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RESEARCH ARTICLE

A Study of Microfinance Outreach in India: Trends, Coverage and Regional Disparities

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ABSTRACT

Microfinance has emerged as a major tool for enhancing financial inclusion by offering financial services to under-served and low-income groups. In India, the microfinance industry has witnessed immense growth in the recent past, with an increase in the number of Microfinance Institutions, Self-Help-Groups, NBFC-MFIs, and Small Finance Banks. However, microfinance outreach in various regions and population groups is at different levels, hence there is a need to improve it. This research aims to explore the microfinance outreach trends in India for years 2016-25, based on secondary data obtained from various Bharat Microfinance Reports. A descriptive and analytical approach has been followed to explore various microfinance outreach indicators, such as the number of borrowers, number of loan disbursements, rural-urban distribution, outstanding portfolios and quality of portfolios. Furthermore, a Microfinance Penetration Index (MPI) was calculated and directly compared against state-level Poverty Indices. The results suggest that microfinance outreach has expanded over time, with a marginal deceleration in 2025. The results also highlight the significance of NBFC-MFIs in microfinance outreach and regional disparities wherein the southern and eastern regions have outperformed the northern and northeastern regions. The study also indicates that regional microfinance outreach has greater loan exposure and a high level of delinquencies, which may pose a potential threat to credit risk in future. The study suggests that although the microfinance sector in India has made significant progress in recent years, some challenges are yet to be addressed, such as regional disparities and credit and portfolio risk.

KEYWORDS: *Microfinance, Outreach, Trends, Regional Disparities, India, Microfinance Penetration Index, Portfolio at Risk*

INTRODUCTION

Microfinance is considered a key instrument for mobilizing access to financial services for economically disadvantaged groups. At the same time, microfinance offers financial services to poor households (Hasan et al., 2021). Microfinance has thus established itself as an essential pillar in the Indian financial inclusion strategy. It has helped to act as a bridge between the poor in the country and the formal financial system. In India, different microfinance models such as Microfinance Institutions (MFIs), Self-Help Groups (SHGs), Non-Banking Financial Company-Microfinance Institutions (NBFC-MFIs), Small Finance Banks (SFBs), Commercial Banks, and Cooperatives are present. Even though the microfinance models have grown in presence

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over the last few years, there is a wide variability in the microfinance outreach of different states. For example, some states in the South have dominated the microfinance sector, while the microfinance outreach in states such as the Northeast, parts of Central India, and some parts of Northern India has been comparatively less.

Over the past ten years, India's microfinance sector has undergone significant changes due to several regulatory initiatives, new institutional forms, and an increase in digital financing. Microfinance has become more comprehensive, and its outreach is deeper because of the rise of NBFC-MFIs, the priority sector need for banks, and an increase in technology-based delivery channels. Both a wider range of active micro borrowers and more participation by formal financial institutions have been made possible by these advances. Over-indebtedness, regional default rates, and systemic problems with institutional coverage and credit flows are all problems at the same time.

It is crucial to examine the patterns in the advancement of microfinance outreach considering these advances. Borrowers, portfolio, and disbursements are only a few of the important indicators of microfinance outreach that can be thoroughly understood using a ten-year trend from 2016 to 2025. A framework to monitor changes in these areas and assess the degree to which different institutional channels contribute to financial inclusion outcomes is provided by national-level data sources, especially the Bharat Microfinance Reports created by Sa-Dhan in collaboration with NABARD. Preliminary findings show regional differences and a developing tendency toward a higher percentage of borrowers in rural India, along with favourable trends in various microfinance outreach measures, including a minor decline in outreach in 2025.

Through the identification of longitudinal trends and the comparison of institutional and regional performance, this study hopes to contribute to the development of a consolidated assessment of the outreach performance of microfinance in India. It examines the main parameters such as borrower growth rates, portfolio growth rates, disbursement rates, institutional contributions, and rural and urban distribution. It hopes to measure the progress and the gaps to effectively formulate policies to address the issue of financial inclusion, with reference to the low-penetrated regions.

LITERATURE REVIEW

The existing literature on microfinance highlights its role in expanding outreach and improving financial inclusion but its degrees and effectiveness vary across different regions and institutional types.

The studies conducted in early periods such as by (Champatiray et al., 2010) developed a visual map of growth in microfinance penetration and found that For-profit MFIs accounted for majority of total client outreach. Thus, when outreach is studied more deeply; expansion does not always turn into meaningful inclusion. For instance, (Ishtiyaq & Mazhar, 2019) studied the outreach of microfinance in the state of Uttar Pradesh among rural women interpreted that penetration of microfinance is not significantly reaching rural women below poverty line and asserted that there are very few numbers of cycles of loans in the rural areas. Similarly, (Memon et al., 2020) analysed the breadth and depth of outreach of MFIs including both open and close indicators which showed a positive impact of closed economic factors on the depth of outreach of microfinance whereas open indicators did not influence the outreach. In all, these studies suggest that although microfinance has increased in scale, but its reach is not uniform.

Another concern identified recurringly is uneven distribution of microfinance services among regions. Several studies point out that they are not evenly spread across various geographic locations. (Dhar, 2016) and (Pokhriyal & Ghildiyal, 2011) show that the microfinance penetration remained uneven within the country as the microfinance services are concentrated in the southern region only and others lacked the spread of formal financial services. Recently, (Fatima, 2024) further highlighted the outreach is uneven not just across regions but also within the states. They evaluated that microfinance institutions have expanded their outreach in Bihar state but there is a variation across districts in penetration as some areas are still very much underserved. These findings indicate that regional imbalance is not only a temporary issue but a long-term challenge in the microfinance sector as also studied by (Champatiray et al., 2010). A similar perspective is also drawn by (Garg et al., 2024) who show that how Financial Inclusion Index (FII) differs across states and union territories of India.

Apart from regional differences, several other studies have also examined how institutional patterns affect the degree of microfinance outreach. (S, 2022) emphasized that NABARD and SIDBI are the two major development banks leading the microfinance movement and they are acting as a connection between microfinance services and the customers. (Srikanth & Srinivas, 2022) observed that the number of MFIs availing loans has increased. The share of the client's base declined except for Assam, Arunachal Pradesh, Nagaland, Jammu & Kashmir and Andaman.

They also concluded that the return on assets, return on equity and capital adequacy ratio has increased during this period showing improvements in key financial indicators. On a broader level (Mia et al., 2026) compared the effect of profit orientation on the governance structure and outreach goals of MFIs and identified differences and variations in outreach of for-profit and nonprofit MFIs. The nonprofit MFIs have greater coverage and depth as well as better financial health as compared to for-profit MFIs.

The existing literature also reflects on socio-economic impact of microfinance and its role in development. Studies such as (Chinendu, 2025) examined that customer outreach and loans of MFIs have a positive impact on the growth of SMEs. They reviewed that sustained cash collection from SMEs nationwide could bring better visibility. (Tesiso, 2023) measured that the variables such as borrowers per loan officer, cost per borrower, deposit to loan ratio, gross loan to asset ratio, operating expense to loan portfolio, return on assets, age, size, and product of microfinance significantly affect the social outreach of microfinance. As the current coverage of microfinance is only on a fraction of poor, these studies suggest acceleration of momentum by MFIs. Simultaneously, (Dulloo, 2021) overviewed India's microfinance industry and the significant position it has in the economic development of the country and illustrated that microfinance industry will play an instrumental role in raising living standards and make a significant contribution in economic growth of the country recommending stringent regulatory practices as the need of the hour to overcome the challenges in the industry. (Tripathy, 2025) covered the trends in the microfinance portfolio highlighting the issues of overdue of payments and the rising delinquencies in the states such as Bihar, Tamil Nadu, Uttar Pradesh and Odisha drawing attention on the need of robust regulatory and structural changes to safeguard the sustainability of this sector. These studies collectively show that while microfinance is a promising tool for development, it is currently facing a lot of structural and operational challenges.

While the existing body of literature has provided significant insights into various facets of microfinance in India, there is a lack of a cohesive approach in most of these studies. There are a few studies on individual facets of microfinance, including outreach, institutional performance, and regional variations in a limited geographical setting and time frame. As a result, there is a lack of a cohesive understanding of how microfinance outreach has grown in India during a given time frame.

While the existing pool of literature offers important perspectives on various aspects of microfinance, the existing research is found to be lacking in terms of the methodology employed. While many research studies focus on various aspects such as outreach, institutional performance, and regional differences, the focus is often on these aspects individually rather than as part of an overarching understanding. This is particularly true about the geographical scope as well.

For instance, existing literature could not capture the evolution of microfinance outreach over time in an integrated manner, considering consistent and comparable sources of data. Although existing literature focuses on regional differences and dominance of specific states, there remains a lack of understanding about the evolution of these differences over time. Similarly, existing literature focuses only on specific models, like microfinance institutions or SHGs, in isolation, and there remains a lack of understanding about the evolution of microfinance outreach through multiple channels.

Moreover, although the importance of rural outreach is widely understood, there is a gap in the systematic analysis of the dynamic changes in the rural-urban composition of microfinance borrowers, especially in the context of digital financial growth and institutionalization. Although there is a plethora of empirical data in the Bharat Microfinance Reports, there has been a lack of sufficient usage of this information source in making an evaluation of the outreach trends.

The above stated shortcomings demonstrate the necessity of holistic evaluation of the development of microfinance in India through consideration of various aspects of microfinance development, including institutional diversity, geographic disparities and urban rural disparities. With these aspects in view, this research attempts to present a consolidated evaluation of microfinance development in India from 2016 to 2025 by using consistent data at the national level.

OBJECTIVES

1. To assess the overall trends in microfinance outreach in India from 2016 to 2025, using national-level indicators such as number of active borrowers, client outreach level and loan outstanding amounts.
2. To analyse the disparities in regional coverage of microfinance across the North, South, East, West, and Northeast regions and find out shifts in rural–urban distribution of borrowers.

3. To ascertain the state wise Microfinance Penetration Index and compare it with state wise poverty levels.
4. To examine asset quality and risk of the microfinance loan portfolio using PAR (Portfolio at Risk) rates.

MATERIALS & METHODS

This research has adopted a descriptive and analytical research design in exploring trends and patterns in microfinance outreach in India during 2016-2025. The research analysis is based on secondary data sources obtained from the Bharat Microfinance Reports (BMR) compiled by Sa-Dhan in association with NABARD every year. These reports offer a comprehensive source of data on microfinance operations in India as a whole.

The research analysis is based on major parameters of microfinance outreach in India, including the number of borrowers, gross loan portfolio, loan disbursements, and the spread of borrowers in rural and urban areas. At the same time, the analysis takes into consideration the role of various institutional channels in microfinance outreach in India, including Microfinance Institutions (MFIs), Self-Help Groups (SHGs), Non-Banking Financial Company-Microfinance Institutions (NBFC-MFIs), Small Finance Banks (SFBs), and various other financial institutions involved in microfinance operations.

To analyse microfinance outreach in India during 2016-2025, a longitudinal analysis has been undertaken by using time-series data. Trend analysis has been undertaken in line with assessing trends in the growth of borrowers, gross loan portfolio, and loan disbursements in India during 2016-2025. At the same time, comparative analysis has been undertaken in line with comparing outreach in different institutional channels in India. Furthermore, in line with assessing microfinance outreach in India during 2016-2025, the Microfinance Penetration Level and Microfinance Penetration Index have been computed for each state in India and compare with the state wise poverty levels. At the same time, a correlation analysis has been undertaken in line with linking the level of microfinance outreach in each state in India with the number of branches in each state.

The use of Bharat Microfinance Reports ensures consistency in data analysis and makes longitudinal analysis possible. Household data has been obtained from the official website of the Ministry of Statistics. However, as the research analysis is based on secondary data sources, there is a limit to the scope of analysis in line with secondary data sources.

RESULTS

Loan Outstanding in Rs. Billion Across Micro Lenders and Outreach of Micro Lending Institutions (MLIs)

The details of Loan outstanding and outreach of Micro Lending Institutions during 2016 to 2025 have been presented graphically in Figure 1 and Figure 2 as below:

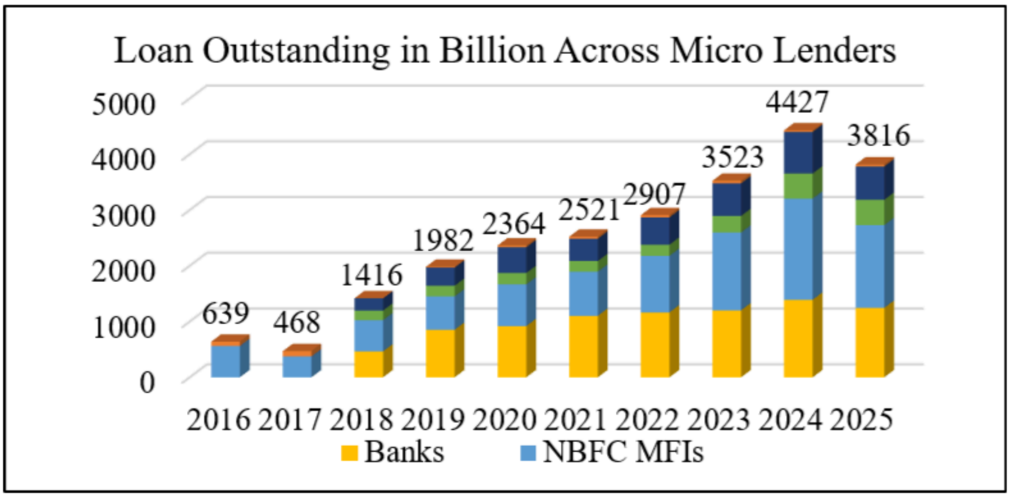

Figure 1: Loan Outstanding in Rs. Billion Across Micro Lenders

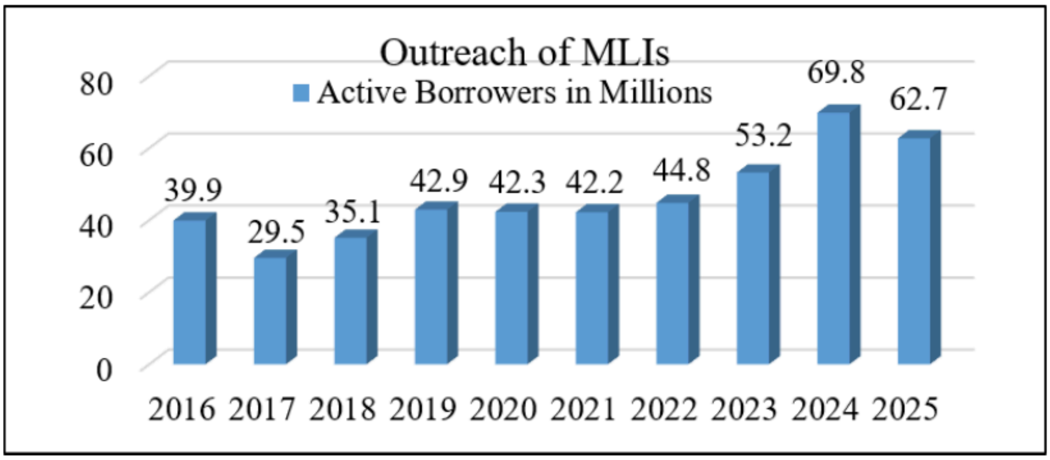

Figure 2: Outreach of Micro Lending Institutions (MLIs)

As per Figure 1 and Figure 2, there is a continuous growth in the amount of loan outstanding as well as in the number of active borrowers in millions i.e. the client outreach level from the year 2016 to 2024, peaking at ₹4,427 billion and 69.8 million active borrowers, respectively. There is a slight decline in both in the year 2025 dropping to ₹3,816 billion and 62.7 million active borrowers.

Loan Amount disbursed

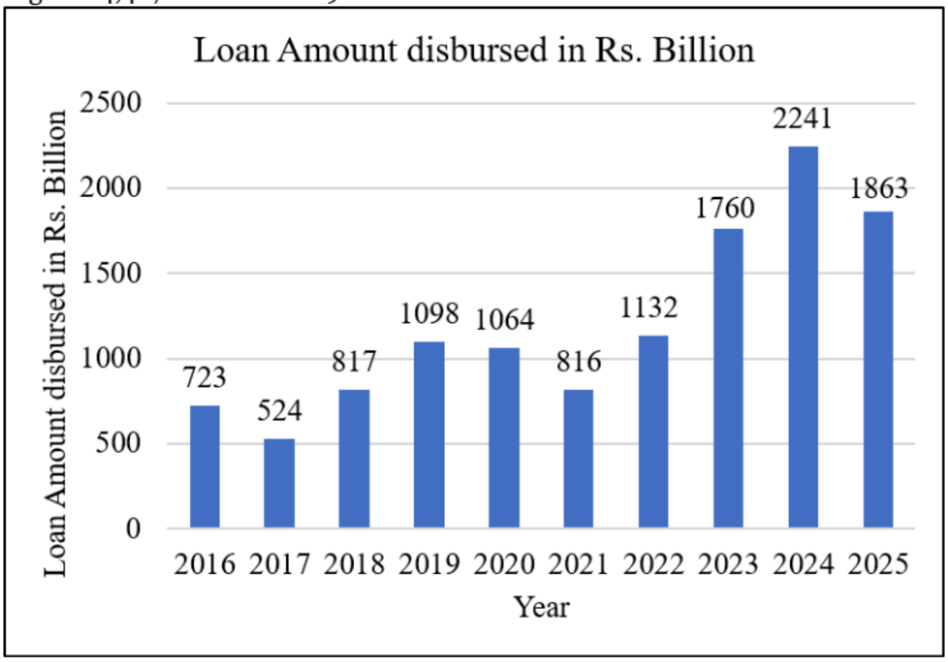

Figure 3: Loan Amount Disbursed

Figure 3 illustrates the trend in loan amount disbursed over the period 2016–2025. It can be observed that the disbursement amount shows an overall increasing trend across the years, indicating a steady expansion in credit delivery by microfinance institutions. However, it is evident that there has been a significant drop in this regard (2021), as it can be attributed to a temporary disruption in the lending process. After this stage, the level of disbursements rose again. Nevertheless, a marginal decline is again observed in 2025, indicating a slight slowdown in recent disbursement trends.

Client outreach based on Legal forms of MLIs

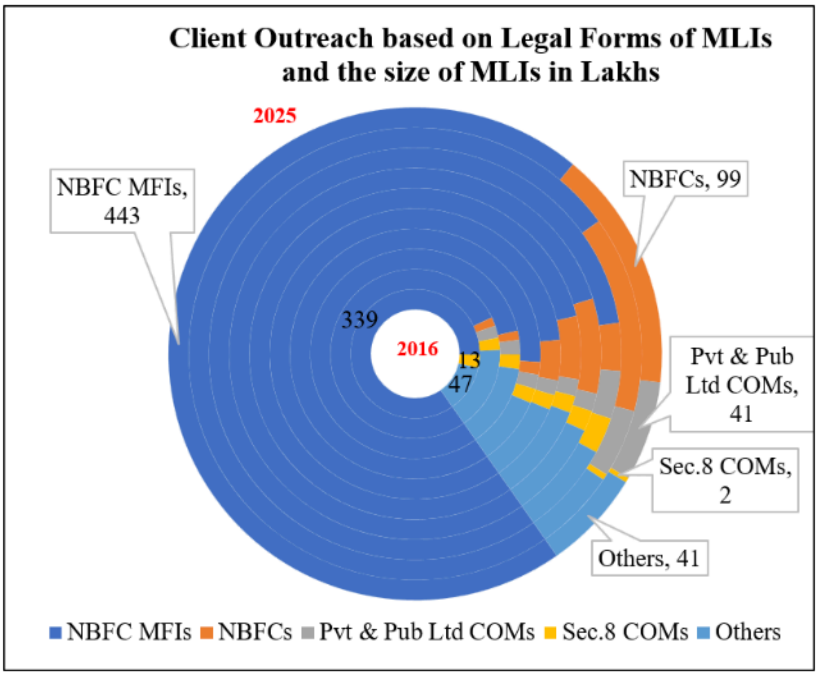

Figure 4 Client Outreach based on Legal Forms of MFIs in Lakhs

The distribution of active borrowers among various institutional categories is shown in Figure 4. NBFC-MFIs clearly play a dominant role in the microfinance industry, as evidenced by the fact that they account for the largest share of client outreach. NBFCs, Section 8 companies, and private and public limited companies come next. Although these categories play a major role in borrower coverage, outreach from other institutional segments is also noteworthy.

Region wise Break-up of MLIs

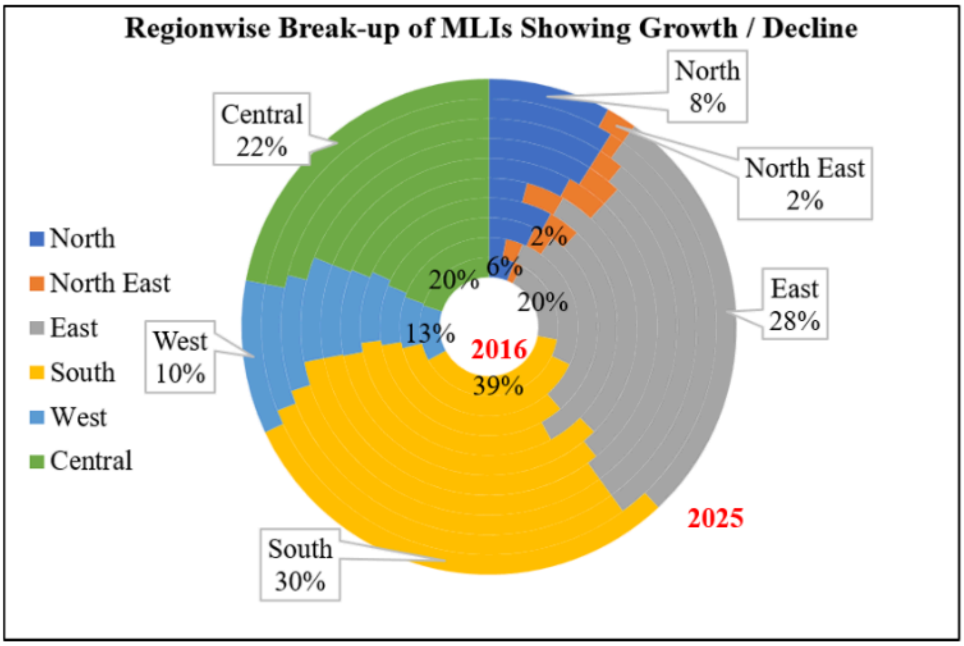

Figure 5 Region wise break up of MLIs

Figure 5 presents the regional distribution of microfinance institutions. The southern region accounts for the largest share (30%), followed by the eastern and central regions. In contrast, the western, northern, and northeastern regions exhibit comparatively lower shares, indicating uneven regional distribution of microfinance institutions.

Rural Urban Share of MFI Borrowers

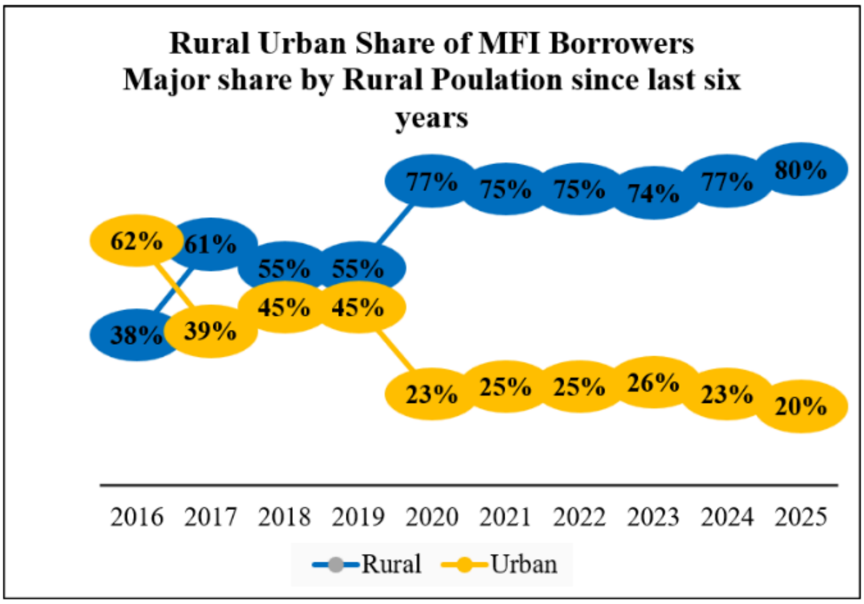

Figure 6 Rural-Urban share of MFI Borrowers

Figure 6 presents the rural-urban distribution of microfinance borrowers over the study period. In 2016, the urban share exceeded the rural share. But starting from 2017, the rural population always had a higher percentage compared to the urban population, meaning that the campaign was more focused on rural areas. In 2025, the rural population constitutes 80%, whereas the urban population is 20%.

Active Borrowers and number of Loan Accounts

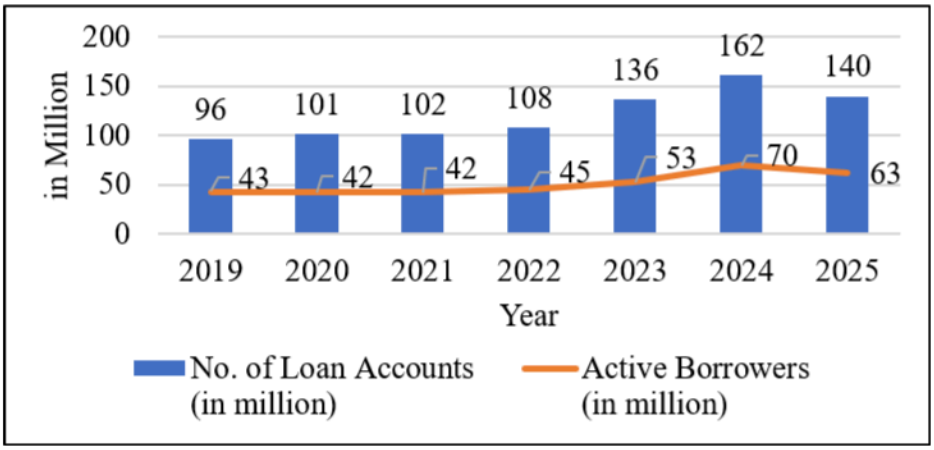

Figure 7 Active Borrowers and No of Loan Accounts

Figure 7 illustrates the comparative trends between the total number of loan accounts and active borrowers from 2019 to 2025. Between 2019 and 2024, the number of loan accounts demonstrated continuous growth, rising from 96 million to a peak of 162 million before declining to 140 million in 2025. In comparison, active borrower numbers remained relatively stagnant at 42–43 million between 2019 and 2021, grew to a peak of 70 million in 2024, and subsequently contracted to 63 million in 2025. Throughout the observed period, the total number of loan accounts consistently maintained a ratio exceedingly double the count of unique active borrowers.

Average Ticket Size and Y-O-Y increase in Active Consumers

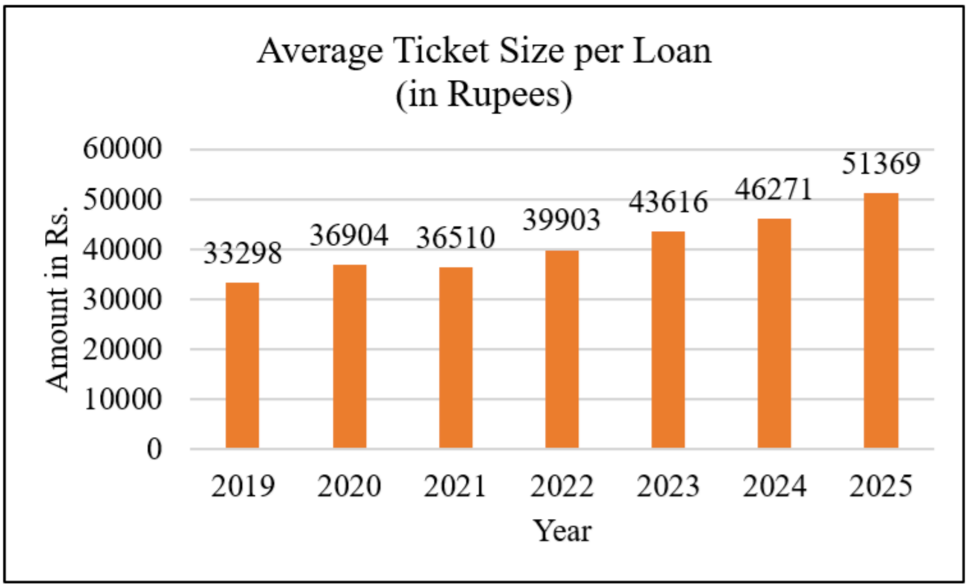

Figure 8 Average Ticket Size

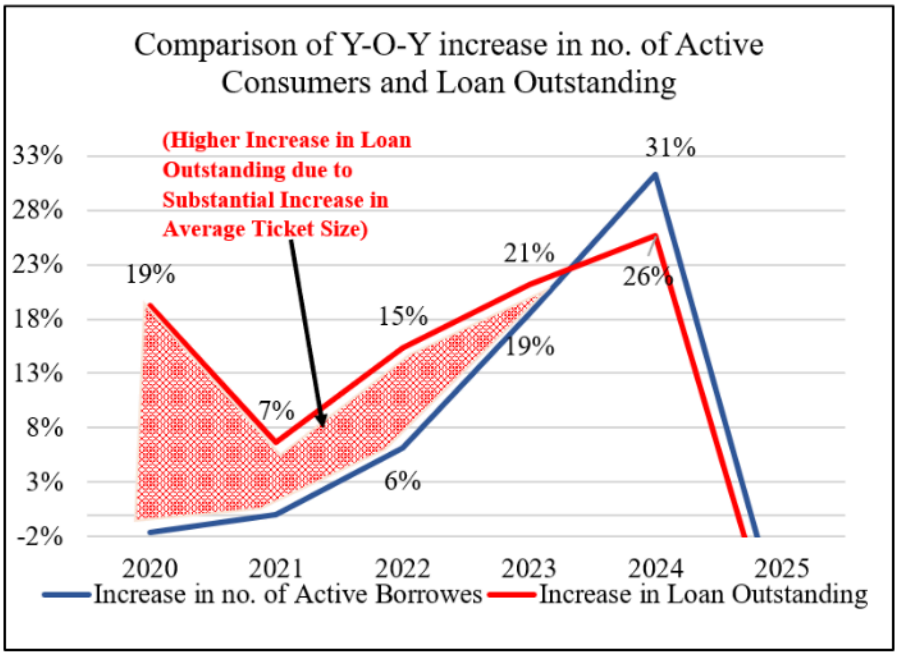

Figure 9 Active Consumers and Loan Outstanding

Average ticket size in loans is the average principal amount disbursed per loan transaction over a specific period, calculated as total loan volume divided by the number of loans.

$$\text{Average Ticket Size (ATS)} = \frac{\text{Total Loan Amount Disbursed}}{\text{Total Number of Loans Disbursed}}$$

The trend of the Average Ticket Size (ATS) for each loan is shown through Figure 8 from 2019 to 2025. Within this seven-year timeframe, the ATS showed a steady rising trend where the ticket size rose from ₹33,298 in 2019 to ₹51,369 in 2025, thereby exhibiting a growth of 54.3%. Apart from the 2021 year when there was an inflection of the ticket size declining slightly from ₹36,904 in 2020 to ₹36,510 in 2021, the average loan size grew steadily, crossing ₹40,000 in 2023 (₹43,616) and ₹50,000 in 2025 (₹51,369).

Figure 9 provides a trend of how microfinance loaning developed over the period of 2020-2025 with the help of the comparison of the yearly growth rate of active clients and growth of total loan money. Over the period of 2020-2022, total loan money grew significantly faster than the number of borrowers. In 2020, there was a growth of loan money by 19% even though the number of active borrowers decreased by 2%; in 2022, there was a growth of loan money by 15%, whereas client growth was only 6%. This indicates that during those years, microfinance institutions mostly developed their business due to providing larger loan sums to the existing clients instead of attracting new ones. The situation changed in 2023 and 2024, as there was a sharp increase in the number of client sign-ups from 19% to 31%, which was greater than total loan money growth (26%), indicating an active focus of microfinance institutions on attracting new borrowers. Nevertheless, the rapid growth ceased abruptly in 2025, with a negative value of both numbers.

Active Consumer Penetration

$$\text{Consumer Penetration Level} = \frac{\text{Number of Active Microfinance Institution Consumers}}{\text{Total Number of Households}}$$

Table 1: Active Consumer Penetration in % between 2017 and 2025

State	Active Consumer Penetration in %	
	2017	2025
Chandigarh	65%	65%
Karnataka	49%	64%
Puducherry	10%	48%
Bihar	11%	44%
Tamil Nadu	16%	36%
Odisha	23%	35%
Tripura	5%	31%
Madhya Pradesh	13%	27%
Haryana	8%	26%
Jharkhand	9%	24%
Chhattisgarh	9%	23%
Uttar Pradesh	8%	20%
Rajasthan	5%	19%
Maharashtra	9%	17%
Punjab	9%	17%
Kerala	8%	17%
Uttarakhand	8%	17%
Gujarat	4%	17%
West Bengal	9%	16%
Assam	13%	15%
Sikkim	7%	11%
Goa	2%	10%
Arunachal Pradesh	6%	8%
Telangana	3%	7%
Manipur	12%	6%
Andhra Pradesh	1%	6%
Andaman & Nicobar	2%	5%
Mizoram	31%	4%
Himachal Pradesh	1%	3%
Nagaland	1%	3%
Meghalaya	2%	2%
Delhi	3%	1%
Jammu & Kashmir	0%	1%
Ladakh	0%	1%

Low Medium High

Table 1 presents the consumer penetration levels across regions for the years 2017 and 2025. It is observed that higher levels of penetration are concentrated mostly in the southern, central, and eastern regions. The table indicates varying degrees of penetration across states, with darker shades representing higher levels of consumer coverage and lighter shades indicating lower penetration. A comparison between the two years shows an overall increase in penetration levels in 2025, as reflected by the greater presence of darker shades across several regions.

Microfinance Penetration Index (MPI) of MFIs & SHGs (Combined)

The **Microfinance Penetration Index (MPI)** measures whether a state receives its fair share of microfinance outreach relative to its national demographic weight (combining both Microfinance Institutions/MLIs and Self-Help Groups/SHGs). It is calculated as:

$$\text{Microfinance Penetration Index (MPI)} = \frac{\text{State's Share of Microfinance Clients in India}}{\text{State's Share of Total Households in India}}$$

Share of Households in The State
(in proportion to total Households in India)

Table 2: Microfinance Penetration Index (MPI)

State	MPI Index Range	MPI Index 2025	No of MFI Customers in Lakhs	No. of SHG Customers in Lakhs	Total MFI + SHG Customers in Lakhs	No. of Households in Lakhs
Total India		**1**	**626.65**	**1005.2**	**1631.8**	**2649.4**
Daman & DIU	**1.51-1.80**	**2.21**	0	0.044	0.044	0.032
Bihar		**1.76**	87.2	127.1	214.3	197.695
Karnataka		**1.54**	88.9	42.1	131	138.311
Odisha		**1.52**	34.96	57.8	92.7	99.086
Tripura	**1.01-1.50**	**1.41**	2.69	4.9	7.6	8.811
Assam		**1.33**	9.02	41.1	50.1	61.259
Jharkhand		**1.21**	17	35.9	52.9	70.86
Chhattisgarh		**1.2**	13.48	30.7	44.2	59.758
Meghalaya		**1.2**	0.11	4.4	4.6	6.184
Andhra Pradesh		**1.16**	8.24	90.8	99	138.697
Puducherry		**1.12**	1.33	0.6	1.9	2.797
West Bengal		**1.1**	37.05	122.5	159.6	234.692
Madhya Pradesh		**1.07**	42	58.3	100.3	152.742
Kerala		**1.01**	15.57	40	55.6	89.064
Telangana	**0.51-1.00**	**0.98**	6.51	48.2	54.7	90.479
Tamil Nadu		**0.92**	71.34	40.2	111.6	196.569
Sikkim		**0.78**	0.16	0.6	0.7	1.522
Rajasthan		**0.77**	25.2	38	63.2	133.374
Uttar Pradesh		**0.73**	76.17	95.1	171.3	378.979
Maharashtra		**0.71**	39.97	65.3	105.2	242.196
Nagaland		**0.69**	0.09	1.4	1.4	3.376
Mizoram		**0.68**	0.09	0.9	0.9	2.253
Gujarat		**0.66**	20.5	27.8	48.3	118.974
Jammu & Kashmir		**0.64**	0.22	8	8.2	20.836
Arunachal Pradesh		**0.64**	0.23	0.9	1.1	2.937
Haryana		**0.63**	12.59	6.3	18.9	48.404
Uttarakhand		**0.63**	3.92	5	8.9	22.983
Ladakh	**0.00-0.50**	**0.47**	0	0.12	0.1	0.423
Punjab		**0.43**	10.39	5.4	15.8	60.03
Manipur		**0.42**	0.38	1.2	1.6	6.053
Goa		**0.4**	0.32	0.5	0.8	3.356
Himachal Pradesh		**0.4**	0.5	3.8	4.3	17.439
Lakshadweep		**0.38**		0.1	0.132	0.568
Chandigarh		**0.11**	0.02	0.1	0.1	2.134
A&N Islands		**0.07**	0.05	0	0.1	1.09
Delhi		**0.02**	0.45	0	0.5	35.462

Very Low	Low	Medium	High	MF Penetration

Index Interpretation Benchmark:

- MPI = 1.0: The state's microfinance client outreach is perfectly proportional to its demographic share of national households.
- MPI > 1.0: The state receives a higher share of microfinance client outreach than its demographic proportion (High Penetration).
- MPI < 1.0: The state receives a lower share of microfinance client outreach

than its demographic proportion (Under-Penetration).

Table 2 presents the state-wise Microfinance Penetration Index (MPI) combining MLI and SHG outreach across four index brackets (0.00–0.50, 0.51–1.00, 1.01–1.50, and 1.51–1.80).

Highest Penetration **(**1.51–1.80**):** Maximum outreach intensity is found in Karnataka, Odisha, Bihar and Assam, wherein the proportion of microfinance clients nationally is considerably greater than their proportion of households in the country.

High Penetration **(**1.01–1.50**):** States like Madhya Pradesh, Tamil Nadu, West Bengal, Chhattisgarh and Jharkhand continue to show MPI values greater than 1.00, indicating above average outreach density compared to the household density.

Moderate Under Penetration **(**0.51–1.00**):** Western and northern states like Rajasthan, Gujarat, and Andhra Pradesh come under the 0.51-1.00 category, indicating that they operate below the country-wide household parity.

Severe Under Penetration **(**0.00–0.50**):** Severely under-penetrated states (MPI≤0.50) include densely populated northern and western states.

Multi-Disciplinary Poverty Index

The Multidimensional Poverty Index (MPI) is used to determine acute deprivations in the dimensions of health, education, and standard of living, and shows how a poor individual is multidimensionally deprived. MPI usually considers three key dimensions: Health, Education, and Standard of Living.

Table 3: Multi-Disciplinary Poverty Index

State	**Multi-Disciplinary Poverty Index**
Tamil Nadu	**0.000-0.056**
Kerala	
Punjab	
Delhi	
Puducherry	
Himachal Pradesh	
Sikkim	
Goa	
Chandigarh	
Andaman & Nicobar Islands	
Karnataka	**0.057-0.114**
Maharashtra	
Haryana	
Telangana	
Uttarakhand	
Andhra Pradesh	
Manipur	
Mizoram	
Tripura	
Jammu & Kashmir	
Ladakh	
Lakshadweep	
Odisha	**0.115-0.178**
West Bengal	
Rajasthan	
Chhattisgarh	
Gujarat	
Arunachal Pradesh	
Nagaland	
Uttar Pradesh	**0.179-0.228**
Madhya Pradesh	
Assam	
Meghalaya	
Daman & DIU	
Bihar	**0.229-0.286**
Jharkhand	

Low		**Medium**		**High**

Table 3 illustrates the geographic distribution of rural Multidimensional Poverty Index (MPI) scores across Indian states for the year 2025, categorized into five distinct severity tiers ranging from 0.000 to 0.286:

- Highest Rural Poverty Tier (0.229-0.286): Mainly identified in the eastern region, with the states of Bihar and Jharkhand having the highest scores for MPI in the country (darker shades on the map).
- High Rural Poverty Tier (0.179-0.228): Observed in major central and north-eastern states, specifically Uttar Pradesh, Madhya Pradesh and Assam.
- Moderate Rural Poverty Tiers (0.057-0.178): Spans across states such as Chhattisgarh, Odisha, West Bengal, Rajasthan and Uttarakhand, as well as several North-Eastern states.
- Lowest Rural Poverty Tier (0.000-0.056): Characterized by light shading, this tier includes the entire Southern region, Western states and Northern states.

Microfinance Penetration v/s Multi-Dimensional Poverty Level

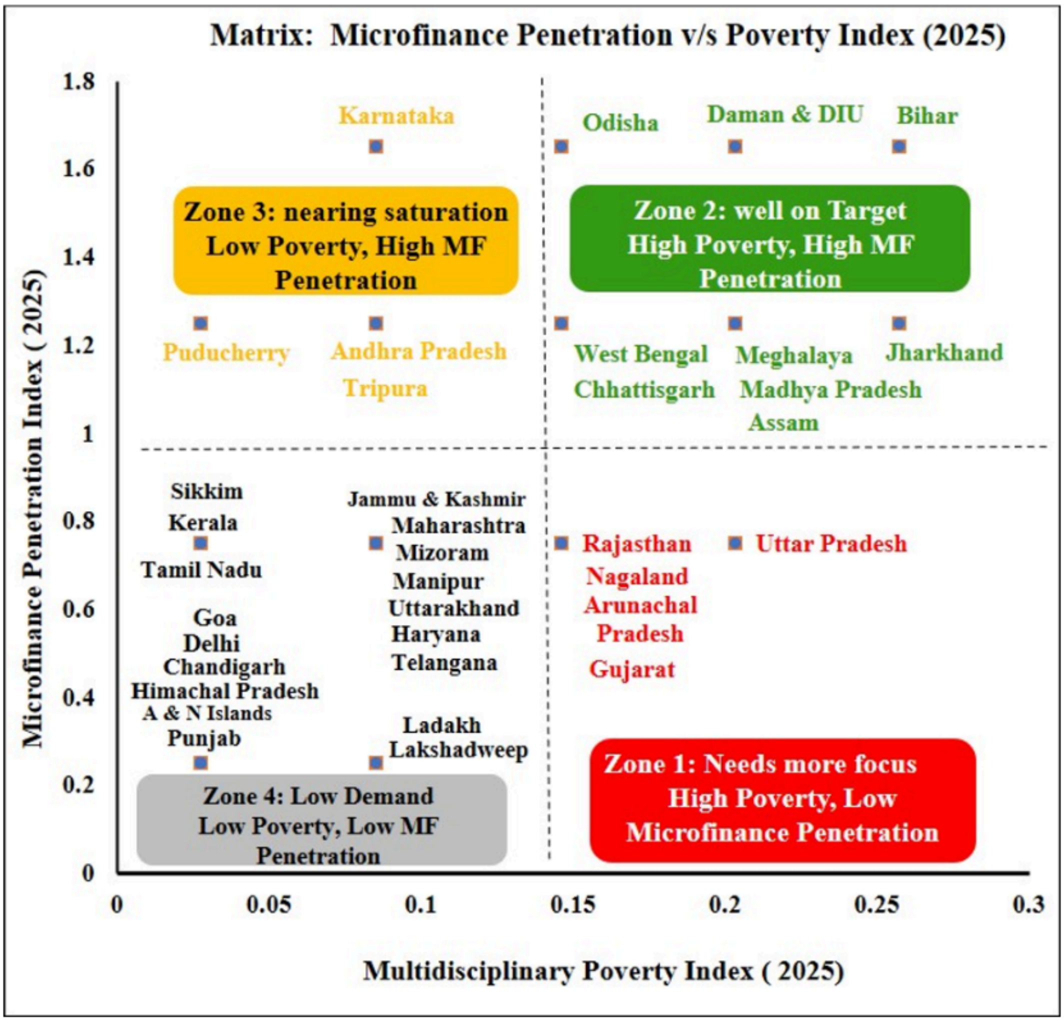

Figure 10: Matrix - Microfinance Penetration v/s Multi-Dimensional Poverty Level

Figure 10 depicts State wise comparison of Microfinance Penetration Index of States against Multidisciplinary Poverty index of respective State for year 2025 and plotted as a Matrix. The Matrix is then divided into Four Zones to evaluate specific issues with respect to Microfinance outreach as Follows:

Zone 1: High Poverty, Low Microfinance Penetration

Zone 2: High Poverty, High Microfinance Penetration

Zone 3: Low Poverty, High Microfinance Penetration

Zone 4: Low Poverty, Low Microfinance Penetration

States falling in Zone 1: States such as Uttar Pradesh, Rajasthan, Arunachal Pradesh, Gujarat and Nagaland fall under this category and need more focus as poverty index is high but low Microfinance penetration. So higher Microfinance outreach to these States will help in improving the economic status of people and reduce poverty.

States falling in Zone 2: The higher Microfinance penetration in these States will help to improve the low Poverty Status so Microfinance outreach is well on Target. But it can also be noted that despite high penetration, poverty level is also high.

States falling in Zone 3: The higher Microfinance penetration in these States with low poverty shows that the Microfinance is approaching saturation levels and not much attention is required to be provided for outreach to these States.

States falling in Zone 4: The low Microfinance penetration in these States however with low poverty shows that the Microfinance demand is low and reasons of low outreach needs to be looked into in detail to understand the real reasons and issues.

Portfolio at Risk (PAR) of MFIs

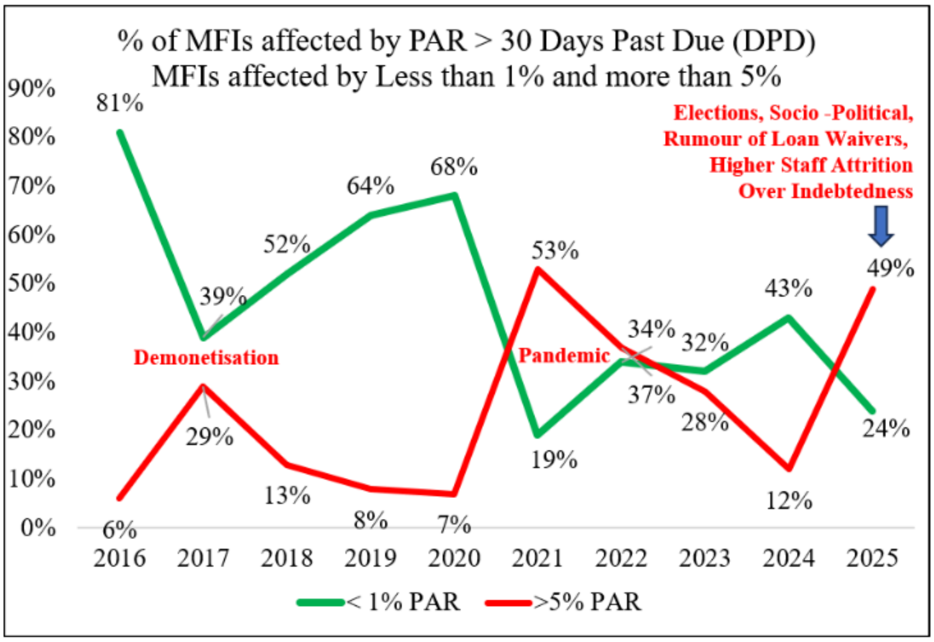

Figure 10 A Distribution of Portfolios based on PAR30 (Portfolio at risk)

In banking and microfinance, PAR 30 (Portfolio at Risk over 30 days) calculates the proportion of a loan portfolio that has payments that are at least 30 days past due (DPD). It is a crucial credit quality indicator that draws attention to the principal balance of past-due loans, indicating portfolio risk and early possible default. Less than 1% of the entire portfolio is past due for more than 30 days, as indicated by PAR < 1%. More than 5% of the entire portfolio is past due for more than 30 days if PAR > 5%.

For analytical purposes, the study considers two categories: PAR >5%, which represents a comparatively higher level of credit risk and repayment stress within the microfinance sector, and PAR <1%, which denotes a high-quality and low-risk portfolio. The trend in these two categories over the course of the study is shown in Figure 10 A. For most of the years, PAR <1% is found to be higher than PAR >5%, suggesting comparatively stable portfolio quality. But in some years, especially in 2021 and 2025, there is a reversal, with PAR >5% surpassing PAR <1%. This change indicates a rise in the percentage of loan portfolios with higher levels of risk during these times.

MF Portfolio Delinquency

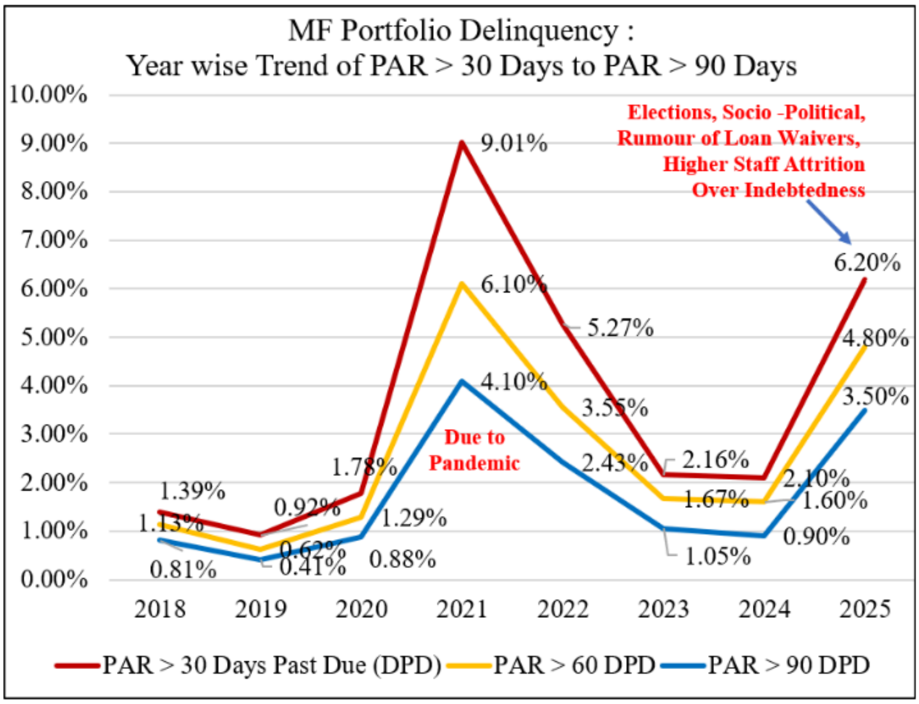

Figure 11 Year wise Trend of PAR >30 DPD to PAR >90 DPD

The yearly trend of portfolio at risk (PAR) for each of the three overdue categories - PAR >30 days, PAR >60 days, and PAR >90 days is shown in Figure 11. Over the course of the study, all three categories show a similar pattern, with a notable peak in 2021 and a subsequent decline. But in 2025, there is once more a discernible rise in every category. The loan portfolio's credit risk varies, with PAR >30 days consistently recording the highest values, followed by PAR >60 days and PAR >90 days.

MFI Size wise Portfolio Quality

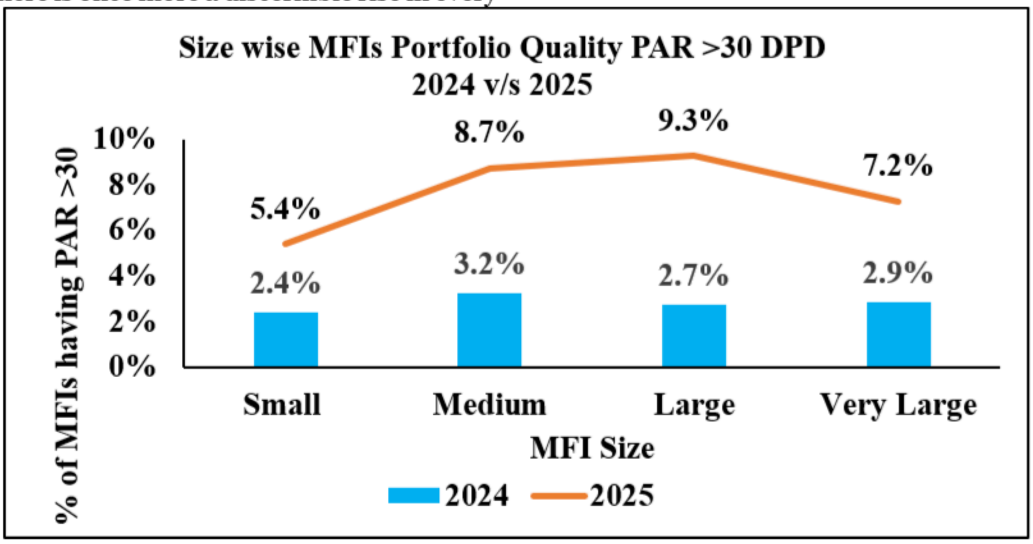

Figure 12 MFI Size wise Portfolio Quality (PAR>30)

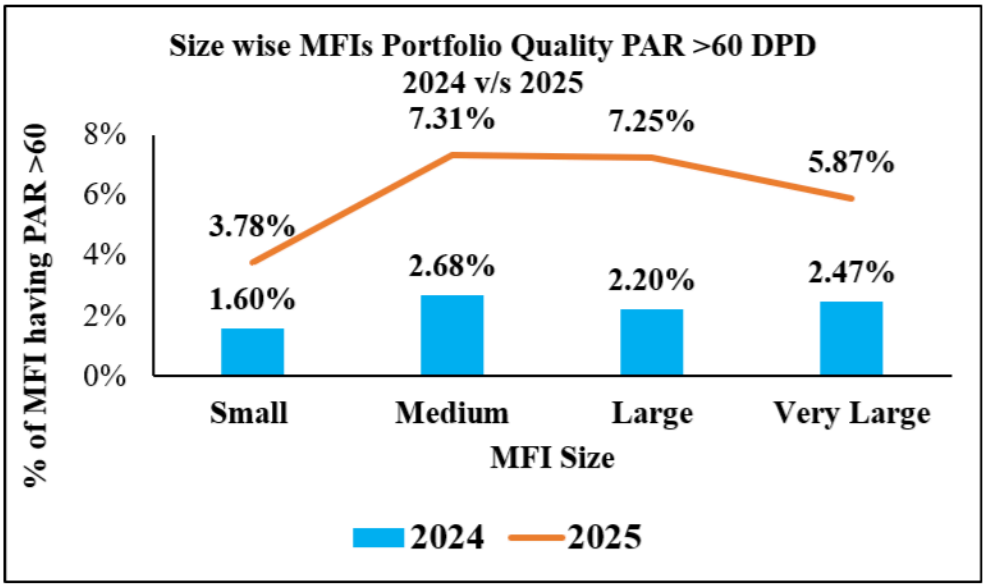

Figure 13 MFI Size wise Portfolio Quality (PAR>60)

Figures 12 and 13 show the distribution of MFIs based on their portfolio at risk (PAR >30 days and PAR >60 days) for 2024 and 2025. The data reveals that the percentage of MFIs in both the PAR >30 and PAR >60 categories has grown in all size groups in 2025, compared to 2024. This increase is especially evident among medium and large MFIs, where the rise in PAR levels is more as compared to other groups.

State Wise Delinquency comparison and Loan outstanding

Table 4: States with Low Delinquency (Portfolio at Risk) PAR>30 DPD in 2025 along with their MFI Loan Portfolio and Delinquency comparison for 2021, 2024 and 2025

State	Delinquency PAR > 30 DPD (2021)	Delinquency PAR > 30 DPD (2024)	Delinquency PAR > 30 DPD (2025)	MFI Loan Outstanding in Rs. Billion (2025)
Nagaland	17.95%	1.10%	0.30%	0.7
Andaman and Nicobar Islands	15.74%	1.50%	0.40%	0.2
Arunachal Pradesh	2.05%	2.60%	0.50%	1.1
Assam	28.03%	1.50%	1.00%	71
Meghalaya	12.50%	1.30%	1.00%	1.4
Mizoram	5.08%	2.80%	1.90%	1.1
Himachal Pradesh	10.93%	1.80%	2.10%	1.6
Telangana	1.17%	0.40%	2.20%	57
Punjab	8.75%	13.80%	2.40%	48
	Loan Portfolio at low delinquency			182.1
	As a % of total Loan Outstanding			5%

Delinquency

Low Medium High

Table 5: States with Medium Delinquency (Portfolio at Risk) PAR>30 DPD in 2025 along with their Loan Portfolio and Delinquency comparison for 2021, 2024 and 2025

State	Delinquency PAR > 30 DPD (2021)	Delinquency PAR > 30 DPD (2024)	Delinquency PAR > 30 DPD (2025)	Loan Outstanding in Rs. Billion (2025)
Tripura	9.24%	1.70%	3.10%	22
West Bengal	17.04%	1.30%	3.20%	367
Dadra and Nagar Haveli	6.81%	1.90%	3.20%	0.1
Chandigarh	9.73%	3.40%	3.30%	0.5
Delhi	9.33%	3.20%	3.50%	6
Goa	6.71%	0.40%	3.70%	1.6
Haryana	4.84%	3.60%	3.70%	51
	Loan Portfolio at Medium delinquency			448.2
	As a % of total Loan Outstanding			12%

Table 6: States with High Delinquency (Portfolio at Risk) PAR>30 DPD in 2025 along with their Loan Portfolio and Delinquency comparison for 2021, 2024 and 2025

State	Delinquency PAR > 30 DPD (2021)	Delinquency PAR > 30 DPD (2024)	Delinquency PAR > 30 DPD (2025)	Loan Outstanding in Rs. Billion (2025)
Maharashtra	10.25%	2.00%	4.10%	296
Daman and Diu	10.20%	10.20%	4.30%	0.1
Uttarakhand	6.46%	2.30%	4.70%	17
J & K	23.44%	3.40%	4.80%	0.8
Ladakh	23.44%	3.40%	4.80%	0.8
Kerala	7.13%	5.10%	4.80%	113
Andhra Pradesh	8.43%	0.60%	4.90%	73
Manipur	4.09%	18.00%	5.00%	0.8
Puducherry	7.14%	1.20%	5.20%	7
Madhya Pradesh	6.61%	3.30%	5.60%	217
Rajasthan	5.01%	3.60%	5.90%	149
Chhattisgarh	7.93%	2.30%	6.00%	66
Sikkim	7.93%	6.10%	6.40%	1.3
Tamil Nadu	6.54%	2.20%	6.60%	468
Uttar Pradesh	5.35%	2.20%	6.80%	418
Jharkhand	6.37%	2.30%	7.00%	111
Bihar	6.15%	1.20%	7.20%	577
Gujarat	6.74%	3.00%	7.60%	109
Odisha	7.91%	1.90%	8.50%	207
Karnataka	3.86%	0.80%	10.20%	354
	Loan Portfolio at High delinquency			3185.8
	As a % of total Loan Outstanding			83%

Table 4, Table 5 and Table 6 present state-wise loan outstanding and delinquency levels (PAR >30 days) for the year 2025 and comparison with 2021 and 2024 delinquency levels. The states have been analysed with respect to Low, Medium and High delinquency levels and accordingly shown in Table 4, Table 5 and Table 6 respectively.

Green shades represent low delinquency levels whereas yellow shades represent Medium delinquency levels. Red Shades represent Higher Delinquency levels.

Only small portion of Loan Portfolio i.e. 5% has low delinquency level (refer Table 4) whereas about 12% of Loan Portfolio is subjected to Medium Delinquency level in 2025. Major Loan Portfolio of 83% consisting of high portfolio size in major States is subjected to High Delinquency level. Microfinance institutions need to focus on recovery to contain the high delinquency.

The comparison of the delinquency levels in 2021, 2024 and 2025 also shows that delinquency levels were relatively higher in 2021. In contrast, 2024 shows a noticeable improvement, with a larger proportion of states displaying lighter shades, indicating lower delinquency levels. However, in 2025, an increase in delinquency is again observed, with a shift towards more darker shades across multiple States.

Correlation Analysis

Correlation analysis between penetration level and branch density (defined as the number of MLI branches per 1 lakh households) was carried out to investigate the relationship between microfinance outreach and institutional presence.

The following hypothesis was tested:

H_0: There is no significant relation between level of penetration and the number of branches in a particular state.

H_1: There is significant relation between level of penetration and the number of branches in a particular state.

Variables used:

- Penetration Level in each state (as calculated in Table for 2025)
- No. of branches in each state (from Bharat Microfinance Report for 2025)

Table 7 Correlation Analysis

Correlation Matrix		Penetration Level
No. of MLI Branches per 1 Lakh household	Pearson's r	0.825
	df	31
	p-value	< .001
	Spearman's rho	0.827
	df	31
	p-value	< .001

The correlation analysis's findings show that the variables have a substantial positive association. Branch density and penetration level have a very high positive linear relationship, according to Pearson's correlation value ($r = 0.825$). In a similar vein, a strong positive monotonic association is also indicated by Spearman's rank correlation coefficient ($\rho = 0.827$).

The null hypothesis is rejected since both coefficients are statistically significant ($p < 0.001$). This implies that microfinance penetration is higher in states with higher branch densities.

DISCUSSION

The results of this analysis offer a clear picture of the evolution of microfinance outreach in India between 2016 and 2025. Overall, the findings demonstrate the sector's consistent growth, as shown by rising borrower numbers, increased loan disbursements, and a growing loan portfolio. A closer examination reveals that this expansion is not uniformly distributed and is impacted by institutional structure, regional focus and emerging credit-related issues.

The important role that NBFC-MFIs play in reaching clients is one of the analysis's primary findings. Their significance in the field of microfinance is demonstrated by the fact that their contribution is far more than that of other kinds of institutions. This is consistent with previous research by (Champatiray et al., 2010), which discovered that outreach is mostly composed of for-profit MFIs. Regional disparities persist in the interim. The northern, western and northeastern regions are fall behind the southern region in terms of outreach. Studies like (Dhar, 2016) and (Pokhriyal & Ghildiyal, 2011) found similar trends, citing institutional presence and infrastructure disparities as the main causes of the unequal distribution.

The increasing focus on rural areas is another sig nificant development. Over time, rural borrowers have made up a larger share of total outreach. This shows that microfinance institutions are reaching populations that are usually excluded from formal financial systems. However, the link between loan accounts and active borrowers reveals a more complex situation. The data suggests that there are more loan accounts than the borrowers. This may mean that same individuals are taking out multiple loans. This raises questions about whether the growth in outreach genuinely reflects wider inclusion or just deeper borrowing among existing clients.

In a similar vein, the analysis on the loan outstanding and average ticket size points to portfolio growth having been driven more by the ticket sizes as opposed to the same ratio of borrowers. This may however be indicative of a rise of the credit appetite and the potential risk of over-indebtedness. This concurs with (Memon et al., 2020), identifying factors of outreach depth and the borrowing behaviour. A serious attention needs to be paid to the High Poverty, Low Microfinance Penetration quadrant states identified from comparison of Microfinance Penetration Index with Multi-disciplinary Poverty Index.

The study also brings out a vital aspect related to the portfolio quality. <1% PAR is more than >5% PAR till the year 2020 after which >5% PAR increases till 2022which can be attributed to the Pandemic period. The pressure eases and <1% PAR increases again till 2024 before again reducing in the year 2025. A similar growth in the Pandemic period was observed for PAR > 60 and PAR > 90 days as well. The maximum impact of delinquency increase can be seen on medium and large-scale MFIs. This aligns to (Tripathy, 2025) who acknowledged the rising delinquencies and stressed on the regulator's enforcements to support stability in the sector.

At the state level, comparison of loan outstanding with delinquency patterns shows that regions with higher exposures on loans possess higher credit risk. This implies that expansion in certain areas combined with repayment performance may be higher with credit risk. The poverty and microfinance penetration mismatch can also be seen in some states, with gaps evident in outreach seen in regions such as Uttar Pradesh, Bihar, Madhya Pradesh and Jharkhand, which have relatively higher poverty levels. This supports the findings of (Ishtiyaq & Mazhar, 2019) that microfinance has not fully reached the most vulnerable populations in particular locations.

Relevant to this opinion are the results of the correlation analysis, which cement the need for institutional presence as a driver of outreach. There is a positive correlation between branch density and penetration in the results of correlation analysis. This highlights the continued relevance of branch networks to boost outreach, especially in regions where there is still limited access to institutions.

Taken together, the findings are suggestive that, the microfinance sector in India, although it has expanded its coverage, faces several structural challenges. The issue of regional imbalance, concentration of credit and portfolio risk caution need to be addressed. Going forward, emphasis is not only on the scale of operations but also on equity and balance of growth.

CONCLUSION

This study gives a comprehensive understanding of how microfinance's outreach in India has changed over the timeframe of 2016 to 2025. The loan outstanding amounts, number of borrowers and issued loans further prove the steady expansion of outreach in the microfinance sector in India. However, microfinance outreach slows down a bit in the year 2025. It is also observed that the number of loan accounts is almost twice the number of borrowers, implying that the existing borrowers take multiple loans rather than new people being introduced into the system.

The findings have shown distinct regional and institutional trends. The southern and eastern regions continue to have the bulk of microfinance outreach, with the northern and northeastern regions being the least penetrated. The NBFC-MFIs have the most significant role in reaching the borrowers in institutional forms. Many areas have seen an improvement in consumer penetration, but in some states with relatively high rates of poverty and low outreach, the growth is still unequal.

The study's analysis of the sector's growth is another important finding. This seems to be more influenced by large loan amounts than by a proportionate number of borrowers. Simultaneously, states with larger loan portfolios have been found to have greater delinquent rates; that is, an increase in credit is linked to an increase in payback delinquency. Finally, some concerning portfolio quality issues that may require attention are reflected in the observed increase in PAR levels, particularly among the medium and large MFI groups.

Practically speaking, the results advocate for more targeted and localized policies to increase the use of microfinance. There is a need to pay attention to those rural areas which have high microfinance activities but low microfinance penetration. There is also a need to solve the operational challenges such as loss of employees and debt recovery systems. Stability within the sector can be improved through provision of branches according to population requirements, increasing financial education and signing up people to digital outreach.

While this research provides useful information based on secondary data, borrower-based results such as income levels or decreased levels of poverty are not provided. Further research can use primary data to investigate socio-economic impact of microfinance at different regional levels.

In general, this research shows that although microfinance in India has progressed to great heights, making sure that this progress is fair and sustainable will remain a challenging issue.

LIMITATIONS

This research is solely dependent on secondary time series data available in the Bharat Microfinance Reports without conducting any field-level survey or qualitative research for understanding the ground realities. This research measures loan size and number of borrowers but does not measure how those loans helped borrowers in increasing their income or decreasing poverty levels. The study is based only on the data available from 2016 till 2025.

Author Contributions

Sayali Nene: Writing - Original draft, Writing, Review and Editing. Both authors have read and approved the final version of the manuscript.

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Ethical Statement

The present research does not require any ethical clearance since it uses secondary macro-data from published official reports and involves no direct human respondents.

Statement Of Conflict Of Interest

The authors declare no conflicts of interest related to this study.

Generative Ai Use Declaration

None.

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