



MSME PULSE

MAY 2025



Manoj Mittal

Chairman and MD,
SIDBI

MSMEs are clearly one of the core engines of the Indian economy and their sustainable growth is essential in our journey towards Viksit Bharat. Improving credit access to the sector is reflected through not only the healthy growth in the commercial portfolio but also in a high share of new to credit borrowers in origination. It is also encouraging to note that the delinquencies are at a 5 year low and this along with higher guarantee coverage from CGTMSE, should motivate lenders to step up lending to micro and small enterprises segment, albeit with proper underwriting and credit monitoring mechanisms.



Bhavesh Jain

MD and CEO,
TransUnion CIBIL Ltd.

For MSMEs to achieve sustainable growth, it is imperative that they receive assistance in accessing formal credit and guidance in debt management. Additionally, fluctuations in the business cycle affect these enterprises disproportionately, as they often lack the financial reserves or support necessary to navigate adverse conditions. Therefore, it is crucial to extend support to this sector and equip them with tools for effective financial management.



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EXECUTIVE SUMMARY

The MSME Pulse Report for the quarter ending Mar '25 provides a comprehensive analysis of the current state of credit to the Micro, Small, and Medium Enterprises (MSME) sector¹. Through detailed data and insights, the MSME Pulse Report aims to inform stakeholders and policymakers about the critical trends and developments shaping the MSME lending landscape. This edition also highlights the importance of having a comprehensive view of borrowers' credit behaviour across their borrowings – as an individual borrowing for personal consumption and as a business owner borrowing for business needs.

- **Improved asset quality with moderate portfolio growth:**

As on 31st March 2025, the portfolio outstanding stood at ₹35.2 lakh crore, recording a 13% YoY growth. Furthermore, the growth came with an improvement in the overall balance-level delinquencies (measured as 90 to 720 DPD and classified as 'sub- standard'), which is at its lowest levels in the last 5 years at 1.79% as on 31st March 2025 (improving by 35 bps YoY).

Mapping India's MSME credit sector Demand (Commercial Credit Inquiry Volumes) Indexed to: Jan-Mar 2022 = 100		
Jan-Mar '24	Jan-Mar '25	YoY Growth (%)
120	133	11%
Supply (MSME Disbursement Amounts - In ₹ Lakh Crore)		
Jan-Mar '24	Jan-Mar '25	YoY Growth (%)
3.00	2.67	-11%
Growth (Balance-Sheet MSME Credit Exposure - In ₹ Lakh Crore) upto 720 days		
Mar '24	Mar '25	YoY Growth (%)
31.04	35.2	13%
Performance (Delinquency Rates) 90-720 DPD (incl Sub-standard)*		
Mar '24	Mar '25	YoY Change (bps)
2.14%	1.79%	-35%

*Definition for 90+ DPD excludes accounts with DPD beyond 720 days or reported as doubtful / loss.

- **Moderate Growth in Commercial Credit:**

Strong business confidence² has led to continued growth in commercial credit. Measured by the number of enquiries, the demand for commercial loans witnessed a 11% YoY growth in Jan-Mar '25 quarter. Overall, commercial lending has witnessed a rise in credit supply in FY 2024-25, with a moderate decline seen in the second half of the financial year. Despite a drop in the share of New-to-Credit (NTC) borrowers from 51% in Jan-Mar '24 to 47% in Jan-Mar '25, they still represent a significant portion of new credit originations.

- **Top 5 states contribute a half of credit supply:**

Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh and Delhi are the top 5 states contributing to 48% of the overall industry origination by value. While manufacturing sector has highest share in origination by value in Maharashtra, Gujarat, Tamil Nadu and Delhi, the state of Uttar Pradesh has the maximum originations by value in the trade sector.

- **Importance of having a comprehensive view of borrowers:**

With an increasing number of borrowers having credit history both as an individual and as an entity, it is pertinent for credit institutions to assess credit worthiness of a borrower using a comprehensive view on their credit behaviour. In this edition of MSME Pulse, we studied a cohort of borrowers who availed credit in an individual capacity for business purpose, while having prior credit experience as an entity. Credit institutions who leveraged information across individual and business profiles of these borrowers saw a 40% improvement in borrower performance.

¹ For the purpose of this report, wherever TransUnion CIBIL credit database is referred, borrowers with credit exposure up to INR 1 crore, between INR 1 crore and 10 crore and between 10 crore and 50 crore are considered as micro, medium and small respectively which is different from ministry of MSME classification.

² MSME Outlook Survey (MOS) for the period October-December 2024 conducted by SIDBI

CONTENTS

Foreword	01
MSME Pulse Report	
Credit Demand and Supply	03-14
Portfolio and Performance	15-18
Vintage Delinquency	19
Comprehensive View of Borrower	
Enhanced borrowers profile for borrowers with both consumer and commercial footprint	21-26
Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	28-30

CREDIT GROWTH MOMENTUM REMAINS HEALTHY WITHIN INDIA'S MSME CREDIT MARKET

Commercial loan demand grew by 11% in the Jan-Mar '25 quarter compared to the same period the previous year. During this period, Private banks, which accounted for 42% of MSME credit demand, experienced an 8% YoY growth in demand. Public sector banks, which represent 39% of the total credit demand, grew by 15% YoY.

Commercial credit supply (by value) grew by 3% year-over-year in FY 2024-25. However, in the latest quarter (Jan-Mar '25), there was an 11% year-over-year decline, possibly due to higher credit concerns among lenders arising from increased external headwinds. Despite this slowdown in fresh origination, credit extended through new cash credit facilities remained resilient with YoY growth of 7% for the same quarter. Among lender groups, Private banks witnessed the sharpest drop in YoY growth (-14%), largely stemming from the borrower segment with 10 Cr to 50 Cr exposure, especially in Medium to Long-term loans (1+ year tenure) and Overdraft facilities.

Commercial Credit Originations Distribution (Jan-Mar '25)		Borrower Exposure Levels
Borrower Level Credit Exposure	Share by Value	Share by Volume
Up to 1 Cr	23%	65%
1 Cr to 10 Cr	43%	27%
10 Cr to 50 Cr	34%	8%

Commercial Credit Originations Distribution (Jan-Mar '25)		Lender Groups
Lenders	Share by Value	Share by Volume
Private Banks	42%	35%
Public Sector Banks	24%	35%
NBFC	21%	18%
Others	13%	12%

New business entities for credit can continue to spearhead the next wave of MSME credit expansion. By having access to timely and tailored credit products, innovative delivery methods to meet their specific needs, these entities can effectively manage cash flows and ensure smooth business operations. Enhancing credit access for NTC MSMEs will promote financial inclusion, boost economic growth by contributing to GDP, increase share of exports, and further create substantial employment opportunities.

According to the ministry of MSME, there are a total 6.35 crore Udyam registered MSMEs on May 12, 2025, including those registered in Udyam Assist Portal. However, only 3.68 crores have ever accessed credit. This presents a considerable opportunity for lenders to continue to tap into the NTC segment to grow and expand the MSME portfolio.

In Jan-Mar '25 originations, 47% of all new loans disbursed were to NTC borrowers, with PSUs leading the way by capturing 60% of such originations. Trade sector contributed to the highest proportion of NTC borrowers at 53%, while manufacturing sector witnessed the highest YoY growth (70%) in number of NTC borrowers originating a commercial loan.



Originations to existing credit borrowers contributed to 53% of all commercial loans disbursed in Jan-Mar '25, of which 40% borrowers were low risk borrowers (with CMR 1 to 3). Private banks continue to onboard majority of these low-risk borrowers, taking a 47% share, closely followed by NBFCs with 38% share by volume.

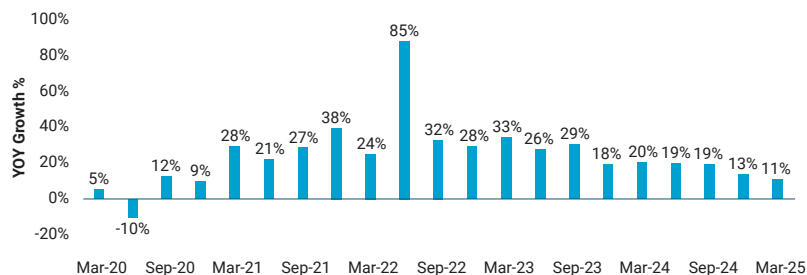
Manufacturing sector continues to get majority share (34%) of the origination value, despite contributing to only 23% of all new loans (count of borrowers) disbursed in Jan-Mar '25. However, share of originations by value to Manufacturing sector has declined steadily in last two years. The share has shifted in favour of Professional & Other Services and Other Sectors, which now contributes to 36% of all loans disbursed (value), up by 5% points in last 4 years. By value, share of originations to trade sector remained consistent.

COMMERCIAL CREDIT CONTINUES TO BE DOMINATED BY 5 STATES

Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh and Delhi continue to dominate commercial lending, contributing to 48% of share by value in overall originations in Jan-Mar '25. While the manufacturing sector has the highest share in Maharashtra, Gujarat, Tamil Nadu and Delhi, the state of Uttar Pradesh has the maximum originations given to the trade sector.

The primary products in Uttar Pradesh are cash credit, overdraft, demand loans and unsecured business loan, contributing to approximately 54% of the total share in Jan-Mar '25 quarter. Out of these products, overdraft has grown at 23% respectively YoY. The top five cities in UP by commercial credit supply are Noida, Ghaziabad, Agra, Lucknow, and Kanpur. As per the statistics published by Ministry of MSME, there are more than 68 Lakh Udyam registered MSMEs in Uttar Pradesh, second only to Maharashtra with 83 Lakhs MSMEs, indicating considerable potential for further growth in commercial credit lending.

Growth in Enquiry Volumes (3M Ended Period)

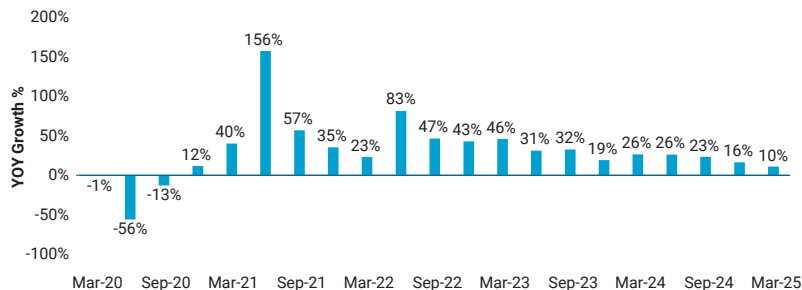


All Commercial fund-based loans (WC-TL).

Source: TransUnion CIBIL commercial credit database

CREDIT DEMAND CONTINUES
TO REMAIN HEALTHY WITHIN
INDIA'S COMMERCIAL MARKET

Growth in NTC Enquiry Volumes (3M Ended Period)



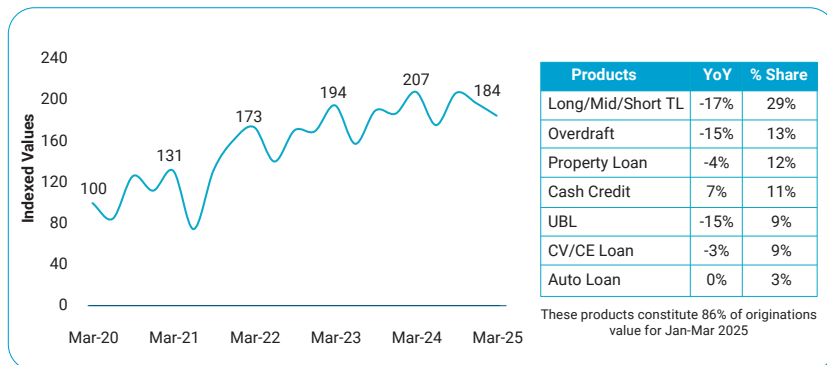
All Commercial fund-based loans (WC-TL).
New-to-credit (NTC) Commercial Borrowers defined
as those who seek first ever commercial credit facility.

Source: TransUnion CIBIL commercial credit database

CREDIT DEMAND BY
NEW-TO-CREDIT (NTC)
CONTINUES TO SHOW
DOUBLE-DIGIT GROWTH

Origination Value (3M Ended Period)

3M Ended Mar '25 (Value)



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. Indexed on Mar-2020 = 100

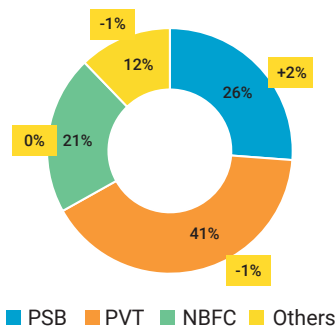
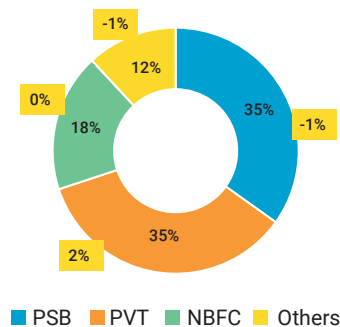
Source: TransUnion CIBIL commercial credit database

CREDIT SUPPLY TO COMMERCIAL ENTITIES HAS WITNESSED MODERATION IN THE RECENT PERIOD

Share of Volume (3M Ended Mar'25)

Share of Value (3M Ended Mar '25)

Share Shift



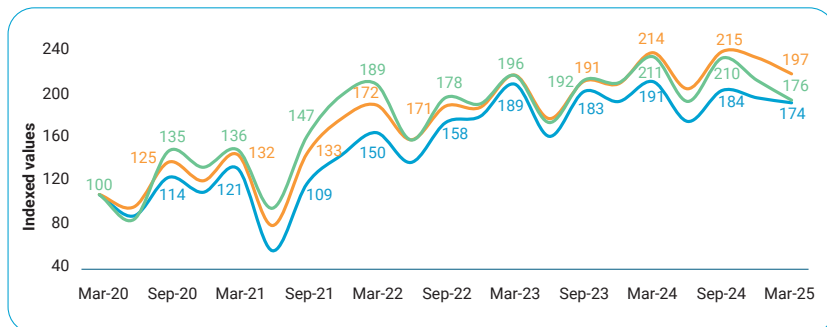
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. Others Includes Co-Operative Banks, SFB,FB

Source: TransUnion CIBIL commercial credit database

PRIVATE BANKS CATER TO LARGE-TICKET SIZE LOANS, WHILE PSBs PRIMARILY ORIGINATE SMALLER TICKET LOAN

Origination Value by Entity Segment (3M Ended Period)

— Up to 1Cr — 1Cr to 10Cr — 10Cr to 50Cr

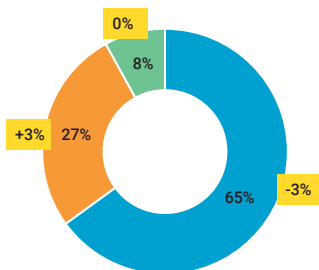


All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. The entity segment are denoted basis borrower level loan outstanding at the time of originations Indexed on Mar-2020 = 100

Source: TransUnion CIBIL commercial credit database

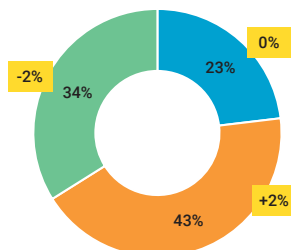
MODERATION IN CREDIT SUPPLY FOR COMMERCIAL IS CONSISTENT ACROSS CREDIT EXPOSURE

Share of Volume (3M Ended Mar'25)



Share Shift

Share of Value (3M Ended Mar'25)

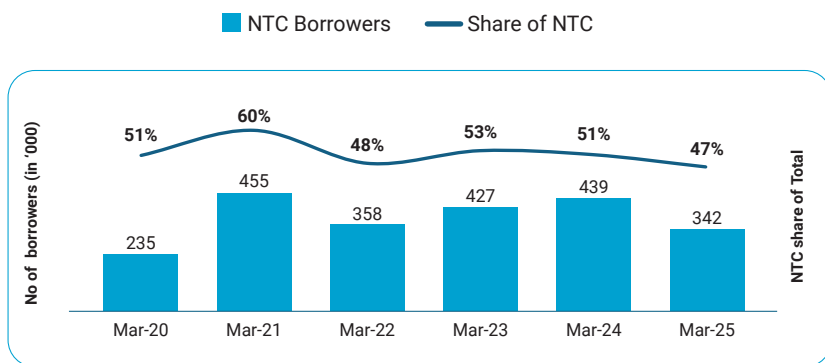


BORROWERS WITH CREDIT EXPOSURE UP TO INR 1 CRORE CONTINUE TO COMPRISE MAJORITY OF LOANS AVAILED BY COMMERCIAL ENTITIES

All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. The entity segment are denoted basis borrower level loan outstanding at the time of originations

Source: TransUnion CIBIL commercial credit database

MSME NTC Originations Borrowers (3M ended period)



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded New-to-credit (NTC) Commercial Borrowers defined as those who seek first ever commercial credit facility.

Source: TransUnion CIBIL commercial credit database

ALTHOUGH FIRST-TIME CREDIT SEEKER WITNESSED A MODERATION IN RECENT PERIOD, IT STILL HOLDS A SIGNIFICANT SHARE OF TOTAL ORIGINATIONS

NTC MSME

Entities Jan-Mar '25
(3M ended period)

Growth in NTC Originations by credit exposure

Up to 10L 10L to 1Cr 1Cr to 10Cr 10Cr to 50Cr

Share Of NTC
in Credit exp
up to 10L

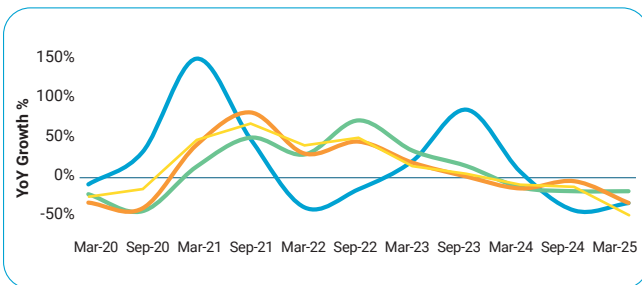
74%

Share Of NTC
in Credit exp
10L to 50L

36%

Share Of NTC
in Credit exp
50L to 1Cr

15%



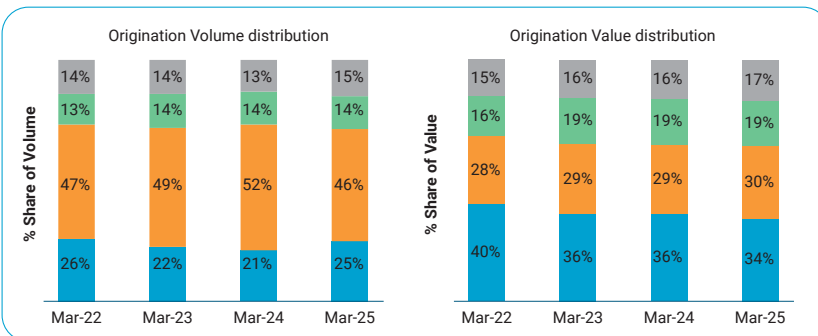
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded New-to-credit (NTC) MSME Borrowers defined as those who seek first ever MSME credit facility. The entity segment are denoted basis borrower level loan outstanding at the time of originations

Source: TransUnion CIBIL commercial credit database

HIGHER SHARE OF NTC IN CREDIT EXPOSURE UP TO INR 10L IS DUE TO TARGETED GOVERNMENT SCHEMES AND INCENTIVES SPECIALLY AIMED AT MICRO ENTERPRISES

Origination Distribution by Sectors (3M Ended Period)

■ Manufacturing ■ Trade ■ Professional & Other Services ■ Other Sectors



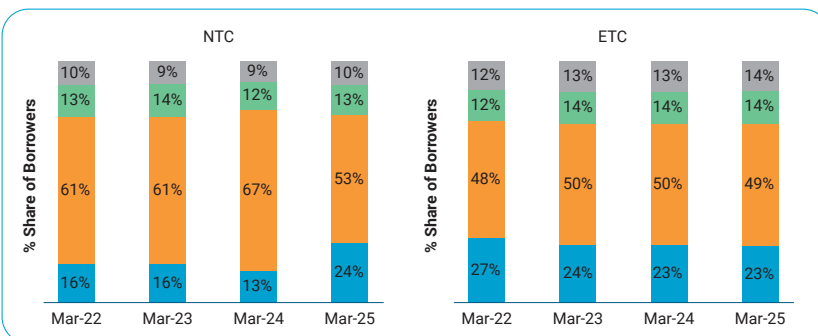
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded; Other includes Transport Operators, Agriculture and allied activities and construction NAs in sectors have been excluded which is 34% in volume and 18% in value

Source: TransUnion CIBIL commercial credit database

MANUFACTURING AND TRADES SECTOR ARE DRIVING THE GROWTH IN ORIGINATIONS; OTHERS SECTOR SLOWLY GROWING ITS SHARE OVER THE YEARS IN VALUE

Origination entities distribution across sector by NTC vs ETC (3M ended period)

■ Manufacturing ■ Trade ■ Professional & Other Services ■ Other Sectors



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded; Other includes Transport Operators, Agriculture and allied activities and construction NAs in sectors have been excluded which is 44% in NTC and 21% in ETC

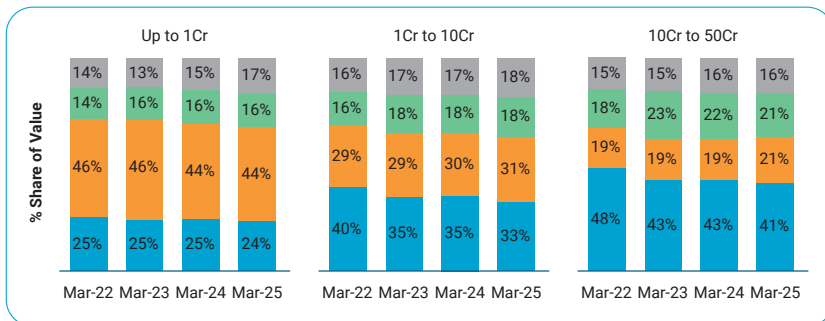
Source: TransUnion CIBIL commercial credit database

SHARE OF OTHER SECTORS HAS GRADUALLY INCREASED IN BOTH NTC AND ETC ORIGINATIONS, REFLECTING LENDERS' IMPROVING COMFORT WITH NEWER SECTORS

SECTORAL ANALYSIS

Origination distribution by MSME and Sectors (3M ended period)

■ Manufacturing ■ Trade ■ Professional & Other Services ■ Other Sectors



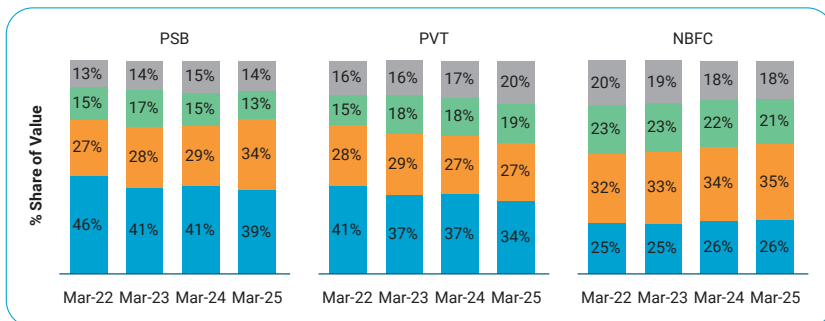
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded Other includes Transport Operators, Agriculture and allied activities and construction NAs in sectors have been excluded which is 18% in value

Source: TransUnion CIBIL commercial credit database

TRADE SECTOR IS SLOWLY GROWING ITS SHARE IN CREDIT EXPOSURE 1CR TO 10CR SEGMENT WHICH CAN BE ATTRIBUTED TO PRIORITY SECTOR INCLUSION AND FORMALIZATION DRIVE (UDYAM REGISTRATION)

Origination distribution by MSME and Sectors (3M ended period)

■ Manufacturing ■ Trade ■ Professional & Other Services ■ Other Sectors

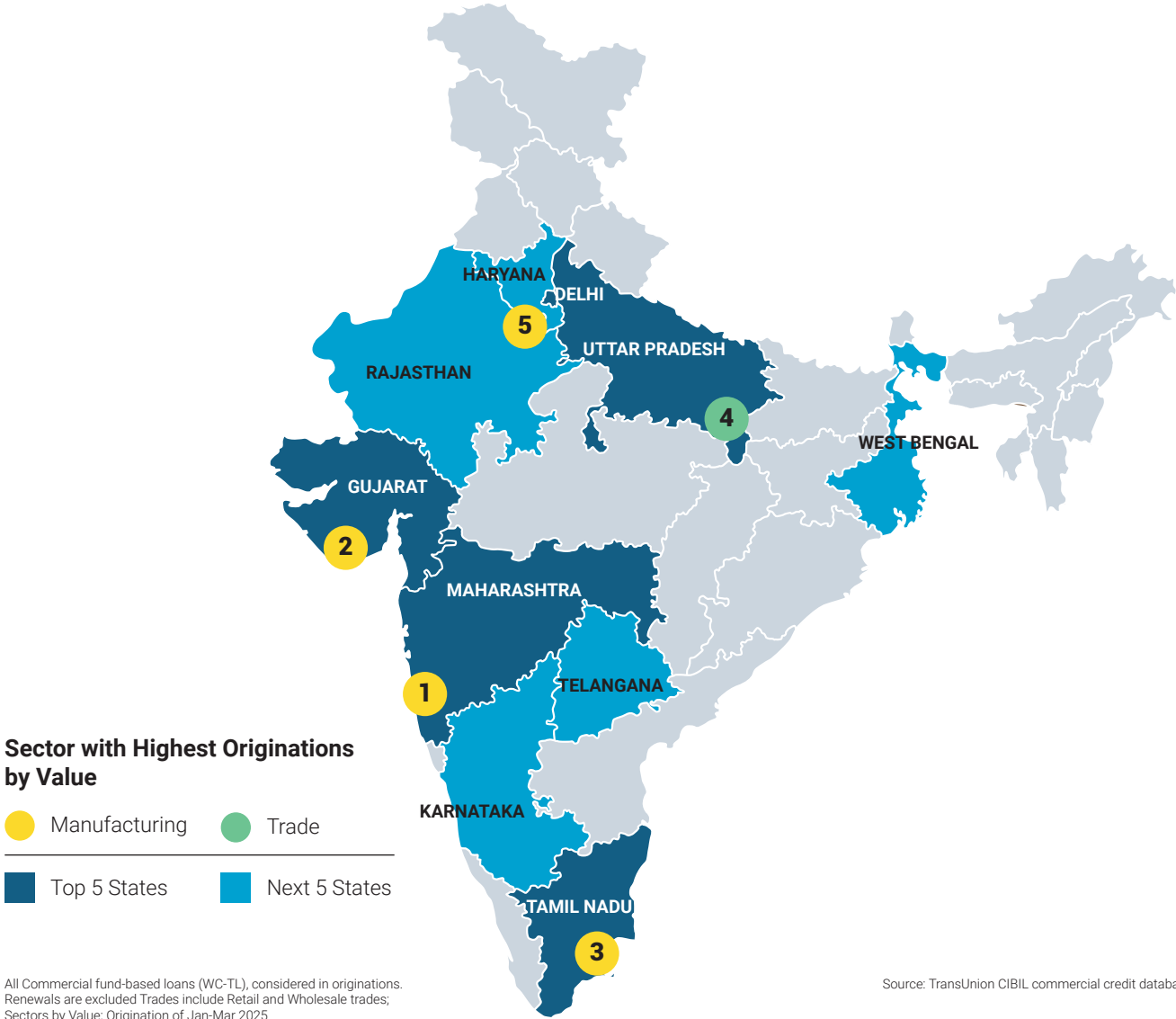


All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded Other includes Transport Operators, Agriculture and allied activities and construction NAs in sectors have been excluded which is 18% in value

Source: TransUnion CIBIL commercial credit database

WHILE PSBS ARE GAINING MOMENTUM IN TRADES SECTOR, PVT BANKS HAVE GROWN ITS SHARE IN PROFESSIONAL SERVICES AND OTHER SECTORS

TOP 10 STATES IN INDIA BY CREDIT SUPPLY (VALUE)



Source: TransUnion CIBIL commercial credit database

COMMERCIAL LENDING IN MAHARASHTRA IS MAJORLY DRIVEN BY URBAN REGIONS WHERE MAJOR ORIGINATIONS OCCURRED IN THE “LONG TERM LOAN” PRODUCT

MAHARASHTRA

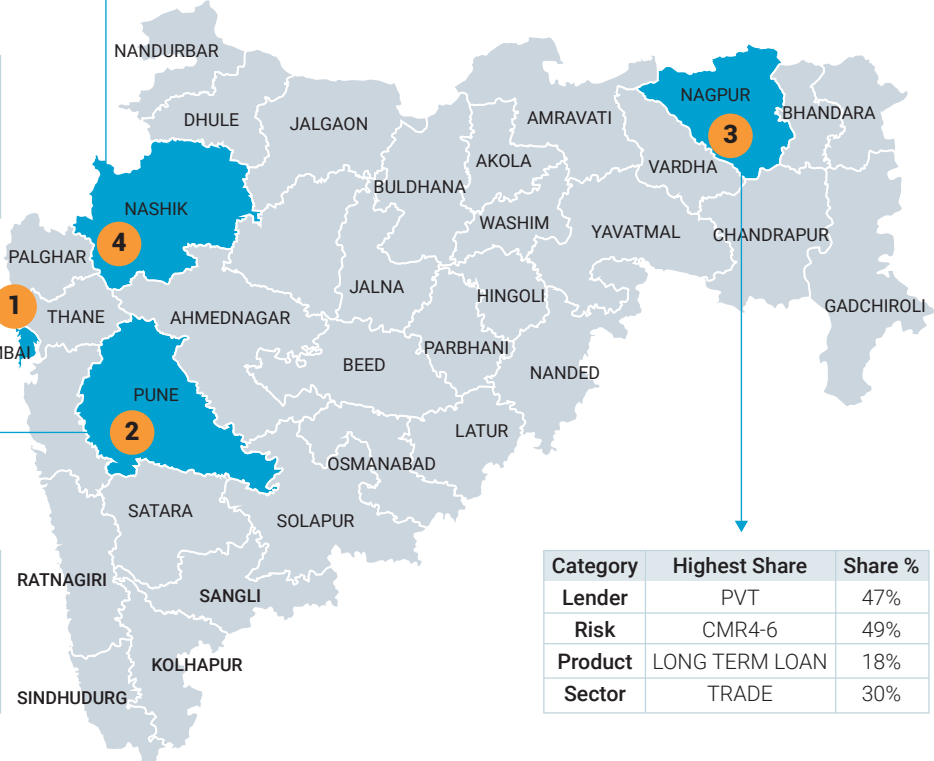
Category	Highest Share	Share %
Lender	PVT	40%
Risk	CMR4-6	55%
Product	LONG TERM LOAN	29%
Sector	MANUFACTURING	32%

Category	Highest Share	Share %
Lender	PVT	39%
Risk	CMR1-3	47%
Product	LONG TERM LOAN	21%
Sector	MANUFACTURING	31%

Category	Highest Share	Share %
Lender	PVT	44%
Risk	CMR4-6	48%
Product	LONG TERM LOAN	25%
Sector	MANUFACTURING	30%

Category	Highest Share	Share %
Lender	PVT	38%
Risk	CMR4-6	52%
Product	LONG TERM LOAN	22%
Sector	MANUFACTURING	35%

Category	Highest Share	Share %
Lender	PVT	47%
Risk	CMR4-6	49%
Product	LONG TERM LOAN	18%
Sector	TRADE	30%



All Commercial fund-based loans (WC-TL), considered in originations.
Renewals are excluded Trades include Retail and Wholesale trades; Risk by
Borrowers and Lender, Product & Sectors by Value; Origination of Jan-Mar 2025

Source: TransUnion CIBIL commercial credit database

GUJARAT HAS MAJOR ORIGINATIONS IN PVT BANKS AND HAS MAJOR ORIGINATIONS IN THE “MANUFACTURING” SECTOR

GUJARAT

Category	Highest Share	Share %
Lender	PVT	52%
Risk	CMR1-3	50%
Product	LONG TERM LOAN	24%
Sector	MANUFACTURING	53%

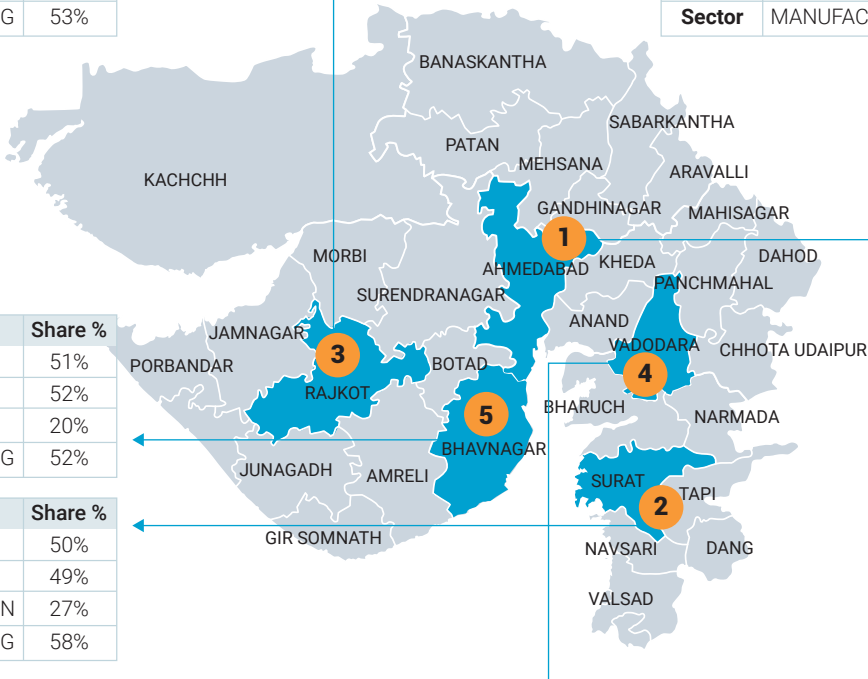
Category	Highest Share	Share %
Lender	PVT	44%
Risk	CMR1-3	47%
Product	LONG TERM LOAN	24%
Sector	MANUFACTURING	47%

Category	Highest Share	Share %
Lender	PSB	51%
Risk	CMR4-6	52%
Product	OVERDRAFT	20%
Sector	MANUFACTURING	52%

Category	Highest Share	Share %
Lender	PVT	50%
Risk	CMR1-3	49%
Product	LONG TERM LOAN	27%
Sector	MANUFACTURING	58%

Category	Highest Share	Share %
Lender	PVT	47%
Risk	CMR1-3	46%
Product	LONG TERM LOAN	21%
Sector	MANUFACTURING	37%

Category	Highest Share	Share %
Lender	PVT	44%
Risk	CMR1-3	49%
Product	LONG TERM LOAN	22%
Sector	MANUFACTURING	39%



All Commercial fund-based loans (WC-TL), considered in originations.
Renewals are excluded Trades include Retail and Wholesale trades; Risk by
Borrowers and Lender, Product & Sectors by Value; Origination of Jan-Mar 2025

Source: TransUnion CIBIL commercial credit database

SIGNIFICANT SHARE OF PRIVATE BANKS IN TAMIL NADU ORIGINATION, WITH MAJOR ORIGINATIONS OCCURRING IN MANUFACTURING SECTOR PARTICULARLY IN TIRUPPUR CLUSTER

TAMIL NADU

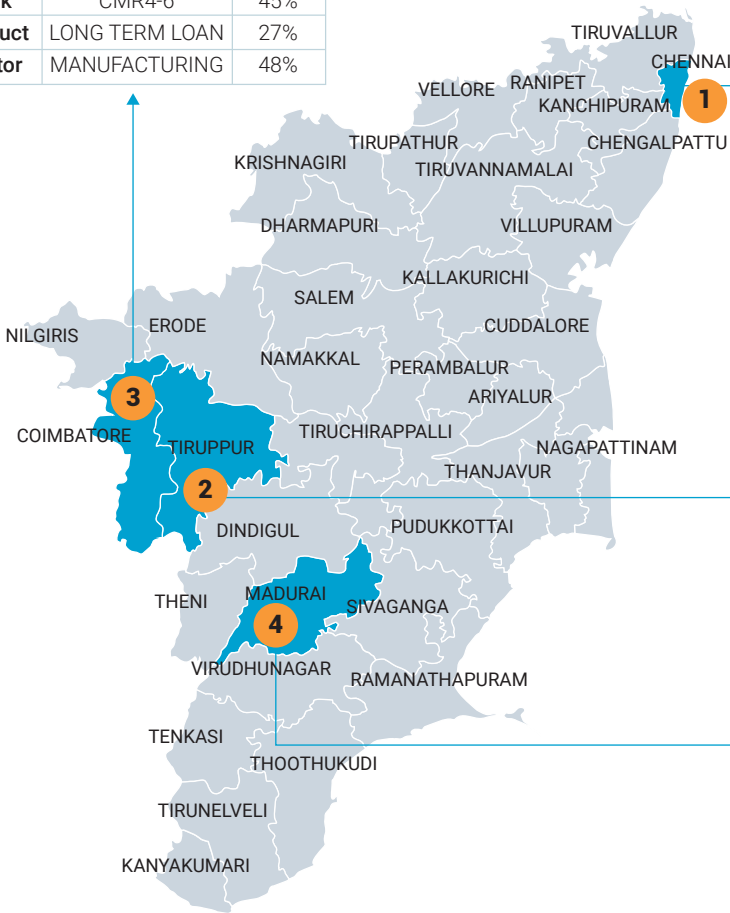
Category	Highest Share	Share %
Lender	PVT	45%
Risk	CMR4-6	45%
Product	LONG TERM LOAN	27%
Sector	MANUFACTURING	48%

Category	Highest Share	Share %
Lender	PVT	39%
Risk	CMR4-6	51%
Product	LONG TERM LOAN	23%
Sector	MANUFACTURING	43%

Category	Highest Share	Share %
Lender	PVT	44%
Risk	CMR4-6	48%
Product	LONG TERM LOAN	26%
Sector	MANUFACTURING	31%

Category	Highest Share	Share %
Lender	PVT	42%
Risk	CMR1-3	46%
Product	PACKING CREDIT	36%
Sector	MANUFACTURING	75%

Category	Highest Share	Share %
Lender	PSB	34%
Risk	CMR4-6	48%
Product	LONG TERM LOAN	23%
Sector	TRADE	36%



All Commercial fund-based loans (WC-TL), considered in originations.
 Renewals are excluded Trades include Retail and Wholesale trades; Risk by
 Borrowers and Lender, Product & Sectors by Value; Origination of Jan-Mar 2025

Source: TransUnion CIBIL commercial credit database

PUBLIC SECTOR BANKS HAVE A HIGHER SHARE IN ORIGINATIONS IN THE AGRA CLUSTERS IN UP; HIGHEST SHARE OF TRADES IN LUCKNOW & KANPUR

UTTAR PRADESH

Category	Highest Share	Share %
Lender	PSU	36%
Risk	CMR4-6	54%
Product	OVERDRAFT	17%
Sector	TRADE	36%

Category	Highest Share	Share %
Lender	PVT	41%
Risk	CMR4-6	49%
Product	OVERDRAFT	18%
Sector	TRADE	40%

Category	Highest Share	Share %
Lender	PVT	45%
Risk	CMR1-3	46%
Product	LONG TERM LOAN	21%
Sector	MANUFACTURING	41%

Category	Highest Share	Share %
Lender	PSB	52%
Risk	CMR4-6	50%
Product	PACKING CREDIT	22%
Sector	MANUFACTURING	44%

Category	Highest Share	Share %
Lender	PVT	44%
Risk	CMR4-6	48%
Product	LONG TERM LOAN	21%
Sector	MANUFACTURING	35%

Category	Highest Share	Share %
Lender	PSB	38%
Risk	CMR4-6	49%
Product	OVERDRAFT	17%
Sector	TRADE	36%

All Commercial fund-based loans (WC-TL), considered in originations.
Renewals are excluded Trades include Retail and Wholesale trades; Risk by
Borrowers and Lender, Product & Sectors by Value; Origination of Jan-Mar 2025

Source: TransUnion CIBIL commercial credit database

DELHI HAS HIGHER ORIGINATION IN THE “MANUFACTURING” SECTOR WITH MAJOR ORIGINATIONS OCCURRED IN THE “LOW-RISK” SEGMENT

Category	Highest Share	Share %
Lender	PVT	47%
Risk	CMR1-3	49%
Product	LONG TERM LOAN	21%
Sector	TRADE	33%

DELHI		
Category	Highest Share	Share %
Lender	PVT	45%
Risk	CMR1-3	48%
Product	LONG TERM LOAN	19%
Sector	MANUFACTURING	34%

Category	Highest Share	Share %
Lender	PVT	42%
Risk	CMR1-3	47%
Product	LONG TERM LOAN	19%
Sector	TRADE	35%

Category	Highest Share	Share %
Lender	PSB	38%
Risk	CMR4-6	51%
Product	LONG TERM LOAN	22%
Sector	OTHER SERVICES	35%

Category	Highest Share	Share %
Lender	PVT	51%
Risk	CMR1-3	48%
Product	LONG TERM LOAN	21%
Sector	MANUFACTURING	35%

All Commercial fund-based loans (WC-TL), considered in originations.
Renewals are excluded Trades include Retail and Wholesale trades; Risk by Borrowers and Lender, Product & Sectors by Value; Origination of Jan-Mar 2025

Source: TransUnion CIBIL commercial credit database



PORTFOLIO AND PERFORMANCE



STABLE GROWTH IN OUTSTANDING BALANCES AND CONTINUED IMPROVEMENT IN CREDIT PERFORMANCE

Sustained credit supply has enabled steady portfolio growth of 13% YoY, amounting to ₹ 35.2 Lakh crores as of March 2025.

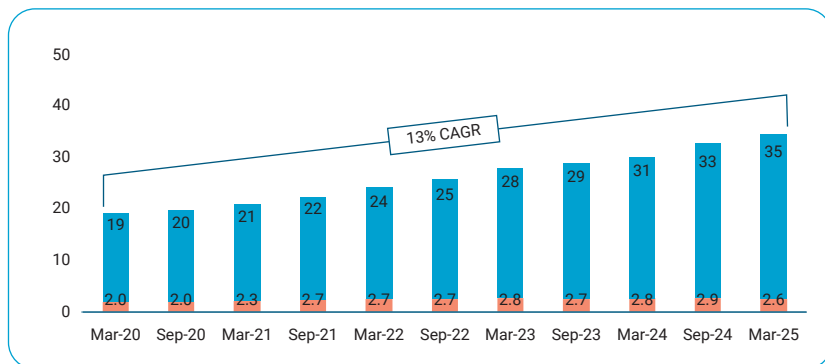
The overall balance-level delinquencies (measured as 90 to 720 days past due (DPD) and reported as "Sub-standard,") improved to 1.79% in March 2025, a 35 basis points (bps) drop compared to March 2024. This improvement has been driven by the borrower segment with ₹ 50 Lakhs to ₹ 50 Cr exposure, while less than ₹ 50 Lakh exposure segment witnessed a slight deterioration in March 2025 compared to March 2024. Among lenders, Private banks hold the best performing portfolio with only 1.2% delinquency, while Public Sector Banks stand at 2.1% as of March 2025.

Performance of new originations or vintage delinquency, measured as percentage of trades deteriorating to 90+ days past due within first 12 months from origination, has witnessed marginal increase for greater than ₹ 10 Lakh exposure segment in Jan-Mar 2024 originations. For loans up to ₹10 Lakh exposure segment, the vintage delinquencies since Apr-Jun 2023 originations have been on a rise, largely contributed by PSUs that holds majority share of originations (52% in Jan-Mar '25) in this segment.

PORTFOLIO

Outstanding Balance (Lakh Cr.)

■ Outstanding Balance - Legacy accounts ■ Outstanding Balance



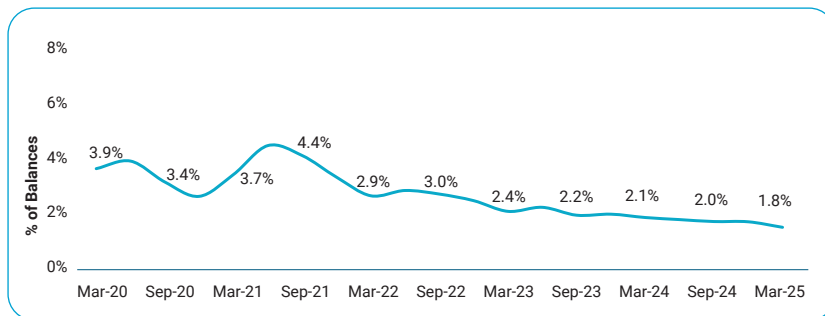
All Commercial Fund based loans (WC-TL)
Legacy account excludes accounts with DPD
beyond 720 days or reported as loss/doubtful

Source: TransUnion CIBIL commercial credit database

COMMERCIAL PORTFOLIO
BALANCES HAVE WITNESSED
A DOUBLE-DIGIT GROWTH
IN LAST FIVE YEARS

Balance-Level Delinquencies

— 90-720 DPD & Sub-standard



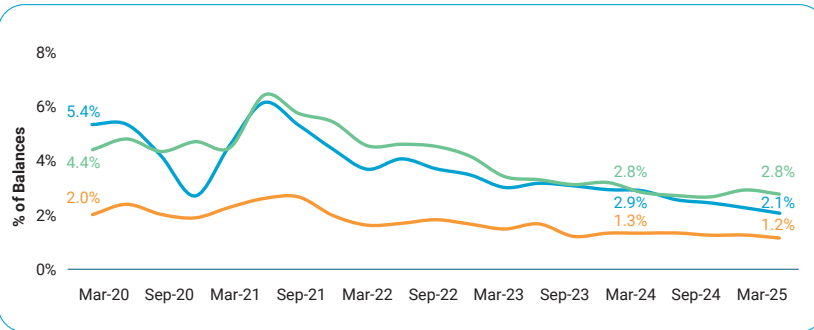
All Commercial Fund based loans (WC-TL)

Source: TransUnion CIBIL commercial credit database

CREDIT PERFORMANCE HAS
REMAINED STRONG, WITH
BALANCE-LEVEL
DELINQUENCIES REDUCING

Balance-Level Delinquencies : 90-720 DPD and Sub-standard

PSB Private NBFC



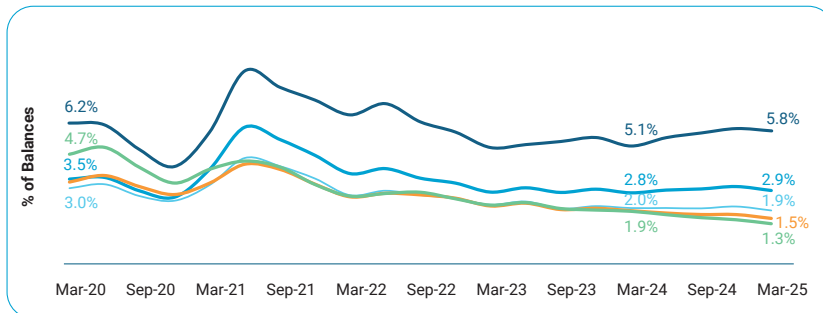
All Commercial Fund based loans (WC-TL)

Source: TransUnion CIBIL commercial credit database

WHILE OVERALL ASSET QUALITY HAS BEEN IMPROVING ACROSS LENDER CATEGORIES, NBFCs HAVE NOT EXPERIENCED THE SAME TREND

Balance-Level Delinquencies : 90-720 DPD and Sub-standard

Upto 10L 10L-50L 50L to 1Cr 1Cr to 10Cr 10Cr to 50Cr



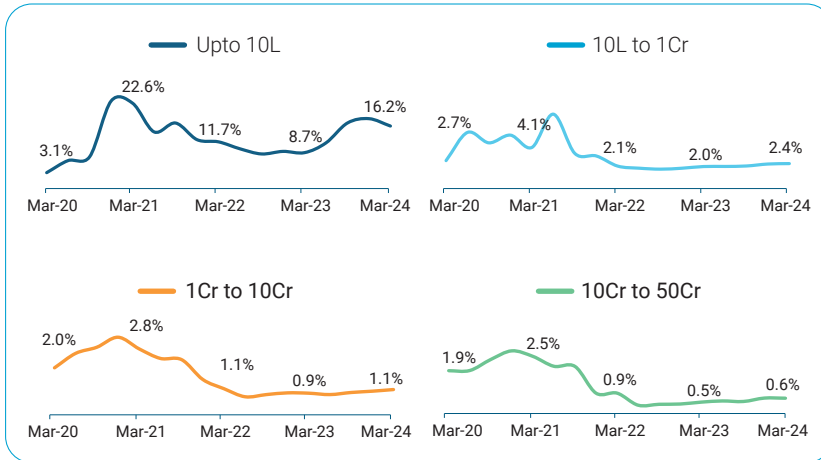
All Commercial Fund based loans (WC-TL)

Source: TransUnion CIBIL commercial credit database

STABLE PORTFOLIO PERFORMANCE ACROSS MOST BORROWER SEGMENTS EXCEPT BORROWERS' SEGMENT WITH CREDIT EXPOSURE UP TO INR 10 LAKH

VINTAGE DELINQUENCY

Vintage Delinquency by Credit Exposure - Ever 90+ DPD in 12MOB



All Commercial Fund based loans (WC-TL) Vintage Delinquencies (measured as accounts ever in 90+ DPD in 12 Months since originations)

Source: TransUnion CIBIL commercial credit database

EARLY DELINQUENCIES IN LOWER TICKET SIZE <INR 10 LAKHS HIGHLIGHTS NEED FOR CLOSER MONITORING BY LENDERS; DELINQUENCIES FOR HIGHER EXPOSURE SEGMENTS HAVE ALSO WITNESSED A MARGINAL INCREASE



In summary, continued growth in demand for commercial credit at 11%, especially by New-to-Credit (NTC) borrowers at 10% indicates a growing opportunity for lenders to cater to the needs of MSMEs.

Portfolio growth remained steady with a 13% YoY increase, reaching ₹35.2 lakh crore by March 2025, and balance-level delinquencies improved to 1.79%, an all-time low in last 5 years, indicating improved risk assessment and portfolio management practices.

The MSME sector is crucial for India's economic transformation and a significant contributor to India's goal of becoming a developed economy by 2047 through innovation, employment generation and global competitiveness. To help MSMEs thrive and scale, the financial sector must continue to explore and offer tailored solutions and support. Effective engagement with MSMEs, understanding their challenges, and committing to their success are key to expanding credit access to these entities. Financial institutions can adopt advanced information analytics and technology-based solutions to target sustainable credit growth for NTC segment.



COMPREHENSIVE VIEW OF BORROWERS

COMPREHENSIVE VIEW OF BORROWERS

Methodology:

In this analysis, we have looked at a cohort of borrowers who availed new loans for business purposes during September 2022 to September 2023, in an individual capacity. These borrowers also had active credit experience as a business entity within the last 24 months. The study cohort comprised individuals where:

- Loans for business purposes taken in the capacity as an individual, defined as - business loans (Retail BL), loan against property (LAP), commercial vehicle loans (CV) and construction equipment (CE) loans. Retail BL by Public Sector Banks have been excluded from this analysis, as majority of these loans include credit given under various government initiatives
- Additional information available on the corresponding entity at the time of origination in the capacity as an individual
- Minimum loan amount availed in individual capacity was INR 5 lakh

The objective of the analysis is to look at comprehensive information of the borrower across both bureaus, consumer and commercial, at the time of origination. To determine whether the credit institutions leveraged comprehensive information, we also looked at credit enquiries by lenders in the 90 days window prior to origination.

Borrowers' profile with footprint in both consumer and commercial bureaus:

Between September 2022 to September 2023, INR 23.8 thousand crore worth loans were disbursed to individuals considered for study cohort. The minimum sanction amount for each loan was INR 5 lakh.

Credit information on these borrowers in their individual capacity indicates:

- At 34%, borrowers in the age group 31 to 40 years had the largest share in originations
- Maharashtra at 13%, was the state with highest share in originations
- 28% of these borrowers had no prior credit experience as individual across any retail loan

Credit information on these borrowers as an entity indicates:

- 71% of these individuals have had credit history for more than 12 months as an entity on commercial bureau
- 23% of borrowers were indicative of high risk as entity with CMR 7-10
- 30% of borrowers had missed at least one payment on their commercial loan in the last 3 months

However, lenders leveraged the comprehensive information available across commercial bureaus only for a handful of borrowers. Credit institutions who did leverage information across both bureaus were able to make better acquisition decisions, as evident in 40% improved performance of borrowers with enquiry in both consumer and commercial bureau.

Accounts Ever in 90+ DPD in 12 Months Since Origination	
Borrower Segment	# Accounts Ever 90+ DPD in 12MOB
Decision based on comprehensive information (consumer + commercial enquiries)	1.2%
Decision based on no commercial enquiry	2.0%

If credit institutions had looked at combined risk profile at individual and entity level for the entire cohort, 45% of borrowers could potentially be offered better customer experience through pricing or faster processing or both while 32% of borrowers would have required further due diligence.

Share of Originations by Volume

	NTC	Below Prime	Prime	Above Prime
CMR7-10	8%	9%	4%	1%
CMR4-6	14%	13%	17%	7%
CMR1-3	6%	5%	9%	6%

CreditVision (CV) score ranges are: Subprime = 300-680; Near prime = 681-730; Prime = 731-770; Prime plus = 771-790; Super prime = 791-900



Accounts Ever in 90+ DPD in 12 Months Since Origination

	NTC	Below Prime	Prime	Above Prime
CMR7-10	4.8%	3.3%	2.1%	0.7%
CMR4-6	2.7%	1.9%	1.2%	0.6%
CMR1-3	2.0%	1.5%	0.8%	0.3%

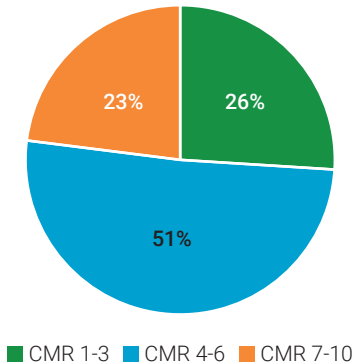
Share of Originations by Volume

Combined Risk Profile	Population %	Ever 12MOB 90+
Low-Risk	45%	0.9%
Medium Risk	23%	2.0%
High Risk	32%	3.4%
Overall	100%	2.0%

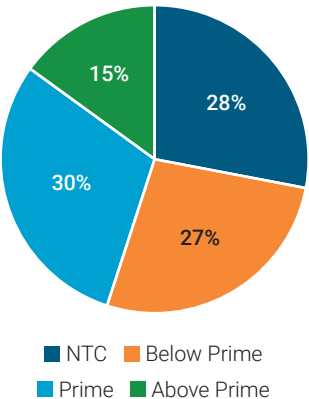
Thus, it is important for lenders to have a complete view of the borrowers at the time of origination. This can help financial institutions further refine their acquisition and portfolio management strategies using available consumer and commercial information.

COMPREHENSIVE VIEW OF BORROWERS

CMR Distribution for Retail borrowers having MSME Presence



CV Score Distribution for Retail borrowers having MSME presence

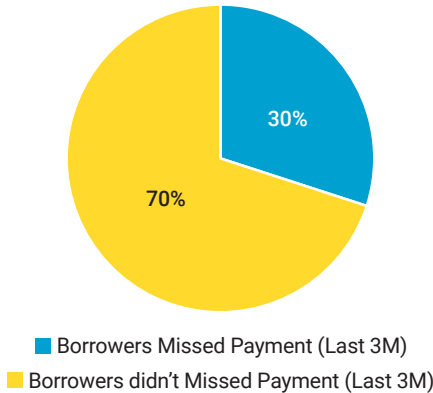


77% OF BORROWER HAVING COMMERCIAL PRESENCE ARE FROM CMR 1-6 WHEREAS 45% ARE PRIME AND ABOVE

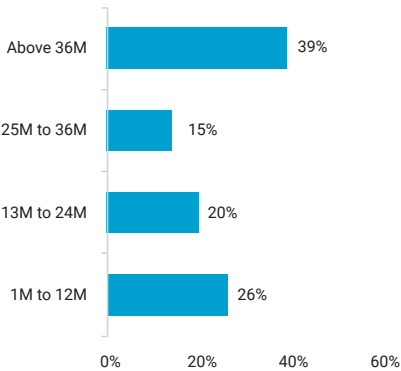
Retail New Originations is considered by excluding BL originated under PSU
CreditVision (CV) score ranges are: Subprime = 300-680; Near prime = 681-730;
Prime = 731-770; Prime plus = 771-790; Super prime = 791-900

Source: TransUnion CIBIL database

Missed Payment in Commercial Loans



Bureau Vintage Distribution for Commercial Loans

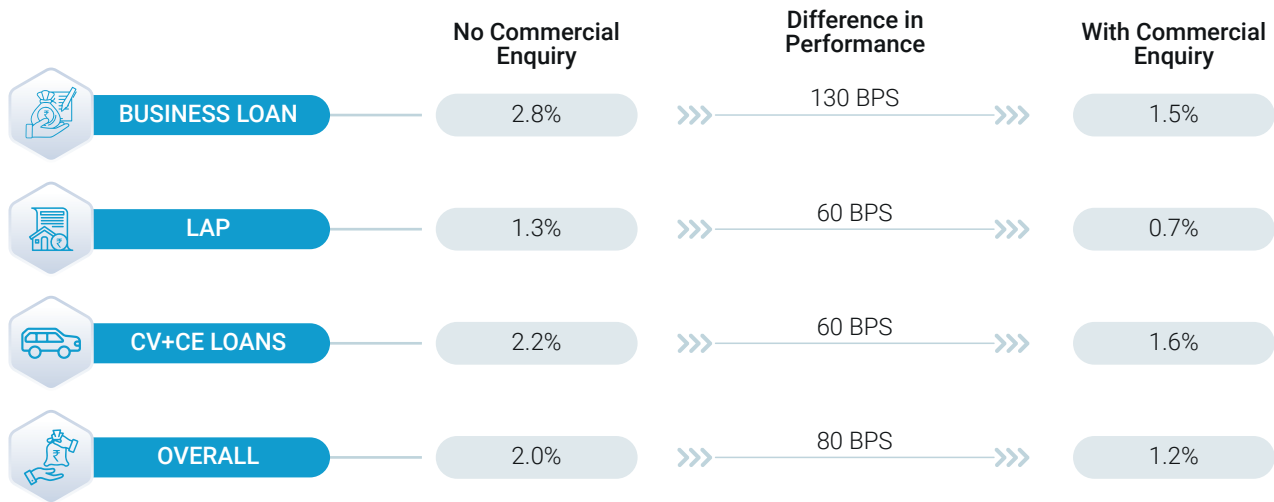


MORE THAN 50% OF RETAIL BORROWER HAVING COMMERCIAL PRESENCE ARE OLDER THAN 25 MONTHS

Retail New Originations is considered by excluding BL originated under PSU

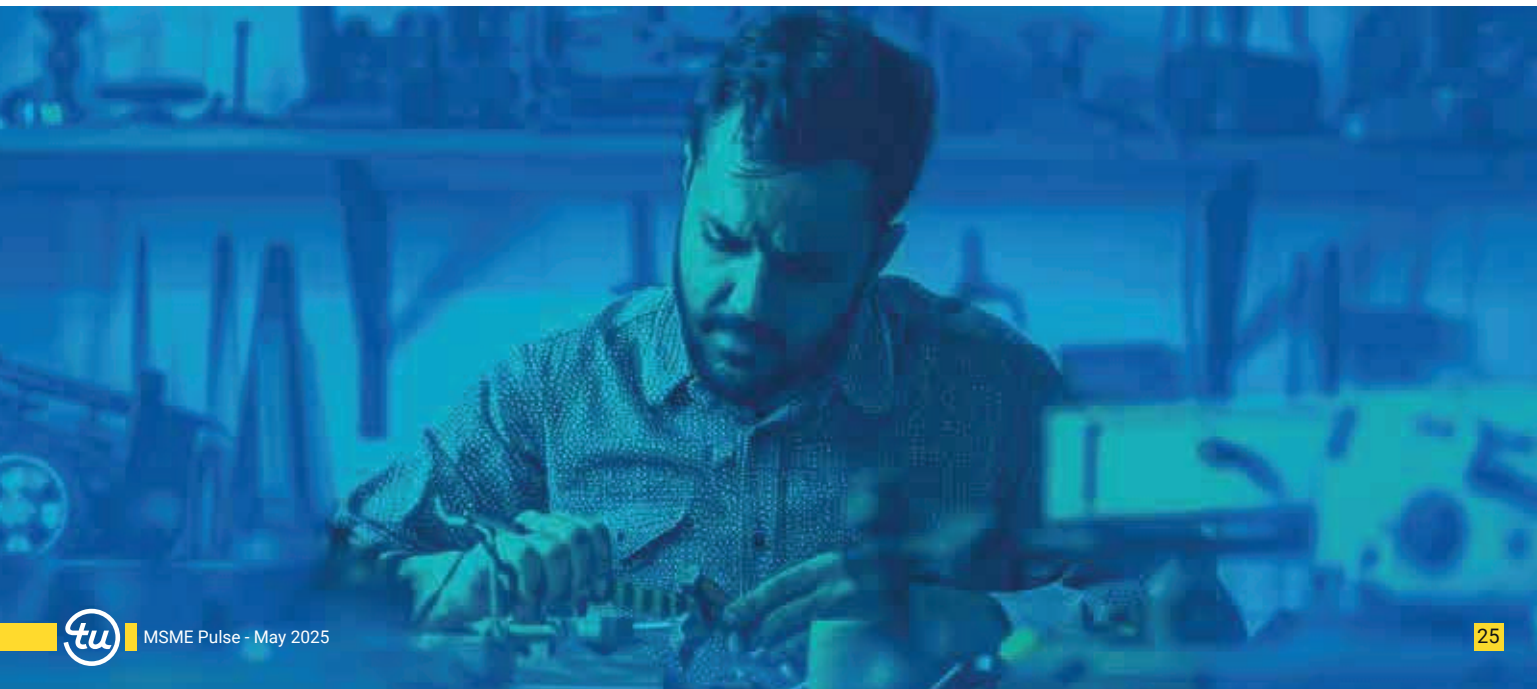
Source: TransUnion CIBIL database

LOANS WITH BOTH COMMERCIAL AND CONSUMER ENQUIRIES HAVE BETTER PERFORMANCE ACROSS PRODUCTS



Retail New Originations is considered by excluding BL originated under PSU

Source: TransUnion CIBIL commercial credit database



LEVERAGING SCORE ACROSS RETAIL AND COMMERCIAL BUREAU FURTHER ENHANCE THE RISK SEPARATION FOR BETTER RISK BASED PRICING AND EFFICIENT UNDERWRITING

Ever 90+ in 12M by Combined Risk Profile

Sept '22 – Sept '23	NTC	Below Prime	Prime	Above Prime	Total	SEGMENT	POPULATION %	BAD% (Entity Ever 90+ in 12MOB)
High Risk	4.8%	3.3%	2.1%	0.7%	3.5%	SEG-A	45%	0.9%
Medium Risk	2.7%	1.9%	1.2%	0.6%	1.7%	SEG-B	23%	2.0%
Low Risk	2.0%	1.5%	0.8%	0.3%	1.1%	SEG-C	32%	3.4%
Total	3.2%	2.3%	1.2%	0.5%	2.0%	OVERALL	100%	2.0%

Retail New Originations is considered by excluding BL originated under PSU

Source: TransUnion CIBIL commercial credit database

Ever 90+ in 12M by Combined Risk Profile - Business Loan

Sept '22 – Sept '23	NTC	Below Prime	Prime	Above Prime	Total	SEGMENT	POPULATION %	BAD% (Entity Ever 90+ in 12MOB)
High Risk	7.8%	3.3%	3.5%	-	4.9%	SEG-A	50%	1.5%
Medium Risk	4.3%	2.8%	2.4%	1.0%	2.8%	SEG-B	23%	2.7%
Low Risk	2.3%	2.4%	1.0%	0.6%	1.4%	SEG-C	27%	5.0%
Total	4.6%	2.8%	2.0%	0.7%	2.8%	OVERALL	100%	2.8%

Retail New Originations is considered by excluding BL originated under PSU

Source: TransUnion CIBIL commercial credit database

Ever 90+ in 12M by Combined Risk Profile - LAP

Sept '22 – Sept '23	NTC	Below Prime	Prime	Above Prime	Total	SEGMENT	POPULATION %	BAD% (Entity Ever 90+ in 12MOB)
High Risk	4.4%	2.6%	0.9%	0.7%	2.6%	SEG-A	49%	0.5%
Medium Risk	1.5%	1.3%	0.6%	0.5%	1.0%	SEG-B	21%	1.3%
Low Risk	1.9%	1.0%	0.1%	0.2%	0.6%	SEG-C	30%	2.5%
Total	2.3%	1.7%	0.5%	0.4%	1.3%	OVERALL	100%	1.3%

Retail New Originations is considered by excluding BL originated under PSU

Source: TransUnion CIBIL commercial credit database

Ever 90+ in 12M by Combined Risk Profile - CV/CE Loans

Sept '22 – Sept '23	NTC	Below Prime	Prime	Above Prime	Total	SEGMENT	POPULATION %	BAD% (Entity Ever 90+ in 12MOB)
High Risk	4.0%	3.9%	2.7%	1.2%	3.7%	SEG-A	40%	1.0%
Medium Risk	2.8%	2.0%	1.0%	0.3%	1.7%	SEG-B	25%	2.1%
Low Risk	2.0%	1.5%	1.3%	0.3%	1.3%	SEG-C	35%	3.5%
Total	3.1%	2.5%	1.3%	0.4%	2.2%	OVERALL	100%	2.2%

Retail New Originations is considered by excluding BL originated under PSU

Source: TransUnion CIBIL commercial credit database



CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES (CGTMSE)

GOVERNMENT INITIATIVES TO ENHANCE CREDIT ACCESSIBILITY TO MSMEs: OVERVIEW OF CGTMSE

Introduction: The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was established in 2000 by the Ministry of MSME, Government of India, and SIDBI. Its primary goal is to provide credit guarantees for loans extended to MSEs without collateral and facilitate access to credit to the MSME sector.

Key Functions:

- Credit Guarantee Scheme (CGS): Provides guarantees for loans to MSEs, reducing credit risk for lenders and encouraging unsecured loans.
- Coverage and Eligibility: MSEs can access up to ₹1000 Lakh without collateral. The guarantee covers 75%-85% of the loan amount. Eligible lenders include various banks and NBFCs.
- Policy Reforms: CGTMSE regularly updates policies to enhance credit flow, such as reducing guarantee fees and expanding eligible activities.

Impact and Achievements:

- In FY25, over 27 lakh beneficiaries have been covered, with a guarantee amount of ₹3.06 lakh crore, a growth of 51% YoY. This is the highest guarantee amount in CGTMSE's history

CTGMSE Guarantee Approved		
Period	No.	Amt. (In Crs)
FY 2019-20	846,650	45,851
FY 2020-21	835,592	36,899
FY 2021-22	717,020	56,172
FY 2022-23	1,165,786	104,781
FY 2023-24	1,724,073	202,807
FY 2024-25 Till 31/02/2025	2,715,275	305,507
Cumulation as on 31/03/2025	11,511,377	934,871

- Cumulative Achievements: Since inception, approved guarantees worth ₹9.34 Lakh Crore, with significant growth in recent years.

Performance Over the Years:

- FY14-FY20: Introduced key modifications like increasing the credit limit and including new lending institutions. Guarantee approvals grew from ₹19,000 Crores in FY18 to over ₹45,000 Crores in FY20.
- FY21-FY25: CGTMSE adapted to COVID-19 challenges with introduction of special schemes to provide support to the MSMEs. The Credit Guarantee Scheme has been recently revamped further with increase in the ceiling and reduction in guarantee fees, resulting in approvals surpassing ₹3 Lakh Crore in FY25.

Recent Initiatives:

- Circular issued on March 18, 2025 - Raising the ceiling of Guarantee to from ₹5 Crore to ₹10 crore (effective from April 01, 2025).
- Circular issued on March 18, 2025 - Reduction of guarantee fee for loans above ₹1 crore up to ₹5 crore (effective from April 01, 2025).
- Circular issued on December 10, 2024 - Enhancement in extent of guarantee coverage in respect of women led enterprises from 85% to 90% with effect from April 01, 2024.
- Expanded eligible activities to include wholesale trade and educational institutions.
- Introduced concessions and enhanced coverage for specific borrower categories.

These initiatives have significantly boosted credit accessibility for MSMEs, demonstrating CGTMSE's crucial role in supporting the sector.

Ease of Doing Business

- Automation: The guarantee process is fully automated, with API integration for seamless application flow and automatic approval of guarantee and claim applications.
- Operational Improvements: Significant steps have been taken to enhance the claim settlement ratio, boosting good will among bankers.



Scheme/Special Provisions

- New Credit Guarantee Scheme for Co-Lending (CGSCL): Introduced to improve scheme dissemination.
- State Government Collaborations: Partnerships with seven states for enhanced guarantee coverage, making the scheme more attractive without increasing CGTMSE's liability.
- Special Provision for Informal Micro Enterprises (IME): Includes GST-exempted enterprises with loans up to ₹20 Lakh, registered on Udyam Assist Platform, with no primary security required and a standard AGF rate of 0.37%-0.45%.
- Special Provision for MSEs in Identified Credit Deficient Districts (ICDDs): Offers liberal terms, reduced guarantee fees, and increased coverage.

Way Forward

CGTMSE aims to expand its reach, refine policies for inclusivity, and integrate technology for better service delivery. By fostering partnerships, it seeks to drive financial inclusion and support the sustainable growth of MSEs, contributing to India's economic progress.

*1 Source: 73rd Round of NSS survey on Unincorporated Non-Agricultural Enterprises, done between the years 2015 and 2016

Notes:

1. Commercial loans classified based on credit exposure aggregated at entity level, Micro: exposure up to ₹ 1 crore Very Small: < ₹ 10 lakh; Micro1: Exposure between ₹ 10 lakh and ₹ 50 lakh; Micro2: Exposure between ₹ 50 lakh and ₹ 1 crore.
2. All MSME Fund based (TL-WC)
3. Originations considered excluding Renewals
4. Low Risk is CMR 1-3, Medium Risk is CMR 4-6, High Risk is CMR 7-10
5. New-to-credit (NTC) MSME Borrowers defined as those who seek first ever MSME credit facility
6. Vintage Delinquency defined as accounts ever 90+ days past due in 12 months from origination
7. All numbers mentioned in this MSME pulse report are in ₹ (Indian National Rupee)
8. Quarter Oct-Dec '24 values are provisional and subject to revision as additional data is reported to the TransUnion CIBIL credit bureau

ABOUT SIDBI

Small Industries Development Bank of India (SIDBI), is the Principal Financial Institution for the Promotion, Financing and Development of the MSME sector and for co-ordination of the functions of the institutions engaged in similar activities. The business domain of SIDBI consists of MSMEs, which contribute significantly to the national economy in terms of production, employment and exports. SIDBI meets the financial and developmental needs of the MSME sector with a Credit+ approach to make it strong, vibrant and globally competitive.

For more information visit: www.sidbi.in

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We have developed technology and innovative solutions across core credit, risk and advanced analytics. As a result, consumers and businesses can transact with confidence and achieve great things. We call this Information for Good® — and it leads to economic opportunity, great experiences, and personal empowerment for millions of people and MSMEs in India.

We serve the financial sector as well as MSMEs and individual consumers. Our customers in India include banks, credit institutions, NBFCs, housing finance companies, microfinance companies, telecom companies and insurance firms.

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