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Geographic and Institutional Expansion of Microfinance Institutions and Their Socio-Economic Impact on Households in India: An Empirical Assessment

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Abstract
Microfinance has emerged as one of the most significant instruments of financial inclusion in India, extending credit and allied financial services to economically vulnerable households that remain outside the ambit of conventional banking. This paper examines the geographic and institutional expansion of Microfinance Lending Institutions (MLIs) in India between 2015 and 2025 and evaluates the socio-economic impact of microfinance on household income and economic stability and on poverty reduction. Secondary data obtained from the Bharat Microfinance Report 2025 (Sa-Dhan, supported by NABARD) reveal that the branch network of MLIs increased nearly three-fold, from 12,221 in 2015 to 37,380 in 2025, while active borrower outreach rose from 371 lakh to 627 lakh over the same period, and the gross loan portfolio expanded from Rs. 48,882 crore to Rs. 238,198 crore. Primary data collected from 380 microfinance beneficiaries/SHG members through a structured questionnaire were analysed using descriptive statistics and one-sample t-tests to examine two hypotheses relating to household income and economic stability and poverty reduction. Both null hypotheses were rejected at the 5 percent level of significance ($t = 18.78$ and 20.83 respectively, d.f. = 379), confirming that microfinance participation exerts a statistically significant and positive influence on household income and economic stability and on poverty reduction. The study concludes that the sustained geographic and institutional expansion of MLIs, complemented by government-led initiatives such as DAY-NRLM, DAY-NULM and the Lakhpati Didi Scheme, has meaningfully strengthened financial inclusion, household income and poverty reduction in India, while also identifying sectoral and regional gaps that warrant targeted policy attention.

Keywords: Microfinance, Financial Inclusion, MLIs, NBFC-MFI, Self-Help Groups, Household Income, Poverty Reduction, Financial Resilience, India

1. Introduction

Access to formal, affordable and reliable financial services is widely regarded as a fundamental prerequisite for inclusive economic growth and poverty alleviation. In developing economies such as India, a substantial proportion of the population, particularly in rural and semi-urban areas, continues to remain excluded from mainstream banking channels on account of limited collateral, low and irregular incomes, and inadequate documentation. Microfinance has evolved as a targeted response to this exclusion, offering small-ticket credit, savings, insurance and financial literacy services to low-income households, micro-entrepreneurs and Self-Help Groups (SHGs). Microfinance Lending Institutions (MLIs) — comprising NBFC-MFIs, NBFCs, Section 8 companies, and private and public limited companies — together with the SHG-Bank Linkage Programme (SHG-BLP) pioneered by NABARD in 1992, constitute the backbone of India's microfinance ecosystem.

Over the last decade, the microfinance sector in India has undergone considerable geographic and institutional expansion. The branch network of MLIs increased from 12,221 in 2015 to 37,380 in 2025, while client outreach and the gross loan portfolio have grown substantially, notwithstanding periodic disruptions caused by demonetisation in 2016-17 and the COVID-19 pandemic in 2020-21. NBFC-MFIs have emerged as the dominant institutional form, accounting for approximately 70 percent of total branches, borrowers and loan portfolio. At the same time, government-led programmes such as the Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM), the Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM) and the Lakhpati Didi Scheme have complemented the efforts of MLIs by promoting SHG formation, bank linkage and women-led entrepreneurship.

While the supply-side expansion of microfinance is well documented through industry reports, there remains a need for empirical research that jointly examines the institutional and geographic footprint of MLIs alongside the perceived socio-economic impact of microfinance at the household level. This paper attempts to bridge this gap by combining secondary industry-level data with a primary field survey of 380 microfinance beneficiaries. The study is structured to first map the geographic and institutional expansion of MLIs across Indian states and union territories, and thereafter to statistically test whether microfinance participation has had a significant impact on household income and economic stability and on poverty reduction.

2. Review of Literature

Financial inclusion has been conceptualised in the literature as the removal of price and non-price barriers that restrict disadvantaged and low-income groups from accessing and using formal financial services (Demirgüç-Kunt et al., 2008). Access to affordable credit is argued to enable poor households to invest in education, establish or expand micro-enterprises, smooth consumption, and build productive assets, thereby facilitating poverty reduction and upward income mobility. In the Indian context, financial inclusion has been driven by a combination of biometric identification through Aadhaar, zero-balance bank accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY), expansion of mobile and digital banking infrastructure, and the institutional deepening of microfinance.

The Self-Help Group-Bank Linkage Programme, introduced by NABARD in 1992 with the support of the Reserve Bank of India, is recognised as the world's largest microfinance programme and has been progressively integrated into the DAY-NRLM framework of the Ministry of Rural Development. Studies on the SHG-BLP model have generally emphasised its role in mobilising rural savings, extending small collateral-free loans, and building social capital among women's groups. Parallel to this bank-linkage model, NBFC-MFIs have grown rapidly as commercially oriented lenders extending joint-liability group loans, and industry reports such as the Bharat Microfinance Report published annually by Sa-Dhan (with support from NABARD) provide the most comprehensive institution-level data on branch networks, client outreach, loan portfolios and disbursements across Indian states.

A recurring theme in the microfinance literature relates to the multiplier effects of credit on income, output and employment. Microfinance loans directed towards income-generating activities — agriculture, animal husbandry, trading, and micro and agro-based enterprises — are argued to generate forward and backward production linkages across sectors, thereby enhancing aggregate value added and employment beyond the immediate borrower household. Other strands of the literature have examined the differential impact of microfinance on rural versus urban borrowers, the growing share of women borrowers, and the extent to which microfinance reduces dependence on high-cost informal moneylenders. However, relatively few studies combine sector-wide institutional data with primary household-level perception surveys to jointly assess geographic expansion and socio-economic impact, which constitutes the principal contribution of the present study.

2.1 Research Gap

Existing studies tend to examine either the supply-side growth of microfinance institutions or the demand-side impact on borrowers in isolation. There is limited empirical work that maps the state-wise and district-wise institutional expansion of MLIs in India using the most recent (2025) industry data, while simultaneously testing, through primary survey-based hypothesis testing, whether this expansion translates into measurable improvements in household income and economic stability and poverty reduction. The present study addresses this gap.

3. Objectives of the Study

- To examine the geographic and institutional expansion of Microfinance Lending Institutions (MLIs) across Indian states and union territories between 2015 and 2025.
- To analyse the trends in client outreach, gross loan portfolio and loan disbursement of MLIs in India, including the rural-urban distribution of borrowers.
- To assess the pattern of access and utilisation of microfinance facilities among sampled beneficiaries.
- To evaluate the socio-economic impact of microfinance on household income and economic stability and on poverty reduction.

4. Hypotheses of the Study

Based on the objectives outlined above, the following null hypotheses were formulated and tested:

H01: There is no significant impact of microfinancing initiatives on income levels and economic stability of households.

H02: There is no significant impact of microfinancing initiatives in reducing poverty of households.

5. Research Methodology

5.1 Research Design

The study adopts a descriptive and analytical research design combining secondary and primary data to provide a comprehensive assessment of microfinance expansion and impact in India.

5.2 Sources of Data

Secondary data on the geographic and institutional expansion of MLIs, including state-wise and district-wise branch networks, client outreach, gross loan portfolio, loan disbursement and legal form-wise distribution, were sourced from the Bharat Microfinance Report 2025, published by Sa-Dhan with support from NABARD. Data relating to government schemes (DAY-NRLM, DAY-NULM, Lakhpati Didi

Scheme, Women Enterprise Acceleration Fund and Namo Drone Didi Scheme) were compiled from official programme documentation of the Ministry of Rural Development and allied ministries.

Primary data were collected through a structured, close-ended questionnaire administered to 380 respondents who were beneficiaries of microfinance programmes or members of Self-Help Groups. The questionnaire captured information on the duration and frequency of association with microfinance, type of facility accessed, purpose and amount of loans availed, source of programme information, and Likert-scale perception statements (Strongly Agree to Strongly Disagree) relating to the impact of microfinance on household income and economic stability and on poverty reduction.

5.3 Sample Size and Sampling Technique

A sample of 380 microfinance beneficiaries/SHG members was selected using a convenience-cum-purposive sampling technique to ensure adequate representation of long-standing as well as recently enrolled beneficiaries across income and loan-size categories.

5.4 Tools of Data Analysis

Descriptive statistics (frequencies and percentages) were used to analyse the demand-side survey responses. The one-sample t-test was employed to test the two hypotheses, comparing the sample mean response on the five-point Likert scale against a neutral test value ($\mu = 3$), using the formula $t = (\bar{X} - \mu) / (\sigma/\sqrt{n})$, with degrees of freedom (d.f.) = $n - 1 = 379$, and a 5 percent level of significance (critical table value = 1.645). Trend and comparative analysis of secondary data was carried out using tables, bar charts and pie charts covering the period 2015 to 2025.

6. Geographic and Institutional Expansion of Microfinance in India

The larger MLIs, predominantly NBFC-MFIs, have expanded their geographic footprint across a growing number of states and union territories, whereas smaller, not-for-profit MLIs continue to concentrate their operations in one or two states, reflecting a stronger regional focus. During the review period, the microfinance sector encountered interconnected challenges, including rising loan delinquencies, elevated credit costs, moderated portfolio growth and regulatory restrictions on borrower exposure, which together constrained new client acquisition, particularly in 2025.

6.1 Growth in Branch Network (2015-2025)

The MLI branch network in India expanded from 12,221 branches in 2015 to 37,380 branches in 2025 — an almost three-fold increase — although the growth trajectory was not uniform, with declines recorded in 2016-17 (post-demonetisation) before a sustained recovery thereafter.

Table 1: Yearly Trend of MLI Branch Network in India (2015-2025)

Year	No. of MLI Branches
2015	12,221
2016	11,644
2017	10,233
2018	14,026
2019	17,218
2020	19,073

Year	No. of MLI Branches
2021	20,065
2022	22,428
2023	25,790
2024	33,644
2025	37,380

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

6.2 State-wise Institutional Presence

As of March 2025, MLIs operated across 685 districts of Indian states and union territories, with a cumulative branch network of 37,380. Tamil Nadu recorded the highest institutional presence with 74 MLIs and 4,296 branches, followed by Uttar Pradesh (73 MLIs, 4,806 branches across 74 districts) and Bihar (71 MLIs, 4,932 branches). Madhya Pradesh, Rajasthan, Maharashtra, West Bengal, Odisha, Karnataka, Haryana, Jharkhand, Chhattisgarh, Kerala and Gujarat also recorded a substantial concentration of MLI branches, indicating that microfinance penetration in India remains skewed towards a set of populous and historically underserved states.

Table 2: Leading States by Number of MLIs and Branches as of March 2025

State	No. of MLIs	Districts Covered	No. of Branches
Tamil Nadu	74	38	4,296
Uttar Pradesh	73	74	4,806
Bihar	71	38	4,932
Madhya Pradesh	66	54	2,716
Rajasthan	56	41	1,966
Maharashtra	55	36	2,271
West Bengal	50	23	2,658
Odisha	48	30	2,265
Karnataka	47	31	3,362
Gujarat	39	31	1,346

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

6.3 Leading MLIs by State/UT Coverage and District Reach

In terms of the breadth of state and union-territory coverage, Satin ranked first, operating across 27 states/UTs, followed by Asirvad and Satya (26 each), Fusion and IIFL Samasta (22 each), and Annapurna Finance and Belstar (21 each). In terms of district-level depth, Fusion led with presence in 488 districts, followed by Asirvad (455), Satin (452), Annapurna Finance (439) and CreditAccess (423), indicating that while some MLIs prioritise breadth of state coverage, others have pursued deeper district-level penetration within a narrower set of states.

Table 3: Top MLIs by State/UT Coverage and District Coverage (March 2025)

Rank	MLI (States/UTs covered)	MLI (Districts covered)
1	Satin (27)	Fusion (488)
2	Asirvad, Satya (26)	Asirvad (455)
3	Fusion, IIFL Samasta (22)	Satin (452)
4	Annapurna Finance, Belstar (21)	Annapurna Finance (439)
5	Muthoot, Spandana (20)	CreditAccess (423)

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

6.4 Institutional Structure of the Branch Network

NBFC-MFIs continue to dominate the legal-form composition of the MLI branch network, accounting for 27,687 of the 37,380 total branches (approximately 74 percent), followed by NBFCs (5,488), private and public limited companies (3,165), the 'others' category (732) and Section 8 companies (308). This institutional concentration underscores the pivotal role of NBFC-MFIs in extending the last-mile reach of formal credit to underserved communities.

Table 4: Branch Network by Legal Form of MLIs, 2025

Legal Form	No. of Branches
NBFC-MFIs	27,687
NBFCs	5,488
Pvt. & Public Ltd. Companies	3,165
Section 8 Companies	308
Others	732
Total	37,380

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

7. Client Outreach, Loan Portfolio and Disbursement Trends

7.1 Client Outreach

Active borrower outreach of MLIs increased from 371 lakh in 2015 to 627 lakh in 2025, an expansion of approximately 69 percent, notwithstanding a sharp dip in 2017 and a moderate decline in 2025 relative to the 2024 peak of 698 lakh active borrowers. NBFC-MFIs accounted for the largest share of active borrowers (443 lakh), followed by NBFCs (99 lakh), the 'others' category (42 lakh), private and public limited companies (41 lakh) and Section 8 companies (2 lakh).

Table 5: Outreach of MLIs to Active Borrowers, 2015-2025 (in lakh)

Year	Active Borrowers (lakh)
2015	371
2016	399
2017	295
2018	351
2019	429
2020	423
2021	422
2022	448
2023	532
2024	698
2025	627

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

7.2 Rural-Urban Composition of Borrowers

The rural share of MLI borrowers, which stood at 67 percent in 2015, declined to a low of 55 percent in 2018-19 as urban lending gained relative prominence, before reversing sharply thereafter to reach 80 percent by 2025 — indicating a renewed and intensifying concentration of microfinance credit among rural households in the post-pandemic period.

Table 6: Rural-Urban Share of MLI Borrowers, 2015-2025 (%)

Year	Rural (%)	Urban (%)
2015	67	33
2017	61	39
2019	55	45
2021	75	25
2023	74	26
2025	80	20

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

7.3 Gross Loan Portfolio

The gross loan portfolio (GLP) of MLIs rose from Rs. 48,882 crore in 2015 to a peak of Rs. 261,239 crore in 2024, before moderating to Rs. 238,198 crore in 2025. NBFC-MFIs held the largest share of the portfolio (Rs. 162,163 crore), followed by NBFCs (Rs. 37,452 crore), the 'others' category (Rs. 27,668 crore), private and public limited companies (Rs. 10,328 crore) and Section 8 companies (Rs. 587 crore). CreditAccess Grameen Ltd. (Rs. 25,948 crore) and L&T Finance Ltd. (Rs. 25,838 crore) were the two largest individual MLIs by portfolio size.

Table 7: Yearly Trend of Gross Loan Portfolio of MLIs (Rs. crore)

Year	Gross Loan Portfolio (Rs. crore)
2015	48,882
2017	46,842
2019	94,391
2021	113,459
2023	179,855
2024	261,239
2025	238,198

Source: Sa-Dhan (2025), The Bharat Microfinance Report 2025, supported by NABARD.

7.4 Loan Disbursement

Loan disbursement by MLIs grew from Rs. 56,860 crore in 2015 to Rs. 224,094 crore in 2024, before declining to Rs. 186,318 crore in 2025. Disbursement contracted in 2017 (demonetisation) and 2021 (COVID-19), underscoring the sensitivity of microfinance lending to macroeconomic and public health shocks. L&T Finance (Rs. 20,473 crore) and CreditAccess (Rs. 20,042 crore) were the leading disbursing institutions in FY 2024-25.

7.5 Income-Generation Orientation of Loans

Between 2020 and 2025, income-generating loans consistently constituted more than 90 percent of total MLI lending, reaching 91 percent in 2025. Sectorally, agriculture accounted for the largest share of income-generation loans (35 percent), followed by animal husbandry and trading (20 percent each), agro-based enterprises (9 percent), non-agro-based enterprises (8 percent), microbusiness (6 percent), transport (2 percent), handicraft (0.2 percent) and fishery (0.1 percent), reflecting the continued centrality of agriculture and allied livelihoods in microfinance-funded activity, alongside a diversified but comparatively smaller footprint in transport, handicrafts and fisheries.

7.6 Government Initiatives Strengthening the Microfinance Ecosystem

The DAY-NRLM (a restructured version of the Swarnajayanti Gram Swarozgar Yojana, launched in 2011) reported 99.79 lakh savings-linked SHGs with Rs. 54,026 crore in savings by 2024-25, alongside 43 lakh credit-linked SHGs with Rs. 168,863 crore in bank credit. Under the urban counterpart, DAY-NULM, 6.37 lakh SHGs held Rs. 4,159 crore in savings and 1.94 lakh SHGs held Rs. 11,492 crore in credit linkage in 2024-25. The Lakhpati Didi Scheme, launched on 15 August 2023 to help 2 crore SHG women achieve an annual household income of at least Rs. 1 lakh, had enabled approximately 1.48 crore women to attain 'Lakhpati Didi' status as of 30 June 2025. Complementary initiatives — the Women Enterprise Acceleration Fund and the Namo Drone Didi Scheme (supporting around 14,500 women-led

SHGs with subsidised agricultural drones) — further illustrate the convergence of institutional microfinance with targeted public policy in advancing women-led rural livelihoods.

8. Access and Utilisation of Microfinance: Survey Findings

This section presents the results of the primary survey of 380 microfinance beneficiaries/SHG members regarding their duration of association, type of facility accessed, purpose and amount of loans, frequency of borrowing, and source of programme awareness.

Table 8: Profile of Respondents' Access to and Utilisation of Microfinance (n = 380)

Parameter	Category	Response (%)
Duration of association	More than 10 years	26.84
Duration of association	5-10 years	24.21
Duration of association	3-5 years	21.32
Duration of association	1-3 years	15.26
Duration of association	Less than 1 year	12.37
Facility primarily accessed	Multiple services	36.84
Facility primarily accessed	Microcredit/loan	29.74
Facility primarily accessed	Savings facility	16.84
Facility primarily accessed	Financial literacy services	9.74
Facility primarily accessed	Insurance	6.84
Primary purpose of loan	Agriculture/allied activities	21.05
Primary purpose of loan	Household consumption	19.74
Primary purpose of loan	Education	13.16
Primary purpose of loan	Debt repayment	12.64
Primary purpose of loan	Starting/expanding business	15.78
Primary purpose of loan	Healthcare	5.26
Frequency of borrowing	2-3 times	40.79
Frequency of borrowing	Once	30.53
Frequency of borrowing	4-5 times	20.26
Frequency of borrowing	More than 5 times	8.42
Loan amount (most recent)	Rs. 25,001 - Rs. 50,000	32.10
Loan amount (most recent)	Below Rs. 25,000	25.00
Loan amount (most recent)	Rs. 50,001 - Rs. 1,00,000	20.00

Parameter	Category	Response (%)
Loan amount (most recent)	Rs. 1,00,001 - Rs. 2,00,000	16.58
Loan amount (most recent)	Above Rs. 2,00,000	6.32
Source of information	SHG/group members	40.26
Source of information	Friends/relatives	15.26
Source of information	NGO/community organisation	14.74
Source of information	Government programme	12.37
Source of information	Bank/financial institution	10.00
Source of information	Microfinance institution	7.37

Source: Primary survey data (n = 380).

The results indicate sustained long-term engagement with microfinance, with over half of respondents (51.05 percent) associated with a programme for more than five years. Agriculture and allied activities constitute the single largest purpose of borrowing (21.05 percent), followed closely by household consumption (19.74 percent), reaffirming the predominantly livelihood- and consumption-smoothing orientation of microfinance credit at the household level. A majority of loans (57.10 percent) were of relatively modest size (up to Rs. 50,000), consistent with the small-ticket, collateral-free character of microfinance lending. Peer networks — SHG members, friends and relatives — collectively accounted for the primary source of programme awareness for 55.52 percent of respondents, underscoring the importance of social capital and community-based dissemination in expanding microfinance outreach.

9. Socio-Economic Impact of Microfinance: Perception Analysis and Hypothesis Testing

9.1 Household Income and Economic Stability (H01)

Table 9 summarises beneficiary perceptions on the contribution of microfinance to household income and economic stability. A large majority of respondents expressed favourable perceptions across all seven statements, with agreement levels ranging from 65.26 percent to 84.21 percent.

Table 9: Perceived Impact of Microfinance on Household Income and Economic Stability

Statement (abridged)	SA+A (%)	Neutral (%)	D+SD (%)
Microfinance has increased my household income.	74.21	13.16	12.63
Microfinance has helped generate additional income sources.	67.11	16.05	16.84
Microfinance has increased household savings capacity.	83.42	10.53	6.05
Microfinance has improved employment/self-employment opportunities.	65.26	13.16	21.58

Statement (abridged)	SA+A (%)	Neutral (%)	D+SD (%)
Microfinance has helped acquire productive assets.	66.85	14.47	18.68
Microfinance has improved ability to manage regular expenses.	84.21	6.32	9.47
Microfinance has reduced dependence on informal credit sources.	78.16	8.68	13.16

Source: Primary survey data (n = 380).

A one-sample t-test conducted on the composite mean response ($\bar{X} = 3.849$, $\sigma = 0.8823$, $n = 380$) against a neutral test value of $\mu = 3$ yielded $t = 18.783$ (d.f. = 379), which exceeds the critical table value of 1.645 at the 5 percent level of significance. The null hypothesis H01 is therefore rejected, confirming a statistically significant positive impact of microfinancing initiatives on household income and economic stability.

9.2 Poverty Reduction and Household Financial Resilience (H02)

Table 10 presents perceptions relating to the effectiveness of microfinance in reducing poverty and strengthening financial resilience.

Table 10: Perceived Effectiveness of Microfinance in Reducing Poverty and Strengthening Financial Resilience

Statement (abridged)	SA+A (%)	Neutral (%)	D+SD (%)
Microfinance has improved standard of living.	67.89	14.74	17.36
Microfinance has increased capacity to meet basic needs.	74.47	12.63	12.89
Microfinance has reduced financial difficulties.	73.42	13.16	13.42
Microfinance has improved ability to repay debts.	77.89	9.74	12.37
Microfinance has reduced dependence on high-cost informal borrowing.	75.00	7.37	17.63
Microfinance has strengthened financial security.	81.05	8.43	10.52

Source: Primary survey data (n = 380).

The one-sample t-test ($\bar{X} = 3.875$, $\sigma = 0.8204$, $n = 380$, $\mu = 3$) produced $t = 20.833$ (d.f. = 379), exceeding the critical value of 1.645. The null hypothesis H02 is rejected, confirming a statistically significant impact of microfinancing initiatives in reducing poverty among beneficiary households.

9.3 Summary of Hypothesis Testing

Table 11: Summary of Hypothesis Testing Results (One-Sample t-Test, d.f. = 379, Critical Value = 1.645)

Hypothesis	Mean ($\bar{X}$)	S.D. (σ)	t-value	Decision
H01: Income & economic stability	3.849	0.8823	18.783	Rejected ($p < .05$)
H02: Poverty reduction	3.875	0.8204	20.833	Rejected ($p < .05$)

10. Discussion

The findings collectively demonstrate that the geographic and institutional expansion of MLIs in India has been accompanied by a statistically significant and positive socio-economic impact at the household level, specifically in relation to household income and economic stability and poverty reduction. The near three-fold increase in branch network and 69 percent growth in borrower outreach between 2015 and 2025 reflect a deepening rather than merely a widening of microfinance penetration, evidenced by the dominant and growing share of rural borrowers (80 percent by 2025) and the continued predominance of income-generating lending (91 percent in 2025). The concentration of MLI branches in states such as Tamil Nadu, Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan suggests that microfinance has been particularly responsive to regions with large rural populations and historically limited banking penetration, consistent with the sector's stated developmental objective.

At the household level, both hypotheses were strongly supported, with poverty reduction and financial resilience (H02, t = 20.833) recording a marginally higher t-value than household income and economic stability (H01, t = 18.783), indicating that respondents perceived microfinance to be slightly more effective in easing financial hardship, improving debt-repayment capacity and reducing dependence on high-cost informal borrowing than in directly raising income levels. The comparatively lower — though still highly significant — t-value for H01 suggests that while microfinance is perceived to improve savings capacity and expense management, its impact on employment generation and productive asset accumulation, though positive, is somewhat more muted, corroborated by the survey finding that only 15.78 percent of loans were used for starting or expanding a business, compared with 21.05 percent for agriculture/allied activities and 19.74 percent for household consumption. This pattern indicates that microfinance in India continues to serve a dual role — supporting both consumption-smoothing/livelihood needs and, to a lesser extent, entrepreneurial capital formation — and that the income-generation multiplier effects documented at the macro level may take longer to fully manifest at the individual household level. Correspondingly, the strong support for H02 indicates that beneficiaries consistently associate microfinance participation with a reduced burden of financial difficulty, improved capacity to meet basic needs and repay debt, and a lower reliance on high-cost informal moneylenders — outcomes that are central to poverty alleviation even where income gains are more gradual.

The convergence of MLI-led credit expansion with government programmes such as DAY-NRLM, DAY-NULM and the Lakhpati Didi Scheme appears to reinforce these outcomes, particularly for women-led SHGs, suggesting that public-private complementarity remains central to sustaining the sector's impact on household income and poverty reduction.

11. Findings

- The MLI branch network in India expanded nearly three-fold from 12,221 in 2015 to 37,380 in 2025, with Tamil Nadu (74 MLIs, 4,296 branches), Uttar Pradesh (73 MLIs, 4,806 branches) and Bihar (71 MLIs, 4,932 branches) recording the highest institutional presence, and NBFC-MFIs accounting for approximately 74 percent of total branches.
- Active borrower outreach increased by approximately 69 percent, from 371 lakh in 2015 to 627 lakh in 2025, with the rural share of borrowers rising sharply from 55 percent in 2019 to 80 percent in 2025.
- The gross loan portfolio of MLIs grew from Rs. 48,882 crore in 2015 to Rs. 238,198 crore in 2025, and loan disbursement rose from Rs. 56,860 crore to Rs. 186,318 crore over the same period, with visible contractions during the 2017 demonetisation and 2021 pandemic years.
- Income-generating loans consistently constituted more than 90 percent of total lending since 2020, concentrated in agriculture (35 percent), animal husbandry and trading (20 percent each).
- Government schemes — DAY-NRLM, DAY-NULM and the Lakhpati Didi Scheme in particular — have substantially strengthened SHG savings and credit linkage, with 1.48 crore women attaining 'Lakhpati Didi' status by June 2025.
- Survey respondents reported long-term engagement with microfinance (51.05 percent for over five years), primarily for agriculture/allied activities and household consumption, mostly in small loan sizes (57.10 percent up to Rs. 50,000), with SHG members as the dominant source of programme awareness (40.26 percent).
- Both null hypotheses were rejected at the 5 percent level of significance, confirming statistically significant positive impacts of microfinance on household income and economic stability ($t = 18.783$) and on poverty reduction ($t = 20.833$).

12. Conclusion

This study set out to examine the geographic and institutional expansion of microfinance in India and its consequent impact on household income and economic stability and poverty reduction among beneficiary households. The evidence demonstrates that the microfinance sector has expanded substantially in both breadth and depth over the decade 2015-2025, with NBFC-MFIs emerging as the dominant institutional form and rural households constituting an increasing share of the borrower base. This expansion has coincided with, and been reinforced by, targeted government interventions aimed at strengthening SHG-bank linkage and promoting women-led entrepreneurship.

The empirical findings from the primary survey provide robust statistical support for the proposition that microfinance participation is positively and significantly associated with improved household income and economic stability, and with reduced poverty and enhanced financial resilience. Taken together, the study affirms that microfinance in India has evolved from a narrowly credit-focused intervention into a meaningful instrument of household income growth and poverty reduction, though continued policy attention to entrepreneurial capital formation, sectoral diversification beyond agriculture, and equitable regional coverage remains warranted to consolidate and extend these gains.

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