Svatantra Microfin	3.26%	3.91%	0.65%	6.37%	2.46%	3.11%
Muthoot Microfin	2.75%	3.24%	0.49%	4.23%	0.99%	1.48%
Satin Creditcare (Standalone)	2.39%	2.97%	0.58%	3.88%	0.92%	1.49%

Annapurna Finance	2.33%	2.89%	0.56%	3.49%	0.59%	1.16%
IIFL Samasta	3.21%	2.91%	-0.30%	3.17%	0.26%	-0.04%

Note: Market share figures are based on the overall MFI industry, which includes banks, small finance banks, or SFBs, NBFCs and NBFC-MFIs; Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin has recorded the highest disbursements growth rate at a CAGR of 47.05% between fiscal 2024 and fiscal 2026

Svatantra Microfin has registered the highest growth rate and second highest disbursements in fiscal 2026 compared to peers considered amid industry wide stress and asset quality challenges. This can be mainly attributed to the acquisition of CIFCPL. The high growth in disbursements was sustained while effectively managing credit risk, as evidenced by the stable asset quality.

Standalone disbursements

Rs million	FY24	FY25	FY26	2-year CAGR
CreditAccess Grameen	231,340.00	200,420.00	248,590.00	3.66%
Svatantra Microfin	89,663.95	126,232.27	193,876.54	47.05%
Muthoot Microfin	106,620.00	88,725.00	94,184.00	-6.01%
Satin Creditcare	96,910.00	98,370.00	112,020.00	7.51%
Annapurna Finance	83,130.00	89,390.00	89,330.00	3.66%
IIFL Samasta	122,060.00	65,980.00	78,620.00	-19.74%

Note: Svatantra Microfin disbursements considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, MFIN, Crisil Intelligence

Consolidated disbursements

Rs million	FY24	FY25	FY26	2-year CAGR
Svatantra Microfin	97,298.76	131,916.90	202,419.85	44.24%
Satin Creditcare	105,490.00	106,630.00	125,140.00	8.92%

Note: Svatantra Microfin disbursements considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin borrower base grew by CAGR of 1.97% from March 31, 2024, to March 31, 2026, despite a contraction of approximately 10.70% in the broader microfinance industry borrower base on account of a challenging macroeconomic period

Svatantra Microfin secured the second position in terms of borrower base, with 4.27 million clients as of fiscal 2026, that grew by 1.97% between March 31, 2024, and March 31, 2026, despite a contraction of approximately 10.70% in the broader microfinance industry borrower base on account of a challenging macroeconomic period. Svatantra Microfin is one of the two companies among peers to have a positive net addition of borrowers between fiscals 2024 and 2026 along with Annapurna Finance. In comparison, CreditAccess Grameen maintained the largest borrower base, with 4.42 million borrowers in fiscal 2026, while IIFL Samasta has faced the highest degrowth at 15.87% between fiscal 2024 and fiscal 2026.

Active borrowers (standalone)

Million	FY24	FY25	FY26	Net additions (FY24-FY26)	2-year CAGR
CreditAccess Grameen	4.92	4.69	4.42	-0.50	-5.22%
Svatantra Microfin	4.10	4.03	4.27	0.16	1.97%
Muthoot Microfin	3.35	3.43	3.27	-0.08	-1.20%
Satin Creditcare	3.34	3.29	3.28	-0.06	-0.90%
Annapurna Finance	2.82	2.93	3.00	0.18	3.14%
IIFL Samasta	3.00	2.76	2.12	-0.88	-15.87%
Overall MFI industry active borrowers	**86.72**	**82.76**	**71.14^**	**-15.58**	**-10.70%**

^Industry numbers are based on data for the first nine months of fiscal 2026

Note: The two-year CAGR for industry active borrowers is calculated over a period of 1 year and 9 months;

Source: Company reports, MFIN, Crisil Intelligence

Active borrowers (consolidated)

Million	FY24	FY25	FY26	2-year CAGR
Svatantra Microfin	4.14	4.07	4.31	2.07%
Satin Creditcare	3.47	3.36	3.37	-1.45%

Source: Company reports, MFIN, Crisil Intelligence

Diversification in Svatantra Microfin's customer base by optimising Chaitanya's legacy network and customers

The acquisition of Chaitanya had expanded Svatantra Microfin's customer base and geographic footprint by providing access to new customers, geographies and an established network of branches and loan officers. This has helped the company in diversifying its portfolio across many states. Notably, no single state of Svatantra Microfin has more than 23.02% AUM concentration, lowest among the peers considered. Meanwhile, CreditAccess Grameen has the highest concentration of portfolio in the top 1 state at 29.40%.

State-wise AUM mix

FY26	Top States	Top 1 state	Top 3 states	Top 5 states
CreditAccess Grameen	Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh, Bihar	29.40%	69.00%	82.30%
Svatantra Microfin	Bihar, Uttar Pradesh, Karnataka, Maharashtra, Madhya Pradesh	23.02%	54.69%	73.39%
Muthoot Microfin	Tamil Nadu, Kerala, Bihar, Uttar Pradesh, Karnataka	25.60%	49.14%	64.52%
Satin Creditcare #	Uttar Pradesh, Bihar, Assam, West Bengal, Madhya Pradesh	23.11%	50.58%	67.52%
Annapurna Finance	Madhya Pradesh, Tamil Nadu, Bihar, Odisha, Assam	NA	NA	NA
IIFL Samasta*	Bihar, Karnataka, Tamil Nadu, Uttar Pradesh, West Bengal	24.03%	45.63%	64.93%

*Note: NA – not available, *Mix pertains only to the MFI portfolio, #Mix is for on-book portfolio*

Source: Company reports, Crisil Intelligence

As of March 31, 2026, Svatantra Microfin is the largest NBFC-MFI in Bihar and Uttar Pradesh, based on MFI AUM

Svatantra Microfin has the largest state AUM share in Bihar and Uttar Pradesh as of fiscal 2026 at 9.14% and 9.79% respectively. In other states like Karnataka, Maharashtra and Madhya Pradesh, they are second highest after CreditAccess Grameen. This highlights the deep penetration of the company in key states owing to their wide branch network and deep local expertise of their loan officers.

Player wise market share in respective states (Standalone)

FY26	Bihar	Uttar Pradesh	Karnataka	Maharashtra	Madhya Pradesh
Total State AUM (Rs. bn)	**531.04**	**397.63**	**286.46**	**247.33**	**195.22**
CreditAccess Grameen	2.67%	1.99%	30.37%	26.29%	12.88%
Svatantra Microfin	9.14%	9.79%	9.73%	10.86%	6.46%
Muthoot Microfin	2.42%	3.24%	3.52%	3.31%	1.61%
Satin Creditcare#	2.47%	5.54%	0.00%	0.00%	3.07%
Annapurna Finance	NA	NA	NA	NA	NA
IIFL Samasta*	4.14%	2.44%	3.49%	1.18%	1.52%

Note:
NA – not available
**Mix pertains to only the MFI portfolio*
#Mix is for on-book portfolio
Source: Company reports, Crisil Intelligence

Productivity metrics

Svatantra Microfin ranks second highest in term of branch network, driven by well-led integration with Chaitanya's branch network, registering a growth rate of 8.15% between fiscal 2024 and fiscal 2026

Integration-led increase in the number of branches post the merger helped Svatantra Microfin to reach a broader base of clients and establish a strong physical presence. Also, a wider branch network provided the flexibility to tailor services to regional needs and respond quickly to local market dynamics.

Satin Creditcare witnessed the highest growth in branches at 22.04% from fiscal 2024 to 2026. CreditAccess Grameen had the highest number of branches across all periods. On consolidated basis, Svatantra has recorded higher number of branches of 2,253 recording a CAGR of 10.66% between fiscals 2024 and 2026.

Branch count

	FY24	FY25	FY26	2-year CAGR
CreditAccess Grameen	1,967	2,063	2,236	6.62%
Svatantra Microfin	1,815	2,020	2,123	8.15%
Muthoot Microfin	1,508	1,699	1,670	5.23%
Satin Creditcare	1,236	1,454	1,841	22.04%
IIFL Samasta	1,648	1,660	1,614	-1.04%
Annapurna Finance	1,379	1,636	1,757	12.88%

Source: Company reports, MFIN, Crisil Intelligence

Consolidated branch count

	FY24	FY25	FY26	2-year CAGR
Svatantra Microfin	1,840	2,065	2,253	10.66%
Satin Creditcare	1,393	1,568	2,015	20.27%

Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin witnessed the highest increase in number of loan officer among peers considered

Svatantra Microfin had the highest number of loan officers in fiscals 2025 and 2026. Its loan officer count grew at the fastest CAGR of 16.20%, supporting robust growth through improved customer reach, while a stronger fleet-on-street presence enables tighter monitoring and better case-load management to help protect asset quality in a challenging macro environment.

Loan Officers (Standalone)

Loan officers	FY24	FY25	FY26	2-year CAGR
CreditAccess Grameen	13,190	13,583	14,470	4.74%
Svatantra Microfin	11,535	14,975	15,575	16.20%
Muthoot Microfin	8,539	9,748	8,900	2.09%
Satin Creditcare	8,144	10,710	10,847	15.41%
Annapurna Finance	7,694	10,638	9,625	11.85%
IIFL Samasta	10,281	11,853	8,160	-10.91%

Source: Company reports, MFIN, Crisil Intelligence

Loan Officers (Consolidated)

Loan officers	FY24	FY25	FY26	2-year CAGR
Svatantra Microfin	11,883	15,378	16,583	18.13%
Satin Creditcare	9,309	11,509	11,867	12.91%

Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin has the highest number of loan officer per branch in fiscal 2025 and 2026

Svatantra Microfin has the highest number of loan officers per branch in fiscals 2025 and 2026. This highlights the company’s deep local expertise, enabling it to serve the core of every district with rigorous due diligence to safeguard the credit quality of its portfolio.

Loan officers per branch (Standalone)

	Loan officers per branch		
#	FY24	FY25	FY26
CreditAccess Grameen	6.71	6.58	6.47
Svatantra Microfin	6.36	7.41	7.34
Muthoot Microfin	5.66	5.74	5.33

Satin Creditcare	6.59	7.37	5.89
IIFL Samasta	6.24	7.14	5.06
Annapurna Finance	5.58	6.50	5.48
Average of Top 6 NBFC MFIs	6.19	6.79	5.92
Average of Top 5 NBFC MFIs excl Svatantra Microfin	6.16	6.67	5.65

Source: Company reports, MFIN, Crisil Intelligence

Loan officers per branch (Consolidated)

	Loan officers per branch		
#	FY24	FY25	FY26
Svatantra Microfin	6.46	7.45	7.36
Satin Creditcare	6.68	7.34	5.89

Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin's AUM per branch recorded highest growth between fiscals 2024 and 2026, increasing from Rs 79.55 million in fiscal 2024 to Rs 99.36 million in fiscal 2026, showcasing improving branch productivity

CreditAccess Grameen had the highest AUM per branch and loan officer in fiscal 2026 at Rs 132.33 million and 20.45 million, respectively. Svatantra Microfin recorded highest growth rate of AUM per branch of 11.76% between fiscals 2024 and 2026. Meanwhile, the AUM per loan officer had increased marginally from Rs 12.52 million in fiscal 2024 to Rs 13.54 million in fiscal 2026. A lower AUM per loan officer enables closer monitoring and more effective collections, helping preserve portfolio asset quality.

AUM per branch and AUM per loan officer (standalone)

	AUM per loan officer			AUM per branch			
Rs million	FY24	FY25	FY26	FY24	FY25	FY26	2-year CAGR
CreditAccess Grameen	20.25	19.10	20.45	135.81	125.78	132.33	-1.29%
Svatantra Microfin	12.52	9.95	13.54	79.55	73.77	99.36	11.76%
Muthoot Microfin	14.28	12.68	15.74	80.86	72.73	83.87	1.85%
Satin Creditcare	13.01	10.57	11.85	85.70	77.83	69.82	-9.74%
Annapurna Finance	13.43	10.37	11.98	74.95	67.44	65.65	-6.41%
IIFL Samasta	13.82	9.37	12.87	86.23	66.87	65.06	-13.13%
Average of Top 6 NBFC MFIs	14.56	12.02	14.43	90.52	80.74	86.02	
Average of Top 5 NBFC MFIs excl Svatantra Microfin	14.96	12.42	14.58	92.71	82.13	83.35	

Source: Company reports, MFIN, Crisil Intelligence

AUM per branch and AUM per loan officer (consolidated)

	AUM per loan officer			AUM per branch		
Rs million	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	13.86	11.17	14.36	89.52	83.17	105.72
Satin Creditcare	12.73	11.11	12.79	85.07	81.53	75.31

Source: Company reports, MFIN, Crisil Intelligence

Borrowers per branch and loan officers saw a decline across industry amid over-leveraging concerns

Between fiscal 2024 and fiscal 2026, all peers experienced a decline in borrowers per branch. Notably, Svatantra Microfin led the pack with 2,010 borrowers per branch, followed by CreditAccess Grameen (1,980) and Muthoot Microfin (1,960). Borrowers per loan officer had also been reducing between fiscal 2024 and fiscal 2026 for the peers considered in the analysis. Svatantra Microfin has the second lowest caseloads per loan officer and a higher number of loan officers per branch aiming at better credit monitoring and focused collection. Borrowers per loan officer had shown marginal improvement in fiscal 2026 (273.92) from fiscal 2025 (269.40) for Svatantra Microfin. Having lower case load per loan officer and higher borrowers per branch for Svatantra Microfin highlights the pragmatic lending undertaken by the company.

Borrowers per branch and borrowers per loan officer (standalone)

	Borrowers per loan officer (#)			Borrowers per branch (in'000)		
	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	372.86	345.58	305.32	2.50	2.28	1.98
Svatantra Microfin	355.68	269.40	273.92	2.26	2.00	2.01
Muthoot Microfin	392.32	351.87	367.42	2.22	2.02	1.96
Satin Creditcare	410.12	307.19	302.39	2.70	2.26	1.78
Annapurna Finance	366.26	275.33	301.30	2.04	1.79	1.65
IIFL Samasta	291.91	232.98	260.30	1.82	1.66	1.32
Average of Top 6 NBFC MFIs	365.04	297.26	302.24	2.26	2.00	1.78
Average of Top 5 NBFC MFIs excl Svatantra Microfin	366.69	302.59	307.35	2.26	2.00	1.74

NA – not available

Source: Company reports, MFIN, Crisil Intelligence

Borrowers per branch and borrowers per loan officer (consolidated)

	Borrowers per loan officer (#)			Borrowers per branch (in'000)		
	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	348.27	264.96	260.02	2.25	1.97	1.91
Satin Creditcare	372.76	291.95	283.98	2.49	2.14	1.67

Source: Company reports, MFIN, Crisil Intelligence

CreditAccess Grameen had the highest portfolio outstanding and active loan per active borrower across fiscal 2024 to fiscal 2026

CreditAccess had the highest portfolio outstanding per active client, increasing from Rs 54,318.83 in fiscal 2024 to Rs 66,976.01 in fiscal 2026. Svatantra Microfin had the second-highest outstanding per client in fiscal 2026 at Rs 49,441.30, up from Rs 35,190.20 in fiscal 2024, and average loan disbursed has increased from Rs. 46,449.00 to Rs. 59,261.10 during the same time period. This was in line with the increasing ticket sizes and slower growth rate in acquisition of newer clients across the industry. It is beneficial for the company to provide higher ticket-size loans to existing customers with disciplined credit history.

Outstanding portfolio per active client and ticket size (standalone)

Rs.	Outstanding per active client (Rs)			Ticket size based on disbursement		
	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	54,318.83	55,279.08	66,976.01	42,809.03	51,311.14	55,600.54
Svatantra Microfin	35,190.20	36,938.45	49,441.30	46,449.00	53,731.43	59,261.10
Muthoot Microfin	36,397.01	36,023.32	42,831.80	43,840.46	48,935.47	80,426.99
Satin Creditcare	31,715.57	34,395.14	39,185.98	47,833.17	53,695.41	60,064.34
Annapurna Finance	36,678.50	37,671.56	39,775.86	53,528.65	55,009.23	60,562.71
IIFL Samasta	47,366.67	41,114.81	49,439.15	45,274.48	51,587.18	44,470.49
Overall Industry	**51,050.80**	**46,063.91**	**46,526.90**	**46,297.46**	**51,263.03**	**58,572.27**
Average of Top 6 NBFC MFIs	40,277.80	40,237.06	47,941.68	46,622.47	52,378.31	60,064.36
Average of Top 5 NBFC MFIs excl Svatantra Microfin	41,295.32	40,896.78	47,641.76	46,657.16	52,107.69	60,225.01

Source: Company reports, MFIN, Crisil Intelligence

Svatantra has been able to maintain a healthy balance of active loans per active borrower

Owing to the guardrails, active loan per active borrower has reduced for the overall industry from 1.86 loans in fiscal 2024 to 1.58 loans in fiscal 2026. CreditAccess Grameen has the highest ratio of active loan per borrower through all 3 fiscals at 1.76, 1.62 and 1.64 respectively. Svatantra Microfin has been able to maintain consistent active loans per borrower at 1.32, 1.25 and 1.30 for fiscals 2024, 2025 and 2026 respectively lower than the industry ratio for the same time period.

Active Loan per active borrower

#	Active loans per active borrower (Rs)		
	FY24	FY25	FY26
CreditAccess Grameen	1.76	1.62	1.64
Svatantra Microfin	1.32	1.25	1.30
Muthoot Microfin	1.22	1.17	1.11
Satin Creditcare	1.03	1.02	1.02
Annapurna Finance	1.01	1.01	1.00
IIFL Samasta	1.41	1.57	1.49
Overall Industry	**1.86**	**1.69**	**1.58***
Average of Top 6 NBFC MFIs	1.29	1.27	1.26
Average of Top 5 NBFC MFIs excl Svatantra Microfin	1.29	1.28	1.25

*Note: *Overall Industry numbers are based on data for the first nine months of fiscal 2026*

Source: Company reports, MFIN, Crisil Intelligence

Svatantra Microfin has second highest concentration in secured loans (11.44% in fiscal 2026)

Product diversification into medium- to long-term tenure products helps the company align asset duration with medium- to long-term borrowings, grow its balance sheet and enhance liquidity. Long-tenure products scale faster in terms of AUM growth. Further, diversification across multiple business segments strengthens the overall portfolio's resilience by reducing the impact of issues confined to any single segment.

Trends in the AUM mix suggest top NBFC-MFIs are gradually moving towards non-MFI loans which helps them to cater to the vintaged customers graduating to other products while being able to retain them in the system. Svatantra Microfin has the second-largest secured loan book among peers, consisting of housing loans and LAP, which typically feature lower credit costs, high collateral value and lower vulnerability to cyclical trends in the microfinance sector.

Product mix (fiscal 2026)

	Unsecured loans	Secured loans
CreditAccess Grameen	98.15%	1.85%
Svatantra Microfin (Consolidated)	88.56%	11.44%
Muthoot Microfin	99.66%	0.34%
Satin Creditcare (Consolidated)	91.65%	8.35%
Annapurna Finance	NA	NA
IIFL Samasta (IIFL Finance)	87.00%	13.00%

NA – not available

Source: Company reports, Crisil Intelligence

Product mix (fiscal 2025)

	Unsecured loans	Secured loans
CreditAccess Grameen	98.59%	1.41%
Svatantra Microfin (Consolidated)	86.77%	13.23%
Muthoot Microfin	100.00%	0.00%
Satin Creditcare (Consolidated)	92.80%	7.20%
Annapurna Finance	100.00%	0.00%
IIFL Samasta (IIFL Finance)	89.00%	11.00%

Source: Company reports, Crisil Intelligence

Product mix (fiscal 2024)

	Unsecured loans	Secured loans
CreditAccess Grameen	100.00%	0.00%
Svatantra Microfin (Consolidated)	87.65%	12.35%
Muthoot Microfin	NA	NA
Satin Creditcare (Consolidated)	93.62%	6.38%
Annapurna Finance	100.00%	0.00%
IIFL Samasta (IIFL Finance)	92.00%	8.00%

NA – not available

Source: Company reports, Crisil Intelligence

Financial parameters for NBFC-MFIs

Svatantra Microfin's interest income as a percentage of AAUM increased between fiscals 2024 and 2026, with a corresponding rise in net interest income. The company also recorded the highest increase in net interest income between fiscals 2024 and 2026

Amid industry wide asset quality concerns, industry witnessed a reduction in interest income due to reversal of interest income in fiscal 2026. However, Svatantra was least affected by such reversal as the interest income stabilised at 18.99% in fiscal 2026, marginal increase from 17.97% in fiscal 2024, and net interest income rose to 13.06% from 10.47% during same period, posting highest increase among peers considered. Net interest income of Svatantra Microfin is higher also due to low cost of funds compared to peers.

Interest income and net interest income (standalone)

	Interest income				Net interest income			
%	FY24	FY25	FY26	Change FY24-26	FY24	FY25	FY26	Change FY24-26
CreditAccess Grameen	20.53%	21.07%	20.75%	0.23%	13.27%	13.67%	13.91%	0.64%
Svatantra Microfin	17.97%	19.64%	18.99%	1.02%	10.47%	12.30%	13.06%	2.59%
Muthoot Microfin	18.44%	19.30%	16.23%	-2.22%	10.35%	11.73%	9.59%	-0.76%
Satin Creditcare	18.88%	19.07%	18.32%	-0.56%	9.89%	10.40%	8.89%	-1.00%
Annapurna Finance	17.27%	16.91%	15.17%	2.10%	8.86%	9.09%	7.90%	-0.96%
IIFL Samasta	19.43%	17.57%	16.69%	-2.74%	12.32%	11.00%	9.58%	-2.74%
Average of Top 6 NBFC MFIs	18.75%	18.93%	17.69%		10.86%	11.37%	10.49%	
Average of Top 5 NBFC MFIs excl Svatantra Microfin	18.91%	18.78%	17.43%		10.94%	11.18%	9.97%	

Note: Svatantra Microfin interest income considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL;
Source: Company reports, MFIN, Crisil Intelligence

Interest income and net interest income (consolidated)

	Interest income			Net interest income		
%	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	17.33%	18.79%	18.26%	9.75%	11.41%	12.18%
Satin Creditcare	17.95%	18.51%	17.62%	9.36%	9.99%	8.23%

Note: Svatantra Microfin interest income considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL;
Source: Company reports, Crisil Intelligence

Svatantra Microfin has the lowest cost of funds and borrowings in fiscal 2026 compared to peers owing to strong parentage and higher credit rating

Svatantra Microfin has the lowest cost of fund ratio at 5.94% in fiscal 2026, followed by Muthoot Microfin at 6.63%. Similarly, cost of borrowings is lowest at 8.15% in fiscal 2026. This could be attributed to strong group support and a higher concentration of low-interest term loans (73.15%).

Cost of funds and Cost of borrowings (standalone)

	Cost of Funds			Cost of Borrowings		
%	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	7.26%	7.40%	6.84%	9.08%	9.21%	8.62%
Svatantra Microfin	7.50%	7.34%	5.94%	9.45%	10.17%	8.15%
Muthoot Microfin	8.09%	7.58%	6.63%	11.61%	11.38%	10.01%
Satin Creditcare	8.99%	8.67%	9.76%	13.18%	12.67%	13.61%
Annapurna Finance	8.41%	7.82%	7.26%	11.47%	12.01%	11.19%
IIFL Samasta	7.11%	6.57%	7.10%	10.82%	10.42%	10.45%
Average of Top 6 NBFC MFIs	7.89%	7.56%	7.26%	10.94%	10.98%	10.34%
Average of Top 5 NBFC MFIs excl Svatantra Microfin	7.97%	7.61%	7.52%	11.23%	11.14%	10.78%

Note: Svatantra Microfin interest expense considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Cost of funds and Cost of borrowings (consolidated)

	Cost of Funds			Cost of Borrowings		
%	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	7.58%	7.37%	6.08%	NA	9.96%	8.14%
Satin Creditcare	8.60%	8.51%	9.38%	13.04%	12.56%	13.26%

Note: Svatantra Microfin interest expense considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Opex as a percentage of AAUM and Opex per branch increased for all peers between fiscals 2024 and 2026 on account of increased focus on recovery

Svatantra Microfin's operating expenses as a percentage of AAUM increased to 7.36% in fiscal 2026 from 5.15% in fiscal 2024, and its operating expenses per branch increased to Rs. 6.24 million from Rs. 3.12 million during the same time. This reflects the company's strategy of investing in technology, robust processes for collection efficiency, ensuring lower case load on field officers, better credit underwriting quality to yield long-term operational efficiency.

Opex as a percentage of AAUM and opex per branch (standalone)

	Opex/AAUM			Opex/branch (million)		
%	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	4.40%	4.44%	4.88%	5.59	5.81	6.30
Svatantra Microfin	5.15%	7.23%	7.36%	3.12	5.25	6.24
Muthoot Microfin	5.93%	7.18%	6.51%	4.74	5.49	5.09
Satin Creditcare	5.48%	6.14%	6.54%	4.39	5.00	4.79
Annapurna Finance	6.63%	8.12%	8.36%	4.94	5.76	5.56
IIFL Samasta	6.58%	7.17%	8.38%	5.59	5.49	5.53
Average of Top 6 NBFC MFIs	5.70%	6.71%	7.01%	4.73	5.47	5.59
Average of Top 5 NBFC MFIs excl Svatantra Microfin	5.80%	6.61%	6.93%	5.05	5.51	5.45

Note: Svatantra Microfin operating expenses considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Opex as a percentage of AAUM and opex per branch (consolidated)

	Opex/AAUM			Opex/branch (million)		
%	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	4.93%	6.78%	7.13%	3.42	5.52	6.49
Satin Creditcare	5.78%	6.46%	8.12%	4.52	5.23	5.15

Note: Svatantra Microfin operating expenses considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Svatantra Microfin maintained second best in class PPOP in fiscals 2025 and 2026 and second lowest cost to income ratio in fiscal 2026

Svatantra Microfin has the second lowest cost to income ratio across fiscals 2024, 2025 and 2026 at 40.35%, 49.71% and 47.65% respectively. Svatantra Microfin maintained healthy pre-provisioning operating profits (PPOP) at 8.09% in fiscal 2026, the second highest among peers after CreditAccess Grameen (10.11%).

Cost to Income and Pre Provisioning Operating Profit (standalone)

	Cost to Income %			PPOP %		
%	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	30.50%	30.73%	32.54%	10.02%	10.02%	10.11%
Svatantra Microfin	40.35%	49.71%	47.65%	7.62%	7.32%	8.09%
Muthoot Microfin	45.70%	53.90%	56.96%	7.05%	6.14%	4.92%
Satin Creditcare	41.67%	47.76%	48.00%	7.67%	6.72%	7.08%
Annapurna Finance	49.90%	64.43%	77.00%	6.66%	4.49%	2.50%
IIFL Samasta	43.15%	52.09%	60.48%	8.67%	6.60%	5.48%
Average of Top 6 NBFC MFIs	41.88%	49.77%	53.77%	7.95%	6.88%	6.36%
Average of Top 5 NBFC MFIs excl Svatantra Microfin	42.18%	49.78%	55.00%	8.01%	6.79%	6.02%

Note: Svatantra Microfin figures considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Cost to Income and Pre Provisioning Operating Profit (consolidated)

	Cost to Income %			PPOP %		
%	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	41.99%	50.60%	49.73%	6.82%	6.62%	7.21%
Satin Creditcare	45.23%	50.57%	49.88%	7.00%	6.14%	6.63%

Note: Svatantra Microfin figures shown for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Svatantra Microfin has the highest RoAAUM among peers in fiscals 2025 and 2026

Fiscals 2025 and 2026 were marked by industry wide concerns and rising credit quality issues. Svatantra Microfin has remained resilient through the period of sectoral stress compared to the peers considered, with its return on average AUM ("**RoAAUM**") being the highest among the peers considered in fiscals 2025 and 2026 at 2.90% and 3.57% respectively.

Driven by an increase in net interest income and lower credit and borrowing costs, the company's profitability has remained high.

Return on Average AUM (standalone)

	RoAAUM		
%	FY24	FY25	FY26
CreditAccess Grameen	6.06%	2.02%	2.80%
Svatantra Microfin	2.97%	2.90%	3.57%
Muthoot Microfin	4.20%	-1.81%	1.29%
Satin Creditcare	4.57%	1.98%	2.59%
Annapurna Finance	2.44%	0.65%	0.32%
IIFL Samasta	4.06%	0.16%	0.20%
Average of Top 6 NBFC MFIs	4.05%	0.98%	1.80%
Average of Top 5 NBFC MFIs excl Svatantra Microfin	4.27%	0.60%	1.44%

Note: Svatantra Microfin profit after tax considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Return on Average AUM (consolidated)

	RoAAUM		
%	FY24	FY25	FY26
Svatantra Microfin	2.71%	2.65%	3.17%
Satin Creditcare	4.16%	1.51%	2.38%

Note: Svatantra Microfin profit after tax considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL; Source: Company reports, Crisil Intelligence

Svatantra Microfin has clocked the highest return on average equity between fiscals 2025 and 2026 highlighting least volatility among the peers

Through fiscals 2025 and 2026, years of elevated credit costs and asset quality stress across microfinance sector, Svatantra Microfin delivered the highest return on equity (RoE) at 13.66% and 15.00% respectively. Further, across fiscals 2024 to 2026, it delivered most stable and steady RoE with decline of only 2.08% in fiscal 2025 versus fiscal 2024 the smallest drop among the peer set, on account of minimal volatility through the credit cycle downturn with consistent return on equity throughout fiscals 2024, 2025 and 2026.

Return on Average Equity (standalone)

	RoE			Average	Volatility
%	FY24	FY25	FY26	FY24-26	MAX (-) MIN
CreditAccess Grameen	24.77%	7.86%	10.51%	14.38%	16.91%
Svatantra Microfin	15.74%	13.66%	15.00%	14.80%	2.08%
Muthoot Microfin	20.30%	-8.19%	6.21%	6.11%	28.48%
Satin Creditcare	18.46%	7.86%	10.27%	12.20%	10.60%
Annapurna Finance	16.60%	4.27%	2.13%	7.67%	14.47%

IIFL Samasta	30.20%	1.01%	1.04%	10.75%	29.19%
Average of Top 6 NBFC MFIs	21.01%	4.41%	7.53%		16.60%
Average of Top 5 NBFC MFIs excl Svatantra Microfin	22.07%	2.56%	6.03%		19.51%

Note: Svatantra Microfin profit after tax considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL;
Source: Company reports, Crisil Intelligence

Return on Average Equity (consolidated)

	RoE		
%	FY24	FY25	FY26
Svatantra Microfin	18.12%	15.00%	15.63%
Satin Creditcare	21.64%	7.53%	12.28%

Note: Svatantra Microfin profit after tax considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL;
Source: Company reports, Crisil Intelligence

Svatantra Microfin has been able to maintain a healthy leverage and debt-to-equity

Svatantra Microfin has leverage at 4.20 in fiscal 2026, indicating optimal use of equity to grow assets. This is reflected in the company's increased profitability. Additionally, it has healthy debt-to-equity ratio at 3.33 in fiscal 2026.

Leverage and debt-to-equity (standalone)

	Leverage			Debt: equity		
Times	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	4.09	3.89	3.75	3.32	2.94	3.01
Svatantra Microfin	5.30	4.71	4.20	4.43	2.71	3.33
Muthoot Microfin	4.83	4.52	4.80	3.00	3.01	3.34
Satin Creditcare	4.04	3.98	4.05	2.70	2.74	3.05
Annapurna Finance	6.82	6.59	6.73	4.36	4.22	4.52
IIFL Samasta	7.43	6.26	5.29	4.48	3.43	3.76
Average of Top 6 NBFC MFIs	5.42	4.99	4.80	3.72	3.18	3.50
Average of Top 5 NBFC MFIs excl Svatantra Microfin	5.44	5.05	4.92	3.57	3.27	3.54

NA – not available
Source: Company reports, Crisil Intelligence

Leverage and debt: equity (consolidated)

	Leverage			Debt: equity		
Times	FY24	FY25	FY26	FY24	FY25	FY26
Svatantra Microfin	6.69	5.66	4.93	5.45	3.36	3.93
Satin Creditcare	5.20	4.98	5.17	3.29	3.46	3.83

Source: Company reports, Crisil Intelligence

Capital to risk-weighted assets ratio (CRAR) and Tier I (standalone)

	CRAR			Tier I		
%	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	23.13%	25.43%	24.40%	22.24%	24.47%	23.63%
Svatantra Microfin	19.25%	26.33%	23.12%	14.91%	23.18%	22.83%
Muthoot Microfin	28.97%	27.85%	23.92%	28.97%	27.39%	23.92%
Satin Creditcare	27.66%	25.85%	25.39%	26.25%	25.21%	23.87%
Annapurna Finance	25.45%	29.61%	28.13%	19.02%	19.67%	NA
IIFL Samasta	23.99%	32.38%	26.54%	17.67%	26.00%	20.79%
Average of Top 6 NBFC MFIs	24.74%	27.91%	25.25%	21.51%	24.32%	23.01%
Average of Top 5 NBFC MFIs excl Svatantra Microfin	25.84%	28.22%	25.68%	22.83%	24.55%	23.05%

Source: Company reports, Crisil Intelligence

Asset quality

Svatantra Microfin has the lowest gross stage 3 ratio in fiscals 2025 and 2026 among the peers considered and stable impairment on financial instruments in last 3 fiscals underscoring its resilience in asset performance through stress periods

Svatantra Microfin reported the lowest gross stage 3 ratio in fiscal 2025 and 2026, at 2.24% and 1.19% respectively. The company also maintained a stable impairment on financial instruments as a percentage of average AUM throughout the industry-wide asset quality crisis, while the peers saw an uptick in the impairment on financial instruments in fiscal 2025. Impairment on financial instruments for Svatantra Microfin stands at 3.51% and 3.39%, lower than the industry level for NBFC MFIs in fiscal 2025 and 2026 that stands at 8.50% and 4.80% respectively. **The company has observed the lowest volatility of 0.33% in last three fiscals among the peers considered.** The company's proactive strategy to slow down disbursements in early fiscal 2024, while the industry faced early delinquencies, helped contain impairment on financial instruments in fiscal 2025.

Gross Stage 3 and Impairment loss on financial instrument (Standalone)

	Gross Stage 3			Impairment on financial instruments			Volatility
%	FY24	FY25	FY26	FY24	FY25	FY26	MAX (-) MIN
CreditAccess Grameen	1.18%	4.76%	3.17%	1.89%	7.33%	6.39%	5.44%
Svatantra Microfin	1.99%	2.24%	1.19%	3.72%	3.51%	3.39%	0.33%
Muthoot Microfin	2.29%	4.84%	3.89%	1.61%	8.49%	3.33%	6.88%
Satin Creditcare	2.49%	3.70%	3.12%	1.56%	4.59%	3.82%	3.03%
Annapurna Finance	2.69%	2.74%	2.87%	3.40%	3.64%	2.13%	1.51%
IIFL Samasta	1.91%	4.71%	3.78%	3.36%	6.06%	5.24%	2.70%
Overall MFI Industry*				**2.66%**	**8.50%**	**4.80%#**	**5.84%**
Average of Top 6 NBFC MFIs	2.09%	3.83%	3.00%	2.59%	5.60%	4.05%	3.01%
Average of Top 5 NBFC MFIs	2.11%	4.15%	3.37%	2.36%	6.02%	4.18%	3.66%

excl Svatantra Microfin							

*Note: Gross Stage 3 represents the GNPA reported by the respective company; *Data of Spandana Sphoorty, CreditAccess Grameen, Asirvad Microfinance, Muthoot Microfin, Satin Creditcare Network, Annapurna Finance, Fusion Finance, IIFL Samasta Finance, Svatantra Microfin, Belstar Microfinance, Arohan Financial Services, Chaitanya India Fin Credit Private Limited, Repco Micro Finance Limited has been considered; # FY26 data is on estimated basis; Svatantra Microfin impairment on financial instruments considered for FY24 are for the full year of Svatantra Microfin and 4 months (Dec 2023–Mar 2024) of CIFCPL;*

Source: Company reports, Crisil Intelligence

Svatantra Microfin had lowest net stage 3 ratio across fiscals 2024 to 2026 and the highest gross stage 3 loans loss allowance coverage ratio in fiscal 2026

Controlled gross stage 3 and net stage 3 ratio, and adequate gross stage 3 loans loss allowance coverage ratios in fiscal 2026 significantly reduced the risk of higher credit costs in the long term. This helps the company safeguard asset quality and maintain healthy profitability. **Svatantra Microfin recorded the lowest net stage 3 in fiscals 2024, 2025 and 2026, while the industry was recovering from credit quality issues in fiscals 2025 and 2026.**

Svatantra Microfin recorded the lowest net stage 3 for fiscals 2024, 2025 and 2026 at 0.22%, 0.41% and 0.28%, outperforming its peers. Robust credit policies, in-depth customer assessments and proactive collection methods helped the company provide loans to responsible customers and minimise delinquencies.

Net Stage 3 (standalone) and Gross Stage 3 Loans Loss Allowance Coverage Ratio (%)

	Net Stage 3			Gross Stage 3 Loans Loss Allowance Coverage Ratio (%)		
%	FY24	FY25	FY26	FY24	FY25	FY26
CreditAccess Grameen	0.35%	1.73%	1.12%	70.75%	64.83%	65.40%
Svatantra Microfin	0.22%	0.41%	0.28%	88.98%	82.02%	76.90%
Muthoot Microfin	0.35%	1.34%	1.14%	60.99%	73.32%	71.53%
Satin Creditcare	0.99%	1.39%	0.85%	60.45%	62.35%	72.85%
Annapurna Finance	0.70%	0.99%	0.79%	74.56%	71.11%	76.04%
IIFL Samasta	0.30%	1.40%	1.20%	82.52%	70.53%	70.17%
Average of Top 6 NBFC MFIs	0.49%	1.21%	0.90%	73.04%	70.69%	72.15%
Average of Top 5 NBFC MFIs excl Svatantra Microfin	0.54%	1.37%	1.02%	69.85%	68.43%	71.20%

Note: Net Stage 3 represents the NNPA reported by respective companies; Source: Company reports, Crisil Intelligence

Svatantra Microfin has the lowest PAR 90+ among the peers considered in fiscals 2025 to 2026

Svatantra Microfin has maintained the strongest asset quality among peers over the fiscals 2025 and 2026. Its PAR 90+ stood at 1.99%, 2.24% and 1.19% for fiscals 2024, 2025 and 2026. Svatantra reported the lowest PAR 90+ among its peer set across fiscals 2025 and 2026, fiscals marked by credit quality stress, reflecting the effectiveness of its proactive monitoring framework and enhanced collection practices in sustaining healthy asset quality.

PAR 90+ trends (standalone)

	PAR 90+		
%	FY24	FY25	FY26
CreditAccess Grameen	0.94%	3.28%	2.28%
Svatantra Microfin	1.99%	2.24%	1.19%
Muthoot Microfin	2.30%	4.80%	3.89%
Satin Creditcare	2.49%	3.70%	3.12%
Annapurna Finance	NA	NA	NA
IIFL Samasta	NA	NA	NA

Note: NA – not available

Source: CRIF High Mark, company reports, Crisil Intelligence

Svatantra Microfin has the lowest NPA additions as a % of standard loans in fiscals 2025 and fiscal 2026, period marked by elevated asset quality stress

Svatantra Microfin has the lowest NPA addition in fiscals 2025 and 2026 at 4.47% and 3.20% respectively among the peers. The NPA additions are the least during the fiscals that witnessed high credit costs and over leveraging issues. This can be attributed to the company's strategy of cautious disbursements and providing adequately as can be seen from the high ECL%.

NPA additions as a % of Standard loans

%	FY24	FY25	FY26
CreditAccess Grameen	1.61%	8.72%	6.42%
Svatantra Microfin	2.20%	4.47%	3.20%
Muthoot Microfin	1.88%	11.85%	6.07%
Satin Creditcare	1.83%	7.21%	6.23%
Annapurna Finance	NA	NA	NA
IIFL Samasta	1.69%	4.76%	4.23%

NA: Not Available

Source: Company reports; Crisil Intelligence

Svatantra Microfinance has higher expected credit loss (ECL%) across all stages of asset which builds stronger risk buffers

Across fiscals, 2024, 2025 and 2026, Svatantra Microfinance has the highest provisions created across all stages, especially for stage 2 and stage 3 assets. This makes reported asset quality more credible and reduces the risk of future under-provisioning. If borrower defaults rise due to economic slowdown, sector stress, natural calamity, or regional disruption, the organisation already has provisions in place. This reduces the need for large sudden provisions later and protects profitability from sharp shocks. The stable credit cost of Svatantra Microfin is an output of a strong ECL provisioning policy.

ECL % stagewise

	FY24			FY25			FY26		
ECL %	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Credit Access Grameen	0.93%	56.04%	71.00%	1.08%	53.14%	65.02%	1.64%	55.93%	65.78%
Svatantra Microfin	3.13%	70.91%	88.98%	2.65%	55.65%	82.02%	2.42%	42.52%	76.90%
Muthoot Microfin	0.56%	1.06%	58.98%	1.61%	30.76%	73.32%	0.94%	8.70%	71.53%
Satin Creditcare	0.28%	41.45%	59.37%	0.52%	49.51%	61.13%	0.37%	51.39%	70.63%
Annapurna Finance	NA	NA	NA	NA	NA	NA	NA	NA	NA
IIFL Samasta	1.22%	20.80%	82.52%	1.07%	18.71%	70.53%	0.70%	15.83%	70.17%

Source: Company reports, Crisil Intelligence

Svatantra Microfin maintains finance cost efficiency by sourcing ~73.15% of its borrowings through term loans, the highest among peers analysed

With the parentage support, Svatantra Microfin can easily source term loans, making it highly cost effective and boosting profitability. Annapurna has the lowest concentration of term loans at 38.00% and the highest concentration of DA at 31.00%.

Borrowing profile

Borrowing mix as of FY26	Term loans	NCDs	Securitisation (DA+PTC)	Foreign borrowing	Subordinate debt	Others
CreditAccess Grameen	66.50%	3.00%	6.20%	24.30%	NA	NA
Svatantra Microfin**	73.15%	0.75%	22.82%	0.38%	2.90%	NA
Muthoot Microfin	53.50%	10.40%	20.85%	14.39%	NA	0.86%
Satin Creditcare	52.00%	10.30%	22.60%	14.90%	NA	0.20%
Annapurna Finance	38.00%	6.00%	31.00%	16.00%	9.00%	NA
IIFL Samasta	46.00%	36.00%	15.00%	NA	NA	3.00%^

NA – not available
*** Data is on consolidated basis*
^Others include refinancing
Source: Company reports, Credit rating reports; Crisil Intelligence

Svatantra Microfin is one of the highest-rated NBFC-MFIs among the industry in India as of March 31, 2026

Svatantra is supported by strong parentage and private equities which enhances the credibility of the company. Further, credit rating is positively impacted due to improvement of performance of the company in terms of asset quality and higher returns.

Credit ratings

Ratings as of FY26	Crisil	ICRA	Ind-Ra	CARE
CreditAccess Grameen	AA- (Stable)	AA- (Stable)	AA- (Stable)	
Svatantra Microfin#	AA (Stable)			AA (Stable)
Muthoot Microfin	AA- (Stable)*			BB- (Stable)
Satin Creditcare		A (Stable)		BBB+ (Stable)
Annapurna Finance	A- (Stable)	A- (Stable)		A- (Stable)
IIFL Samasta	AA- (Stable)		AA (Stable)	

*Note: #Rating is on a standalone basis; * As of June 2026*

Source: Company reports, Credit rating reports, Crisil Intelligence

Formulae used for calculation	
Interest income	Interest income/ Annual Average AUM
Net interest income	(Interest income - Interest expense)/ Annual Average AUM
Cost of funds	Interest expense/Annual Average AUM
Cost of borrowings	Interest expense/ Annual Average borrowings
Cost to income	Operating expense/ (Net interest income+ Other income)
Opex/AAUM	Opex/ Annual Average AUM
Opex/branch	Opex/ Annual Average branches
Impairment on financial instruments/ Credit cost	Impairment on financial instrument/ Annual Average AUM
NPA additions as a % of Standard Loans	Gross NPA additions/ Standard Loans
PPOP	(Total income – Interest expense - Opex)/ Annual Average AUM
Stage 1 ECL%	Stage 1 ECL / Stage 1 Loan assets
Stage 2 ECL%	Stage 2 ECL / Stage 2 Loan assets
Stage 3 ECL%	Stage 3 ECL / Stage 3 Loan assets
RoAAUM	PAT/ Annual Average AUM
RoE	PAT/ Annual Average total net worth
Leverage	Annual Average AUM / Annual Average net worth
Debt: equity	Total borrowings/ Total equity
Active loans per active borrower	Outstanding per active borrower/ Outstanding per active loan
Branch per district	Total branches/ Total districts
Loan officer per branch	Total loan officers/ Total branches
Outstanding per active client	AUM/ Active clients
Ticket size based on disbursement	Disbursement/Loans disbursed

AUM per branch	Total AUM/ Total branches
AUM per loan officer	Total AUM/ Total loan officers
Clients per branch	Active clients/ Total branches
Clients per loan officer	Active clients/ Total loan officers

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