

**Microfinance Market Assessment, By Institution Type [Banks, Microfinance Institute, NBFCs, Others], By Industry and Purpose [Manufacturing, Agriculture, Household, Microinsurance, Others], By End-user [Self-Employed Individuals/Solo Entrepreneurs, Small Enterprise, Micro Enterprise, Others], By Region, Opportunities and Forecast, 2017-2031F**

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**Report description:**

Global microfinance market is projected to witness a CAGR of 12.01% during the forecast period 2024-2031, growing from USD 252.53 billion in 2023 to USD 625.7 billion in 2031. The microfinance market is an important component of the financing industry catering to a specific set of customers or borrowers. The global microfinance market is crucial in providing financial services to underserved and financially excluded populations, particularly in developing economies.

Microfinance institutions (MFIs) and organizations specialize in offering small-scale financial products and services, including microloans, savings accounts, insurance, and payment services, to low-income individuals and micro-entrepreneurs who lack access to traditional banking services. The global microfinance market represents a transformative approach to financial inclusion and poverty alleviation, providing essential financial services to underserved individuals and micro-entrepreneurs in both rural and urban areas worldwide.

Microfinance institutions (MFIs) are pivotal in empowering low-income populations by offering microloans, savings accounts, insurance, and other tailored financial solutions. The market catalyzes economic development, enabling individuals to start or expand small businesses, generate income, and improve their livelihoods. At the heart of the global microfinance market is the principle of democratizing access to finance, particularly for those excluded from traditional banking systems due to limited collateral, credit history, or geographic isolation. By leveraging innovative approaches and technology, MFIs bridge the gap between financial services and marginalized communities, fostering resilience and economic self-sufficiency. Despite regulatory constraints and economic uncertainties, the global microfinance market remains resilient, driven by a shared commitment to

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social impact and sustainable development. As the market matures and diversifies its offerings, it holds promise for driving inclusive growth and building more equitable societies where financial services are accessible to all, regardless of socioeconomic status or geographic location.

#### Digital Transformation

Digital Transformation is revolutionizing the global microfinance market, enabling microfinance institutions (MFIs) and other market players in microfinance to enhance operational efficiency, expand outreach, and improve financial inclusion for underserved populations. The digital transformation of the global microfinance market and its products and services is tremendous. It has profoundly impacted the global microfinance market, revolutionizing how loans are applied, processed, and serviced. Adopting digital technologies reshapes traditional microfinance practices, transforms service delivery, and empowers clients with innovative financial solutions.

Digital transformation enables MFIs to reach clients in remote and underserved areas through mobile banking, agent banking, and online platforms. Clients can access financial services conveniently using smartphones, reducing barriers to entry and improving overall accessibility. Fintech startups are partnering with MFIs to develop innovative solutions such as peer-to-peer lending platforms, mobile wallets, and digital credit scoring tools. These technologies enable MFIs to expand their product offerings, improve customer experiences, and automate loan processing.

In January 2024, Ebdaa Bahrain Microfinance Company has struck a cooperation agreement with MFSYS Technologies Limited, a global provider of banking automation and digital software solutions tailored to the microfinance and banking industries. The goal is to fully digitize all banking services provided by the company to individuals and SME owners, marking a significant step towards strengthening its digital transformation strategy, delivering innovative, seamless banking services, and improving the overall digital experience for the company's customers.

#### Focus on Women's Empowerment

Women empowerment is a major focus and a transformative force within the global microfinance market, driving positive social and economic outcomes for individuals, families, and communities. For the growth of global economy, the inclusion of women is necessary in the workforce and in one way or another many institutions and governments are promoting women to join the workforce and such that the MFIs play a pivotal role by providing finances to women for their small and micro businesses. Microfinance facilitates access to capital and funds for women entrepreneurs and borrowers lacking collateral or formal credit history or scores. MFIs offer microloans, savings accounts, and insurance products tailored to women's needs, enabling them to start or expand small businesses and improve their economic status and empower them to be an entrepreneur and earn income and livelihoods. Women-led businesses supported by microfinance contribute to economic growth, job creation, and community poverty reduction. Access to financial resources empowers women to make independent financial decisions, invest in education, and healthcare, and secure their families' futures. Economic empowerment enhances women's self-esteem, agency, and leadership within households and communities.

As of FY2023, Fusion Microfinance, which operates under the Joint Liability Model, had issued loans to almost 36 lakh women across India. MFIs in India have played a significant role in the provision of modest credit, particularly to underserved communities with no collateral.

#### Financial Inclusion and Addressing Unmet Demand

Financial inclusion and addressing unmet demands are the fundamental drivers of global microfinance market. MFIs play a key role in the expansion of financial inclusion, especially the people or individuals who are excluded from the traditional banking system due to various factors, be it social or geographical. MFIs serve as a bridge, reaching marginalized communities, rural populations, and low-income households with tailored financial products. Certain initiatives aim to provide accessibility to essential financial services such as credit and savings.

Microfinance empowers underserved populations, including women, rural communities, smallholder farmers, and informal sector workers, by providing them with the tools and resources needed to improve their economic well-being. Access to micro-loans and savings accounts enables individuals to invest in income-generating activities and building financial resilience. Due to stringent policies and processes of banks and other financial institutions, there is a huge chunk of the population for whom credit availability is limited or inaccessible, irrespective of the rate of interest.

#### Future Market Scenario (2024 - 2031F)

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-□The ongoing digital transformation will continue to drive innovation in global microfinance market. Fintech companies will leverage technology to enhance customer experiences, streamline loan processes, and offer personalized products tailored to individual borrower profiles.

-□Mobile and agent banking services will be critical in expanding financial inclusion, particularly in underserved rural areas. Mobile money platforms will facilitate cashless transactions, loan disbursements, and savings mobilization, improving access to financial services for marginalized communities.

-□MFIs will increasingly leverage data analytics and alternative credit scoring models to assess creditworthiness and expand access to credit for individuals without traditional credit histories. Big data will enable more accurate risk assessment and personalized financial solutions.

#### Key Players Landscape and Outlook

The outlook for global microfinance market is highly positive. The market is expected to continue to grow and expand in the coming years. Increasing consumer demand for finances among consumers of various demographics and diverse industries is expected to fuel the market growth. Continued digital transformation and adoption of fintech solutions will enhance the accessibility and efficiency of microfinance, attracting tech-savvy borrowers. Financial institutions like banks, MFIs, NBFCs, fintech companies, and peer-to-peer lending platforms will incorporate more advanced technologies like AI and ML in the coming years. As a major chunk of the population in the developing regions of Asia and Africa will be exposed to digitization and urbanization, they will adapt to online banking system and will further push the market growth.

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