

# **India Microfinance Market By Provider Type (Banks, NBFCs), By Purpose (Agriculture, Manufacturing/Production, Trade & Services, Household, Others (Consumer Durable, Vehicle, etc.)), By Tenure (Less than 1 Year, 1-2 Years, More than 2 Years), By Region, Competition Forecast & Opportunities, 2019-2029F**

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## **Abstracts**

The India microfinance market will experience robust growth in the forecast period owing to the growing technological advancements such as penetration of mobile phones, which has made it possible for the microfinance companies to easily reach to larger masses. Moreover, significant government regulations are likely to support the growth of microfinance market in India.

### India Microfinance Market Scope

Giving small loans to low income people or small enterprises that may not be able to use traditional banking services so they may meet their financial obligations are referred to as microfinance.

### India Microfinance Market Overview

In India, the low income group is unable to get loans from the traditional banks as they do not have any credit history and are also not able to provide any security to the banks. Thus, to solve this problem the microfinance companies in India were launched which provide unsecured loans with less paperwork to the under privileged section of the society. According to the article published by Business Standard in 2022, the

microfinance industry in India grew over 16 times in the last decade with a loan portfolio of USD34.78 billion as per the study done by Microfinance Institutions Network.

### India Microfinance Market Drivers

Several factors are responsible for the rising demand for microfinance services in India. One of the key causes is that low-income households lack access to credit and other financial services. It is challenging for these households to get formal credit since they often have no collateral to offer for conventional bank loans and may not have a good credit record. These loans are frequently used to launch or grow small businesses, pay for unforeseen costs, fund investments in healthcare and education, and raise overall household income and living standards. The expansion of India's informal economy is another factor driving up demand for microfinance services. Many low-income households are employed in the unregulated, erratic informal economy. Microfinance organizations offer these households a flexible and easily available source of credit that can assist them in managing their cash flow and making investments in their enterprises.

In recent years, India's microfinance industry has experienced considerable technological developments, notably with the growing use of mobile devices and online platforms. Many microfinance institutions (MFIs) have implemented mobile banking technologies to offer financial services to their consumers in response to the increasing adoption of mobile phones. Customers can now access their accounts, conduct transactions, and receive loan disbursements and repayments immediately on their mobile devices through mobile banking. To promote digital payments and transactions in the microfinance industry, a number of digital platforms have been created, including the Bharat Bill Payment System (BBPS), National Automated Clearing House (NACH), and Aadhaar Enabled Payment System (AEPS). These platforms have made it possible for MFIs to electronically disperse loans and collect payments, which eliminates the need for physical presence and paperwork.

### India Microfinance Market Trends

The COVID-19 pandemic has accelerated up the deployment of digital technologies in the microfinance industry since MFIs have had to come up with strategies to continue serving their clients while abiding by social segregation standards. There are various advantages for the Indian microfinance business as a result of the growing focus on digitization. MFIs are able to serve clients in remote locations where physical branches might not be practical due to digital technologies including mobile banking, internet

platforms, and digital wallets. The costs of maintaining physical branches and paperwork, as well as transaction fees, have all been reduced by digitization in traditional banking. Through the use of tools like mobile banking, rapid approvals, and online loan applications, MFIs are now able to provide a more seamless and easy customer experience. Digitization has enabled MFIs to disburse loans and receive repayments faster, reducing the turnaround time for loan processing and improving the overall efficiency of operations. Digital technologies have enabled MFIs to collect and manage client data more efficiently, which can help in better risk assessment and credit scoring. By providing a wider range of financial services, service diversification can increase client loyalty, boost retention rates, and increase the lifetime value of each client.

In India's microfinance industry, collaboration and cooperation are significant trends as micro finance institutions seek to broaden their client base and provide vulnerable individuals with more effective and innovative financial services. Moreover, microfinance companies can offer a larger range of financial services beyond microcredit, such as savings, insurance, and remittances, by collaborating with banks, FinTech's and other organizations. Partnerships with fintech firms can assist MFIs in utilizing digital platforms and technology to increase the productivity and scalability of their operations. Collaboration with other MFIs or groups can enable MFIs to pool resources and knowledge, thereby cutting costs and increasing overall operational effectiveness.

### India Microfinance Market Challenges

India is a developing nation with a low literacy rate as only 25% of the India population is financially literate, however it is still higher in its rural parts. The majority of Indians lack a fundamental understanding of financial principles. The general public has limited awareness of the financial services offered by the microfinance sector. A major barrier preventing the rural populace from obtaining easy credit from MFIs to meet their financial needs is this lack of adequate understanding. Additionally, it contributes to the nation's widespread financial exclusion as MFIs also have the extra responsibility of educating the public and building trust before they begin lending money. In addition to the extreme lack of knowledge about the policies and goods offered by MFIs, these institutions struggle to survive in the highly competitive markets found in developing countries.

Moreover, in India, MFIs' financial success is limited when compared to that of the nation's commercial banks. The long-standing banking system is well-established in India and is gradually changing to meet modern demands. When compared to

commercial banks (8–12%), the majority of microfinance institutions charge very high interest rates (12–30%). Since the microfinance industry works with underprivileged groups in Indian society who want to raise their standard of living, excessive debt is a major barrier to its expansion. The two biggest issues straining the microfinance sector in India are the rising trend of clients taking out multiple loans and ineffective risk management. Providing loans without security raises the risk of bad debts in the microfinance industry.

## Market Opportunities

Due to the country's limits on its banking services' ability to reach the millions of people living in rural areas, microfinance organizations can grow their market share and draw in a wider customer base. In addition to the country's large size, another barrier preventing financial services from reaching these millions of people is the low literacy rate among the most vulnerable population in the most remote areas. Thus, microfinance continues to be a crucial weapon for India's mission to advance as a significant economic force. Only 5% of the country's population now has access to microfinance loans. According to the most recent instructions given to MFIs by the RBI, more than 50% of the population is qualified for microloans.

## Market Segmentation

The India microfinance market is segmented based on provider type, purpose, tenure, region and competitive landscape. Based on provider type the market is divided into banks, NBFCs. On the basis of purpose, the market is fragmented into agriculture, manufacturing/production, trade & services, household and others, including consumer durable, vehicle, etc. Further, based on tenure the market is segmented into less than 1 year, 1-2 years, more than 2 years.

## Company Profiles

Ujjivan Financial Services Limited, Asmitha Microfin Ltd., Utkarsh Small Finance Bank Limited, CreditAccess Grameen Limited, Share Microfin Limited, Spandana Sphoorty Financial Ltd., Bhartiya Samruddhi Finance Limited (BSFL), Bharat Financial Inclusion Limited, BSS Microfinance Limited, Muthoot Microfin Limited are some of the leading companies in the India microfinance market.

## Report Scope:

In this report, India Microfinance Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

### India Microfinance Market, By Provider Type:

Banks

NBFCs

### India Microfinance Market, By Purpose:

Agriculture

Manufacturing/Production

Trade & Services

Household

Others (Consumer Durable, Vehicle, etc.)

### India Microfinance Market, By Tenure:

Less than 1 year

1-2 years

More than 2 years

### India Microfinance Market, By Region:

North

West

South

## East

### Competitive Landscape

Company Profiles: Detailed analysis of the major companies present in India microfinance market.

### Available Customizations:

With the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

### Company Information

Detailed analysis and profiling of additional market players (up to five).

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