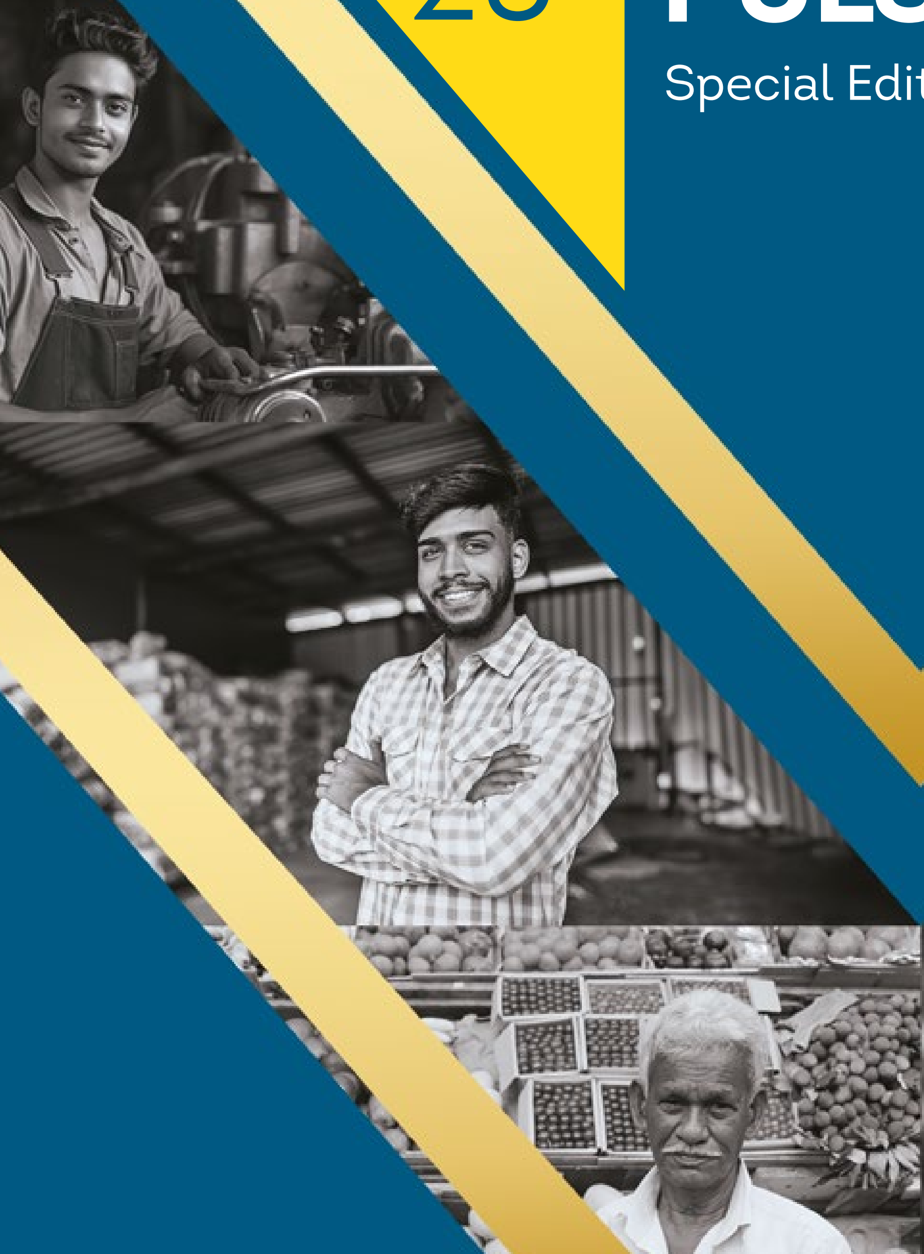
sidbi

JUNE
2025

MSME PULSE

Special Edition

TransUnion CIBIL



FOREWORD

Mr. Bhavesh Jain

MD and CEO,
TransUnion CIBIL Ltd.

Over the past five years, India's Micro, Small, and Medium Enterprises (MSMEs) have shown impressive resilience and growth. The sector's commercial credit portfolios have expanded steadily, and we are seeing a clear shift in borrower behavior — with many enterprises scaling up, diversifying their financial needs, and moving into higher credit segments. This evolution reflects not just business expansion but also growing financial maturity across the MSME landscape.

Yet, despite this encouraging progress, formal credit penetration remains limited. There is a pressing need for more customized financial products, smarter underwriting models tailored to specific sectors, and robust credit monitoring systems. These tools are essential to support MSMEs responsibly, especially as early signs of stress — such as rising delinquencies in NBFC-originated loans — begin to emerge.

Looking ahead, it's vital for financial institutions, regulators, and other stakeholders to work together to expand access to credit, support low-risk emerging businesses, and help MSMEs graduate into higher-value segments. Doing so will not only unlock the full potential of this critical sector but also lay the groundwork for inclusive and sustained economic growth.

Mr. Manoj Mittal

Chairman and MD,
SIDBI

Over the past five years, MSME credit has experienced consistent growth, driven by targeted government policies and enhanced financial inclusion. The increase in new-to-credit borrowers indicates deeper credit penetration. Government initiatives such as PM Vishwakarma and PM SVANidhi have significantly facilitated credit flow to the Micro segment. The MSME formalization project will make Informal Micro Enterprises eligible under "Priority Sector Lending" by banks, resulting in better credit access. Notably, overall delinquencies have also decreased to a five-year low, reflecting strong asset quality and making MSME credit a viable and attractive business for lenders.

This credit transformation showcases the resilience and potential of the MSME sector in building a robust, inclusive economy. We present a special edition of the SIDBI-TransUnion CIBIL MSME Pulse, celebrating MSMEs as a growth engine of India's economy. This special edition provides deep insights into MSME credit, which will be valuable for policymakers and lenders alike.

ANALYTICAL CONTACTS

TRANSUNION CIBIL

Yuvraj Kamdar (Head, Solution Consulting)
yuvraj.kamdar@transunion.com

Pooja Bansal (DVP - Research and Consulting)
pooja.bansal2@transunion.com

Vivek Raj (AVP - Solution Consulting)
vivek.raj@transunion.com

Mayank Jain (Head, Market Development)
mayank.jain@transunion.com

Annie Nishank (JVP – Market Development)
annie.nishank@transunion.com

Priya Nair (DVP - Corporate Communications)
priya.nair@transunion.com

SIDBI

Suman Chowdhury
Chief Economist

Vandita Srivastava
erdav@sidbi.in

EXECUTIVE SUMMARY

TransUnion CIBIL and the Small Industries Development Bank of India (SIDBI) are releasing a **special edition of the MSME Pulse report,** underscoring their shared commitment to empowering India's micro, small, and medium enterprises. This edition comes at a pivotal time, as the MSME sector continues to demonstrate resilience and growth. This edition highlights the significance of addressing the credit requirements of MSME as they experience growth over time-not only in their scale and size but also in their credit needs and product preferences. Through this special release, TransUnion CIBIL and SIDBI aim to provide policymakers, lenders, and stakeholders with actionable insights to further strengthen credit access, promote responsible lending, and support the sustainable growth of MSME as a cornerstone of India's economic development

Tracking The Growth Trajectory: A Five-Year Lens

Over the last 5 years, the commercial credit portfolio has grown at compounded annual growth rate **(CAGR) of 13%,** reaching **₹35.2 lakh crore as of Mar '25.** During this period, the number of credit active entities surged by 65%. Notably, over 90% of these credit active entities have aggregate credit exposure of up to 1 Cr. This borrower segment now accounts for **24% share of the portfolio outstanding as of Mar '25.** Alongside this strong growth in both portfolio size and credit active entities, the portfolio performance has steadily improved across most of the borrower segments. As of Mar '25, overall **balance-level delinquencies -** defined as accounts 90 to 720 DPD or classified as 'sub-standard' - dropped to **a 5-Year low of 1.8%,** which is less than half the pre-pandemic level of 3.9% recorded in Mar '20.

Mapping India's Commercial credit sector Supply (Commercial Disbursement Amounts - In ₹ Lakh Crore)		
FY '20	**FY '25**	**5-Year CAGR (%)**
5.7	11.0	14%
Growth (Balance-Sheet Commercial Credit Exposure - In ₹ Lakh Crore)		
Mar '20	**Mar '25**	**5-Year CAGR (%)**
19.3	35.2	13%

Performance (Delinquency Rates) **90-720 DPD** (including Sub-standard)*		
Mar '20	**Mar '25**	**Relative Change (%)**
3.9%	1.8%	-54%

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

Evolving MSME Credit: Segment-Wise Growth and Strategy

Borrower segments within the commercial ecosystem are evolving in distinct ways, and lenders have a real opportunity to respond with more nuanced, data-driven strategies. Entities in borrower segment with **aggregate credit exposure below ₹1 crore** are pivotal for financial inclusion. This segment witnessed credit supply grow from **₹1.4 lakh crore to ₹2.5 lakh crore** from FY '20 to FY '25, with Non-banking financial companies (NBFC) increasing their share in originations from **21% to 33%** during the same period. This segment also welcomed **13.2 lakh new-to-credit (NTC) entities in FY '25,** representing **55% of all entities** onboarded in this category, driven primarily by Public sector banks (PSU). Cash credit and overdraft facilities (CC/OD) were preferred products for NTC in this borrower segment. Lenders should continue simplifying credit journeys for these micro-entrepreneurs, many of whom operate in the **trade sector,** which accounted for **58% of loans by volume**-by offering tailored products, digital onboarding, and financial literacy support.

EXECUTIVE SUMMARY

The borrower segment with **aggregate credit exposure ₹1–10 crore** has emerged as the backbone of commercial credit, accounting for **42% of the outstanding portfolio balances as of Mar'25** and growing at a **14% CAGR** over the past five years. This segment also contributed **43% of all disbursed loans in FY '25,** with business loans alone growing at a remarkable 33% 5-Year CAGR. To serve this segment better, lenders can focus on expanding access to flexible working capital solutions like cash credit and term loans, while also investing in sector-specific underwriting models that reflect the unique needs of manufacturing and trade enterprises. A slight rise in early delinquencies, particularly in NBF Coriginated term loans with 60 bps YoY increase for loans originated in FY '24, signals the need for tighter credit monitoring and early warning systems.

In the borrower segment with **aggregate credit exposure ₹10–50 crore,** which now holds a portfolio balances of approximately ₹12 lakh crore, growth has been healthy at **14%** 5-Year **CAGR**, with Private banks and NBFC driving the momentum. This segment represents the **second largest share** of commercial credit and **lowest balance-level delinquencies**, indicating its strategic importance for lenders aiming to scale high-value relationships. As manufacturing continues to dominate this segment, lenders should consider structured term lending and capacity-building initiatives to support long-term capital investments.

Growing with MSME: Understanding MSME Credit Evolution

Understanding borrower segment transitions is key to growing with MSME and supporting their evolving financial journeys. An analysis on credit active entities as of Mar '23 indicates that **11% of entities moved to higher credit exposure levels in the next 24 months**, with the **manufacturing sector leading at 16%**. This upward migration signals business expansion and increasing credit needs, especially among entities with **exposure up to ₹1 crore**, who **showed a migration rate of 12%**. By focusing on transition patterns, lenders can proactively tailor products, deepen relationships, and grow alongside MSME as they scale and evolve.

CONTENTS

MSME CREDIT MARKET GROWING STEADILY - ENABLING EASE OF DOING BUSINESS IN INDIA

Between **Mar '20 and Mar '25,** the commercial credit **portfolio balances grew at a CAGR of 13%,** reaching **₹35.2 lakh crore** by the end of the period. Private banks were instrumental in driving this growth with a 16% CAGR, while NBFC recorded the fastest expansion among all lender categories, delivering 19% CAGR during the same period. The **growth in Private banks' portfolio was largely fuelled by overdraft facilities, which accounted for 38%** of their outstanding credit as of Mar '25. In contrast, **NBFC saw their business loans segment grow at a robust 39% CAGR** over the five-year span, making up **23% of their portfolio balances as of Mar '25.**

Commercial Credit Portfolio Distribution (Mar '25) | Lender Groups		
Lender Category	**Share of Balance**	**5-Year CAGR**
Private Banks	43%	16%
PSU	34%	9%
NBFC	11%	19%
Others	12%	10%

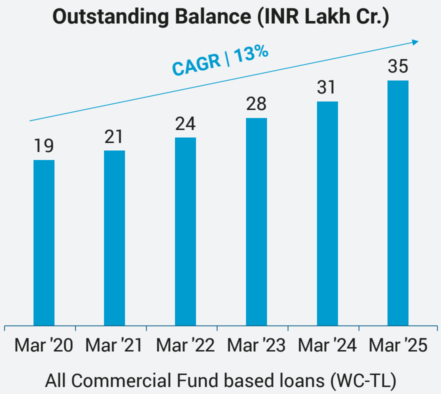
PSU, while maintaining over **one-third of the total market share,** experienced a more modest growth rate of 9% over the 5-year period. They however, continued to **lead financial inclusion** with highest **share in originations to NTC entities at 57%** of all PSU originations in FY '25.

Among borrower segments defined by their aggregate credit exposure, entities with exposure between **₹1 Cr and ₹10 Cr** experienced the **fastest growth** over the 5-year period. As of **Mar '25,** this segment accounted for the largest **share of portfolio balances at 42%,** growing at a **5-Year CAGR of 14%.**

Commercial Credit Portfolio Distribution (Mar '25) | Borrower Exposure Levels			
Borrower Level Credit Exposure (INR)	**Share of Balance**	**5-Year CAGR**	**Share of Credit Active Entities**
Up to 1 Cr	24%	12%	92%
1 Cr to 10 Cr	42%	14%	7%
10 Cr to 50 Cr	34%	13%	1%

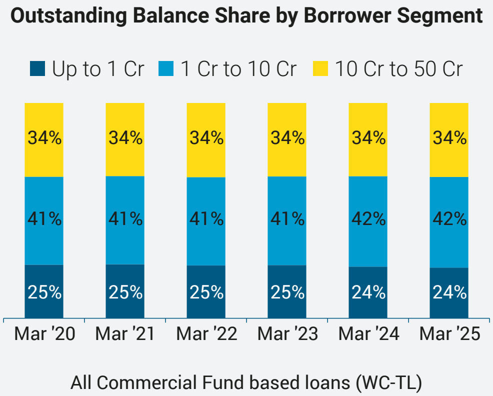
The borrower segments exhibit distinct needs in terms of product preferences based on industry background, patterns in geographic distribution, and the type of lenders serving their credit needs. A deeper exploration into each segment is essential to understand their credit needs and how these have evolved over the past 5 years.

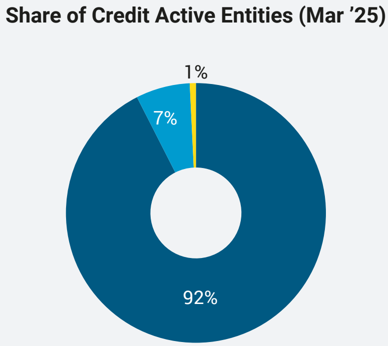
Commercial portfolio balances have witnessed a double-digit growth in last five years



Borrower Segment (Agg. credit exposure)	Outstanding Balance (Share Mar '25)	CAGR (Mar '20 - '25)
Up to 1 Cr	24%	12%
1 Cr to 10 Cr	42%	14%
10 Cr to 50 Cr	34%	13%

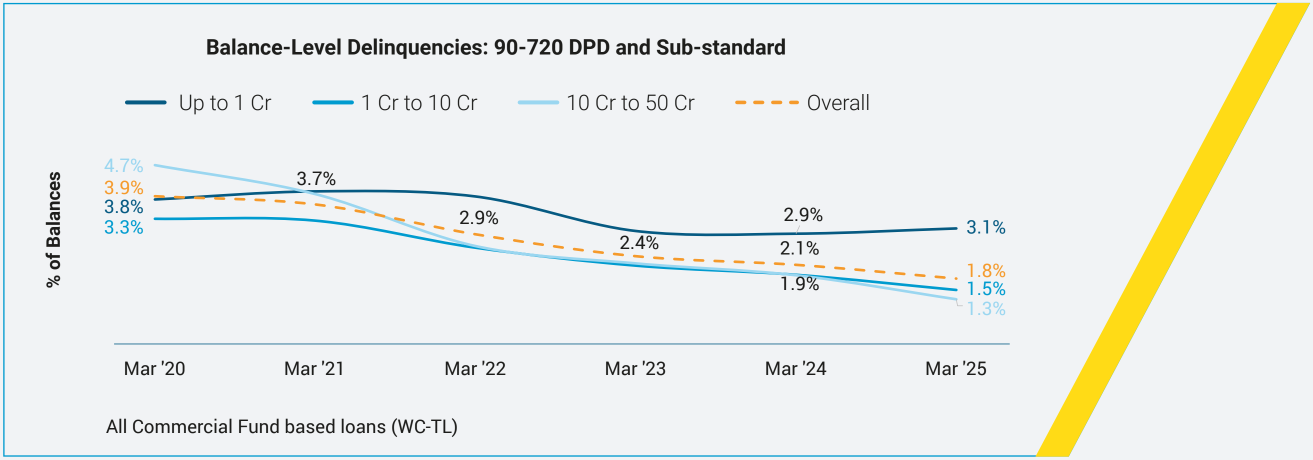
92% of credit active entities have an aggregate exposure of up to ₹1 crore, and contribute to 24% of overall commercial credit portfolio value





Source: TransUnion CIBIL commercial credit database

Overall portfolio performance has consistently improved, except for borrower segment with up to ₹1 crore exposure in the recent period



Source: TransUnion CIBIL commercial credit database

BORROWER SEGMENT WITH CREDIT EXPOSURE UP TO ₹1 CR.

BORROWER SEGMENT WITH AGGREGATE CREDIT EXPOSURE OF UP TO ₹1 CR.

Credit supply to this segment rose from **₹1.4 lakh crore in FY '20 to ₹2.5 lakh crore** in **FY '25,** reflecting a **CAGR** of 12%. This growth was primarily driven by **business loans and loans for commercial vehicles and construction equipment.** Business loans grew at a strong 26% 5-Year CAGR, becoming the second-largest product by origination value. Within the segment, entities with aggregate credit exposure between **₹50 lakh and 1 crore recorded the fastest growth, at 5-Year CAGR of 15%.** This surge was largely supported by NBFC, whose share in origination value increased from 21% in FY '20 to 33% in FY '25. NBFC also made notable market share gain in the ₹10 lakh to ₹50 lakh exposure sub-segment, expanding their share by 10 percentage points over the same period.

₹13.2 lakh NTC entities were added to this segment **in FY '25, representing 55% of all entities originated in this category. 28%** of these NTC entities **availed CC/OD facilities.** With a 58% share of NTC in FY '25 originations in this segment, **PSU were the leading institutions** in onboarding these entities into the formal credit ecosystem.

Supporting NTC MSME entities is essential for fostering inclusive economic development. These first-time entrants into the formal credit ecosystem represent a significant opportunity to expand the MSME footprint for economic development.

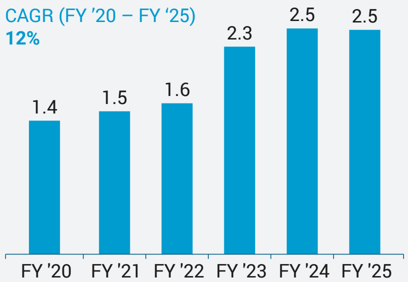
Given these are entities with small aggregate exposure, this segment is **dominated by entities in trade sector. In FY '25, 58% of loans disbursed** in this segment were to entities from the trade sector, accounting for **44% of the total disbursed value.**

The outstanding portfolio balance for this segment reached **₹8.3 lakh crore as of Mar '25,** growing at a **12% 5-Year CAGR.** There has been a slight increase in balance-level delinquencies, with the 90+ DPD rate rising to **3.1% in Mar '25,** up from a five-year low of 2.9% the previous year. **Business loans,** comprising 9% of the portfolio, recorded a **7.6% delinquency rate,** highest in last 3 years.

Maharashtra accounting for the **largest share in originations** in this segment had a below average portfolio growth of 11% CAGR over the last 5 years. Meanwhile, **Madhya Pradesh and Andhra Pradesh have recorded a robust 15% 5-Year CAGR for the same period,** with their balance shares now at 4.9% and 4.2%, respectively.

Business loans driving growth in credit supply to entities with up to ₹1 Cr exposure, becoming the second largest product segment by value share

Origination Value (INR Lakh Cr.)



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded.

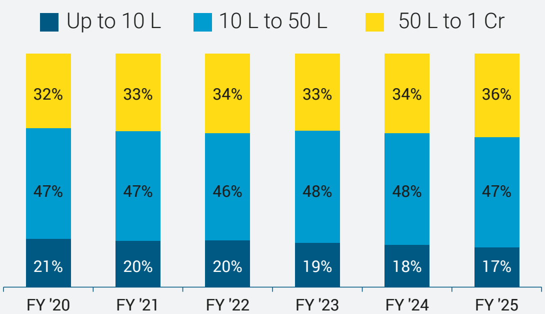
Origination Value by Products

Products	% Share (FY '25)	CAGR (5-Year)
Cash Credit	14%	12%
Overdraft	17%	9%
Long/Mid/Short TL	20%	9%
Property Loan	8%	15%
Business Loan	**18%**	**26%**
CV/CE Loan	10%	13%
Auto Loan	4%	13%

These products constitute 91% of originations value for FY '25

Sub-segment of entities with aggregate exposure between ₹50 L and ₹1 Cr has been driving the growth with a ~15% CAGR over the last 5 years

Origination Value Share by Borrower Segment

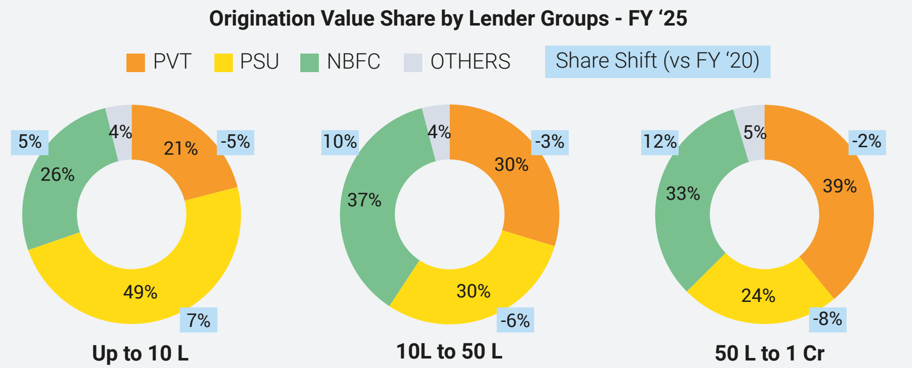


All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded

Borrower Segment	CAGR Growth Value (FY '20 – FY '25)
Up to 10 L	7.9%
10 L to 50 L	12.2%
50 L to 1 Cr	14.8%
OVERALL	**12.2%**

Source: TransUnion CIBIL commercial credit database

NBFCs gained market share in borrower segment between ₹10 L - ₹1 Cr exposure; PSUs continued to lead in up to ₹10 L segment

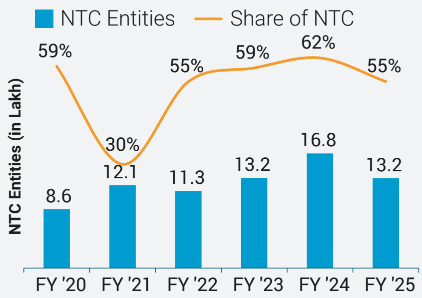


All Commercial fund-based loans (WC-TL), considered in originations.
Renewals are excluded. Others Includes Co-Operative Banks, SFB, FB

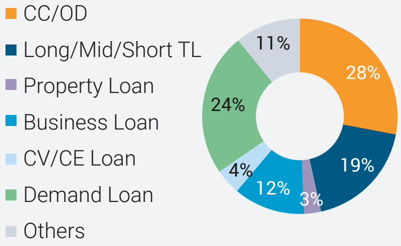
Source: TransUnion CIBIL commercial credit database

More than half of the entities taking new loans are NTC, with CC/OD being the most preferred product

Originations By NTC Entities



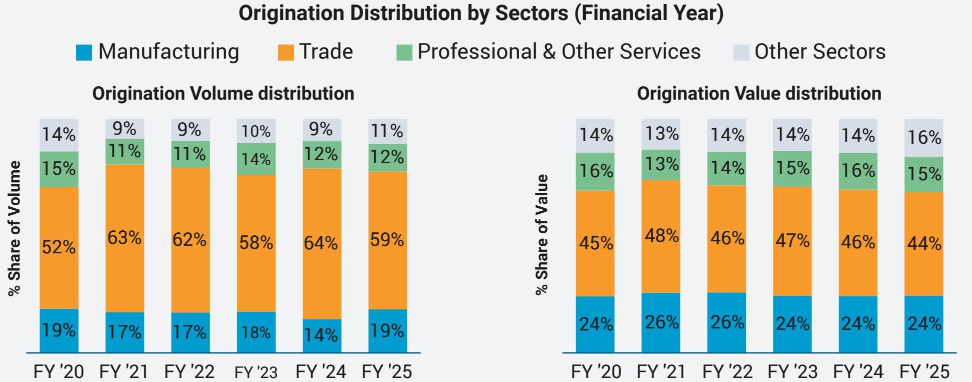
FY '25 Share of Products Originated by NTC Entities



All Commercial fund-based loans (WC-TL), considered in originations.
New-to-credit (NTC) Commercial Entities defined as those who see first ever commercial credit facility.

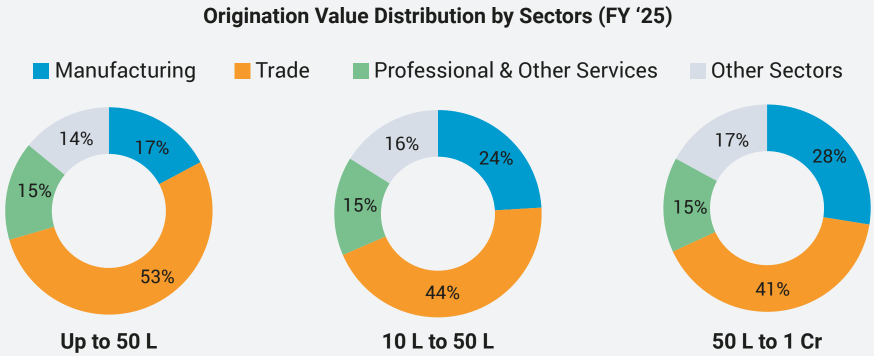
Source: TransUnion CIBIL commercial credit database

Credit supply to this segment is primarily driven by entities in trades sector, both by volume and value



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 26% in volume and 17% in value

The share of trade sector is higher in entities with lower credit exposure; share of manufacturing increases as exposure increases

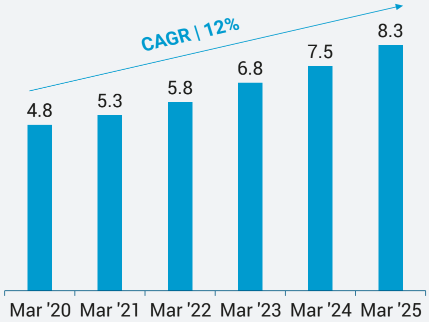


All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded; Other includes Transport Operators, Agriculture and allied activities and construction NAs in sectors have been excluded which is 26% in volume and 17% in value

Source: TransUnion CIBIL commercial credit database

Portfolio balances of entities with up to ₹1 crore aggregate exposure has grown steadily, driven primarily by business loans and overdraft facilities

Outstanding Balance (INR Lakh Cr.)

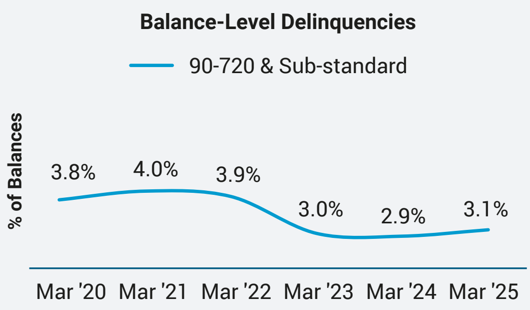


All Commercial Fund based loans (WC-TL)

Products	Outstanding Balance (Share Mar '25)	CAGR (5-Year)
Cash Credit	28%	8%
Overdraft	**23%**	**13%**
Long/Mid/Short TL	17%	9%
Property Loan	7%	13%
Business Loan	**9%**	**34%**
CV/CE Loan	5%	15%
Auto Loan	3%	11%

Source: TransUnion CIBIL commercial credit database

Credit performance has remained steady, with slight increase in balance level delinquencies for recent period, especially for business loans

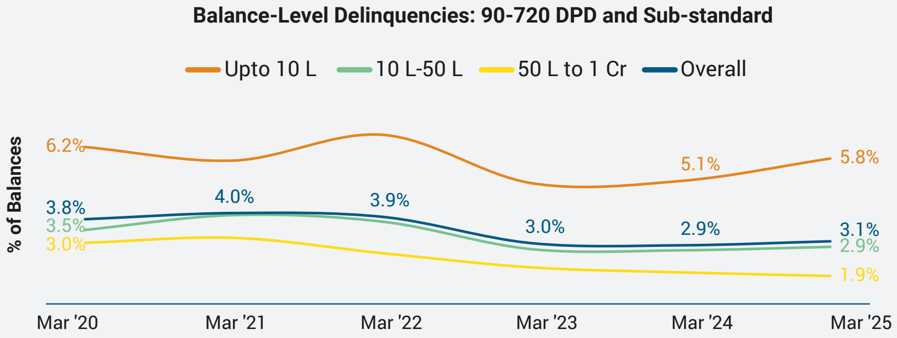


All Commercial Fund based loans (WC-TL)

Products	90+% (Mar '25)	**Trend over 3 Yr Mar '22 to Mar '25	
		Lowest Ever	Highest Ever
Cash Credit	2.7%	2.7%	5.0%
Overdraft	1.5%	1.3%	2.3%
Long/Mid/Short TL	**3.9%**	**3.9%**	**5.5%**
Property Loan	2%	1.7%	2.6%
Business Loan	**7.6%**	**4.7%**	**7.6%**
CV/CE Loan	1.9%	1.7%	3.6%
Auto Loan	0.6%	0.6%	1.3%

**The period of Mar '20 to Feb '22 were excluded to avoid any anomalies observed during the pandemic period

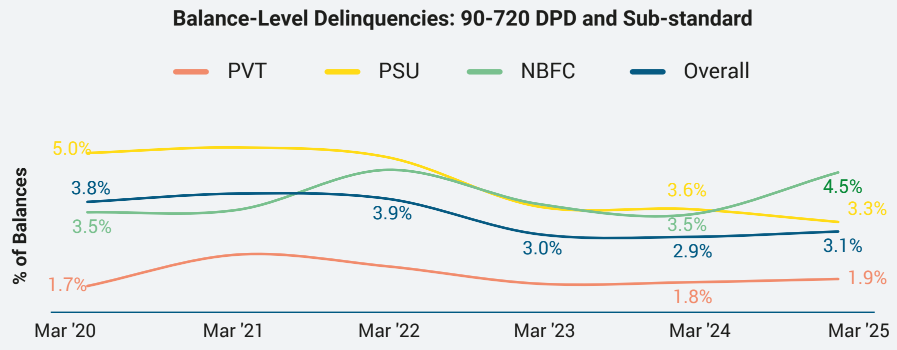
Credit performance for this segment remained stable, delinquencies for entities with exposure up to ₹10L have witnessed an increase in Mar'25



All Commercial Fund based loans (WC-TL)

Source: TransUnion CIBIL commercial credit database

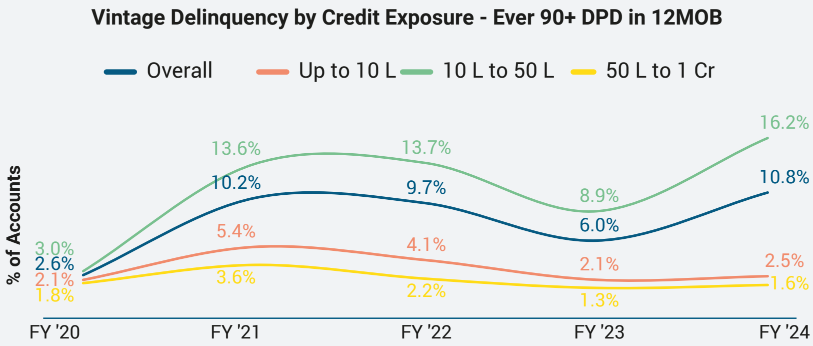
The increase in delinquencies for entities with exposure up to ₹1 Cr can be attributed to increase in delinquencies for NBFC



All Commercial Fund based loans (WC-TL)

Source: TransUnion CIBIL commercial credit database

Early delinquency trends for recent originations for entities with credit exposure up to ₹10 L highlights need for enhanced acquisition strategies



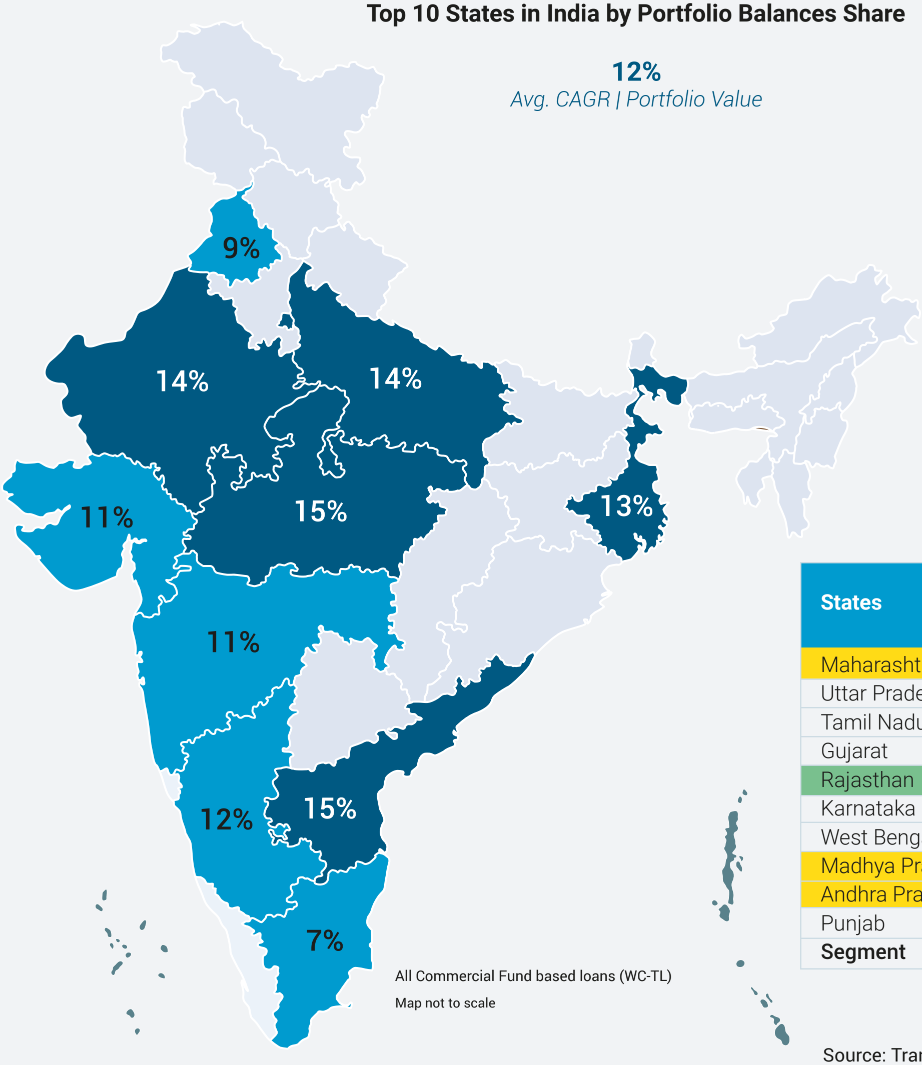
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded Vintage Delinquencies (measured as accounts ever in 90+ DPD in 12 Months since originations)

Source: TransUnion CIBIL commercial credit database

Madhya Pradesh and Andhra Pradesh have recorded a robust growth while maintaining delinquencies in line with the borrower segment

Top 10 States in India by Portfolio Balances Share

12%
Avg. CAGR | Portfolio Value



All Commercial Fund based loans (WC-TL)

Map not to scale

States	Portfolio Share (Mar '25)	Portfolio Delinquency | 90+%
Maharashtra	12.2%	3.4%
Uttar Pradesh	9.7%	3.2%
Tamil Nadu	7.8%	2.6%
Gujarat	7.8%	2.3%
Rajasthan	6.4%	2.0%
Karnataka	5.6%	3.8%
West Bengal	5.0%	4.3%
Madhya Pradesh	4.9%	3.3%
Andhra Pradesh	4.2%	3.0%
Punjab	3.7%	2.2%
Segment		**3.1%**

Source: TransUnion CIBIL commercial credit database

BORROWER SEGMENT WITH CREDIT EXPOSURE BETWEEN ₹1 CR. AND ₹10 CR.

BORROWER SEGMENT WITH AGGREGATE CREDIT EXPOSURE ₹1 CR. TO ₹10 CR.

This borrower segment accounts for the **largest share of commercial credit originations by value**, contributing **43% of loans disbursed in FY '25**. It also recorded the **fastest growth in new credit disbursements**, with a **15% CAGR** over the past five years. While key commercial loan products like cash credit and term loans (Long/Mid/Short) grew at over 15% 5-Year CAGR and were pivotal in the segment's growth in FY '25, **business loans** stood out with an exceptional **33% CAGR** during the same period.

NBFC have significantly **gained market share** in this segment, increasing from 15% of origination value in FY '20 to 25% in FY '25, **growing at 28% CAGR** during the same period, primarily **expanding their presence with property loan** and business loan products.

Meanwhile, banks witnessed a shift in market share in **CC/OD** originations, with **Private banks gaining traction** for these products.

This segment is dominated with lending to **both the manufacturing and trade sectors.** One-third of these new originations to Manufacturing sector entities was in the form of term loans (Long/Mid/Short) in FY '25.

Early delinquency (defined as accounts ever 90+ DPD within the first 12 months of origination) has seen a slight rise for recent originations. This increase is primarily attributed to **NBFC**, where early delinquency rose from **1.3% in FY '24 to 1.9% in FY '25** originations.

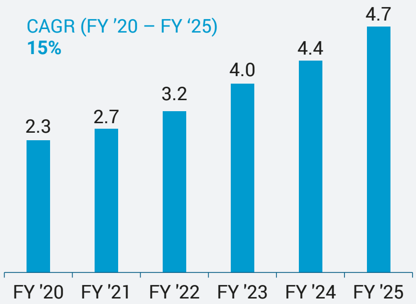
Overall **portfolio delinquency has improved, declining to 1.5% as of Mar '25**, compared to 3.3% in Mar '20 and 1.9% in Mar '24.

This improvement in portfolio performance has been **complemented with a healthy 14% CAGR in portfolio balance growth** during the same 5-year period. Overdraft facilities in this segment demonstrated strong performance, showing both robust growth and improved asset quality.

Geographically, **Rajasthan, Uttar Pradesh, and Haryana** emerged as the **fastest-growing states**, each **maintaining delinquency rates below the borrower segment average** - 1.0%, 1.1%, and 1.2% respectively.

Business loans and cash credit witnessed a healthy growth over the last 5 years in originations to entities with ₹1 to ₹10 crore credit exposure

Origination Value (INR Lakh Cr.)



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded.

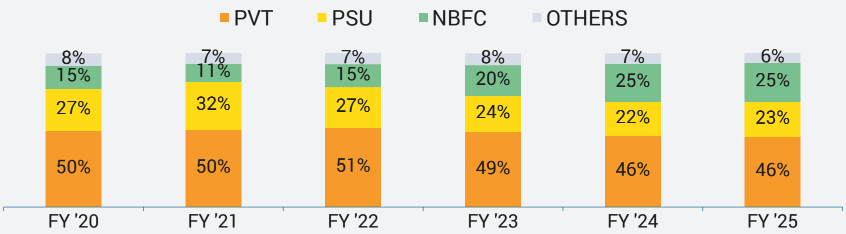
Origination Value by Products

Products	Outstanding Balance (Share Mar '25)	CAGR (5-Year)
Cash Credit	**12%**	**20%**
Overdraft	17%	13%
Long/Mid/Short TL	28%	17%
Property Loan	12%	18%
Business Loan	**8%**	**33%**
CV/CE Loan	9%	19%
Auto Loan	3%	23%

These products constitute 89% of originations value for FY '25

NBFC gained market share in credit supply to this segment tracking fastest growth in last 5 years

Origination Value Share

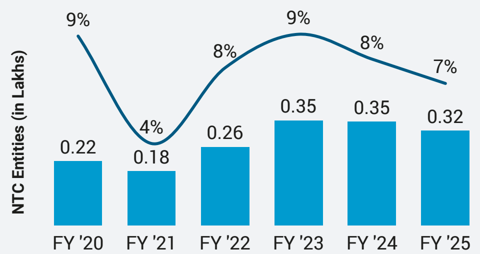


CAGR | Value (FY '20 – FY '25)	PVT	PSU	NBFC	OTHERS	OVERALL
	13.4%	11.4%	27.7%	9.5%	15.3%

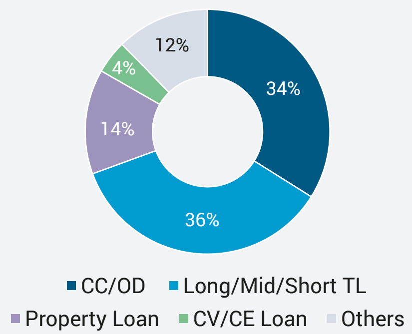
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. Others Includes Co-Operative Banks, SFB, FB

Source: TransUnion CIBIL commercial credit database

Credit availed by NTC entities in this segment have a comparable mix of CC/OD and term loans



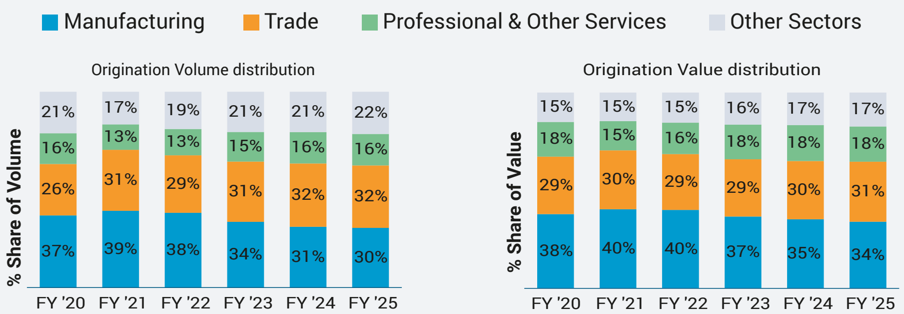
All Commercial fund-based loans (WC-TL), considered in originations.
New-to-credit (NTC) Commercial Borrowers defined as those who seek first ever commercial credit facility.



Source: TransUnion CIBIL commercial credit database

Credit supply to this segment is balanced across both the manufacturing and trade sectors

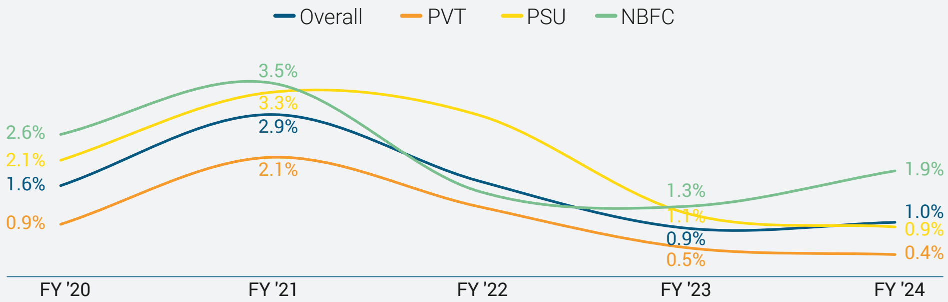
Origination Distribution by Sectors



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 27% in volume and 16% in value

Early delinquencies for NBFC has witnessed increase for recent originations, highlighting need for more robust credit assessment practices

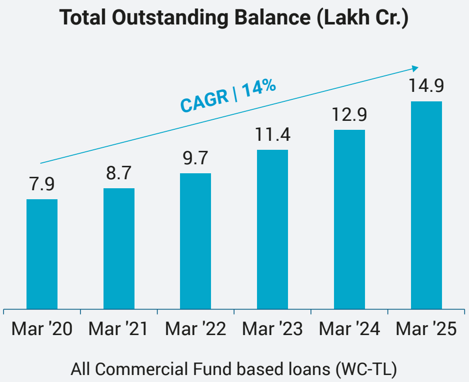
Vintage Delinquencies: Accounts Ever 90+ DPD in 12 months



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded Vintage Delinquencies (measured as accounts ever in 90+ DPD in 12 Months since originations)

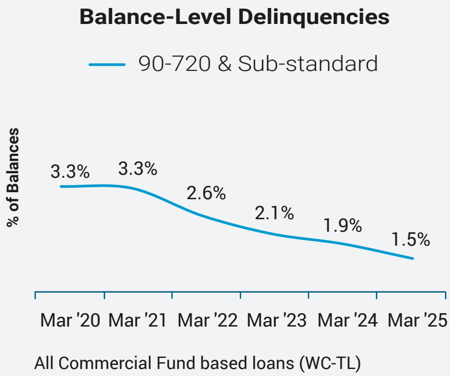
Source: TransUnion CIBIL commercial credit database

Portfolio balances for this segment witnessed a strong growth, led by a higher growth in balances for overdraft facilities



Products	Outstanding Balance (Share Mar '25)	CAGR (5-Year)
Cash Credit	22%	10%
Overdraft	**27%**	**22%**
Long/Mid/Short TL	22%	11%
Property Loan	10%	12%
Business Loan	5%	30%
CV/CE Loan	5%	20%
Auto Loan	2%	19%

Balance level delinquency for this segment has improved, aided by lowest delinquencies in three years for CC/OD and term loans



Products	90+% (Mar '25)	**Trend over 3 Yr Mar '22 to Mar '25	
		Lowest Ever	Highest Ever
Cash Credit	1.6%	1.6%	4.3%
Overdraft	1.1%	1.1%	1.9%
Long/Mid/Short TL	1.8%	1.8%	3.4%
Property Loan	0.9%	0.9%	2.5%
Business Loan	4.0%	2.6%	4.8%
CV/CE Loan	1.3%	1.1%	3.2%
Auto Loan	0.4%	0.4%	1.1%

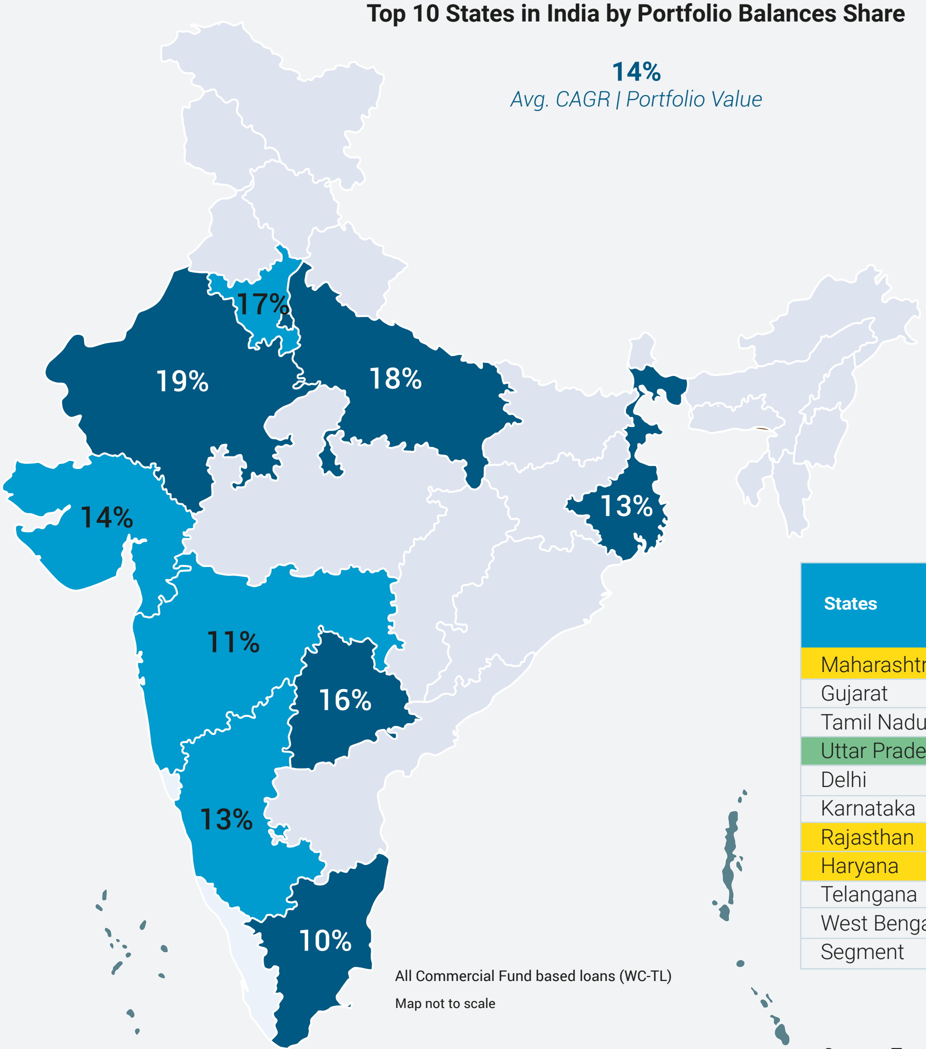
**The period of Mar '20 to Feb '22 were excluded to avoid any anomalies observed during the pandemic period

Source: TransUnion CIBIL commercial credit database

Northen states of Uttar Pradesh, Rajasthan and Haryana have recorded the highest growth in balances in the last 5 years

Top 10 States in India by Portfolio Balances Share

14%
Avg. CAGR | Portfolio Value



All Commercial Fund based loans (WC-TL)

Map not to scale

States	Portfolio Share (Mar '25)	Portfolio Delinquency | 90+%
Maharashtra	15.0%	1.8%
Gujarat	10.6%	1.1%
Tamil Nadu	8.7%	1.7%
Uttar Pradesh	7.2%	1.2%
Delhi	6.5%	1.5%
Karnataka	6.0%	2.0%
Rajasthan	6.0%	1.0%
Haryana	5.0%	1.1%
Telangana	4.7%	1.7%
West Bengal	4.4%	1.9%
Segment		**1.5%**

Source: TransUnion CIBIL commercial credit database

BORROWER SEGMENT WITH CREDIT EXPOSURE BETWEEN ₹10 CR. AND ₹50 CR.

BORROWER SEGMENT WITH AGGREGATE CREDIT EXPOSURE BETWEEN ₹10 CR. AND ₹50 CR.

With a portfolio outstanding of approximately **₹12 lakh crore,** this segment represents the **second-largest share as of Mar '25. Originations** in the segment have grown at a healthy **14% CAGR** over the past five years, with **term loans comprising the largest portion – 34%** of the total value for new credit originations in FY '25. This growth is driven by **Private banks and NBFC,** with Private banks accounting for 50% of origination value in FY '25. NBFC on the other hand, made significant gains in market share, increasing share by 5 percentage points during the same period.

This segment is dominated by entities in **manufacturing sector,** which contributed to **41% of the origination value in FY '25.** Apart from the primary sectors of manufacturing, trades and professional services, the **remaining sectors have also gained traction,** and now account for 27% of originations by volume and 16% of originations by value.

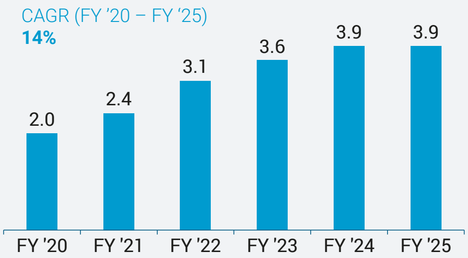
The recent originations (FY '24) have shown a **slight deterioration in early delinquencies** across all major lender categories. For banks, this was more pronounced in working capital loans, while for NBFC, the increase was higher for term loans.

The steady growth in originations over the last 5 years has translated into a consistent rise in outstanding **portfolio balances, growing at 13% CAGR** over the period. **The balance level delinquencies at 1.3% is the lowest for this segment** as compared to entities with aggregate exposure lesser than ₹10 Cr.

The **fastest growing states were Rajasthan and Haryana, witnessing 20% 5-Year CAGR each**. However, among the top 5 states by portfolio share, **Gujarat led the growth with a 16% CAGR** and considerably lower delinquency rate of 0.8%.

Despite a moderation in latest period, the origination by value to entities with ₹10 Cr to ₹50 Cr credit exposure has grown at 14% CAGR in last 5 years

Origination Value (INR Lakh Cr.)



All Commercial fund-based loans (WC-TL), considered in originations.
Renewals are excluded.

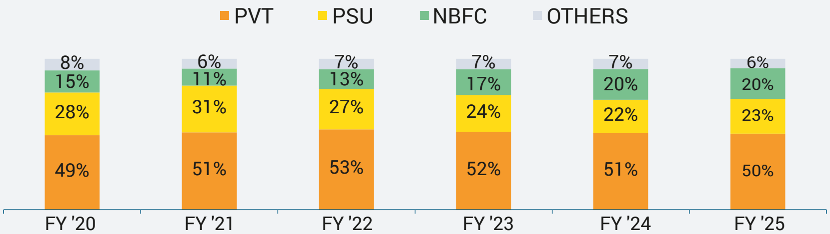
Origination Value by Products

Products	% Share (FY '25)	CAGR (5-Year)
Cash Credit	11%	19%
Overdraft	13%	10%
Long/Mid/Short TL	**34%**	**17%**
Property Loan	9%	25%
Business Loan	2%	25%
CV/CE Loan	6%	17%
Auto Loan	2%	24%

These products constitute 77% of originations value for FY '25

While NBFC gained market share in credit supply to this segment, Private banks continues to have the largest share in originations

Origination Value Share

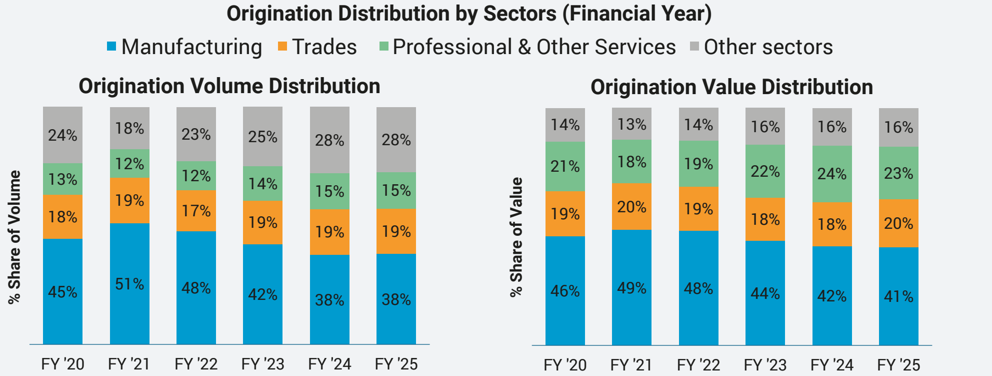


CAGR | Value (FY '20 – FY '25)	PVT	PSU	NBFC	OTHERS	OVERALL
	14.5%	9.2%	22.0%	9.2%	14.0%

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

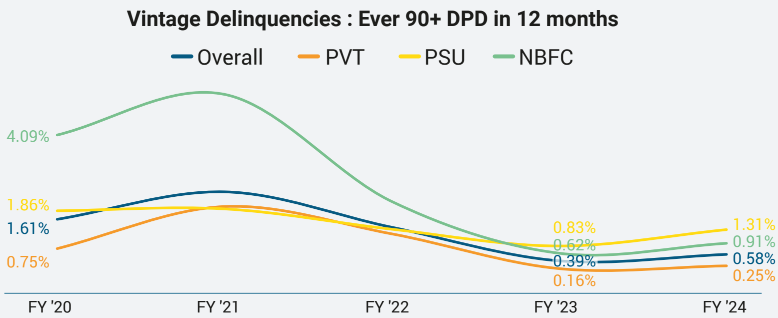
Source: TransUnion CIBIL commercial credit database

Credit supply to this segment is balanced across both the manufacturing and trade 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 20% in volume and 15% in value

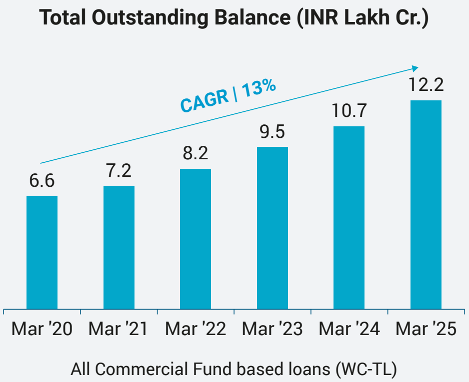
This segment has witnessed a marginal rise in early delinquencies – indicating need for timely borrower engagement to prevent broader portfolio stress



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded Vintage Delinquencies (measured as accounts ever in 90+ DPD in 12 Months since originations)

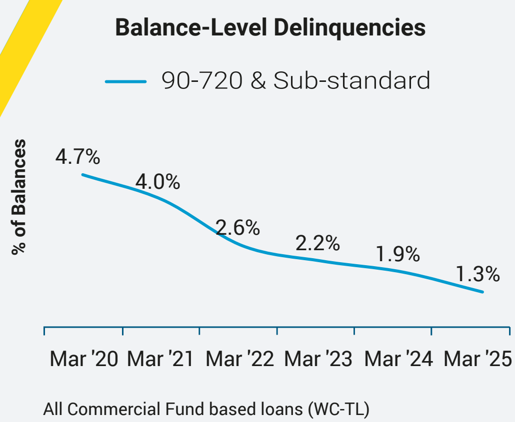
Source: TransUnion CIBIL commercial credit database

Portfolio balances for this segment witnessed a 13% 5-Year CAGR, led by a strong growth in balances for overdraft facilities



Products	Outstanding Balance (Share Mar '25)	CAGR (5-Year)
Cash Credit	23%	10%
Overdraft	19%	22%
Long/Mid/Short TL	30%	12%
Property Loan	7%	18%
Business Loan	2%	16%
CV/CE Loan	4%	18%
Auto Loan	1%	20%

Balance level delinquency for this segment is the lowest, aided by lowest delinquencies in three years for CC/OD and term loans



Products	90+% (Mar '25)	**Trend over 3 Yr Mar '22 to Mar '25	
		Lowest Ever	Highest Ever
Cash Credit	1.5%	1.5%	4.6%
Overdraft	1.2%	1.2%	2.2%
Long/Mid/Short TL	1.4%	1.4%	3.3%
Property Loan	0.6%	0.6%	2.1%
Business Loan	2.0%	1.3%	3.6%
CV/CE Loan	0.8%	0.8%	5.1%
Auto Loan	0.4%	0.2%	1.0%

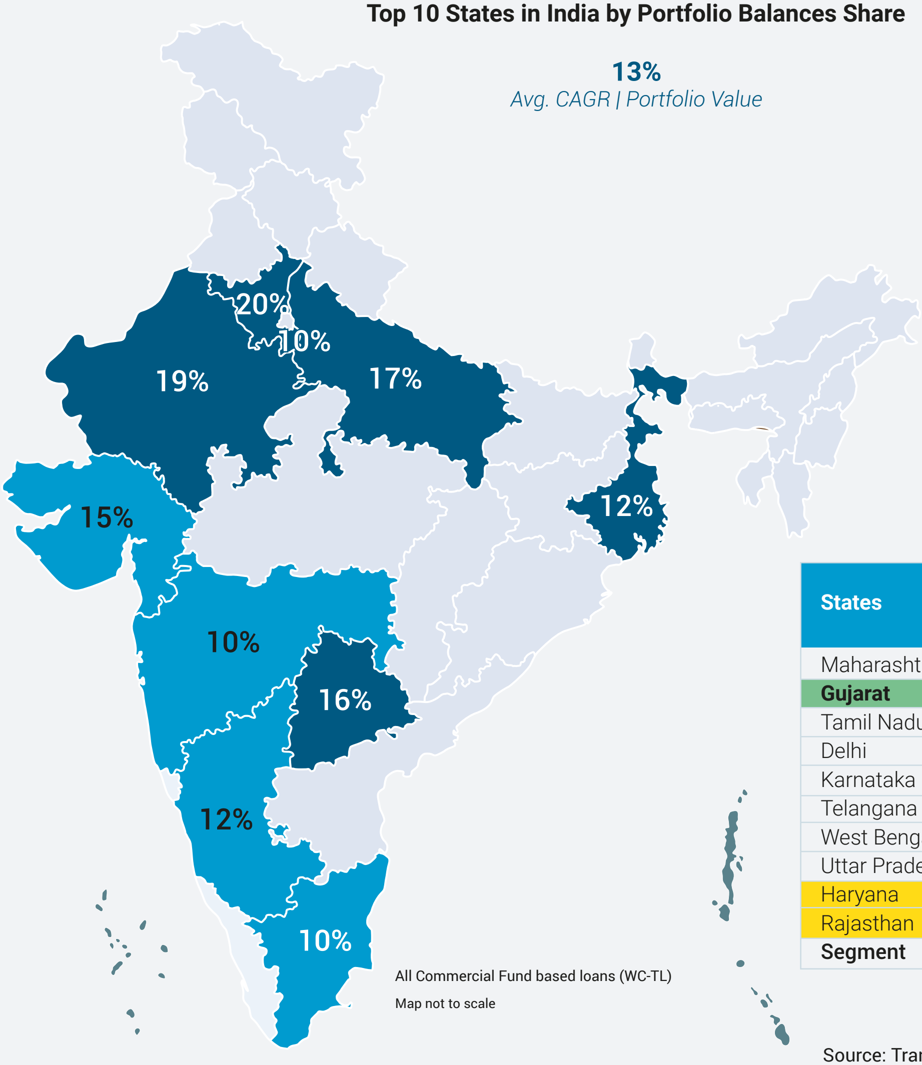
**The period of Mar '20 to Feb '22 were excluded to avoid any anomalies observed during the pandemic period

Source: TransUnion CIBIL commercial credit database

Gujarat with second highest share in balances, led the growth in this segment with a 16% CAGR and considerably lower delinquency rate of 0.8%

Top 10 States in India by Portfolio Balances Share

13%
Avg. CAGR | Portfolio Value



States	Portfolio Share (Mar '25)	Portfolio Delinquency | 90+%
Maharashtra	18.9%	1.4%
Gujarat	**10.6%**	**0.8%**
Tamil Nadu	8.8%	1.8%
Delhi	8.1%	1.1%
Karnataka	5.8%	2.1%
Telangana	5.5%	1.1%
West Bengal	5.0%	1.8%
Uttar Pradesh	5.3%	0.7%
Haryana	4.8%	0.4%
Rajasthan	4.4%	0.7%
Segment		**1.5%**

All Commercial Fund based loans (WC-TL)

Map not to scale

Source: TransUnion CIBIL commercial credit database

GROWING WITH THE MSME

GROWING WITH THE MSME

As the credit supply to the MSME sector keeps expanding, there has been a healthy growth in portfolio balances of existing MSME highlighting the increase in their size and scale. Credit requirements vary significantly across different borrower segments. Entities with credit exposure up to ₹1 crore are rapidly expanding through new business loans and CC/OD facilities. In contrast, higher exposure segments exhibit a more balanced mix of working capital and term loan originations. These distinctions highlight the need for a deeper understanding of credit behavior of these entities to cater to their growing credit needs. To understand the needs and profiles of these MSME, we looked at graduation of entities from one borrower segment to higher borrower segment based on aggregate exposure.

Methodology

In this study, **credit active entities as of Mar '23** were observed over a gap of 24 months. At the **end of 24-months (Mar '25)**, the borrower's aggregate credit exposures were evaluated to **identify those who had transitioned to a higher exposure category**. For analytical purposes, entities were grouped into five segments based on their aggregate credit exposure as of Mar '23:

1. Up to ₹10 L
2. ₹10 L to ₹50 L
3. ₹50 L to ₹1 Cr
4. ₹1 Cr to ₹10 Cr
5. ₹10 Cr to ₹50 Cr

The objective of this study is to identify common characteristics among entities who transition to a higher borrower segment. By doing so, it aims to equip lenders with deeper insights into entities who demonstrate growth potential in their credit requirements, thus opening opportunities for lenders to grow along with these emerging MSME.

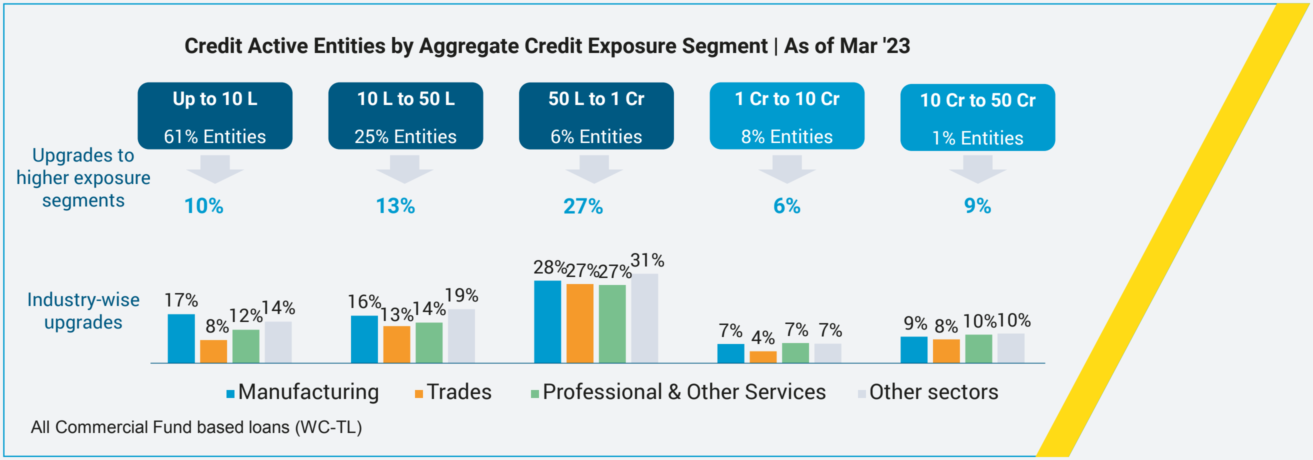
The findings from this study indicates that **11% of credit-active entities from Mar '23 moved to a higher borrower segment by Mar '25**. The manufacturing sector exhibited the highest upward migration rate at 16%. Migration rates also varied across borrower segments: entities with exposure up to ₹1 crore had a higher migration rate of 12%, whereas only 6% of those in the ₹1 crore to ₹10 crore exposure segment moved to a higher exposure segment.

A further deep-dive into entities with aggregate credit exposure of up to ₹1 crore, as this segment not only exhibited a higher rate of upward migration but also accounts for over 90% of all credit-active MSME entities, the following observations were noted for the migrating entities:

- An increase in share of entities holding multiple commercial credit products, reflected growing financial maturity and evolving credit needs. As of Mar '23, only 27% of entities in this segment held two or more types of commercial credit products. By the end of the 24-month observation period, this proportion had increased to 49%.
- In borrower segment with credit exposure up to ₹10 lakh, entities with CC/OD facilities as of Mar '23 demonstrated a higher rate of upward migration (13%) compared to those without such facilities (7%)
- Among entities from the sub-₹1 crore segment who migrated to higher exposure levels, over 90% fell within low to moderate risk category with CreditVision CIBIL Commercial Rank (CV CMR) of 1-7, indicating the upward segment transition aligning with risk profile of entities.

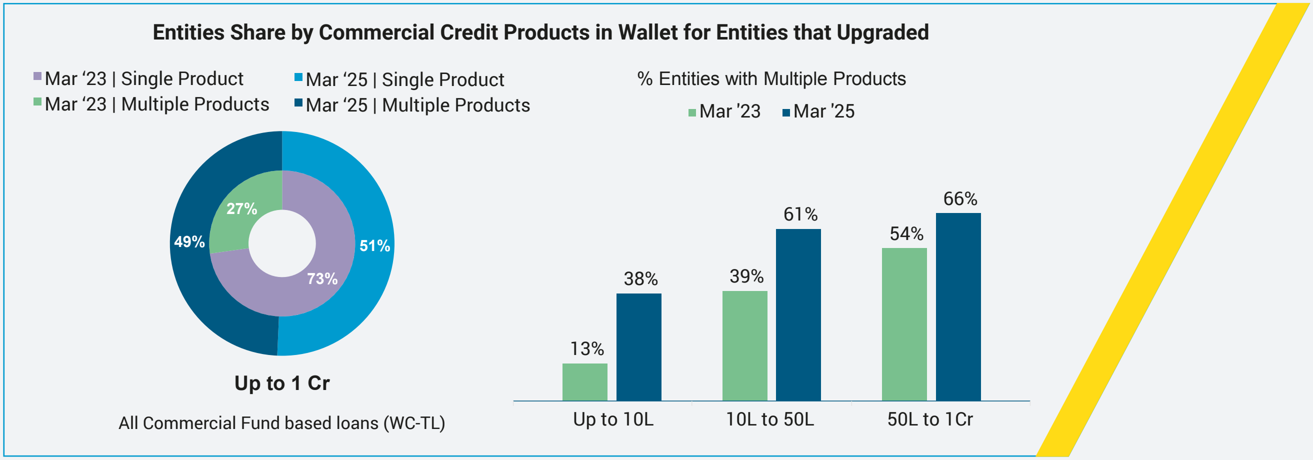
These patterns suggest that entities with stronger credit profiles, are more likely to scale and grow over time. Such migrating entities not only grow their credit exposure but also diversify their commercial loan portfolio. Therefore, it is essential for lenders to actively nurture relationships with small, emerging MSME and prioritize the acquisition of low-risk entities. This strategy not only supports short-term portfolio expansion but also positions lenders to capitalize on future growth opportunities as these entities' credit requirements evolve and diversify.

12% of entities with aggregate credit exposure up to ₹1 Cr migrated to a higher exposure segment within 24 months

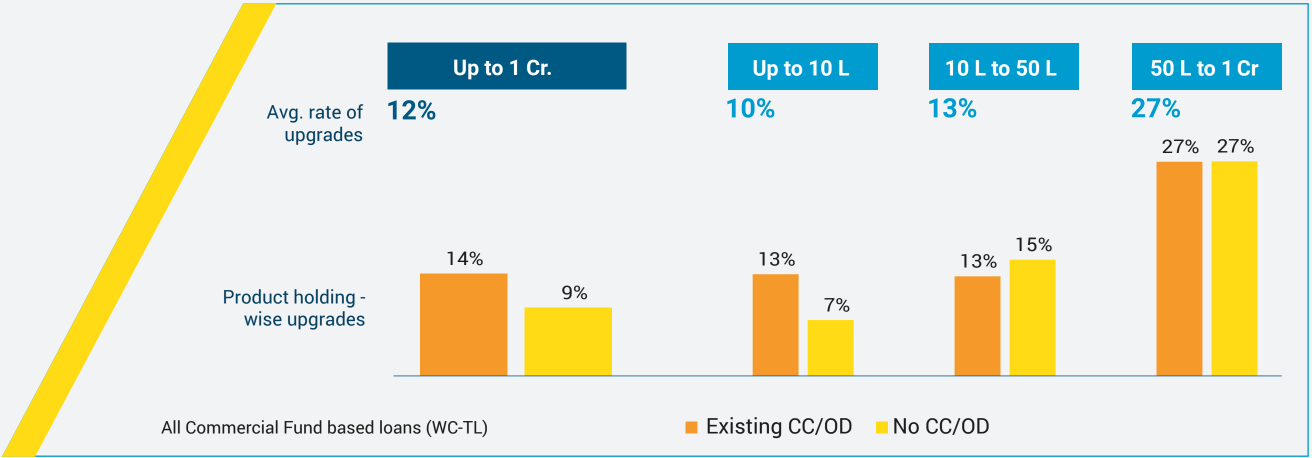


Source: TransUnion CIBIL commercial credit database

An increase in share of entities holding multiple commercial credit products reflects growing financial maturity as entities migrate upwards

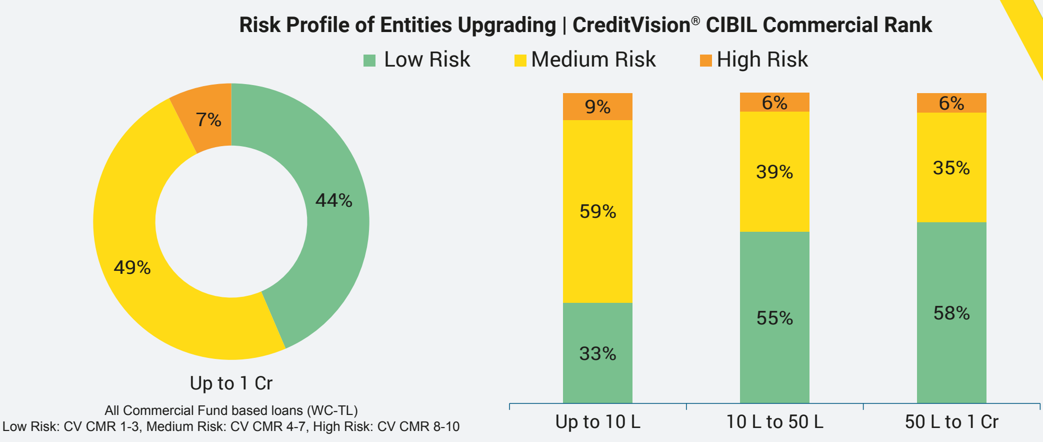


Entities with CC/OD in their wallet witnessed higher upgrade for entities with aggregate credit exposure up to ₹10 L



Source: TransUnion CIBIL commercial credit database

Risk profile for entities upgrading to higher segment indicate strong credit behavior with a high share of low to medium risk profile entities



All Commercial Fund based loans (WC-TL)
Low Risk: CV CMR 1-3, Medium Risk: CV CMR 4-7, High Risk: CV CMR 8-10

Source: TransUnion CIBIL commercial credit database

NOTES & DEFINITIONS

1. Commercial entities classified based on credit exposure aggregated at entity level upto ₹ 50 crore for the purpose of this report
2. All commercial Fund based (TL-WC) considered
3. Originations considered excluding Renewals
4. CreditVision® CIBIL Commercial Rank (CV CMR) is enhanced credit risk assessment tool. Low Risk is CV CMR 1-3, Medium Risk is CV CMR 4-7, High Risk is CV CMR 8-10
5. New-to-credit (NTC) MSME Borrowers defined as those who seek first ever commercial credit facility
6. Vintage Delinquency defined as accounts ever 90+ days past due in 12months from origination
7. All numbers mentioned in this MSME pulse report are in ₹ (Indian National Rupee)
8. Quarter Jan-Mar ‘25 values are provisional and subject to revision as additional data is reported to the TransUnion CIBIL credit bureau.

ABOUT SIDBI

Since its formation in 1990, SIDBI has been touching the lives of citizens across various strata of society through its integrated, innovative and inclusive approach. SIDBI has directly or indirectly impacted the lives of Micro, Small and Medium Enterprises (MSMEs) through various credit and developmental measures whether they are traditional, domestic small entrepreneurs, bottom-of-the-pyramid entrepreneurs, or high-end knowledge-based entrepreneurs.

For more information, please visit: https://www.sidbi.in/

ABOUT TRANSUNION CIBIL

India's pioneer information and insights company, TransUnion CIBIL, makes trust possible by ensuring each person and business entity is reliably represented in the marketplace. We do this by providing an actionable view of consumers and businesses, stewarded with care. 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 MSME in India. We serve the financial sector as well as MSME and individual consumers. Our customers in India include banks, credit institutions, NBFC, housing finance companies, microfinance companies, telecom companies and insurance firms.

DISCLAIMER

TransUnion CIBIL

TRANSUNION CIBIL LIMITED
One World Center, Tower 2A-2B, 19th Floor, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013