

Women Bear the Burden of India's Debt Crisis: Study

S. Krithi 08/Apr/2026

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Women arriving to receive financial assistance under a government scheme, in Guwahati. Image for representation only.
Photo: PTI

"We do not object to returning the money but let us do so with some dignity"

– Women at the AIDWA [national public hearing](#), New Delhi, August 2023-24

For millions of poor and working-class women in India, debt is not a financial tool – it is a condition for survival: coercive, exploitative and deeply tied to inequality. A recent study conducted by the All India Democratic Women's Association (AIDWA) brings this reality into sharp focus. Surveying over 6,000 women across 15 states to understand rising women's indebtedness, the study found that nearly 40% had outstanding loans exceeding Rs 50,000, even as their monthly family income remained below Rs 10,000. These are not isolated cases; they reflect a structural crisis in which women are pushed into debt simply to sustain their families.

The crisis in the banking sector is a direct result of the government's pro-corporate policies. While large corporate houses with loans exceeding Rs 100 crore were able to borrow at around 5% or less annual interest, the same banks charged women 11% or higher interest rates. Nearly half of the women surveyed were denied access to public sector bank loans and were consequently forced to turn to NBFC-MFIs, small finance banks, and private sector banks.

Earlier initiatives, such as the Self-Help Group Bank Linkage Programme through the [National Bank for Agriculture and Rural Development](#) (NABARD), which aimed to expand affordable credit, have been weakened by the entry of private sector banking interests and regulatory changes. Instead of addressing these gaps, the Reserve Bank of India's 2022 regulations withdrew interest rate monitoring, allowing loan financing companies to set their own rates – effectively allowing borrower interest rates of 24% or more. The regulations also shifted compliance monitoring to Self-Regulating Organisations (SROs), currently including the Microfinance India Network and the Sa-Dhan consortium.

The utter failure of the SRO system is evident in the scale of coercion faced by women. The AIDWA study documents widespread harassment by loan recovery agents. Women report constant phone calls and harassment – more than 30% of borrowers experienced verbal abuse, rising to over 50% among those with multiple loans. In several cases, coercion escalates into physical and sexual harassment. Among women with five or more loans, nearly one in five reported experiencing such violence. Testimonies presented at the public hearing underline the severity of the situation. Women spoke of incidents of sexual harassment by recovery agents and cases of widespread fraud with little accountability taken by the banks. They also reported forcible removal of household goods and instances of families locking their homes or leaving their villages out of fear.

While microfinance is framed as financial empowerment, it transfers the burden of debt and the risk of harassment directly onto women. In parts of Odisha and West Bengal, these loans are sometimes called '*Bahu Bandhu*' loans – literally, 'daughter-in-law mortgage loans' – which are taken in the names of women members of a family. As a result, women become the primary targets of recovery agents, even when the loans are used to meet broader household needs. This has also led to social tension and conflict in daily lives, with more than one-third women reporting tension and harassment within their families and among Self-Help Group members.

This crisis cannot be understood without examining the broader economic context, which leaves women without stable income. Only about 25% of urban women and 40% of rural women are in the workforce, most in the informal sector. In rural areas, nearly 75% work in agriculture, often unpaid or underpaid, while only around 10% have regular salaried jobs. In urban areas, much of the increase in female labour force participation comes from self-employment, which is largely distress-driven.

Their low presence in formal sector jobs leaves them without social security. The survey showed that women mainly borrow for health, education, and housing, increasingly relying on loans as public expenditure and state support decline under neoliberal policies. For example, social sector spending, which averaged around 21% of total government expenditure in 2019-20, fell to about 17% in 2024-25, its lowest level in the decade.

Recent figures show that loan amounts are increasing. However, for poor families these higher loans only entrap them further in a web of indebtedness. More than 70% of approximately 2,000 women surveyed in the southern and western regions had loans from two or more companies. While 50% of the surveyed women with a single loan had taken it to repay an existing MFI loan, more than 70% of those with multiple loans were borrowing to repay previous MFI debts.

The growing debt burden, sometimes exceeding half of a household's monthly income, makes repayment extremely difficult, a situation made worse by repeated fines for missed installments. As high as 45% of women with one loan, and more than 65% of those with two or more loans reported paying fines due to delayed payments.

State laws introduced to prevent harassment also attempt to limit the number or size of loans households can take. For example, the recent Bihar Micro Finance Institutions (Regulation of Money Lending and Prevention of Coercive Actions) Bill, 2026, caps the number of microfinance lenders that can extend credit to the same borrower at two, aiming to prevent over-indebtedness and multiple borrowing. This shifts the responsibility back onto the women, while the systemic forces driving their indebtedness remain unaddressed. Such restrictions may even push women toward more exploitative or usurious sources of credit, without serving as meaningful checks on the power of financial companies and MFI agents.

Instead of addressing the distress faced by women borrowers and holding NBFC-MFI companies accountable for harassment and fraudulent practices, the Union government has recently rolled out the [Credit Guarantee Scheme for Microfinance Institutions 2.0 \(CGSMFI 2.0\)](#), providing up to Rs 20,000 crore in guarantees to banks and financial institutions to fund NBFC-MFIs and MFIs.

Under this scheme, interest rates on loans from banks to NBFC-MFIs are capped, while MFIs are only required to cap their lending at 1% below their average rate over the past six months, a marginal reduction.

Given the high interest rates and weak borrower protections under the SRO regime, this enables NBFC-MFIs to expand while continuing to exploit small borrowers. The banking system is central to the modern economy but has a structural tendency to reinforce existing inequalities and concentrate economic power. Such schemes further deregulate the sector, assuring profits for private players through predatory lending while women bear the burden of high repayments. Its introduction at a time of [rising inequality](#), potential fuel price increases, persistent inflation and stagnant incomes exposes the government's priorities.

Tackling the inherent inequities of the banking system requires reviving access to credit through public sector banks and NABARD at low interest rates under priority sector lending, especially for women and vulnerable communities. NBFC-MFIs must be held accountable for reckless lending, with measures such as writing off excess household loans.

At the same time, there must be renewed commitment to creating decent work opportunities for women and strengthening public welfare systems to reduce the need for borrowing. The question of debt is fundamentally about creating a just financial system that does not pass the costs of the crises of the capitalist system onto working women and other marginalized groups.

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