

MICROFINANCE'S GREAT RESET IS FINALLY WORKING

FROM OVERLEVERAGED TO OPPORTUNITY-RICH

Stronger regulations, responsible lending, and a decisive industry reset are rebuilding the foundation for sustainable and profitable growth.



THE RESET IS REAL:



TIGHTER
REGULATION



INDUSTRY
BALANCE



STRONGER
GROWTH



RESILIENT
RETURNS

A NEW CHAPTER OF SUSTAINABLE GROWTH



Stronger
Regulation



Responsible
Lending



Healthier
Borrowers



Sustainable
Growth

WHAT BROKE?

THE PROBLEM WAS TOO MUCH CREDIT CHASING THE SAME BORROWER

The 2022 regulatory changes increased flexibility for microfinance lenders. Credit expanded rapidly, but borrowers increasingly took loans from multiple lenders. By FY25, the cycle had clearly broken.



THE VICIOUS CYCLE:



THE INDUSTRY RESPONDED BY SHRINKING



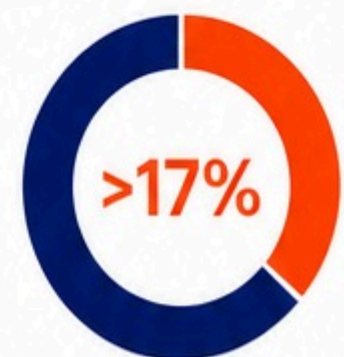
UNIQUE BORROWERS
(in Crore)



MFI AUM
(in ₹ Lakh Crore)



**WRITE-OFFS +
ARC SALES**
(% of Mar-24 loan book)



THE BORROWER HAS BEEN DELEVERAGED

MULTIPLE BORROWING HAS FALLEN SHARPLY



INDICATOR	MAR-24	JUN-26
 Borrowers with 4+ lenders	13%	↓ 4%
 Borrowers with ≤2 lenders	—	↑ 81%

REGULATION & LENDER BEHAVIOUR

HAVE ALSO TIGHTENED:

 MFI indebtedness capped at ₹2 lakh

 Maximum 3 MFI relationships

 Household repayment obligations capped at 50% of income

BUT THERE IS AN IMPORTANT NUANCE

BORROWERS DECLINED



AVERAGE LOAN SIZE INCREASED



SO, THE INDUSTRY IS BECOMING:

rather than simply returning to its old growth trajectory.



ASSET QUALITY IS ACTUALLY HEALING

This is the **strongest evidence** that the recovery is real.



PORTFOLIO-AT-RISK HAS COLLAPSED

DELINQUENCY	MAR-25	JUN-26
 1–30 days	1.4%	↓ 0.5%
 31–90 days	2.8%	↓ 0.7%
 91–180 days	3.8%	↓ 0.8%



This matters because **write-offs alone** can make reported asset quality look better.



Fresh vintages performing better = **genuine improvement** in underwriting and borrower quality.

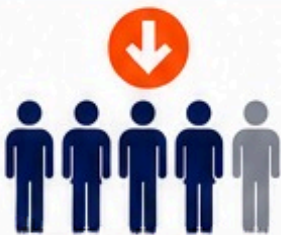


AUM HAS FINALLY TURNED

After 7 consecutive quarters of decline, MFI AUM grew **3.3% QoQ** in Mar-26.



The industry is **reopening the lending tap cautiously** — rather than going back to indiscriminate growth.



Disbursements are recovering, but remain well below the previous peak.



Disciplined growth today is building a stronger, healthier foundation for tomorrow.

PROFITABILITY IS COMING BACK

Credit cost was the
real earnings problem



	FY24	FY25	FY26
Credit cost / Avg. Assets	2.5%	8.7%	5.4%
RoTA	-1.2%	—	0.5%



CareEdge expects RoTA to reach roughly **2.4% in FY27** if credit costs continue to normalise.



THE IMPORTANT DISTINCTION

This isn't primarily an
NIM expansion story.
It is:



So the key variable to monitor
isn't simply **loan growth**.



WATCH CREDIT COST.

If credit costs remain controlled while growth returns,
the sector's earnings recovery becomes much more credible.



THE RECOVERY IS BECOMING A SCALE GAME



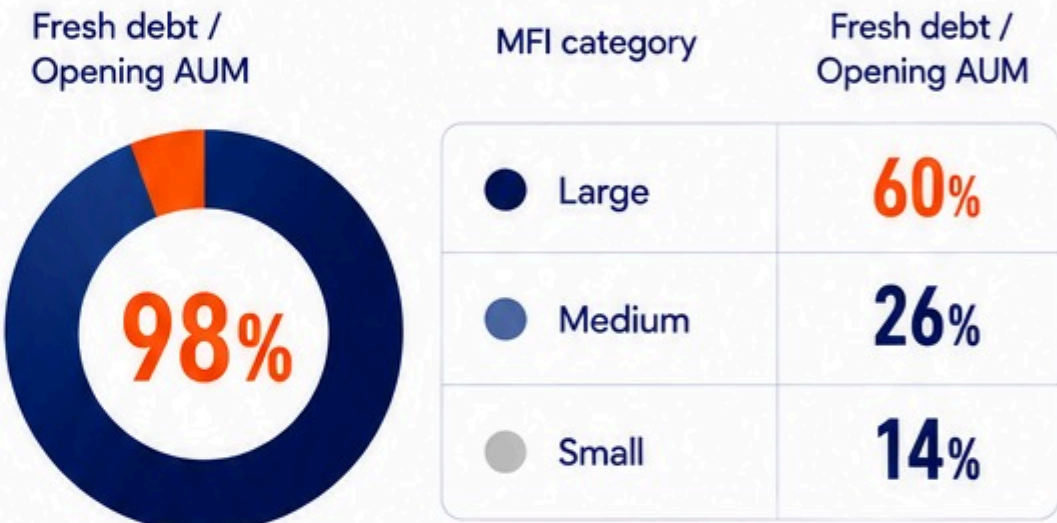
BANKS HAVE PULLED BACK

Microfinance AUM share:



But the bigger story is **funding concentration**.

98% OF INCREMENTAL BORROWING WENT TO **LARGE MFIs**



Non-MFI assets (diversification)



WHAT THIS MEANS

The recovery is likely to be **two-speed**:

LARGE MFIs

-  Better asset quality
-  Funding access
-  Diversification

 **STRONGER RECOVERY**



SMALL MFIs

-  Better asset quality
-  Weaker funding access
-  Concentrated business

 **MORE VULNERABLE**