



Small Business Spotlight Report

State in Focus: Gujarat

Third Edition:

March 2026

(Data as of Dec'25)

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Introduction

“Small Business” is defined here as those businesses that have an aggregated credit exposure not exceeding ₹5 crore from the formal lending system. This study not only takes into account the enterprises in the commercial bureau but also individual proprietors who have taken loans for “business purpose” in their individual names. It needs to be noted that “Small Businesses” for the purpose of this report does not refer to the government classification of MSME (Micro, Small, Medium Enterprises). However, we believe that a predominant section of micro and small enterprises, as per the latest definition, is covered within the ₹5 crore credit exposure.

Small Business product types

This covers **enterprises** taking Working Capital, Term Loans, and LAP. This apart, individuals (**sole proprietors**) also avail loans for business purposes under select product categories viz. Business Loans (BL), Commercial Vehicle Loans (CVL), Construction Equipment Loans (CEL), and Loan Against Property (LAP), which is reported separately to the consumer bureau. Such loans have also been considered for analysis purpose in this report.

EXECUTIVE SUMMARY

Resilient Expansion of Small Business Credit

India's small business credit ecosystem—covering enterprises and individual borrowers with exposure up to ₹5 crore—has remained resilient despite global headwinds. As of December 2025, aggregate credit exposure stood at ₹47.8 lakh crore, registering a growth of 14.9% YoY.

Sole Proprietors Drive Portfolio Scale

Sole proprietors, both with and without entity presence, constitute for nearly 80% of the overall portfolio outstanding and pure sole proprietors account for 62.5% of active loans and 73% of total borrowers, making them the dominant driver of portfolio growth and borrower addition.

Originations Maintain a Healthy Momentum

Overall origination value grew at a healthy 13.3% YoY between December 2024 and December 2025. Sole proprietor originations volume increased by 15% YoY, supported by higher participation of women borrowers (23.9% share) and borrowers below 35 years of age. Average ticket size in the sole proprietorship segment remained stable at ₹3.34 lakh.

Steady increase in NBFC Market Share

NBFCs increased their share of the overall small business loan portfolio to 28.0% in December 2025, up from 26.8% a year earlier. Their role is particularly pronounced in lending to sole proprietors, where they account for 41.6% of outstanding portfolio (excluding those who also operate through commercial enterprises), reflecting their effectiveness in serving smaller and collateral-backed credit needs.

Stability in Asset Quality of Portfolio Amidst Growth

Portfolio quality remained stable with PAR 31–90 days at 3.5% and PAR 91–180 days at 1.3%. These metrics were largely unchanged sequentially between September and December 2025.

Credit penetration in rural and semi-urban areas gathers pace

The top ten states account for nearly 72% of total portfolio outstanding, with Uttar Pradesh, Telangana, and West Bengal contributing most to incremental growth. Beyond large urban centres, BT100¹ cities now represent close to 40% of sole proprietor credit, highlighting deeper rural and semi-urban penetration and progress in financial inclusion.

NTC Borrowers propel Formalization while overall Credit Risk Profiles improve

Formalisation continues to deepen, with 23.3% of sole proprietor and 11% of enterprise originations over the past 12 months coming from new-to-credit borrowers. Simultaneously, the risk profiles improved: the share of Very Low and Low Risk borrowers (as categorized by CRIF²) rose from 64.8% to 69.1% for enterprises and from 50.3% to 55.8% for sole proprietors between December 2023 and December 2025.

Gujarat: A State-Level Case Study: Steady Growth along with Robust Asset Quality

Gujarat's small business portfolio expanded from ₹3.5 lakh crore to ₹3.9 lakh crore between December 2024 and December 2025, reflecting 11.8% YoY growth. Enterprises led origination growth has also been strong at 16.7% YoY as of Q3 FY26. Active loans increased 9.8% YoY to 42.4 lakh, while PAR 91–180 improved to 0.9%, well below the national average of 1.3%.

Improving Credit Flow in Aspirational Districts

Small business credit in aspirational districts grew sharply from ₹2.7 lakh crore to ₹3.2 lakh crore (18.4% YoY), with active loans rising to 72.2 lakh. Despite rapid expansion, asset quality improved, as PAR 91–180 declined from 1.8% to 1.4%, narrowing the gap with national benchmarks.

¹ BT 100 definition: Top 8, Top 9-50, Top 51-100 and Beyond Top 100 (BT100) cities are classified based on highest aggregated portfolio outstanding of consumer loans reported to CRIF High Mark, at the end of the financial year

² Risk distribution for Enterprises 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-4), 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). Risk distribution for Sole Proprietors is based on CRIF Credit Score, ranging from 300 to 900, predicts the possibility of customer defaulting. Score bands: Very High Risk (300–399), High Risk (400–577), Medium Risk (578–644), Low Risk (645–693), Very Low Risk (694–900), and Not Scored.

Chapter

1

The Small Business Credit Landscape



The small business ecosystem has demonstrated consistent strength and resilience. As of Dec'25, the small business portfolio outstanding stood at **₹47.8 lakh crore**, supported by a favourable domestic economic environment as well as policy-driven initiatives and schemes that continue to sustain demand.

PAR metrics remained stable across buckets despite the expansion, reflecting proactive lender monitoring and improved risk selection. The use of digital trails continues to further strengthen asset quality even as the portfolio continues to grow.

Growth however, moderated to **14.9% YoY as of Dec'25**, compared to 20% YoY in Dec'24, indicating the effect of a higher base. At the same time, **active loans grew at a faster pace - 13.8% YoY in Dec'25 versus 9.6% YoY in Dec'24** - highlighting the rising share of smaller exposure loans in the overall loan count.

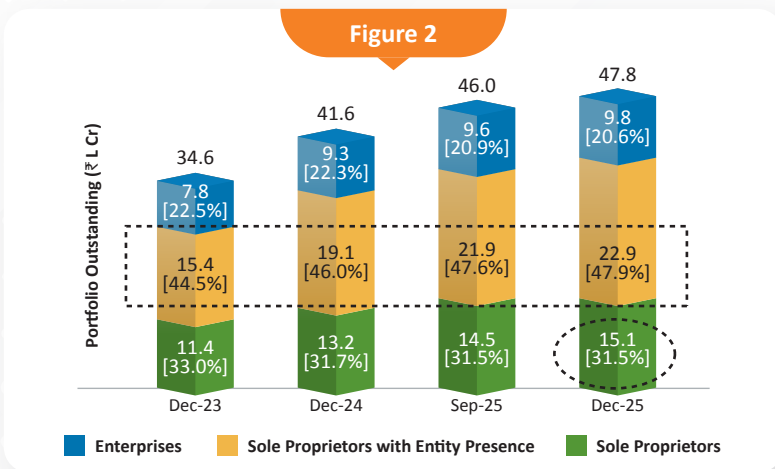
Overall Small Business credit exposure trends

Figure 1

	Dec-23	Dec-24	Sep-25	Dec-25
Portfolio Outstanding (₹ L Cr)	34.6	41.6	46.0	47.8
YoY%		20.0%	16.2%	14.9%
Number of active loans (Cr)	6.0	6.6	7.3	7.5
YoY%		9.6%	11.8%	13.8%
PAR 31-90	3.4%	3.5%	3.4%	3.5%
PAR 91-180	1.6%	1.4%	1.4%	1.3%
PAR 181-720	3.7%	3.1%	3.0%	3.0%

Portfolio outstanding is for credit exposure up to 720 days. PAR 181 – 720 represents loans that are between 181 to 720 days past due and reported to the bureau. However, this may also include loan accounts that are likely written off by the lender and not reported separately under write-offs to the bureau.

Small Business share and growth - By portfolio outstanding



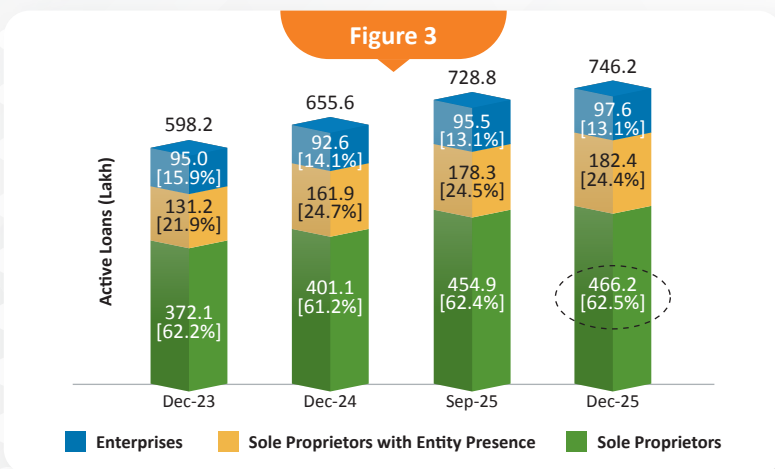
Sole proprietors - both with and without entity presence - constitute about 80% of the overall small business POS share (Dec'25).

POS growth is also driven by this cohort

- Sole proprietors with entity presence: 4.6% QoQ, 19.9% YoY
- Sole proprietors: 4.1% QoQ, 14.4% YoY

% Figures in brackets represent share of Portfolio Outstanding³.

Small Business share and growth - By active loans



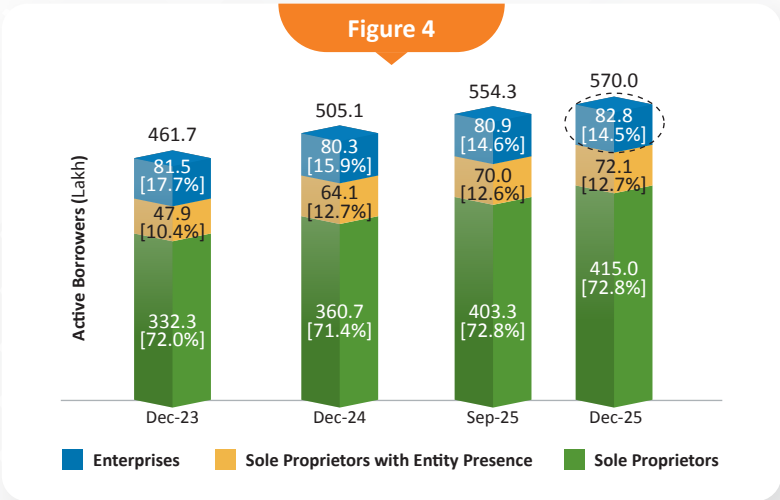
In terms of active loans, pure sole proprietors hold the largest share at 62.5% as of Dec'25, followed by the overlap segment.

YoY growth mainly driven by sole proprietors (16.2%).

% Figures in brackets represent share of Active Loans.

³ The ₹9.8 L Cr reported to the commercial repository includes borrowings available in the name of trade or business entities with aggregated credit exposure up to ₹5 crore. Additionally, there are entities under 'Sole proprietors with entity presence', which account for about 43% of their portfolio outstanding. Accordingly, the consolidated enterprise portfolio outstanding stands at about ₹19.6 L Cr as of June'25.

Small Business share and growth - By borrower count



Active enterprise borrowers rebounded in Dec'25 after a slight moderation in Dec'24. The moderation primarily driven by enterprises moving out of the ₹5 crore exposure bracket, according to our analysis.

YoY growth driven by sole proprietors (15.1%) followed by the overlap segment (12.5%).

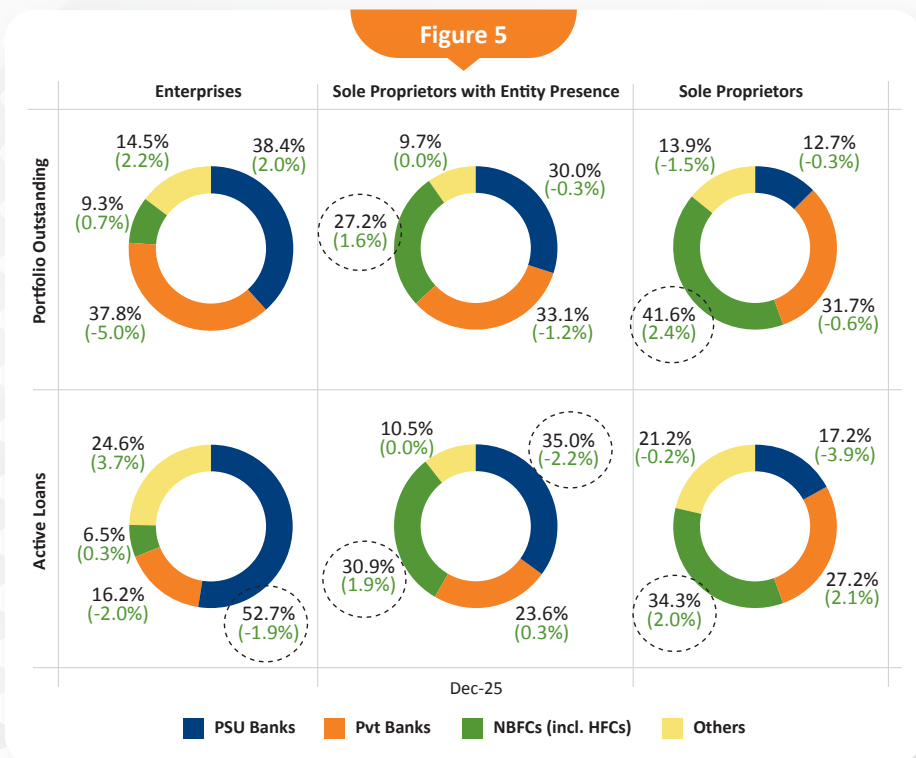
% Figures in brackets represent share of Active Borrowers.



LENDER AND PRODUCT TYPE ANALYSIS

- **NBFCs are expanding their role in funding sole proprietors**, with their share in POS rising to 41.6% and active loans to 34.3% as of Dec'25.
- **Between Dec'24 and Dec'25, NBFC's share in sole proprietors increased by ~2.4% in POS and ~2.0% in active loans** (7% and 10% increase respectively between Dec'23 and Dec'25).
- **In the overlap segment, NBFCs' POS share grew from 23% in Dec'23 to 27.2% in Dec'25**, while their active loans share rose from 25.9% to 30.9% (1.6% and 1.9% increase respectively on YoY basis).
- **However, PSUs and private banks remain the main funding sources for enterprises**, each holding about 38% of POS in value terms.
- **PSU Banks dominate active loans in enterprises** with a share above 50%, driven by their participation in various MSME oriented schemes.

Small Business portfolio exposure - Analysis by lender type - Portfolio outstanding and active loans



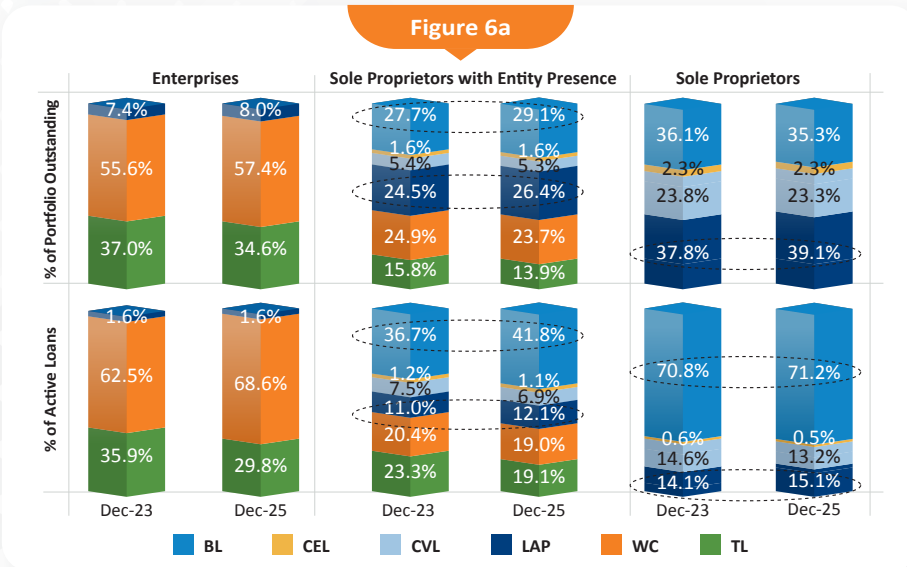
NBFCs are driving growth, but PSUs remain dominant in active loans for enterprises (mainly) and the overlap segment, with shares of 52.7% and 35% respectively as of Dec'25 (for enterprises).

Figures within brackets indicate the change in share from the previous year.

Product mix remained broadly stable between Dec'23 and Dec'25.

- **LAP drove higher growth**, with its POS share rising from 24.5% to 26.4% in the overlap segment and from 37.8% to 39.1% for sole proprietors.
- **Business loans⁴** also gained traction in the overlap segment, with **active loans share increasing from 36.7% to 41.8%**, reflecting the rise of small-ticket loans.
- Working capital remains the dominant product for enterprises, accounting for 57% of POS, while for sole proprietors LAP (39.1%) and BL (35.3%) together form the major POS share.

Small Business portfolio exposure - Analysis by product type - Portfolio outstanding and active loans



While LAP's share is rising, BL remains the dominant product in active loans for the sole proprietors segment.

Note: Within term loans, 60% of the portfolio value corresponds to loans with a tenure exceeding one year - most likely availed for capital expenditure.

PSU Banks dominate BL and WC credit, while NBFCs (incl. HFCs) have the highest share of CEL, CVL and LAP financing to small businesses. Pvt Banks have the highest TL portfolio outstanding share as of Dec'25.

Small Business portfolio exposure - Analysis by product category & lender type

Figure 6b

Share of Portfolio Outstanding (Dec'25) for the respective product category

Product Category	Leading Lender Type
BL	PSU Banks (33.1%)
WC	PSU Banks (50.6%)
CEL	NBFCs (41.5%)
CVL	NBFCs (65.7%)
LAP	NBFCs (43.2%)
TL	Pvt Banks (31.1%)

⁴ Includes Unsecured Business Loans (Business Loan General, Business Loan Unsecured, Loan to Professional), Secured Business Loans (Overdraft, Business Loan Priority Sector Small Business, Business Loan - Secured, Business Loan Priority Sector Others), and Other Business Loans not elsewhere classified.

GEOGRAPHY AND INDUSTRY ACTIVITY ANALYSIS

The **top 10 states account for ~72% of consolidated POS**, with the share unchanged between Dec'23 and Dec'25. This possibly reflects that credit penetration is making relatively more progress in those states which already has a healthy or improving MSME ecosystem.

- Recent **QoQ growth** was led by **Uttar Pradesh (5.3%), Rajasthan (4.7%), and West Bengal (4.4%)**, while **YoY growth** was also driven by **Telangana (19.7%), followed by Uttar Pradesh and West Bengal.**

- All top 10 states improved delinquency, though **Karnataka still records one of the highest PAR 91-180** at 1.8% versus the Pan-India rate of 1.3%.

The **top five states** account for 46% of the total POS, with growth predominantly driven by Uttar Pradesh, which recorded 19% YoY and 5.3% QoQ growth, according to our analysis.

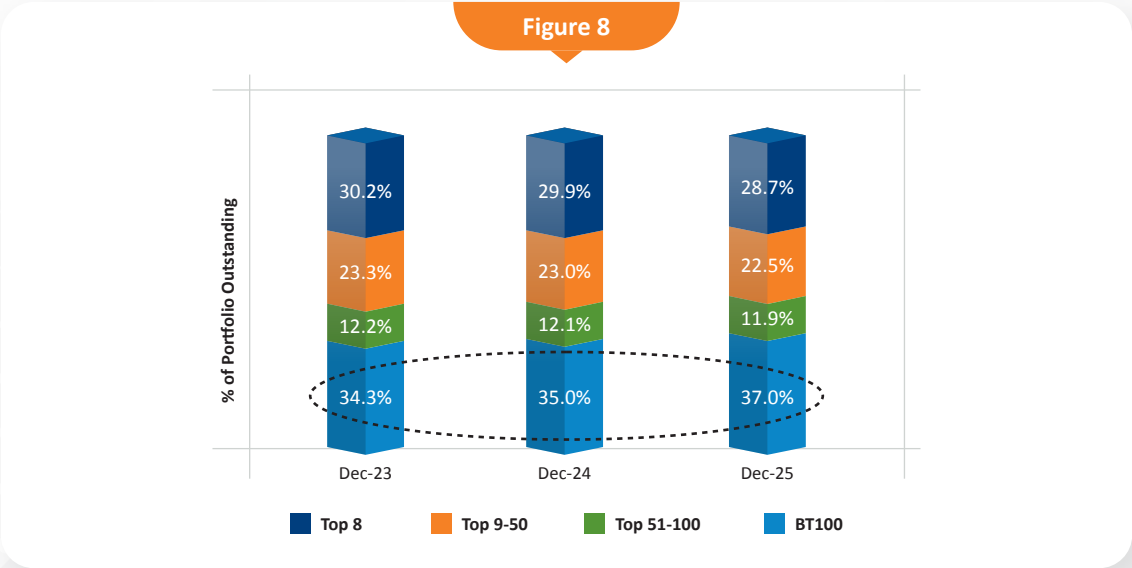
Small Business credit exposure trends by states

Figure 7

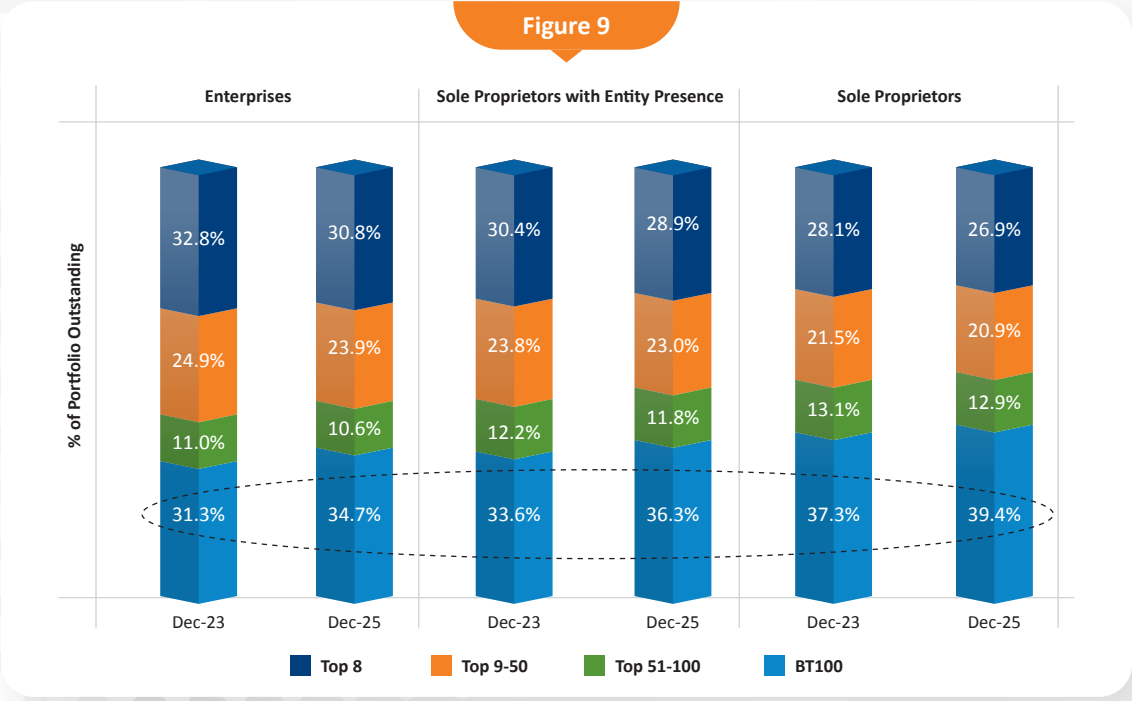
Top 10 States	Portfolio Outstanding (₹ K Cr)		Y-o-Y Growth %	QoQ Growth %	PAR 91-180		
	Dec-24	Dec-25	Dec-25	Dec-25	Dec-24	Sep-25	Dec-25
Maharashtra	564.7	625.6	10.8%	3.3%	1.5%	1.5%	1.4%
Tamil Nadu	395.7	446.9	12.9%	3.3%	1.4%	1.6%	1.5%
Uttar Pradesh	332.6	395.8	19.0%	5.3%	1.4%	1.5%	1.4%
Gujarat	345.2	386.0	11.8%	3.5%	0.8%	0.9%	0.9%
Karnataka	299.4	333.9	11.5%	3.4%	1.7%	2.1%	1.8%
Rajasthan	276.9	319.1	15.2%	4.7%	1.0%	0.9%	1.0%
Telangana	211.3	253.0	19.7%	3.4%	1.0%	1.2%	1.1%
Andhra Pradesh	206.2	237.8	15.3%	3.9%	1.3%	1.5%	1.3%
Madhya Pradesh	190.7	221.1	15.9%	3.9%	1.4%	1.3%	1.4%
West Bengal	172.2	201.9	17.3%	4.4%	1.4%	1.5%	1.5%
Pan India	4,157.6	4,775.8	14.9%	3.7%	1.4%	1.4%	1.3%

Rural growth is significantly driven by the BT 100 cities. Overall, all **borrower segments taken together, BT100 share has increased from 34.3% in Dec'23 to 37% in Dec'25**. Same trend is observed across all borrower segments between Dec'23 and Dec'25, with their share reaching ~40% for sole proprietors as of Dec'25.

Small Business credit exposure trends by city classification - Overall

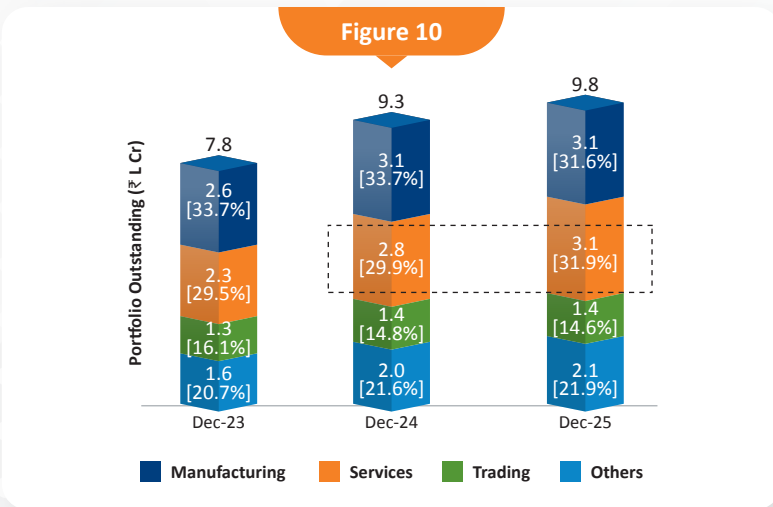


Small Business credit exposure trends by city classification - By borrower segments



**Credit exposure trends by industry activity
(Enterprises with aggregate credit exposure below ₹5 Crore)**

- **Manufacturing and services** form the largest share of industry activity as of Dec'25.
- **Services grew ~11% YoY** to ₹3.1 lakh crore, driven by easier credit access, market support schemes (credit guarantees, marketing assistance, skilling), and the expansion of Udyam registration that brought many sole proprietors into the formalization net.



Enterprise growth by industry activity was largely driven by services as of Dec'25

Figures in brackets represent Portfolio Outstanding share for each industry activity. Industry activity 'Others' comprises activity reported to the bureau as Other Business Activities or not reported by the members to the bureau.

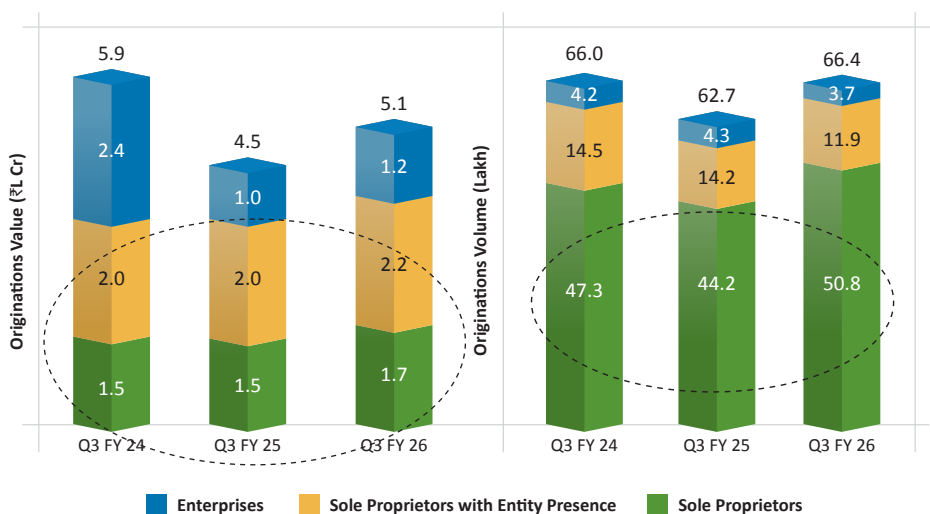


ORIGINATIONS TRENDS

- Small business originations value fell from ₹5.9 lakh crore to ₹5.1 lakh crore (-14%) between Q3 FY24 and Q3 FY26, mainly due to enterprises whose originations dropped from ₹2.4 lakh crore to ₹1.2 lakh crore. However, **overall originations value grew 13.3% YoY between Dec'24 and Dec'25, supported by growth across segments.**
- Sole proprietors (including those with enterprise presence) maintained robust originations with higher average ticket sizes, while enterprise originations moderated both in value and volume.
- Volumes rose only for sole proprietors, increasing from 47.3 lakh to 50.8 lakh between Q3 FY24 and Q3 FY26, with 6% YoY growth between Q3 FY25 and Q3 FY26. **Between Dec'24 and Dec'25, sole proprietor volumes grew 15% YoY.**

Originations for Small Businesses - Value and volume trends

Figure 11



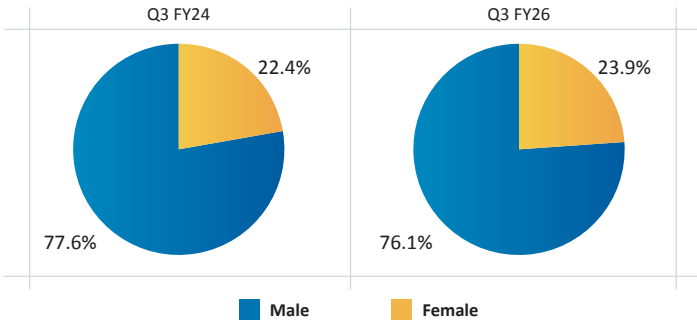
Originations value by Gender: Women’s share in originations value inched up from 22.4% to 23.9%, signalling gradual improvement in female credit participation, though the portfolio remains largely male-dominated.

Originations value by Age: Growth is now anchored in younger borrowers, especially those below 35, while contribution from older segments (46 years +) has moderated, highlighting a shift in credit demand.

Originations value share - Gender

Figure 12

Gender analysis by Originations value

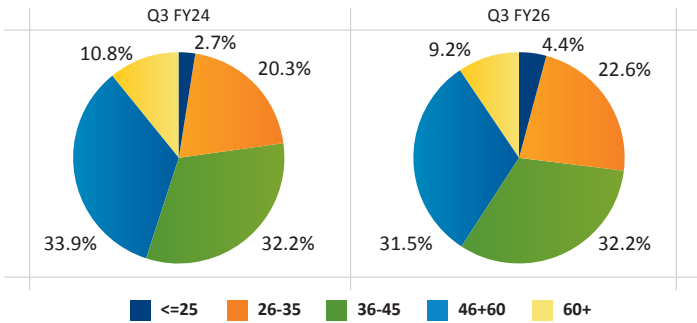


Women's originations value surges 20% from Q3 FY24 to Q3 FY26, pushing share to 24% and highlighting rising credit momentum among women.

Originations value share - Age

Figure 13

Age analysis by Originations value



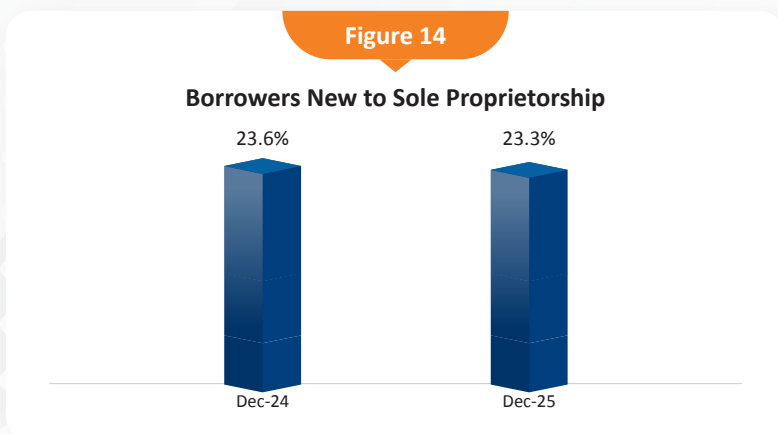
Youth cohorts dominate growth, with 26-35 rising nearly 26% from Q3 FY24 to Q3 FY26, while older groups decline, reinforcing a clear tilt toward younger borrowers.

Formalization and migration perspectives

This is assessed in three forms -

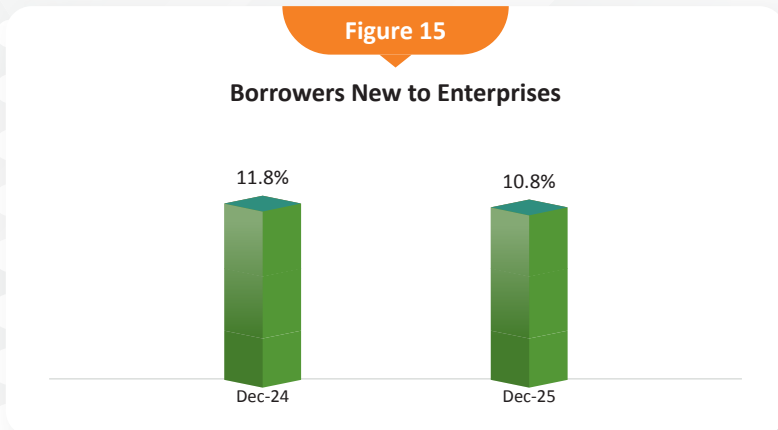
- **New to Sole Proprietorship:** These are borrowers who have taken first ever business type loan (BL, LAP, CVL, CEL) in the owner’s name in the last 12 months.
- **New to Enterprise:** These are borrowers who have taken first ever business type loan (WC (CC, OD), LAP, TL) in the name of the enterprise in the last 12 months.

Movement to sole proprietorship - Share of borrowers who have taken first ever BL, LAP, CVL, CEL among the total active borrowers - Sole proprietors (in the last 12 months)



As of Dec’25, 23.3% were new to sole proprietorship, availing BL, LAP, CEL, or CVL for the first time in the past 12 months. The pace, however, has almost remained the same compared to the last year.

New to enterprise loans - Share of borrowers who have taken first ever (WC (CC, OD), LAP, TL) among the total active borrowers - Enterprises (in the last 12 months)



As of Dec’25, close to 11% borrowers were new to enterprises, availing WC (CC, OD), LAP, TL for the first time in the past 12 months. The pace has slightly changed compared to the previous year.

PORTFOLIO AT RISK TRENDS

By borrower segments:

- Enterprises anchor lower delinquency in small business, while **sole proprietors continue to record one of the highest levels**. Their delinquency rose slightly from 3.9% in Dec'23 to 4.1% in Dec'25, though critical buckets (PAR 91-180 and 181-720) showed improvement.

Small Business delinquency trends - By borrower segments

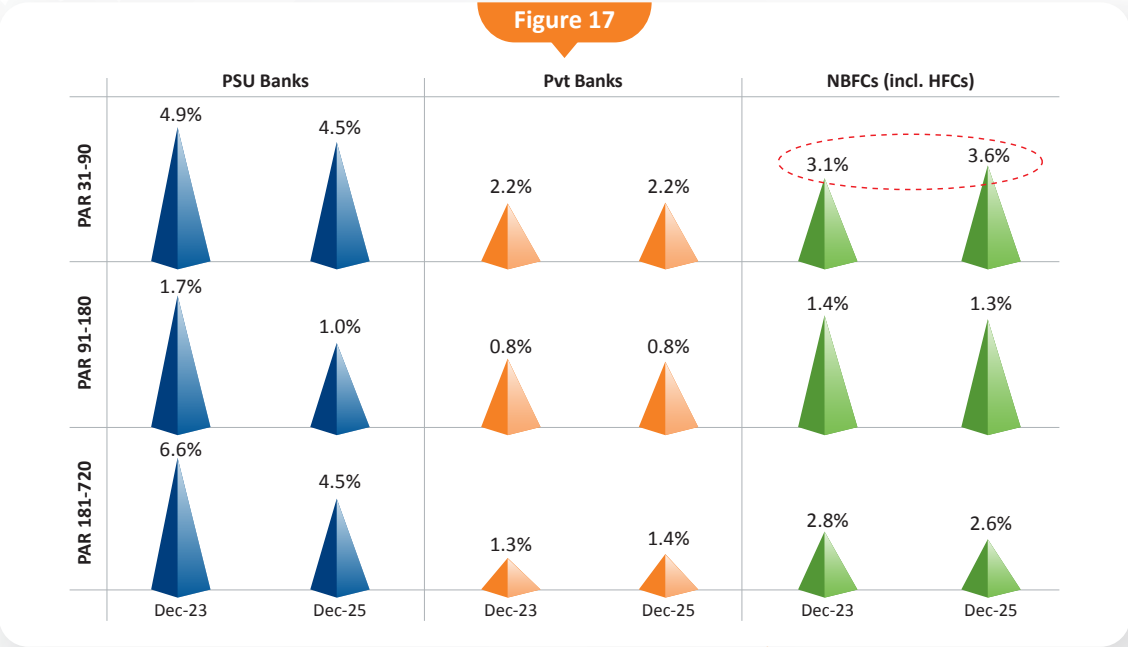


Portfolio outstanding is for credit exposure up to 720 days. PAR 181 - 720 represents loans that are between 181 to 720 days past due and reported to the bureau. However, this may also include loan accounts that are likely written off by the lender and not reported separately under write-offs to the bureau.

By lender types:

- Among lender types, **PSU Banks have higher PAR 31-90, though improving**, while **NBFCs saw a slight increase** in this bucket over the last two years.
- In other delinquency buckets, both PSU Banks and NBFCs have shown improvement, while private banks continue to anchor the lowest delinquency levels.

Small Business delinquency trends - By lender type



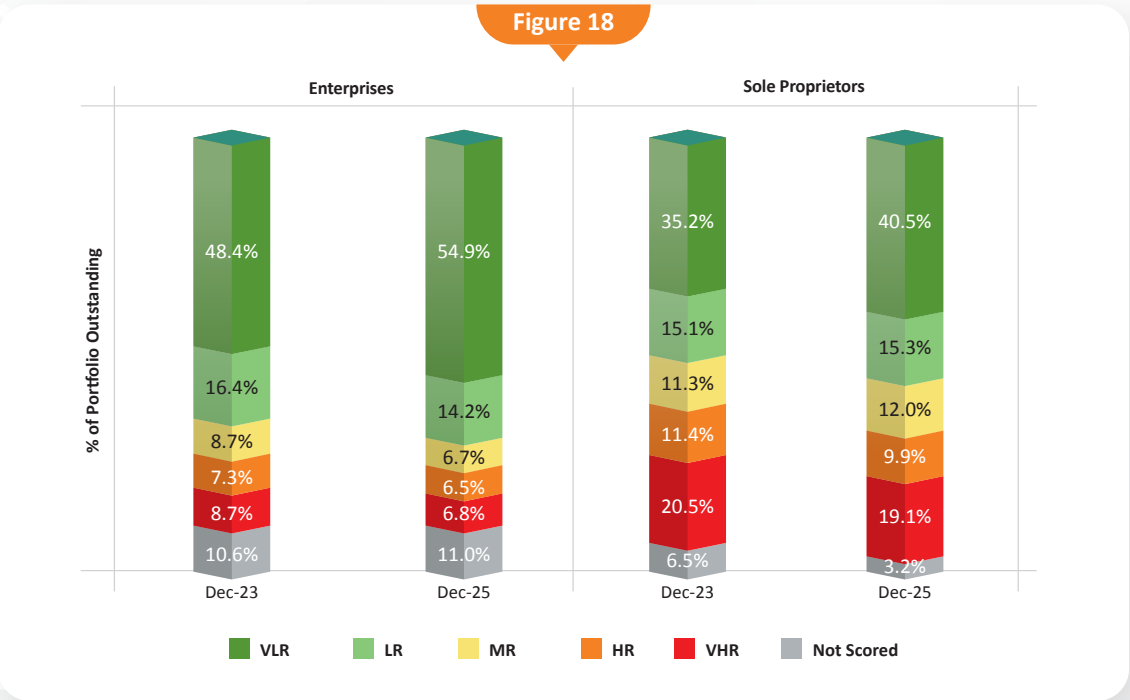
Portfolio outstanding is for credit exposure up to 720 days. PAR 181 - 720 represents loans that are between 181 to 720 days past due and reported to the bureau. However, this may also include loan accounts that are likely written off by the lender and not reported separately under write-offs to the bureau.

RISK MONITORING

Improved credit monitoring - supported by stronger underwriting practices, enhanced digital data trails, and ongoing formalization - has boosted the share of Very Low Risk (VLR) and Low Risk (LR) distribution in POS. For enterprises, this increased from 64.8% to 69.1%, while for sole proprietors it rose from 50.3% to 55.8% between Dec'23 and Dec'25.

Concurrently, the share of High Risk (HR) and Very High Risk (VHR) profiles in POS distribution declined for enterprises and sole proprietors. For enterprises, it reduced from 16% to 13.3% between Dec'23 and Dec'25, and for sole proprietors it slightly reduced from about 32% to 29%.

Distribution of portfolio scores



Risk Bands are not available for Sole Proprietors with Entity Presence.

Risk distribution for **Enterprises** 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-4), 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).

Risk distribution for **Sole Proprietors** is based on CRIF Credit Score, ranging from 300 to 900, predicts the possibility of customer defaulting. Score bands: Very High Risk (300–399), High Risk (400–577), Medium Risk (578–644), Low Risk (645–693), Very Low Risk (694–900), and Not Scored.

Chapter

2

State in Focus: Gujarat



STATE IN FOCUS: GUJARAT

Gujarat has positioned itself as a leading growth engine in India, contributing **about 8.3% to India's GDP by FY 2025-26⁵**. **Service Sector dominates Gujarat's GSDP with a 35.8% share**, followed by **manufacturing at 34.6%** and **agriculture at 13.8%**. With the economy's current price GSDP advancing ~10.2%⁶ in FY 2024-25 (Advance Estimates) and the FY 2025-26 Budget projecting continued expansion, Gujarat has sustained strong momentum despite global and domestic headwinds.

Credit trends

- Gujarat's small business portfolio expanded to **₹3.9 lakh crore in Dec'25, 11.8% YoY growth (Dec'24-Dec'25)**, broadly in line with Dec'24 trends and slightly below Pan India POS in Dec'25.
- Active loans **grew 9.8% YoY** in Dec'25, slightly below POS growth, indicating elevated focus toward **higher exposure loans in GJ**.
- On the risk front, Gujarat's PAR 91-180 remains lower than Pan India, highlighting cautious expansion in small business in the state.

Overall Small Business credit exposure trends - Portfolio exposure and number of active loans in Gujarat

Figure 19

	Dec-23	Dec-24	Dec-25
Portfolio Outstanding (₹ L Cr)	2.9	3.5	3.9
Gujarat YoY%		21.0%	11.8%
Pan India YoY%		20.0%	14.9%
Share of Pan India (%)	8.4%	8.4%	8.2%
Number of active loans (L)	33.3	38.6	42.4
Gujarat YoY%		16.0%	9.8%
Pan India YoY%		9.6%	13.8%
Share of Pan India (%)	5.6%	5.9%	5.7%
PAR 31-90	2.1%	2.3%	2.2%
PAR 91-180	0.9%	0.8%	0.9%
PAR 91-180 (Pan India)	1.6%	1.4%	1.3%
PAR 181-720	2.1%	1.8%	2.0%

Although GJ's growth rate moderated in Dec'25 - both YoY and compared to Pan-India, **GJ's PAR 91-180 remains much lower, indicating risk-calibrated growth.**

This includes overall total of the three borrower cohorts.

Portfolio outstanding is for credit exposure up to 720 days.

⁵ Highlight of Budget 2025-2026, Government of Gujarat
https://financedepartment.gujarat.gov.in/Documents/Bud-Eng_1519_2025-2-20_39.pdf

⁶ Budget Publication No. 30, February 2025, Statements Under The Gujarat Fiscal Responsibility Act, 2005
https://financedepartment.gujarat.gov.in/Documents/Bud-Eng_1448_2025-2-20_975.pdf

Individual borrower segment analysis

In Gujarat, **sole proprietorships** (including those with entity presence) account for about **three quarters of the portfolio outstanding** as of Dec'25. **Sole proprietors** also make up **60% of active loans**.

Enterprise credit flows in terms of POS and active loans remained **largely stable YoY**, while **sole proprietors** posted **double-digit growth** in both metrics (POS and active loans) - outpacing the Pan India average and underscoring their dominance in the segment.

Overall Small Business portfolio and active loans trends in Gujarat

Figure 20

	POS (₹ L Cr) Dec-25	Share of total	YoY growth (%)	Active loans (Lakh) Dec-25	Share of total	YoY growth (%)
Enterprises	1.0	24.8%	-	4.5	10.6%	-1.8%
Sole Proprietors with Entity Presence	1.9	49.8%	18.1%	12.7	29.9%	10.0%
Sole Proprietors	1.0	25.4%	13.0%	25.2	59.5%	12.0%
Grand Total	3.9	100.0%	11.8%	42.4	100.0%	9.8%

GJ's Regional Diversity: District wise Lending Trends

- The top three districts - **Surat, Ahmedabad, and Rajkot** - account for **55.4% of Gujarat's POS** (Dec'25), highlighting districts with high credit concentration.
- Growth is led by **Surat at 16.2% YoY**, while Rajkot, among the top three by POS, recorded 12% YoY growth as of Dec'25.
- Most districts - maintained **PAR 91-180 below 1%**; however, Mahesana (Northern Gujarat), with 15.7% YoY growth (on a lower base), shows a higher PAR 91–180 at 1.3%, indicating elevated growth risk.

Portfolio & Performance of Top 10 GJ Districts - For Small Businesses

Figure 21

District	Portfolio Outstanding (₹K Cr)		Y-o-Y Growth %	% Share	PAR 91-180	
	Dec-23	Dec-25	Dec-25	Dec-25	Dec-23	Dec-25
SURAT	67.2	94.2	16.2%	24.4%	0.7%	0.7%
AHMEDABAD	63.6	83.5	8.3%	21.6%	0.7%	0.8%
RAJKOT	26.9	36.3	12.0%	9.4%	0.6%	0.7%
VADODARA	19.9	25.6	8.6%	6.6%	0.9%	0.9%
KACHCHH	10.7	14.6	9.2%	3.8%	1.0%	1.0%
VALSAD	8.3	10.9	8.3%	2.8%	0.9%	1.0%
MAHESANA	7.4	10.4	15.7%	2.7%	1.5%	1.3%
GANDHINAGAR	7.1	9.6	10.4%	2.5%	0.9%	0.8%
MORBI	7.4	8.9	4.7%	2.3%	0.7%	0.7%
JAMNAGAR	6.5	8.9	13.1%	2.3%	0.9%	0.9%
GJ Total	285.3	386.0	11.8%	100.0%	0.9%	0.9%

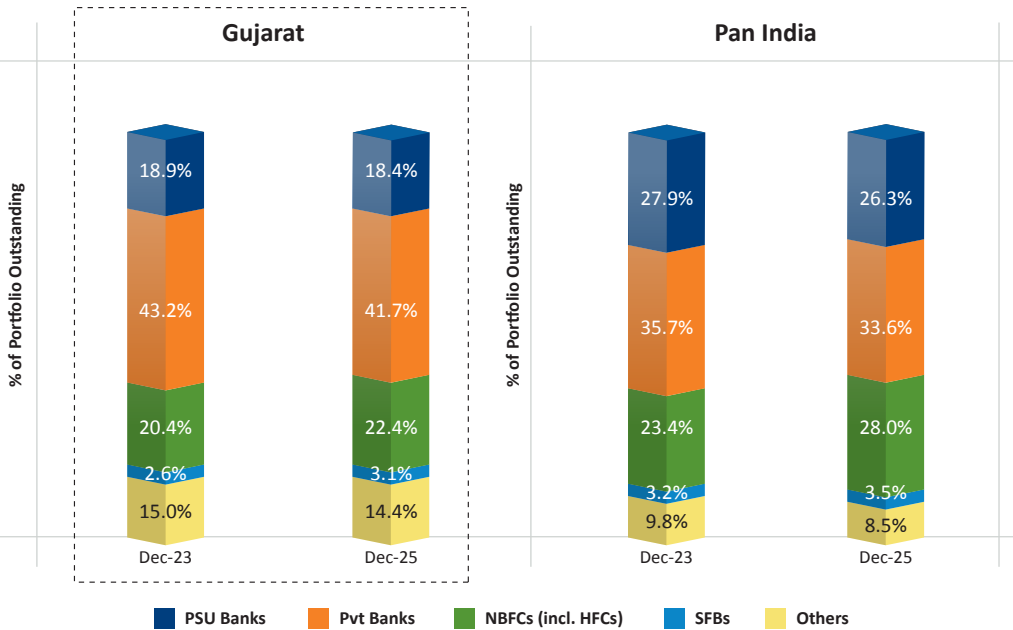
Lender trends analysis

Private Banks remain the **primary** source of credit financing, constituting **42% of POS in Dec'25** - well above the Pan-India share of 34%.

NBFCs' share in Gujarat also rose from 20.4% in Dec'23 to 22.4% in Dec'25, while PSU Banks' POS share stayed largely unchanged at ~18%.

Lender wise POS metrics for GJ State and Pan India (for comparison)

Figure 22



Lender type 'Others' comprises Cooperative Banks, Regional Rural Banks, Asset Reconstruction Companies, Foreign Banks etc.

Originations trends

Originations Value: Gujarat’s small business originations rose from ₹34.4K Cr in Q3 FY25 to ₹38.7K Cr in Q3 FY26, where **enterprises led the YoY growth (16.7% YoY as of Q3 FY26)** although they had a relatively smaller share.

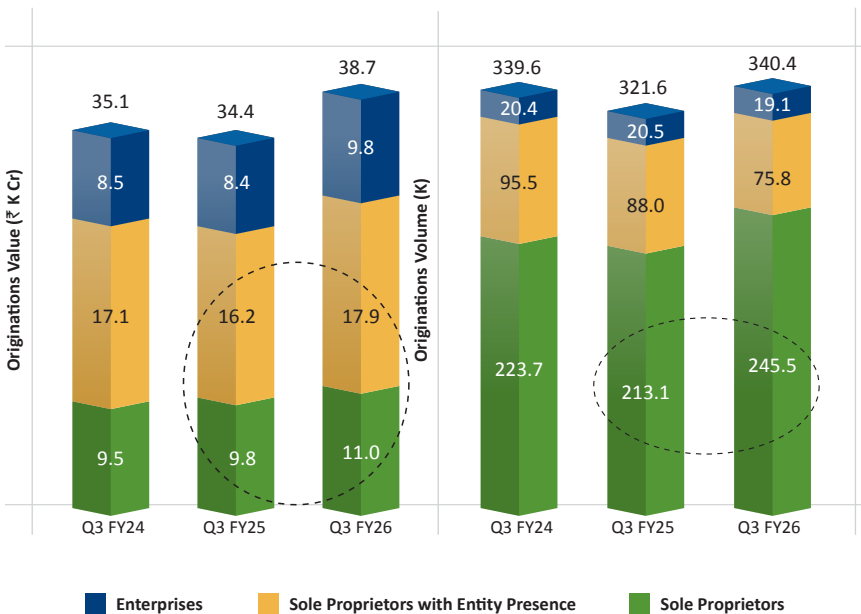
- Sole proprietors (including those with entity presence) recorded YoY growth of 10-12.5% in Q3 FY25.
- Originations value in ‘sole proprietors with entity presence’ was primarily driven by **Secured Business Loans** (46.7% YoY) and Cash Credit (WC) (31.2% YoY) **growth between Q3 FY 25 and Q3 FY 26.**

Originations Volume: Overall originations increased slightly, from 321.6K in Q3 FY25 to 340.4K in Q3 FY26.

- **Sole proprietors** continued to form the bulk of originations, driving the growth of originations volume (15.2% YoY in Q3 FY26).
- Sole proprietor volumes continued to be driven by **business loans**, which rose from **139.3K to 170.3K**, reflecting a **22.2% YoY increase** between **Q3 FY25 and Q3 FY26**, closely followed by CVL with a growth of 20.2% YoY reaching **45.2K in Q3 FY26.**

Originations for Small Businesses for GJ State - Value and volume trends

Figure 23



Average Ticket Size rose YoY for enterprises and the overlap segment, while remaining largely unchanged for sole proprietors

Lender-type delinquency trends

Private Banks continue to anchor Gujarat’s lower delinquency levels.

- In contrast, **NBFCs** record one of the **highest and rising delinquency rates**.
- **PSU Banks** (that constitutes about 42% of the POS) show marginally **higher PAR 31-90 and PAR 181-720** compared to other lender cohorts.

Lender wise PAR metrics for GJ State

Figure 24



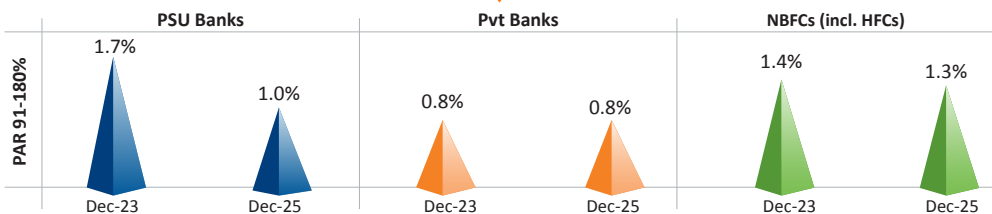
Portfolio outstanding is for credit exposure up to 720 days.

Comparison with Pan India:

A quick comparison shows that **PAR 91-180** in GJ is either better or almost at the same level as Pan India.

Pan India PAR 91-180 - Small Business with borrower segments

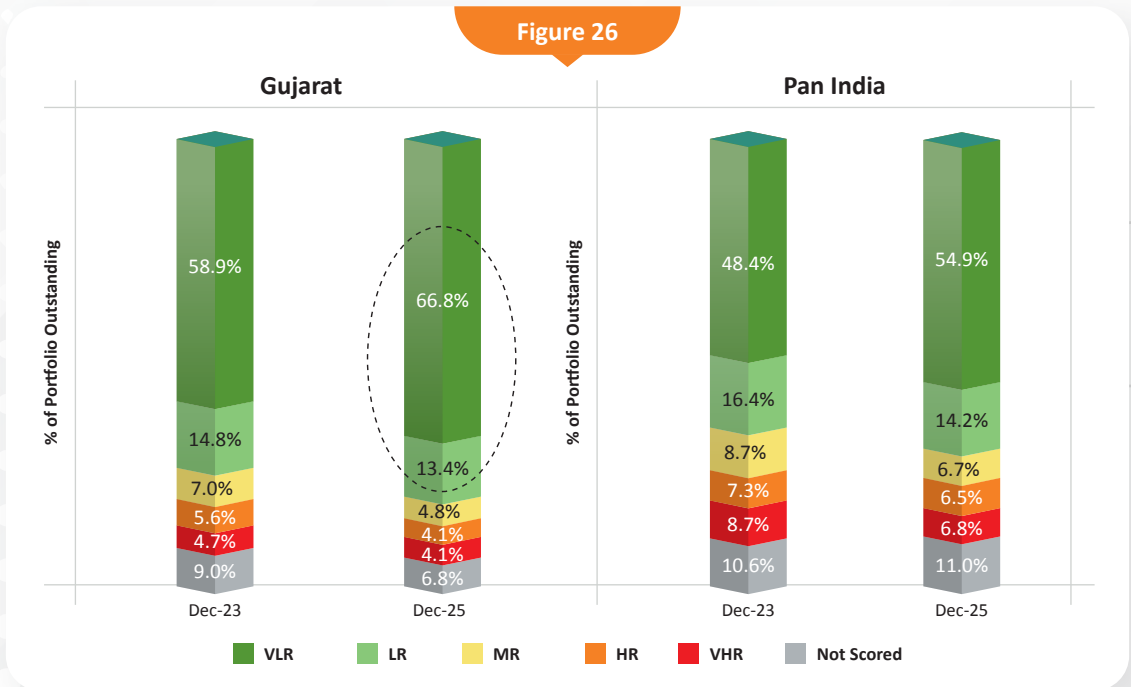
Figure 25



Risk distribution

Reinforcing a risk calibrated approach, Gujarat's share of very low-risk profiles rose from 58.9% in Dec'23 to 66.8% in Dec'25—well above the Pan India level of 54.9% (as of Dec'25). Meanwhile, the state's Very high-risk and High-risk POS share stood at 8.2% in Dec'25, significantly lower than Pan India's 13.3%.

Portfolio share by Risk band for GJ State
(Enterprises with aggregate credit exposure below ₹5 Crore)



Risk distribution for **Enterprises** 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-4), 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).

Chapter

3

Catalysts of Change: India's Aspirational Districts



CATALYSTS OF CHANGE: INDIA'S ASPIRATIONAL DISTRICTS

Aspirational districts refer to those identified by the NITI Aayog, Government of India as relatively underdeveloped based on key socio-economic indicators. The Aspirational Districts Programme (ADP), launched by NITI Aayog in 2018, aims to transform 112 such districts across India through convergence of central and state schemes, and collaborative development efforts. Districts are ranked based on performance indicators including health and nutrition, education, agriculture, water resources, and skill development. By driving steady improvements at the grassroots, these aspirational districts serve as catalysts of change for inclusive and sustainable development across the country.

This analysis seeks to examine credit penetration and emerging trends across India's aspirational districts, with a focus on regional variations and small business.

Small Business Credit trends - Aspirational districts

- Overall, aspirational districts have **witnessed a healthy credit flow, both in POS and active loans.**
- POS growth has ranged between 18% and 22% over the past two years, while active loan growth has surged twofold to reach 18.4% in Dec'25.
- Portfolio at Risk (PAR 91–180) has improved from 1.8% in Dec'23 to 1.4% in Dec'25, nearly aligning with the Pan-India level.
- Notably, the **growth in POS and active loans** within aspirational districts **outpaces** the corresponding growth rates observed at the national level.

Overall Small Business credit exposure trends in aspirational districts - Portfolio exposure and number of active loans

Figure 27

	Dec-23	Dec-24	Dec-25
Portfolio Outstanding (₹ L Cr)	2.2	2.7	3.2
Aspirational Districts YoY%		21.7%	18.4%
Pan India YoY%		20.0%	14.9%
Share of Pan India (%)	6.4%	6.5%	6.7%
Number of active loans (L)	55.8	61.0	72.2
Aspirational Districts YoY%		9.3%	18.4%
Pan India YoY%		9.6%	13.8%
Share of Pan India (%)	9.3%	9.3%	9.7%
PAR 31-90	4.4%	4.3%	4.3%
PAR 91-180	1.8%	1.4%	1.4%
PAR 91-180 (Pan India)	1.6%	1.4%	1.3%
PAR 181-720	4.4%	3.4%	3.5%

Share of aspirational districts to Pan India average stands higher for active loans (9.7%) compared to POS Share (6.7%)

This includes overall total of the three borrower cohorts. Portfolio outstanding is for credit exposure up to 720 days.

Portfolio and Delinquency trends – Region wise for aspirational districts

Regional Portfolio (as of Dec '25)

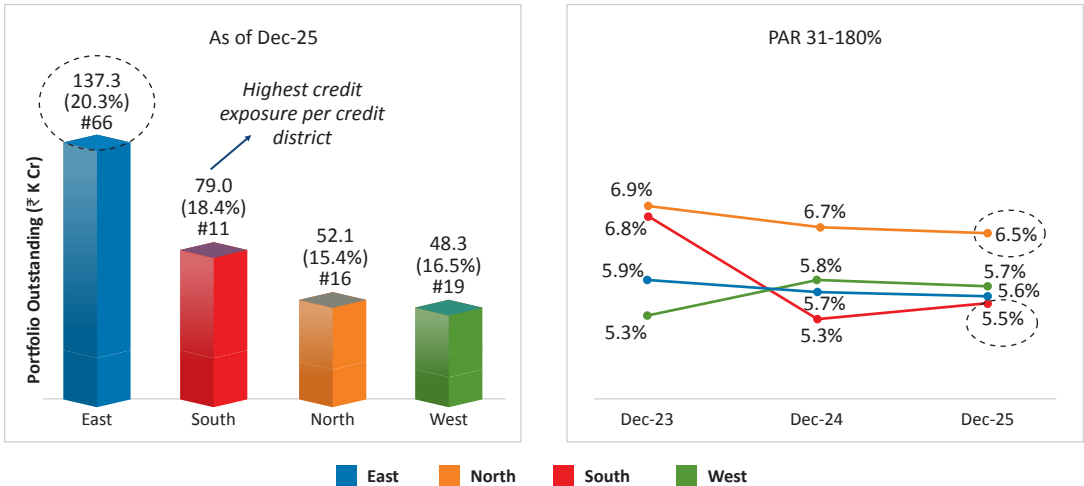
- **East:** ₹137.3K Cr (~43% share), strongest YoY growth at 20.3%, spanning 66 aspirational districts.
- **South:** ₹79.0K Cr (~25% share); with only 11 districts, it has the highest portfolio exposure per district.
- **North:** ₹52.1K Cr; **West:** ₹48.3K Cr - both mid-sized portfolios (16% and 15% share respectively), offering significant headroom for future scale-up given moderate district concentration.

Delinquency (PAR 31-180)

- Across all periods, regional PAR remains above the Pan-India average (~3.5%).
- North-focused aspirational districts show higher delinquency, while South demonstrates stronger control with TS & AP contributing to the largest drop in delinquency from Dec-23 to Dec-25.
- Despite rapid growth (20.3% YoY) and broad district coverage, **East maintains one of the lowest delinquency levels at 5.6% (Dec '25), improving from 5.9% (Dec '23).**

Overall Small Business credit exposure Region wise trends - Portfolio exposure and PAR 31-180 of aspirational districts

Figure 28



% in (brackets) represents YoY growth of POS between Dec'24 and Dec'25
 # represents the number of aspirational districts in each region.

*Note: Steep improvement in PAR 31-180 of South region from Dec-23 to Dec-24 is caused by Vizianagaram (AP) and Kothagudem (TS).

Top districts trends - For Aspirational districts

- The top 10 districts account for ~35% of POS, highlighting the **broad credit penetration beyond** these leading districts.
- **Four of the top 10** are from South India - **Andhra Pradesh (3) and Tamil Nadu (1)** - followed by two districts across Jharkhand, Bihar, and Uttarakhand.
- **YoY growth** is led by an **Andhra Pradesh** district (Vizianagaram), with two **Bihar districts** also driving momentum, ranging between 22–25%.
- All top 10 districts either improved or remained stable. The most **notable improvement came from Vizianagaram (Andhra Pradesh)**, where delinquency fell from 2.8% (Dec '23) to 1.3% (Dec '25).

Portfolio & Performance of Top 10 Aspirational Districts - For Small Businesses

Figure 29

Aspirational Districts	State	Portfolio Outstanding (₹K Cr)		Y-o-Y Growth %	% Share	PAR 91-180	
		Dec-23	Dec-25	Dec-25	Dec-25	Dec-23	Dec-25
VISAKHAPATNAM	ANDHRA PRADESH	19.6	26.8	15.2%	8.5%	1.9%	1.3%
RANCHI	JHARKHAND	9.0	12.1	14.7%	3.8%	1.7%	1.0%
Y.S.R.	ANDHRA PRADESH	8.0	12.0	18.4%	3.8%	1.3%	1.4%
UDHAM SINGH NAGAR	UTTARAKHAND	8.5	11.2	13.3%	3.5%	2.1%	1.6%
VIRUDHUNAGAR	TAMIL NADU	7.5	10.1	13.3%	3.2%	1.5%	1.3%
HARIDWAR	UTTARAKHAND	7.0	9.8	15.9%	3.1%	1.6%	1.1%
PURBI SINGHBHUM	JHARKHAND	6.8	8.7	9.4%	2.8%	1.8%	1.3%
MUZAFFARPUR	BIHAR	5.8	8.7	22.5%	2.8%	1.6%	1.7%
VIZIANAGARAM	ANDHRA PRADESH	5.3	8.0	25.2%	2.5%	2.8%	1.3%
GAYA	BIHAR	4.3	6.6	24.2%	2.1%	1.7%	1.1%
Aspirational District Total		219.7	316.7	18.4%	100.0%	1.8%	1.4%

Annexure



ANNEXURE

GoI initiatives / Schemes for Small Businesses

1. Pradhan Mantri Mudra Yojna (PMMY):

Government of India launched PMMY, for providing loans up to ₹10 lakh to the non-corporate, non-farm small / micro enterprises. To strengthen support for aspiring entrepreneurs, an increase in the loan limit to ₹20 lakh was announced in 2024. Under PMMY, loans are provided through Banks, Non-Banking Financial Companies (NBFCs), Micro Financial Institutions (MFIs), other financial intermediaries, in three categories namely, 'Shishu', 'Kishore', 'Tarun' and 'Tarun Plus' which signifies the stage of growth for development and funding needs of the borrowers. PMMY has cumulatively sanctioned over ₹38.06 lakh crore across 56.24 crore accounts⁷, as of Dec 2025.

2. Stand Up India Scheme: The Government of India launched Stand Up India (SUI) Scheme on April 05, 2016, to leverage institutional credit structure in extending credit to entrepreneurs from SC/ST and Women meant for setting up greenfield enterprises. SUI has shown remarkable growth over the years, with the total amount sanctioned increasing from ₹14,431.14 crore⁸ as of 31st October 2018 to an impressive ₹62,790.47 crore till March 2025⁹.

3. PM Vishwakarma Scheme: The 'PM Vishwakarma' scheme, launched by the Government of India, aims to enhance the quality and reach of products and services by artisans and craftspeople, integrating them into domestic and global value chains. Since its launch, the PM Vishwakarma scheme has achieved significant milestones, with over 2.72 crore applications submitted and 30 lakh applications successfully registered¹⁰, as per dashboard accessed on 5th Feb 2026. Under PM Vishwakarma scheme, Government has earmarked a budget of Rs. 13,000 crore for a period of five years (FY 2023-24 to 2027-28).

4. Pradhan Mantri Street Vendors Atmanirbhar Nidhi (PM-SVANidhi): PM SVANidhi Scheme, launched on June 1, 2020, is a micro credit scheme for urban street vendors that aims to provide collateral-free working capital loans up to ₹50,000. Under the scheme regular repayments are incentivized with a 7% interest subsidy and digital transactions are rewarded with cashback up to ₹1,200 per year.

Key Achievement as of 5th Feb 2026¹¹ :

- No. of Beneficiaries 72,81,700
- Sanctioned amount ₹ 17,455.5 Crore
- Disbursed amount ₹16,716.42 Crore
- Gender wise Beneficiaries - Male - 54%, Female - 46%

5. Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE): CGTMSE set up by SIDBI and Ministry of MSME, GoI in 2000, operates the Credit Guarantee Scheme (CGS) for MSEs in respect of credit facilities extended by its Member Lending Institutions, which are not backed / partially backed by collateral security and / or third-party guarantees. Cumulatively, as on 31.12.2025, number of guarantees approved stood at 1.34 crore worth ₹12.38 lakh crore¹². As of Nov 2025, the cumulative number of guarantees approved to women entrepreneurs were estimated at 28.9 lakh worth ₹ 1.84 lakh crore.

6. TReDS: RBI introduced TReDS platform to help MSMEs for discounting bills of MSMEs to help in realizing their receivables promptly by allowing them to upload, accept, discount, trade and settle invoices, through which over ₹7 lakh crore has already been facilitated. SIDBI is promoter of one of the TReDS platforms, i.e. Receivables Exchange of India Limited (RXIL).

⁷ SIDBI Monthly report- Dec, 2025

⁸ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2119045>

⁹ https://sansad.in/getFile/loksabhaquestions/annex/185/AU18_4CPqj.pdf?source=pqals

¹⁰ PM Vishwakarma (as of Feb 2026)

¹¹ PM SVANidhi (as of February 05, 2026)

¹² SIDBI Monthly report- Dec, 2025

- 7. PSBLoansin59minutes:** PSBLoansin59minutes is a fintech platform developed by Online PSB Loans Ltd. (OPL), a fintech supported by SIDBI led consortium of Public Sector Banks. The digital marketplace platform enables MSMEs to obtain In-principle approval of loans from lenders onboarded on the platform.
- 8. Raising and Accelerating MSME Performance (RAMP):** World Bank-supported scheme to improve MSME access to finance, technology, and markets.
- 9. Revision in the definition of MSMEs:** To pave way for strengthening and growth of MSMEs, Government announced a new definition of MSME w.e.f. July 1, 2020. The revised definition removes the distinction between manufacturing and service enterprises. Besides the investment in plant and machinery, a new criterion for turnover has also been included. Government has included Retail and Wholesale trades as MSMEs. The definition of MSMEs has been further revised w.e.f. 01/04/2025 enhancing the turnover and investment limits.
- 10. Fund of Funds for Startups (FFS) Scheme:** The Fund of Funds for Startups Scheme was set up with a corpus of ₹10,000 crore to provide much-needed boost to the Indian startup ecosystem and enable access to domestic capital. The Scheme is operationalized by SIDBI. As on December 31, 2025, as against the corpus of ₹10,000 crore, SIDBI has committed a cumulative amount of ₹12,363 crore to 160 AIFs. Thus, the commitments have exceeded the corpus of ₹10,000 crore¹³.
- 11. The Union Government in the Budget for 2025-26 announced the following measures to support MSMEs¹⁴:**
- a) Revised Classification Criteria:** To help MSMEs scale operations and access better resources, the investment and turnover limits for classification have been increased by 2.5 times and 2 times, respectively. This is expected to improve efficiency, technological adoption, and employment generation.
- b) Enhanced Credit Availability:**
The credit guarantee cover for micro and small enterprises has been increased from ₹5 crore to ₹10 crore, enabling additional credit of ₹1.5 lakh crore over five years.
Startups will see their guarantee cover double from ₹10 crore to ₹20 crore, with a reduced fee of 1% for loans in 27 priority sectors.
Exporter MSMEs will benefit from term loans up to ₹20 crore with enhanced guarantee cover.
- c) Credit Cards for Micro Enterprises:** A new customised Credit Card scheme will provide ₹5 lakh in credit to micro enterprises registered on the Udyam portal, with 10 lakh cards set to be issued in the first year.
- d) Support for Startups and First-Time Entrepreneurs:** A new Fund of Funds with ₹10,000 crore will be established to expand support for startups.
A scheme for 5 lakh first-time women, Scheduled Caste, and Scheduled Tribe entrepreneurs will provide term loans up to ₹2 crore over five years, incorporating lessons from the Stand-Up India scheme.

¹³ SIDBI Monthly report- Dec, 2025¹⁴ <https://www.pib.gov.in/PressReleaseDetailim.aspx?PRID=2099687>

e) Focus on Labour-Intensive Sectors:

A Focus Product Scheme for the footwear and leather sector will support design, component manufacturing, and non-leather footwear production, expected to create 22 lakh jobs and generate a turnover of ₹4 lakh crore.

A new scheme for the toy sector will promote cluster development and skill-building, positioning India as a global toy manufacturing hub.

A National Institute of Food Technology, Entrepreneurship and Management will be established in Bihar to boost food processing industries in the eastern region.

f) Manufacturing and Clean Tech Initiatives:

A National Manufacturing Mission will provide policy support and roadmaps for small, medium, and large industries under the Make in India initiative.

Special emphasis will be given to clean tech manufacturing, fostering domestic production of solar PV cells, EV batteries, wind turbines, and high-voltage transmission equipment.

12. The Union Government in the Budget for 2026-27 announced the following measures to support MSMEs¹⁵:

- a. Recognising MSMEs as a vital engine of growth the Government proposed a three-pronged approach to help them grow as 'Champions'. A dedicated **₹10,000 crore SME Growth Fund**, to create future Champions, incentivizing enterprises based on select criteria, was introduced.
- b. Proposed to top up the **Self-Reliant India Fund** set up in 2021, with **₹2,000 crore to continue support to micro enterprises** and maintain their access to risk capital.
- c. To leverage full potential of TReDS, the Government proposed following measures:

d. Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates;

e. Introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on TReDS platform;

f. link GeM with TReDS for sharing information with financiers about government purchases from MSMEs, encouraging cheaper and quicker financing;

g. Introduce TReDS receivables as asset-backed securities, helping develop a secondary market, enhancing liquidity and settlement of transactions.

h. Scheme to revive 200 legacy industrial clusters to improve their cost competitiveness and efficiency through infrastructure and technology upgradation, was also announced.

i. Facilitate Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses for a cadre of '**Corporate Mitras**', especially in Tier-II and Tier-III towns to assist MSME on compliance matters.

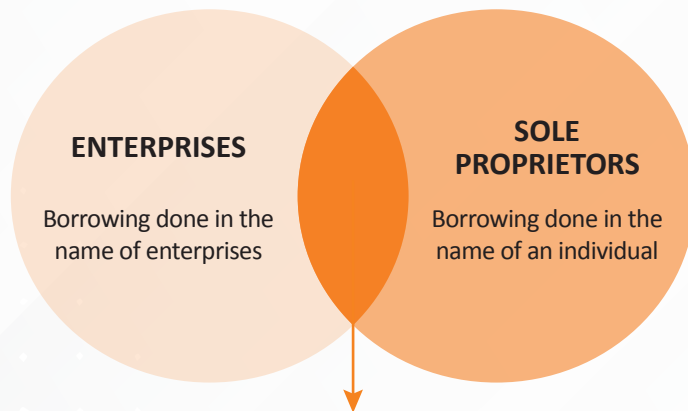
- 13. The Union Cabinet has approved the Export Promotion Mission (EPM) with a total outlay of ₹ 25,060 crore for six years**, from 2025-26 to 2030-31¹⁶. The Cabinet also cleared a **Credit Guarantee Scheme for Exporters (CGSE)**, under which up to **₹20,000 crore collateral-free credit support** is envisaged¹⁷. These schemes, announced in Nov'2025, are envisaged to help the MSME segment by improving liquidity and access to credit.

¹⁵ https://www.indiabudget.gov.in/doc/budget_speech.pdf

¹⁶ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2189381>

¹⁷ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2189390>

Borrower Segments considered in this Study



OVERLAP SEGMENT: This refers to borrowers who have availed business loans both in their individual capacity and under the name of their enterprise - classified as 'Sole Proprietors with entity presence'.

For the purpose of this report, three **distinct and mutually exclusive borrower segments** have been analysed to provide comprehensive insights about the small businesses, including enterprises and sole proprietors. These segments are defined as follows:

- **Enterprises:** This segment includes borrowings availed in the name of a trade or business entity and reported to the commercial repository, with an aggregated credit exposure of up to ₹5 crore.
- **Sole Proprietors:** This segment comprises self-employed individuals who have availed business-type loans in their personal names. These loans are reported to the consumer repository and include Business Loans (BL), Commercial Vehicle Loans (CVL), Construction Equipment Loans (CEL), and Loan Against Property (LAP), with an aggregated credit exposure not exceeding ₹5 crore. These loans are typically availed by self-employed individuals for business purposes, although their end-use is not reported to the bureau.
- **'Sole Proprietors with Entity Presence':** This segment includes individuals who maintain a credit presence across both the consumer and commercial bureaus - that is, borrowers who have availed business purpose loans both in their personal capacity and in the name of their trade or business. Their aggregated credit exposure does not exceed ₹5 crore.

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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 for all-round development of MSMEs. SIDBI has directly or indirectly through various credit and developmental measures impacted the myriad Micro, Small and Medium Enterprises (MSMEs) in the country, whether they are traditional, domestic small entrepreneurs, bottom-of-the-pyramid entrepreneurs, or high-end knowledge-based entrepreneurs.

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