



The landscape of financial inclusion in India has reached a critical juncture in 2026. After years of rapid-fire expansion into untapped rural districts, the microfinance industry is undergoing a "deepening" phase. Rather than chasing new, unproven customers, Microfinance Institutions (MFIs) and banks are increasingly doubling down on their existing borrower base.

This strategic shift, characterised by larger ticket sizes for seasoned clients, reflects a maturing market where credit history is becoming the new collateral. However, as loan amounts climb to record highs, questions regarding borrower over-indebtedness and the stability of the bottom-of-the-pyramid economy have never been more pertinent.

The Statistical Surge: Tracking the Ticket Size

The most visible indicator of this shift is the **Average Ticket Size (ATS)**. For years, the industry standard for a first-cycle loan hovered between ₹20,000 and ₹25,000. By early 2026, the metrics have shifted dramatically.

Industry Snapshot: Loan Size Trends (2019–2026)

| Year | Average Portfolio Balance Per Borrower (INR) | NBFC-MFI Market Share | Industry Portfolio Status |
|-----------------|---|------------------------------|-----------------------------------|
| 2019 | ₹20,000 - ₹28,000 | 28% | Steady Growth |
| 2022 | ₹30,000 - ₹35,000 | 32% | Post-Regulatory Reform |
| 2025 | ₹31,000 - ₹41,000 | 38% | Post-Regulatory Reform |
| 2026(Q1) | ₹57,576 (Disbursements) | 42.1% | Portfolio Contraction/Depth Focus |

Data Source: Compiled from TransUnion CIBIL and MFIN Reports (2025-2026).

As of March 2026, while the total number of active loan accounts has seen a slight contraction (falling to approximately 10.5 crore), the value per account has risen. NBFC-MFIs, which now dominate the market with a 42.1% share, reported a **23.8% increase in disbursement value** year-on-year, driven largely by an **11.4% rise in average ticket size**.



Why Lenders are Pivoting to Depth Over Breadth

1. The Power of "Credit Pedigree"

In 2026, data is the most valuable asset. A borrower who has completed three cycles of a ₹30,000 loan is statistically lower risk than a first-time borrower. Lenders are using advanced AI-integrated platforms to analyse repayment behaviour, allowing them to offer "loyalty top-ups" and larger enterprise loans.

2. Reduced Acquisition Costs

The cost of acquiring a new customer in a remote village is high, involving field staff travel, group training, and KYC verification. Serving an existing borrower whose house is already mapped and whose "Joint Liability Group" (JLG) is already vetted is significantly more cost-effective.

3. The RBI 2022 Framework Maturity

The RBI's harmonised regulatory framework (introduced in 2022 and fully matured by 2026) removed the interest rate cap and allowed for risk-based pricing. This has empowered lenders to provide larger sums to high-performing borrowers, provided the total monthly repayment does not exceed **50% of the household income**.

The Risk Factor: The Shadow of Over-Indebtedness

While larger loans can facilitate entrepreneurship, they also bring the threat of "loan stacking." In 2025, the industry faced a crisis of over-borrowing, leading to rising NPAs.

The "Four Lender" Trap

Recent data from credit bureaus like CRIF High Mark highlights a worrying trend: the average outstanding for borrowers who have taken loans from four or more lenders has crossed the ₹1,00,000 mark.

Key Stat: Approximately **14-17% of MFI borrowers** currently hold loans from more than three lenders. While this is a decrease from the 25% peak in 2024 (due to stricter guardrails), the absolute debt per borrower is at an all-time high.

Regional Disparities in Loan Sizes

The trend of "giving bigger" is not uniform across India. Lenders are more aggressive in states with high financial literacy and established credit cultures.



| State | Avg. Loan Outstanding per Account (2026) | Trend |
|---------------|--|--------------------------|
| Tamil Nadu | ₹34,491 | Aggressive Growth |
| Kerala | ₹30,584 | Mature/Saturated |
| Bihar | ₹28,000 - ₹32,000 | High Volume/Rising Sizes |
| Uttar Pradesh | ₹25,000 - ₹29,000 | Emerging Depth |

The 2026 Guardrails: A Balanced Approach

To prevent a repeat of the 2024 asset quality crisis, the industry has implemented "Responsible Lending Conduct" (RLC).

1. The PRAVAAH and 50-50 Guardrails

Under the latest 2026 directions, lenders must perform real-time credit bureau checks at the time of disbursement. If a borrower's total household debt-to-income ratio (DIR) crosses 50%, the system automatically flags and blocks the disbursement.

2. Transitioning to Retail

Banks have begun shifting about **5% of their microfinance portfolios into "Retail" categories**. By classifying large-ticket loans (above ₹1 lakh) as "Small Business Loans" or "Micro-Enterprise Loans," they can offer longer tenures (3–5 years), which makes the EMI more manageable for the borrower.

Case Study: The "Grocer's Growth" in Tamil Nadu

Location: Madurai, Tamil Nadu (The state with the highest average loan outstanding in 2026).

The Subject: Meena, a small grocery store owner and 5-year veteran of an NBFC-MFI.

The Evolution:

- **2021 (Cycle 1):** Loan of ₹25,000 for basic inventory. Repaid in 12 months.
- **2023 (Cycle 3):** Loan of ₹45,000 for a commercial refrigerator. Repaid in 18 months.



- **2026 (Cycle 5):** Meena was offered an "Individual Business Loan" of ₹85,000 to add a small flour mill to her shop.

The Strategy: The lender transitioned Meena from a JLG (Group) model to an **Individual Loan model**. Because she had a "clean" credit report with a 100% repayment record, her lender increased her limit by 88% compared to her third cycle.

Result: Meena's monthly income increased from ₹12,000 to ₹22,000. However, her monthly EMI rose to ₹6,500. While she remains under the RBI's 50% debt-to-income threshold, her margin for error (in case of illness or market shifts) has narrowed significantly.

Conclusive Summary

The trend of microfinance lenders providing larger loans to existing borrowers is a natural evolution of a maturing credit market. In 2026, the industry has moved past the "land-grab" phase of expansion and is now focused on the **Lifetime Value (LTV)** of the customer. For the borrower, this shift offers the capital necessary to move from subsistence to real entrepreneurship. For the lender, it offers a way to maintain growth in a saturated market while leveraging historical data to mitigate risk.

However, the success of this "deepening" strategy depends entirely on the accuracy of household income assessments. As ticket sizes approach the ₹1 lakh mark for rural households, the line between **empowerment** and **entrapment** becomes razor-thin. The coming years will determine if this increased credit depth builds a more resilient middle class or simply a more indebted one.

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