

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO.3624

ANSWERED ON MONDAY, 11th AUGUST, 2025/ 20 SRAVANA 1947 (SAKA)

RISING DELINQUENCIES IN MICROFINANCE SECTOR AND ASSOCIATED RISKS

3624. SHRI ASADUDDIN OWAISI:

SHRI GAURAV GOGOI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware that microfinance loan delinquencies have increased by 163 per cent reaching Rs. 43,000 crore in FY 2024-25;
- (b) the factors identified by the Government for this sharp increase in delinquencies, particularly among small borrowers;
- (c) whether the Government has assessed the financial risk poses to NBFC-MFIs, small finance banks and the broader credit ecosystem; and
- (d) whether the Government is considering any corrective framework to prevent further deterioration in microloan portfolios and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (b) Reserve Bank of India (RBI) continuously monitors the activities and performance of microfinance sector. As reported in Financial Stability Report, June 2025 of RBI, the stressed assets in the microfinance sector increased with 31-180 days past due (dpd) from 4.3 per cent in September 2024 to 6.2 per cent in March 2025. Further, the banking sector saw an increase in stress in their microfinance loan book with 31-180 dpd rising from 4.7 per cent in September 2024 to 6.5 per cent in March 2025. However, borrower indebtedness, measured by the share of borrowers availing loans from three or more lenders, showed a declining trend.

As informed by Small Industries Development Bank of India (SIDBI), the reason for increase in microfinance delinquencies have generally been attributed to increase in indebtedness among borrowers or overleveraging, weakening joint liability group structures, natural calamities, etc.

(c) Financial Stability Report, June 2025 has also reported that overall, the resilience of the banking system has improved, as indicated by the banking stability indicator (BSI), which strengthened during 2nd half of FY 2024-25 and the capital position of the non-banking financial companies (NBFCs) remained well above the regulatory minimum.

(d) Microfinance Institutions (MFIs) are regulated by RBI and several initiatives aimed at timely identification and rectification of stress in microloan portfolios have been taken by RBI which *inter-alia* include:

- i. The regulations issued by RBI require lenders to undertake appropriate credit assessment of borrowers, including verifying their sources of income, household expenditure and existing loans, before extending credit.
- ii. To protect customers from over indebtedness, a ceiling of 50% on the monthly loan repayment obligations as a percentage of monthly income has been prescribed.
- iii. Regulated Entities (REs) are required to have a board-approved interest rate policy with clearly delineated components. Further, the regulations prescribe that interest rates and other charges shall not be usurious.
- iv. Self-Regulatory Organizations (SROs) of the microfinance sector, viz., Sa-Dhan and Microfinance Industry Network (MFIN), have issued guardrails for their members, which include *inter-alia*, capping the total indebtedness of a borrower as well as limiting the number of lenders that can give loans to a single borrower. Such interventions aid in reducing the indebtedness of the borrowers.
