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JUNE 2025

MSMEx Spotlight

The Rise and Promise of India's Micro, Small, and Medium Exposure Businesses

CHAIRMAN'S FOREWORD

It is with great pride that I present the first edition of our report, capturing the resilience and progress of India's micro, small, and medium business credit landscape.

These enterprises continue to be a vital pillar of the Indian economy-driving employment, enabling inclusive development, and fostering innovation at scale. In recent years, they have benefited from meaningful policy reforms, accelerated digital adoption, and growing institutional support that have unlocked new opportunities for growth.

Credit expansion in this segment has remained strong, powered by advancements in risk assessment models, supportive government initiatives, and a broadening formal lending ecosystem. The ongoing push toward formalization has further improved access to credit, reinforcing the sector's pivotal role in advancing the vision of *Viksit Bharat by 2047.*

As of March 2025, outstanding credit to this segment stood at ₹40.4 lakh crore-reflecting a 20.1% year-on-year growth. Encouragingly, asset quality continues to improve, indicating stronger borrower discipline and deepening confidence among lenders and investors.

Financial institutions-both public and private-have played a transformative role in broadening credit outreach, adapting swiftly to new business models and the momentum of digital lending.

At CRIF High Mark, we remain steadfast in our commitment to providing trusted insights that enable responsible credit growth and informed decision-making. As we navigate an evolving financial landscape, collaboration and innovation will remain key drivers of progress.

We hope this report offers valuable perspectives to all stakeholders working to advance India's entrepreneurial ecosystem.

SACHIN SETH
Chairman, CRIF High Mark
Regional Managing Director,
CRIF India & South Asia

EXECUTIVE SUMMARY

POSITIVE MOMENTUM
By Mar’25, India’s MSMEx credit portfolio reached ₹40.4 lakh crore, growing 20.1% YoY, driven by policy support, business reforms, and digitalization, enabling access to credit.

STRENGTHENING FORMALIZATION
Micro & Small Exposure businesses lead the sector - Small Exposure businesses hold 40% of outstanding credit value, while Micro Exposure businesses dominate in active loans volume (81.1%) - as of Mar'25. The formalization drive has accelerated Micro Exposure businesses credit exposure, up 19.7% YoY and 45.3% in two years between Mar'23 and Mar’25.

LENDER TRENDS (By Value)
As of Mar’25:
- PSU banks dominate Micro Exposure business lending (45.7% market share).
- Private banks lead Small & Medium Exposure businesses (about 50% market share).
- NBFCs continue expanding across borrower segments.

SLIGHT SHIFT IN BUSINESS STRUCTURES (By Value)
Proprietorships remain dominant (62.8% as of Mar’25) for Micro Exposure businesses but declined from 65.4% in Mar’23. Private limited companies increased (5.5% to 7.3%) over the same period, indicating a gradual shift toward formalization.

CREDIT UTILIZATION TRENDS (By Value)
- Working capital loans continue to dominate (over 50% as of Mar’25), supporting operational needs.
- Term loans for Micro Exposure businesses have increased (37.5% in Mar’23 to 39.7% in Mar’25), signaling improved lender confidence.
- Unsecured business loans also increased (5.0% to 8.5% between Mar’23 and Mar’25) for Micro Exposure businesses, driven by digital/app-based lending.

INDUSTRY COMPOSITION (By Value)
Trade remains the leading activity for Micro Exposure businesses (44.4%), while Manufacturing leads Medium Exposure businesses. Services sector share grew from 15.8% (Mar’23) to 17.4% (Mar’25) for Micro Exposure businesses, driven by an expanding services economy and skill development programs.

GEOGRAPHIC TRENDS (By Value)
Growth is broad-based across regions, with all top states recording double-digit portfolio expansion. Maharashtra leads with ₹6.2 lakh crore in credit exposure as of Mar’25, up 14.8% YoY.

ORIGINATIONS SHIFT (By Value)
Overall MSMEx originations declined by 7.4% between FY24 and FY25, primarily driven by a 35% drop in Micro Exposure business originations. Small and Medium Exposure businesses registered growth in both value and volume, likely indicating a strategic pivot toward higher-value borrower segments.

ASSET QUALITY IMPROVEMENTS
This indicates stronger credit behavior, with PAR (Portfolio At Risk) 31–180% improving or at most stabilizing across borrower segments:
- Micro Exposure business: 4.4% (Mar’23) to 4.2% (Mar’25)
- Small Exposure business: 2.8% to 2.5%
- Medium Exposure business: 2.3% to 2.4%

EXECUTIVE SUMMARY

IMPORTANT NOTE

For the purpose of this report, references to CRIF High Mark data categorize borrowers based on their aggregated credit exposure:

Borrowers	Exposure Limits
Micro Exposure Business	Upto INR 1 Cr
Small Exposure Business	> INR 1 Cr to INR 10 Cr
Medium Exposure Business	> INR 10 Cr to INR 50 Cr

MSMEx refers to Micro, Small, Medium Exposure Businesses.
This report covers all Fund and Non-Fund based credit facilities.

OVERVIEW AT A GLANCE

(Based on Dominant Portfolio Outstanding in Value)

Mar'25	Micro	Small	Medium
POS (₹ L Cr)	10.8	16.0	13.5
Lender type	PSU banks	Private banks	Private banks
Legal constitution	Proprietorship	Proprietorship	Private Limited
Product type	Working capital	Working capital	Working capital
Product loan type	Cash credit	Overdraft	Term loan
Industry activity	Trading	Trading	Manufacturing
Average ticket size (₹ Lakh)	20.4	91.4	288.6
PAR 31-180%	4.2%	2.5%	2.4%
Risk distribution focus (POS Exposure considered and based on CIBR - CRIF India Business Rank)*	Lower risk borrowers	Lower risk borrowers	Lower risk borrowers

*CIBR provides a 13-tranche ranking framework, enabling lenders to precisely differentiate credit risk across various business profiles. Risk Bands: Very Low Risk (CIBR-1 to CIBR-6), Low Risk (CIBR-5 to CIBR-7), Medium Risk (CIBR-8 to CIBR-9), High Risk (CIBR-10 to CIBR-11), Very High Risk (CIBR-12 to CIBR-13)

India's MSME sector is evolving into a powerhouse of inclusive, tech-driven growth. With rising digitization, government incentives, and greater credit access through NBFCs, small businesses are scaling faster and smarter. Credit bureau scores, when paired with alternative data, are enabling faster, sharper lending decisions—transforming how working capital flows. As India pushes toward a $5-trillion economy, MSMEs are poised to lead the charge—provided we keep pace with digital infrastructure and skilling to unlock their full potential.

SUDIPTA ROY
Managing Director and Chief Executive Officer,
L&T Finance Ltd.

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CREDIT PORTFOLIO TRENDS

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CREDIT EXPOSURE TRENDS

By the end of Mar’25, the total outstanding portfolio surged to ₹40.4 lakh crore, reflecting a 20.1% YoY growth from ₹33.6 lakh crore in Mar’24 and a steady rise from ₹28.3 lakh crore in Mar’23.

This growth was driven by strengthened priority sector lending (PSL) policies, government initiatives, and digitalization, which collectively expanded lending and improved credit accessibility.

Active loans reached 211.8 lakh as of Mar’24, reflecting a 23.7% YoY increase from Mar’23. Growth then stabilized, with a modest 1.3% YoY rise between Mar’24 and Mar’25.

MSMEx Aggregate Credit Exposure – Portfolio Exposure and Active loans

Figure 1

	Mar'23	Mar'24	Mar'25
Portfolio Outstanding (₹ L Cr)	28.3	33.6	40.4
Y-o-Y Growth%		▲ 18.5%	▲ 20.1%
Active Loans (L)	171.2	211.8	214.5
Y-o-Y Growth%		▲ 23.7%	▲ 1.3%
PAR 31-90%	1.7%	1.7%	1.7%
PAR 91-180%	1.3%	1.3%	▼ 1.2%
PAR 180+%	7.6%	▼ 6.6%	▼ 5.7%

BORROWER SEGMENT ANALYSIS

Small Exposure businesses account for the largest share of overall credit outstanding (40% as of Mar’25), while Micro Exposure businesses lead in volume (81.1% as of Mar’25). Micro Exposure businesses have seen substantial growth in credit exposure, rising 19.7% YoY as of Mar’25 and 45.3% between Mar’23 and Mar’25.

This trend is further reflected in Udyam Assist Platform registrations, which aim to integrate micro-enterprises into the formal sector, granting them access to government schemes and collateral-free loans - crucial for their expansion and long-term sustainability. As of June 24, 2025, the Udyam and Udyam Assist portals had ~6.5 crore registered enterprises, with micro businesses comprising 6.4 crore of them.

MSMEx portfolio trends – across borrower segments

Figure 2

Portfolio outstanding (₹ L Cr)

Borrower segment	Mar'23	Mar'24	Mar'25	YoY (Mar'24 to Mar'25)	Share of total (Mar’25)
Micro	7.5	9.1	10.8	19.7%	26.7%
Small	11.3	13.4	16.0	19.6%	39.9%
Medium	9.5	11.2	13.5	21.2%	33.4%
Grand total	**28.3**	**33.6**	**40.4**	**20.1%**	

Active Loans (L)

Borrower segment	Mar'23	Mar'24	Mar'25	YoY (Mar'24 to Mar'25)	Share of total (FY25)
Micro	138.3	172.7	174.0	0.8%	81.1%
Small	24.2	29.3	30.1	2.8%	14.0%
Medium	8.7	9.8	10.4	5.4%	4.8%
Grand total	**171.2**	**211.8**	**214.5**	**1.3%**	

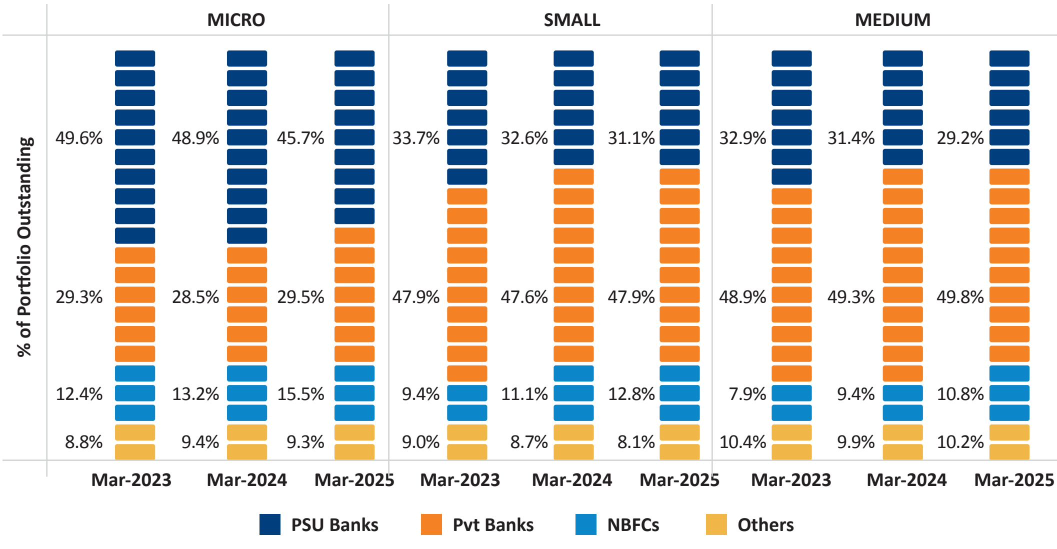
LENDER TYPE ANALYSIS

PSU banks remain the dominant lenders for Micro Exposure businesses, holding a 45.7% market share as of Mar'25, while private banks lead in lending to Small and Medium Exposure businesses with about 50% share.

NBFCs have expanded their presence across various borrower segments, while private banks have also gained market share. This growth is likely influenced by the inclusion of bank credit to NBFCs for on-lending to small industries under the priority sector lending framework.

Portfolio exposure by lender type and borrower segments

Figure 3



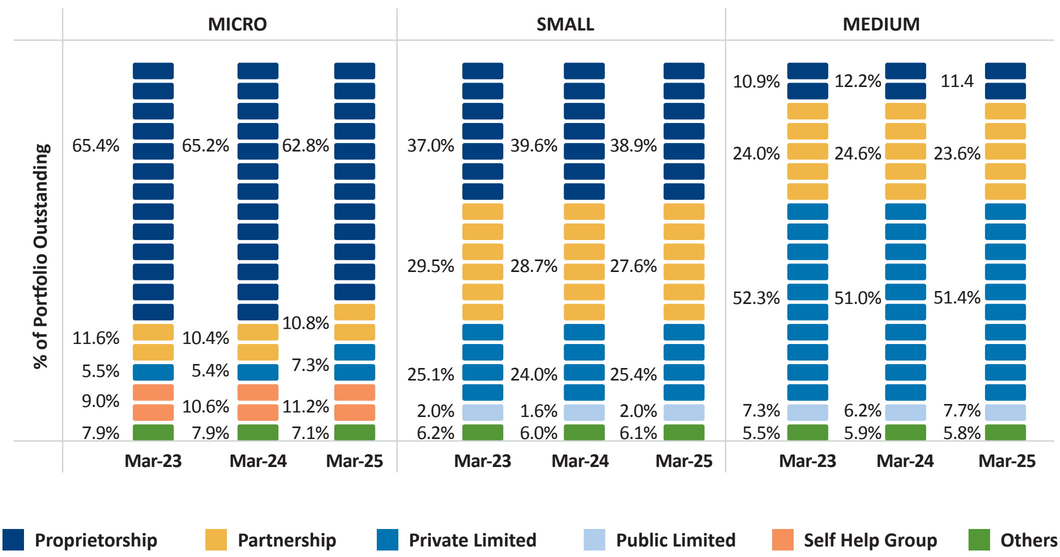
LEGAL CONSTITUTION TRENDS

In Micro, credit exposure remains heavily skewed towards proprietors, accounting for 62.8% as of Mar’25. Meanwhile, Medium Exposure businesses exhibit greater diversity in legal structures, with private enterprises making up 51% of the share.

Although proprietorship remains the dominant structure in micro exposure businesses, its share has slightly declined from 65.4% in Mar’23 to 62.8% in Mar’25, while private limited firms have increased from 5.5% to 7.3% over the same period. This shift reflects a gradual transition toward more formal business structures, driven by digitalization and policy support expanding opportunities (like Udyam Assist Platform and e-Marketplace procurement opportunities).

Portfolio Exposure by legal constitution

Figure 4



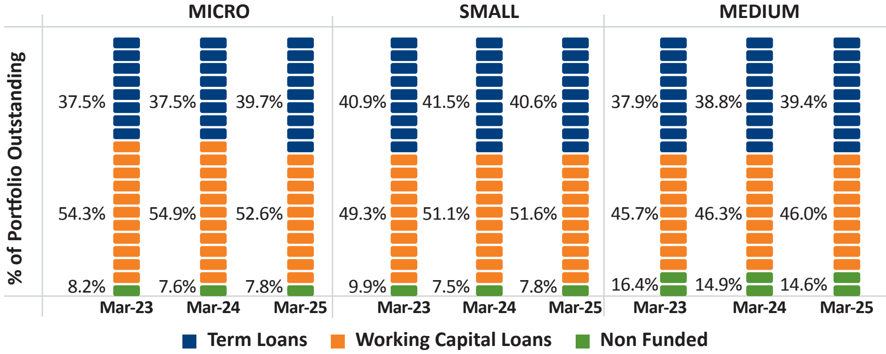
PRODUCT TYPE TRENDS

The distribution of working capital and term loans is influenced by operational needs, sector growth, and policy initiatives. Across borrower segments, working capital loans dominate, accounting for around 50% of the total, reflecting the cyclical and operational demands of businesses.

Meanwhile, the share of term loans for Micro Exposure businesses has risen marginally from 37.5% in Mar'24 to 39.7% in Mar'25, indicating growing lender confidence in the sector, supported by regulatory schemes and incentives.

Portfolio exposure by product type

Figure 5

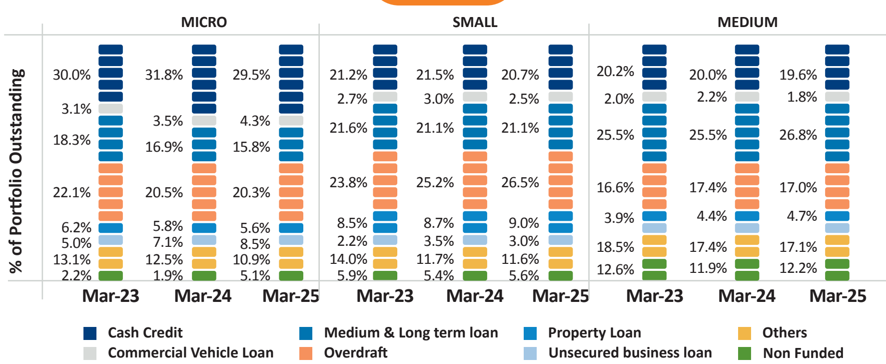


Further bifurcating into product loan types, cash credit remains the largest component of the portfolio for Micro Exposure businesses, increasing from 30.0% (Mar'23) to 31.8% (Mar'24), and then reducing slightly to 29.5% in Mar'25, indicating their sustained reliance on cash credit for working capital needs, while the share of term loans has marginally increased for Medium Exposure businesses.

Unsecured business loans for Micro Exposure businesses rose from 5.0% to 8.5% between Mar'23 and Mar'25, likely driven by the growing share of digital/app-based small-ticket loans to micro businesses. Meanwhile, term loans saw a marginal decline from 18.3% to 15.3%, while cash credit remained largely unchanged. The share of commercial vehicle loans for Micro Exposure businesses has also seen a slight increase, rising from 3.1% to 4.3% over the period.

Portfolio exposure by product loan type

Figure 6



INDUSTRY ACTIVITY ANALYSIS

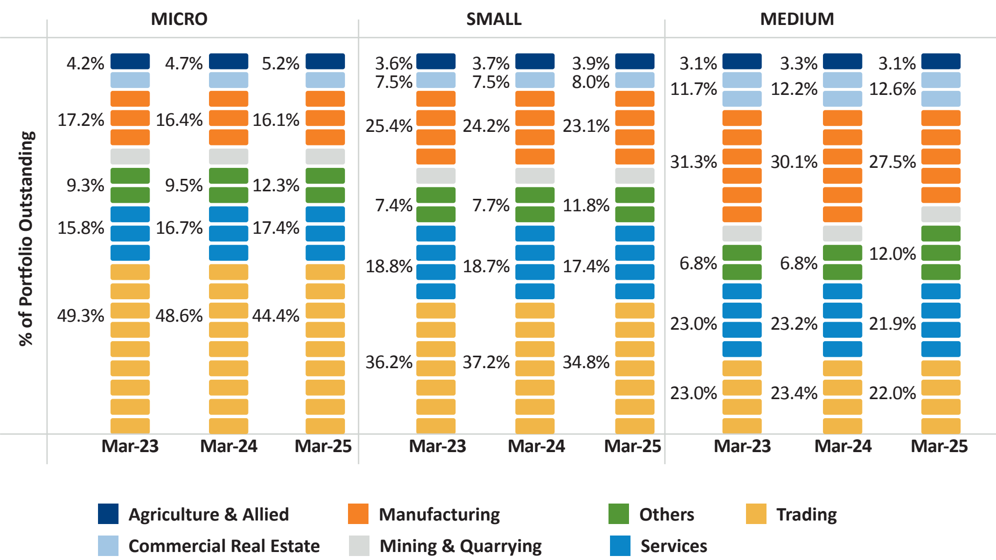
Across all borrower segments, there is a noticeable shift in credit exposure away from trade. For Micro Exposure businesses, trade exposure declined from 49.3% (Mar'23) to 44.4% (Mar'25), with Small and Medium Exposure businesses also seeing marginal reductions during the period.

A SIDBI study* (published in May'25) highlights that the addressable credit gap remains highest in the trading sector (~33%), followed by services (~27%) and manufacturing & allied sectors (~20%).

Meanwhile, the share of services has increased from 15.8% (Mar'23) to 17.4% (Mar'25) for Micro Exposure businesses, driven by the expanding services economy and supported by skill development programs. Additionally, commercial real estate exposure in Medium Exposure businesses rose from 11.7% (Mar'23) to 12.6% (Mar'25), reflecting ongoing sectoral diversification.

Portfolio exposure by industry activity

Figure 7



*https://www.sidbi.in/uploads/Understanding_Indian_MSME_sector_Progress_and_Challenges_13_05_25_Final.pdf

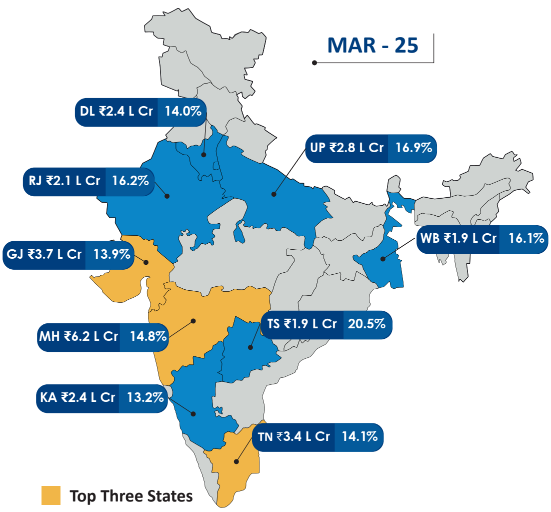
GEOGRAPHIC ANALYSIS

Portfolio exposure saw double-digit growth across all top states between Mar’24 and Mar’25, reflecting broad-based expansion. Maharashtra leads with a credit exposure of ₹6.2 lakh crore, up 14.8% YoY, mirroring its position in statewise Udyam registrations, where it tops the list with ~84 lakh registered units as of May’25.

Most states reported either stable or improved PAR percentages. However, Tamil Nadu, Maharashtra and Karnataka, despite showing delinquency improvement or stability, continue to have among the highest delinquency levels (≥1.5%), necessitating closer monitoring, particularly given their large portfolio sizes.

Portfolio exposure by geography

Figure 8



	PAR 91-180%	
State	Mar-24	Mar-25
MH	1.8%	1.7%
GJ	0.6%	0.8%
TN	2.4%	2.0%
UP	0.9%	0.9%
DL	1.2%	1.2%
KA	1.7%	1.7%
RJ	0.6%	0.6%
TS	1.3%	1.2%
WB	1.5%	1.5%
HR	0.6%	0.6%
Pan India	1.3%	1.2%

The figures in the map represent POS, while the percentages indicate YoY growth.

LOAN DISTRIBUTION

This is highly concentrated. While 85.2% of borrowers have just one loan, they account for only 37.5% of the total portfolio. In contrast, a small group with multiple loans holds a disproportionate share-borrowers with 3–5 loans make up just 4.3% but control 22% of credit, while those with 6+ loans (1.3% of borrowers) hold another 25.3%.

Distribution of borrowers and loan exposure in the overall industry (as of Mar'25)

Figure 9

Number of active loan count	Borrowers share (%)	POS (Share %)	Average exposure per borrower (₹ in lakh)
1	85.2%	37.5%	11.2
2	9.1%	15.5%	43.5
3 - 5	4.3%	21.7%	128.4
6 - 10	0.9%	12.8%	351.0
>10 loans	0.4%	12.5%	712.3
Industry	**100.0%**	**100.0%**	**25.5**

ORIGINATIONS DYNAMICS

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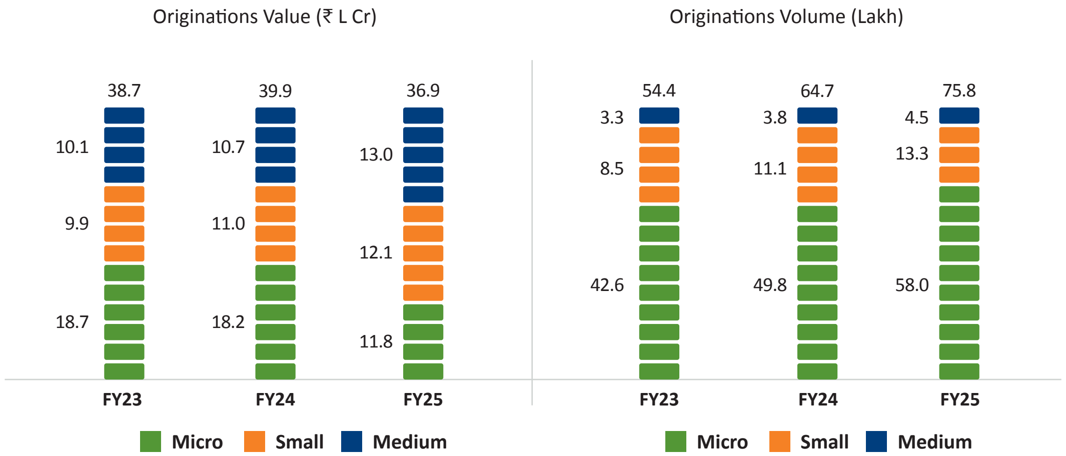
OVERVIEW OF MSMEx CREDIT ORIGINATIONS DYNAMICS

Overall originations value declined 7.4% YoY from FY24 to FY25, reaching ₹36.9L Cr-largely driven by a sharp 35% YoY drop in Micro exposure business originations (₹18.2L Cr to ₹11.8L Cr). Meanwhile, growth in Small and Medium exposure businesses across both value and volume points to a strategic shift toward higher-value borrower segments.

Originations value and volume across borrower segments

Figure 10



Average Ticket Size (₹Lakh)

Borrower segment	FY23	FY24	FY25
Micro	43.8	36.6	20.4
Small	116.0	98.6	91.4
Medium	309.4	282.6	288.6
Grand total	**469.2**	**417.7**	**400.4**

Originations include all Fund and Non-Fund based credit facilities. Both fresh disbursements and renewals are included.

The average ticket size for overall MSMEx has declined by 4% Y-o-Y, with a 44% decline in Micro Exposure businesses and 7.3% decline in Small Exposure businesses.

PERFORMANCE INDICATORS

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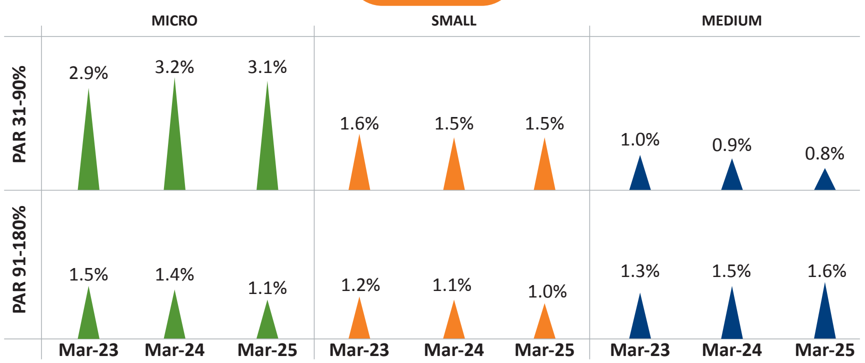
PERFORMANCE INDICATORS

PAR indicators reflect an overall improvement in asset quality, with PAR 31–180% improving across borrower segments overall, signalling better credit and repayment behaviour within these industries. Various factors, including proactive risk detection frameworks, enhanced monitoring, and the adoption of digital payment platforms to improve transparency, may be contributing to these positive trends.

However, Micro Exposure businesses continue to exhibit the highest PAR among segments (4.2% overall PAR 31-180% as of Mar'25), highlighting their greater vulnerability to economic cycles, while medium exposure businesses remain the least risky.

PAR 31-90% and 91-180% by borrower segment

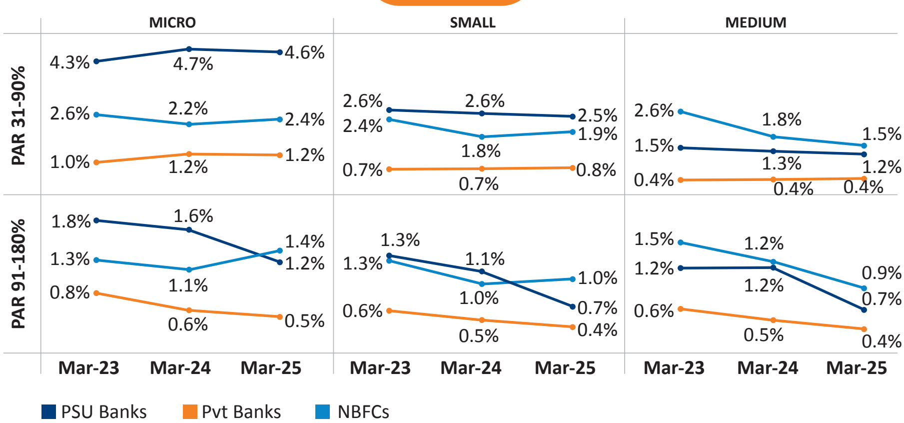
Figure 11



An analysis by lender type reveals that PSU banks have shown the most significant improvements across all borrower segments, especially in PAR 91-180%. Private banks consistently maintain the lowest PAR percentages, reinforcing their lower-risk portfolio. However, NBFCs are witnessing a rise in PAR 31–180% for both micro and small segments, highlighting the need for closer monitoring.

PAR 31-90% and 91-180% by lender type

Figure 12



RISK MONITORING

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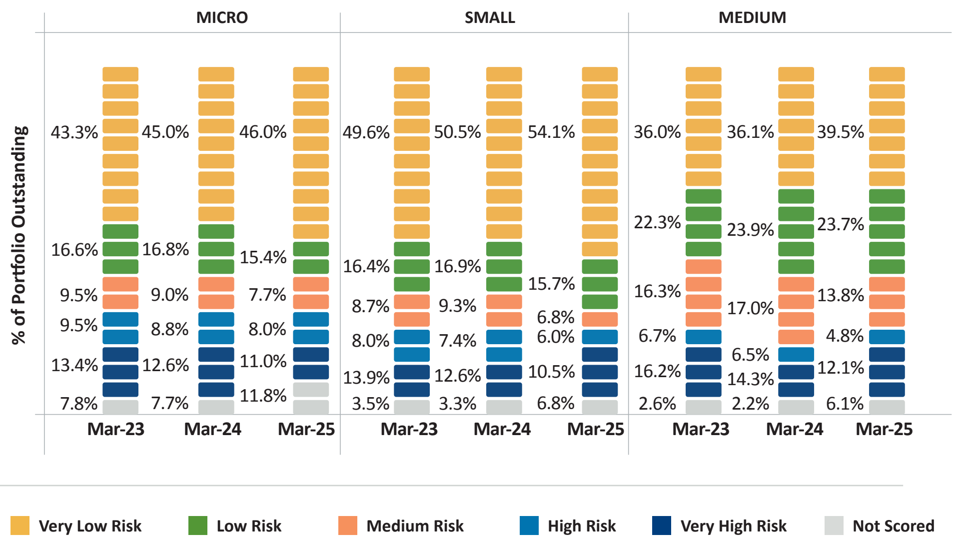
RISK MONITORING

The portfolio's risk profile seems to be improving overall, with fewer high-risk entities and a larger percentage shifting toward lower risk categories. Micro Exposure businesses have seen their combined low-risk profiles (Very Low Risk + Low Risk) rise from 59.9% in Mar'23 to 61.4% in Mar'25, while Small Exposure businesses improved from 66.0% to 69.8%, and Medium from 58.3% to 63.2%. Simultaneously, exposure to High Risk and Very High Risk segments has declined, reflecting strengthened risk assessment practices and a more cautious approach to lending.

Portfolio Score distribution

Figure 13



(Portfolio exposure considered. The above risk distribution is based on CIBR-CRIF India Business Rank. CIBR provides a 13-tranche ranking framework, enabling lenders to precisely differentiate credit risk across various business profiles. Risk Bands: Very Low Risk (CIBR-1 to CIBR-6), Low Risk (CIBR-5 to CIBR-7), Medium Risk (CIBR-8 to CIBR-9), High Risk (CIBR-10 to CIBR-11), Very High Risk (CIBR-12 to CIBR-13))

CRIF's CIBR has provided a forward-looking indication of risk migration of Micro, Small, and Medium Exposure businesses, which reflects the stable and marginally improving delinquencies in this segment.

GLOSSARY

- This report covers all Funded and Non funded Credit Facilities
- Working Capital Loans include Cash Credit, Overdraft, Demand Loans, Packing credit etc.
- Term Loans include Long term loans (>3 yrs), medium term loans (Between 1-3 yrs), Short term loans (<1Yr), Property loans, Commercial Vehicle loans, Unsecured Business loans etc.
- Other Lender types include Small Finance Banks, Foreign Banks, Cooperative Banks, Regional Rural Banks etc.
- Portfolio Outstanding or value refers to the current outstanding balance of the loan account
- Active loans or volume refers to the number/count of active loans
- Market share by value refers to the share of different lender types/financiers in the current outstanding balance
- Market share by volume refers to the share of different lender types/financiers in the number of active loans
- Originations Value refers to the total sanctioned amount, unless otherwise mentioned
- Originations Volume refers to the number of loans sanctioned, unless otherwise mentioned
- PAR or Portfolio at Risk refers to the proportion of delinquent portfolio
- ATS or Average ticket Size refers to the average sanctioned amount

ABOUT THIS REPORT

"As India's MSME backbone continues to evolve, data-backed decisions will be critical. This report is intended as a trusted resource to support lenders, policymakers, and ecosystem partners in driving financial inclusion and credit expansion responsibly."

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ABOUT CRIF HIGH MARK

CRIF High Mark is an RBI licensed credit bureau in India that commenced its bureau operations in March 2011. CRIF High Mark offers Credit Bureau Information and Identification and fraud prevention services. It is India's first full-service credit information company which provides comprehensive credit information for all borrower segments, namely Commercial, Consumer, and Microfinance borrowers. With the databases of individuals and businesses from over 5,000 financial institutions CRIF High Mark provides credit information services and supports millions of lending decisions every month.

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