

MICROFINANCE IN INDIA: A PATH TO EMPOWERMENT

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PREFACE

Microfinance in India has evolved from a modest experiment in collective savings to one of the world's largest financial inclusion movements, touching millions of lives across rural and semi-urban landscapes. Over the past three decades, it has steadily transformed from a narrowly defined credit-delivery mechanism into a broader socio-economic instrument that fosters women's empowerment, livelihood security, entrepreneurship, and community resilience. This book, *Microfinance in India: A Path to Empowerment*, is conceived against this dynamic and evolving backdrop, with the intent of offering readers a comprehensive, balanced, and contemporary understanding of the microfinance ecosystem in India.

As of March 2025, India's microfinance sector had attained a gross loan portfolio of approximately ₹3.75 lakh crore, serving nearly 79 million borrowers—an extraordinary scale that underscores its centrality to inclusive growth. Yet, this expansion has not been without challenges. The sector is currently undergoing a phase of recalibration and consolidation. By the end of FY25, the microfinance loan portfolio registered a year-on-year contraction of about 14%, standing at around ₹3.8 lakh crore, and further declined to approximately ₹3.59 lakh crores by June 2025. During the same period, active loan accounts declined sharply—from about 15.93 crore in June 2024 to nearly 14 crores by March 2025, and further to around 13.2 crore by June 2025—reflecting tighter credit conditions, regulatory recalibration, and heightened concerns related to borrower stress and portfolio quality.

Despite these shifts, women remain the undeniable backbone of India's microfinance movement. As of late 2024, the active borrower base stood at approximately 8.67 crore, of which an overwhelming 99% were women, with an average loan size of ₹37,445. Even more striking is the long-term trend: between 2019 and 2024, the number of women borrowers in India nearly tripled, growing at a compound annual growth rate (CAGR) of about 22%. This rapid expansion signals not only greater access to credit but also growing confidence among women to engage with formal financial systems. Evidence of rising financial awareness is visible in credit monitoring behaviour—by December 2024, nearly 27 million women were actively tracking their credit profiles, marking a 42% year-on-year increase.

At the same time, this book does not shy away from the sector's vulnerabilities. The rise in delinquencies, with the Portfolio at Risk (PAR) in the 31–180 days category more than doubling to 5.4% by June 2025, raises critical questions about sustainability, borrower protection, and responsible lending. Issues such as multiple borrowing, over-indebtedness, income volatility, and uneven digital literacy have emerged as pressing concerns. These realities underscore the urgent need for resilient credit delivery models, stronger governance, improved risk management practices, and comprehensive financial and digital literacy initiatives.

The chapters in this book bring together empirical data, policy analysis, and rich case studies to examine microfinance not merely as a financial product, but as a social institution embedded within communities. The narrative traces the evolution of microfinance in India—from Self-Help Groups (SHGs) and the SHG–Bank Linkage Programme to the rise of

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Microfinance Institutions (MFIs) and fintech-enabled models. Special emphasis is placed on women's experiences, exploring how access to microfinance has influenced their decision-making power, social mobility, leadership in local governance, health and education outcomes, and their transition from beneficiaries to entrepreneurs and change-makers.

The book also situates microfinance within broader developmental frameworks, including poverty alleviation, social justice, gender equality, and the Sustainable Development Goals (SDGs). By critically engaging with regulatory frameworks, the roles of NABARD, RBI, NGOs, and development agencies, as well as recent shocks such as the COVID-19 pandemic, it offers a nuanced understanding of both the achievements and limitations of the sector.

This edited volume is intended for scholars, policymakers, practitioners, development professionals, and students who seek an informed and contemporary perspective on microfinance and women's empowerment. By weaving together robust data, grounded narratives, and forward-looking strategies contributed by diverse scholars and practitioners, the volume aspires to contribute meaningfully to debates on inclusive finance and to illuminate pathways for building a more resilient, equitable, and empowerment-driven microfinance sector in India.

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