

# Microfinance loan book shrinks 3.5% to ₹3.85 trillion in Dec qtr

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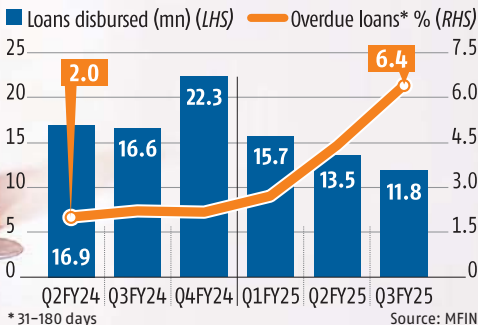
The gross loan portfolio in the micro finance segment shrunk by 3.5 per cent year-on-year (Y-o-Y) to ₹3.85 trillion during the third quarter of financial year 2025 (Q3FY25) as the period was marked by curtailed funding and strict credit underwriting.

The portfolio at risk, which is the share of loans overdue for 30-180 days, shot up to 6.4 per cent during Q3FY25 from 2 per cent in Q3FY24, according to Micro Finance Institution Network (MFIN) data.

“The industry is going through a period of curtailed funding and stricter credit underwriting based on MFIN guardrails. The credit quality continued to be under close watch with slippages expected to have peaked by December 31. MFIN expects that the situation on both liquidity and credit quality will improve in Q4,” said



## PERFORMANCE TRAJECTORY



Alok Misra, Chief Executive & Director at MFIN.

MFIN is an industry association of non-banking finance companies working as microfinance institutions (NBFC-MFIs), small finance banks and NBFCs and recognised as a self-regulatory organisation by the Reserve Bank of India.

Sequentially, loan portfolio of the sector declined from ₹4.08 trillion in the second quarter of FY25.

The loan portfolio of non-banking finance companies working as microfinance institution (NBFC-MFIs) declined by 3.8 per cent Y-o-Y, banks by 5.5 per cent and small finance banks by 11.0 per cent.