



EQUIFAX

ASPIRATIONAL INDIA BUSINESS

The Rise of Credit Enabled
Aspirational Business





Subhankar Mishra

**Managing
Director (Interim)**

Equifax Credit
Information Services

India is witnessing a profound structural transformation in its economic landscape. Across Tier-2 and Tier-3 cities, a new generation of youth entrepreneurs is pivoting from survivalist micro-units to aggressive, high-growth commercial enterprises. Powered by Digital Public Infrastructure — GSTN, UPI, Account Aggregators, and Unified Lending Interface — this shift is democratizing wealth creation and redefining the very fabric of Indian business.

At the heart of this revolution lies a fundamental paradigm shift in commercial credit. We are rapidly transitioning from traditional, collateral-anchored lending to dynamic, flow-based risk assessment driven by real-time financial data. The proof of this momentum is clear: between FY23 and FY26, commercial borrowing by individual business owners grew at a remarkable 22% CAGR, significantly outpacing traditional entity-level corporate borrowing at 14%.

However, unlocking credit at scale requires solving a critical paradox. While our digital highways are expanding, an addressable credit gap of ~₹30 Lakh Crore persists, leaving roughly 5 crore enterprises outside the formal credit fold. To bridge this divide, the industry must look beyond viewing MSMEs as a monolith. As detailed in this report, serving "Aspirational India" requires understanding distinct commercial personas — ranging from collateral-anchored traders and vulnerable working-capital borrowers to high-growth digital formalizers — and matching them with tailored credit structures.

At Equifax, our core commitment is to power the future of inclusive commerce with knowledge. By integrating multi-layered data, advanced predictive analytics, and robust commercial bureau insights, we aim to make every aspirational business visible, accessible, and bankable.

This report serves as both a comprehensive diagnostic and a strategic roadmap for regulators, banks, NBFCs, and fintechs. Together, by combining low-cost capital, agile technology, and intelligent risk management, we can convert unserved demand into resilient portfolio growth and propel India toward a dynamic, data-driven economic future.

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The rise of Bharat's youth entrepreneurs

How Mindset Pivots & Small-Town Innovation Drive India's Next Founder Generation



Mindset Shift

**FREEDOM OVER
FIXED JOBS**

Young Indians are swapping corporate status for business freedom and self-reliance, viewing corporate security as an autonomy barrier.



Family Backing

SAFER TO FAIL

Middle-class families transition to risk tolerance, backed by micro-capital, low-cost digital business tools, and strong safety nets.



Small-Town Power

**SMALL-TOWN
REVOLUTION**

Innovation is shifting rapidly to Tier-2/3 cities, where local youth leverage deep regional domain knowledge to solve core agritech & logistics friction.



Building Assets

**WEALTH
CREATION**

Strong behavioral change focusing on direct equity creation and long-term ownership assets, bypassing standard corporate ladders.

DATA-BACKED PROOF

- 1 GEM India**
Early Intent & TEA
(Total Early-Stage Entrepreneurial Activity)
- 2 PLFS MoSPI**
Self-Employment Shift
- 3 DPIIT Database**
45%+ Startups in T2/T3
Economic Survey FY 23-24
- 4 NITI Aayog**
State-Level Enablers

Fueling the aspirational fire: the decadal shift

Grassroots democratization and digital public infrastructure have leveled the playing field for the modern aspirational founder



The Engine

**DIGITAL
HIGHWAYS**

UPI & GSTN

Building world-class digital public infrastructure to fundamentally reduce transaction friction, simplifying the path to formal business creation.

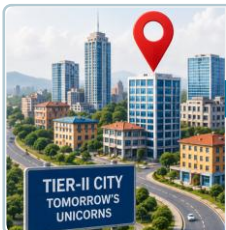


The Ignition

**FORMALIZATION
SURGE**

2L+ / Yr

Annual new company registry filings leaped aggressively from 1.2 Lakh to over 2 Lakh, signaling a massive wave of grassroots formal business intent.



The Expansion

**BHARAT
RISING**

50%

Startups are now emerging from Tier-II and Tier-III towns as per Economic Survey of India 2024-25, democratizing wealth and scale to yield 2.3L+ startups and over 23.33 Lakhs direct jobs under Startup India initiative



The Future

**INCLUSIVE
INNOVATION**

48%

Nearly half of all recognized startups feature female directors as per Economic survey 2024-25, redefining leadership alongside a sharp rise to 1.5L FY 25-26 annual patent filings 30% YoY growth (Ministry of Commerce and Industry)

SYSTEMIC SHIFT DECADAL PROOF

1 2.3 Lakh+
Total Startups Created

2 23.33 Lakhs+
Direct Jobs Generated

3 1.5L / Year
Annual Patent
Filings FY 25-26

The Aspirational Journey Accelerated: Government Policy as a Growth Multiplier

Empowered by digital access, structural manufacturing shifts and organic policy support are catapulting MSMEs into structured economic powerhouses



Impact of "Make in India"

Modernized manufacturing by incentivizing local assembly, import substitution, and supply-chain integration

~35.4%

Manufacturing Output from MSMEs

48.5%+

Overall India Exports driven by MSMEs

Inspiring Government Initiatives for Organic Growth

Startup India & Seed Fund, Credit Guarantee & SRI Fund & GeM (Government e-Marketplace)

Economic Drivers

Inspiring Entrepreneurship

Digital Infrastructure (lowered customer acquisition costs), Cash-Flow-Based Lending (GST, DPI) Demographics & Consumer Spending (disposable income driving demand)



The India Stack credit paradigm

India's digital transformation has fundamentally shifted underwriting. By increasingly complementing traditional collateral-based assessment with cash-flow and transaction signals, rigid asset collateral requirements with real-time cash flow metrics, credit access has been democratized for a new wave of entrepreneurs.

Manufacturing value
~35.4%

MSME Share of Output

Global export impact
48.5%+

Of overall national exports

GST and digital transaction data enable revenue-based underwriting over fixed collateral assets.

PLI Ecosystem Expansion

Production-Linked Incentive schemes are fostering indigenous hardware start-ups and complex manufacturing networks in regional hubs.

Grassroots Inclusion: Empowering the local Micro-Economy via ODOP

The ODOP Export Engine

- 1 Massive Export Share**
ODOP products now account for roughly **72%** of the state's total exports, driving UP's total beyond **₹1.86 Lakh Crore**.
- 2 Employment Surge**
The scheme has directly upskilled and generated employment for over **1.25 Crore** artisans and MSME workers.
- 3 Digital Credit Catalyst**
Collaborations with ONDC and FinTechs utilize digital transaction footprints to deploy cash-flow-based underwriting, financing micro-units without hard collateral.

Top Performing Clusters – Uttar Pradesh



Moradabad

Brassware & Metal Craft
Accounts for nearly **₹10,000 Crore** in annual exports, completely dominating the international metal handicrafts market



Kanpur & Agra

Leather Products
Over **11,500 highly-specialized MSME** units driving **₹4,600+ Crore** in premium global footwear and apparel exports.



Lucknow

Chikankari Embroidery
Employs over **30% of the state's textile artisans**, transforming a 200-year-old traditional craft into a digital-first export engine.



Bhadohi

Carpets & Rugs
Contributes nearly **60% of India's total carpet exports** to major global markets, generating massive rural employment.

PLI in Action: Driving National Growth & Local Impact

MACRO IMPACT STATISTICS

₹2.4Lakh Cr

Actual investment realized across sectors, generating over **14.15 lakh jobs**.

₹15.2Lakh Cr

Cumulative exports enabled by the PLI schemes since their inception.

99.2%

Of all mobile phones used in India are now **manufactured domestically**.

10x

Growth in AC compressor capacity (White Goods), increasing from 1M to 10M units.

SRI CITY HUB

An **8,000-acre Special Economic Zone (SEZ)** and industrial hub in Andhra Pradesh, exemplifying PLI-driven MSME growth. Recognized as a White Goods cluster, its plug-and-play infrastructure allows small manufacturers to operate alongside anchor giants like LG and Daikin without heavy upfront capital. This dynamic ecosystem now hosts over **240 companies** from 31 countries, generating **65,000+ jobs** and **₹20,250 crore** in fresh 2025 investments.



Beyond PLI: Unleashing MSME Potential in Defence

PLI, Defence Corridors, iDEX & Make in India together are turning small manufacturers into strategic suppliers



16,000+ MSME units engaged in defence manufacturing

Producing components, subsystems, electronics & precision parts across India's defence supply chain

Estimate; broader than PLI-specific rolls



Corridors build the clusters

UP & Tamil Nadu Defence Corridors have drawn ₹70,000 crore in investment commitments, bundling testing, certification & plug-and-play infrastructure for MSMEs.



iDEX funds the innovation

619 startups & MSMEs engaged, 430 contracts signed, with grants up to ₹25 crore – and a direct path to Armed Forces procurement.



Private/MSME share is rising fast

Private players now contribute 24% of defence production and 45.16% of exports – both at all-time highs.

₹1.78 L Cr

Record defence production, FY 2025-26

56x

Growth in defence exports since FY 2013-14

₹70,000 Cr

Investment commitments in UP & TN Defence Corridors

45.16%

Private/MSME/startup share of defence exports

The India Advantage

Evaluating structural scale and regulatory openness across emerging manufacturing themes

		IT & Digital Economy	Pharma Manufacturing	Renewable Energy
 India The Advantage		5.8 M Pool English-fluent STEM talent pool drives unmatched global scale.	Uncapped Foreign Equity Access Largest number of US FDA-approved facilities outside the US.	100% Automatic Massive non-fossil fuel capacity target backed by open policy.
Regional Constraints	 China Constraint	VIE Structures Stringent Cross-Border Data Governance.	Conditional Sector-specific conditions amid rapidly rising manufacturing costs.	SOE-Dominated Generation Sector Domestic utility generation limits despite China producing ~80% of global solar hardware.
	 Vietnam Constraint	Niche/Emerging Talent Supply Smaller absolute developer pool alongside highly competitive wage cost dynamics	Upstream Raw Material Exposure 80–90% reliance on API imports (China/India) and regulatory approval queues	Transmission Congestion Risks Localized curtailment under PDP8 and massive land acquisition constraints.

Source : NASSCOM 2025 Insights

FDI Fueling Deep-Tech MSMEs



Skyroot Aerospace

India's First Space Unicorn

Global Patient Capital: Leveraged the 100% automatic FDI route to raise heavy capex from GIC, Temasek, and Sherpalo (including a \$60M Series C), plus \$10.75M in venture debt from BlackRock.

Vikram-1 Launch Vehicle

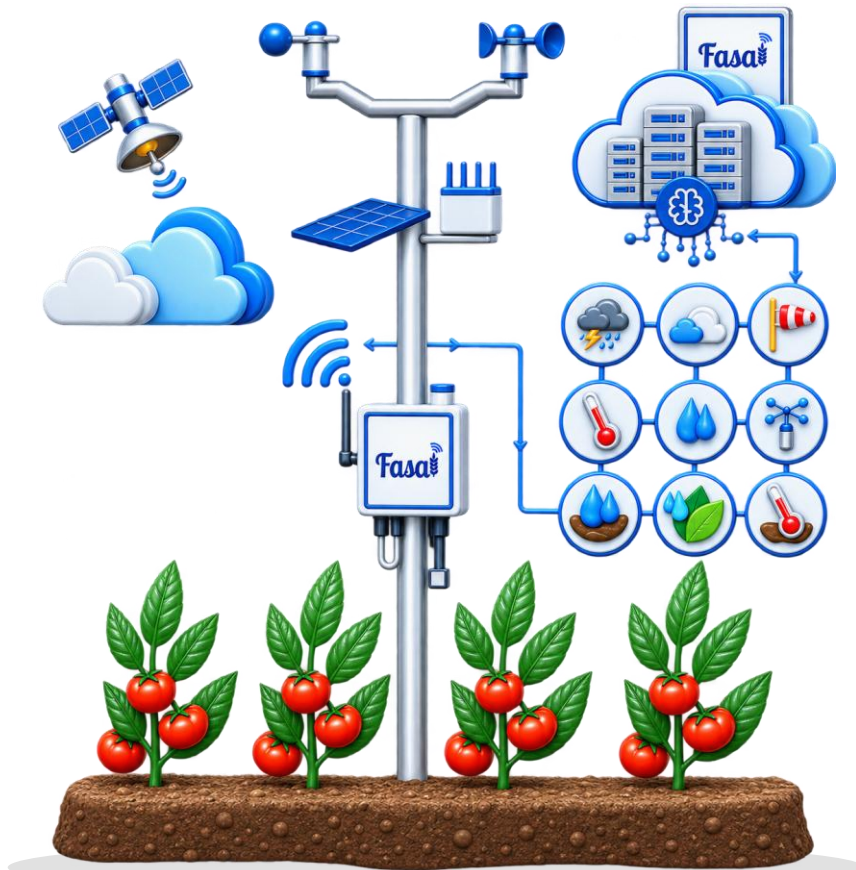
Private Orbital Capabilities: Vikram-1, developed by Skyroot Aerospace, is India's first privately developed orbital launch vehicle, capable of placing 350 kg into Low Earth Orbit (LEO).

R&D for Next Gen

International capital accelerates the development of a next-generation heavy launch vehicle powered by 3D-printed cryogenic engines.



FDI Fueling Sustainable Agritech MSMEs



Fasal: AI & IOT Powered Precision Horticulture



International Climate Capital:

Leveraged the automatic FDI route to raise a **₹100 crore** Series A. The round was led by TDK Ventures and British International Investment (BII).



On-Farm Hardware

Foreign capital funds the deployment of precision IoT sensors and weather stations across **75,000+ acres** of Indian farmland.



Traceable Agri Tech

International equity accelerates "Fasal Fresh," a B2B supply-chain infrastructure that procures sustainably grown produce while reducing agricultural water consumption by **82.8 billion liters**.

Pivoting to Prosperity: Aspirational Businesses Shift from Survival to Aggressive Expansion

High-velocity sectors are redefining commercial demand by moving away from defensive borrowing toward deploying growth capital for expansion

High-Growth Aspirational Sectors

Precision engineering & auto components

Expanding plant capacity to leverage global supply chain shifts (China+1 strategies) and domestic PLI incentives.

EV & Clean-Tech Components

High capex needs for retooling manufacturing lines and battery assembly infrastructure.

Logistics & Quick-Commerce Suppliers

Intensive working capital requirements to fulfill real-time inventory SLAs for dark stores and hyper-local hubs.

Agri-Processing & Food Exports

Modernizing processing machinery to scale international export lines.

Entrepreneur-Led Surge

Between FY23 and FY26, commercial borrowing by individual business owners grew aggressively, outpacing corporate entities.

22% CAGR Growth
Individual Owners

14% Traditional CAGR
Entity-Level Borrowing



28% Share

Individual entrepreneurs now hold more than a quarter of total commercial balances

Digital Integration

Rapid integration of GST, UPI, and the Account Aggregator (AA) network enables fast cash-flow verification.

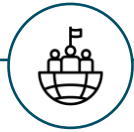
The Evolution of India's Commercial Lending (1947-Present)



Era 1:

Post-Independence &
Early Governance

(1947-1968)



Era 2:

Nationalization
& Social Control

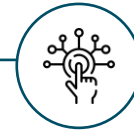
(1969-1990)



Era 3:

Liberalization &
Market Reforms

(1991-2009)



Era 4:

Digitalization &
Consolidation

(2010-2019)



Era 5:

Co-Lending &
Ecosystems

(2020-Present)



ERA 1 - The Formative Years (1947-1968): Laying the Regulatory Groundwork for Future Ambitions

Post-independence regulations & reforms paved the way for the modern banking ecosystem & Aspirational India

Political Landscape

Post-colonial nation-building was defined by democratic socialism, prioritizing state-led central planning and institutional growth over market mechanisms to drive rapid industrialization and establish early economic governance.

Lending Landscape

Private banking system with significant market fragmentation.

Urban-centric presence dominated by private commercial entities

Primary Focus

Traditional, relationship-based lending.

Primarily servicing large industrial groups, foreign trade, and established commercial enterprises.

Regulatory Reforms

Passage of the Banking Regulation Act (1949) and the nationalization of the Reserve Bank of India (1949).

Formation of the State Bank of India (SBI) in 1955 via the nationalization of the Imperial Bank of India.

The GIST:

Between 1947 & 1968, India’s fragmented, privately owned banking system heavily favored urban industrial conglomerates while largely excluding agriculture and small businesses. To align the financial sector with state-led economic planning, the newly independent government established foundational regulatory control by nationalizing the Reserve Bank of India, passing the 1949 Banking Regulation Act, and creating the State Bank of India.



1947
Independence and the adoption of state-led central planning



1949
Banking Regulation Act



1949
Nationalization of the Reserve Bank of India (RBI)



1955
State Bank of India (SBI) Formation



ERA 2 - The Institutional Era (1969-1990): State Dominance and the Constrained Entrepreneur

While state frameworks stabilized the economy, early Indian enterprise quietly laid its roots



Political Landscape

Defined by Indira Gandhi's "Garibi Hatao" mandate.

Focused on left-leaning economic policies, nationalization, and directing credit toward the masses away from large industrial houses.



Lending Landscape

Dominance of Public Sector Banks (PSBs) following two major waves of nationalization (14 banks in 1969 and 6 banks in 1980).

Massive expansion of bank branches into rural and semi-urban regions.



Primary Focus

Directed credit towards Priority Sector Lending (PSL) including Agriculture, Micro, Small & Medium Enterprises (MSMEs), and weaker sections.

Social developmental objectives received greater policy emphasis.

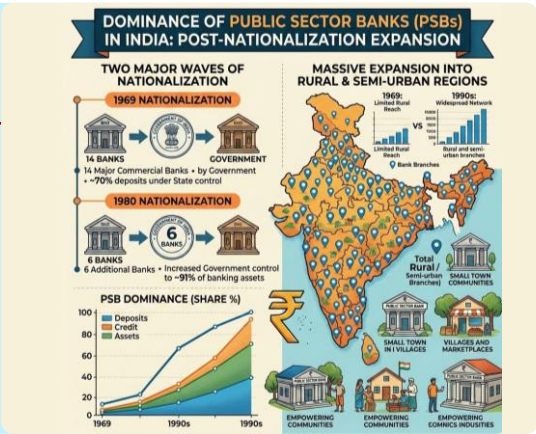
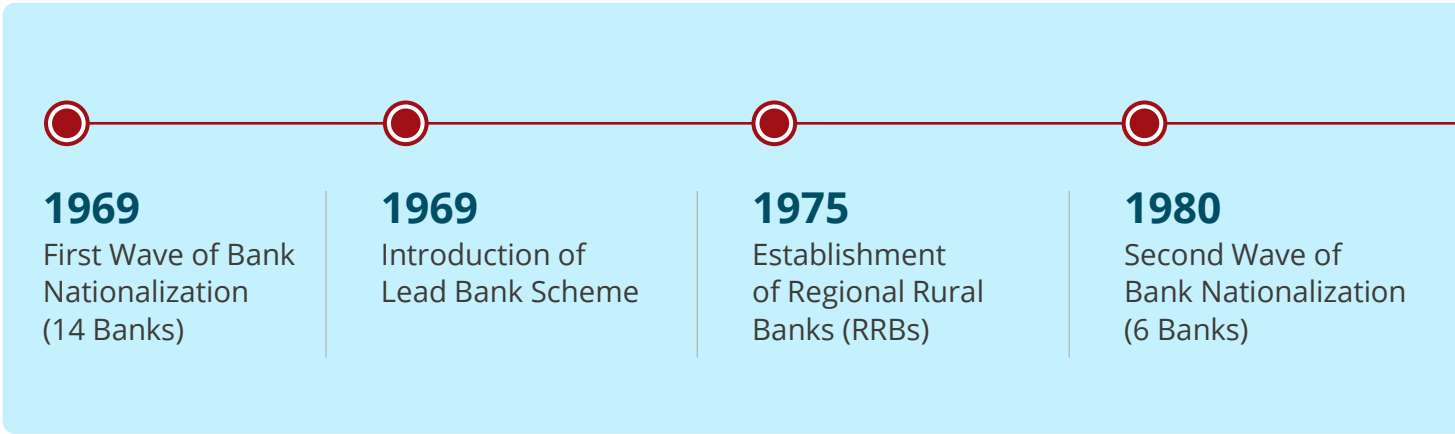


Regulatory Reforms

Utilization of statutory tools like Statutory Liquidity Ratio (SLR), and Cash Reserve Ratio (CRR) as primary monetary and credit allocation mechanisms.

The GIST:

Driven by Indira Gandhi's left-leaning political mandate, the government nationalized major banks to shift financial dominance from large industrial houses to Public Sector Banks. Under RBI regulation, this newly nationalized system aggressively expanded into rural areas, prioritizing social development and directed credit for agriculture & MSMEs over institutional profitability.



ERA 3 - The Liberalization Awakening (1991-2009): Opening the Doors to Commercial Scale

The 1991 reforms unleashed commercial credit, paving the way for India's next generation of enterprises



Political Landscape

1991 Balance of Payments crisis triggers shift to LPG policy (Liberalization, Privatization, Globalization)



Lending Landscape

Private banking system with significant market fragmentation.
Urban-centric presence dominated by private commercial entities.



Primary Focus

Focus on commercial profit and risk-adjusted Pricing.
Expansion into Structured Finance and Letters of Credit.

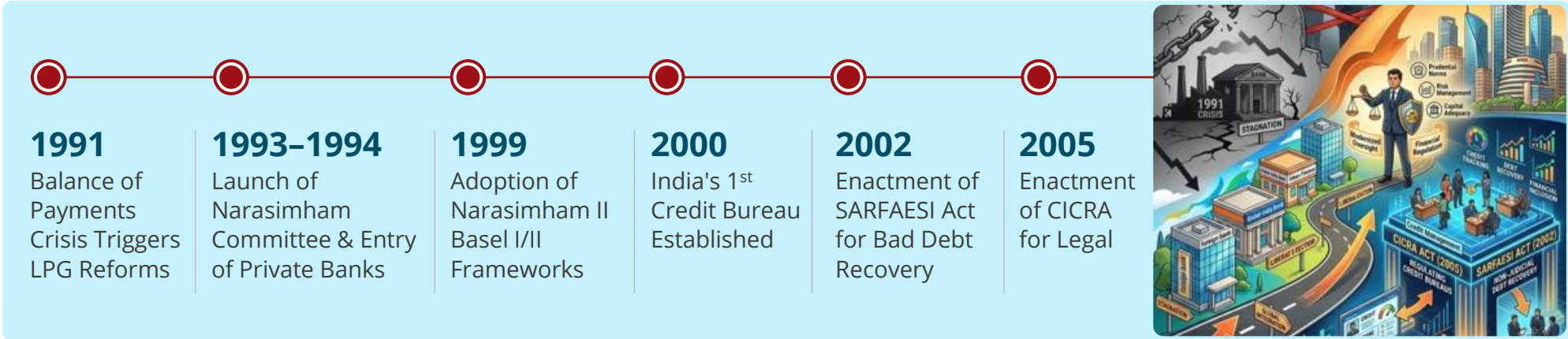


Regulatory Reforms

Prudential Norms on Income Recognition, Asset Classification, and Provisioning (IRAC).
Adoption of Basel I & II frameworks and Capital Adequacy Ratios (CAR) also known as the Capital to Risk-Weighted Assets Ratio (CRAR) to monitor Non-Performing Assets

The GIST:

Triggered by the 1991 economic crisis, India embraced market liberalization, welcoming new private and foreign banks that shifted the lending focus toward commercial profitability, risk-adjusted pricing, and product innovation. Simultaneously, the RBI modernized financial oversight through strict prudential norms & capital adequacy frameworks, while the creation of the first bureau, the CICRA Act regulating credit bureaus and the SARFAESI Act revolutionized credit tracking and non-judicial debt recovery.



ERA 5 - The Aspirational Era (2020 Onwards): The Future of Frictionless, Data-Driven Scaling

Modern aspirational businesses demand an agile, frictionless data-first approach to commercial lending

Political Landscape

Focused on "Aatmanirbhar Bharat" (Self-reliant India) and "Tech-Led Governance," prioritizing resilience, digital inclusion, and enabling private-public partnerships.

Lending Landscape

Co-lending partnerships (PSBs/Private Banks + NBFCs/FinTechs) and ecosystem-based lending models. Integration with digital public infrastructure such as Open Network for Digital Commerce (ONDC), and the Account Aggregator (AA) network

Primary Focus

Increasing focus on Green Finance, ESG parameters, and sustainable development lending, anchored by the RBI's Framework for Acceptance of Green Deposits and Sovereign Green Bonds.

Regulatory Reforms

Implementation of Regulatory Sandboxes, Digital Lending Guidelines (DLG), and oversight of governance and digital risk.

Pilot rollout of Central Bank Digital Currency (CBDC / e-Rupee).

The GIST:

Anchored by the "Aatmanirbhar Bharat" vision, India's current lending landscape is defined by seamless digital public infrastructure and co-lending partnerships that drive instant, cash-flow-based credit and green finance. Simultaneously, the lenders are implementing strict digital lending guidelines, utilizing alternative data for real-time scoring.

2020

ECLGS Relief & Aatmanirbhar Bharat Mandate

2021

Account Aggregator Framework & Co-Lending Scaling

2022

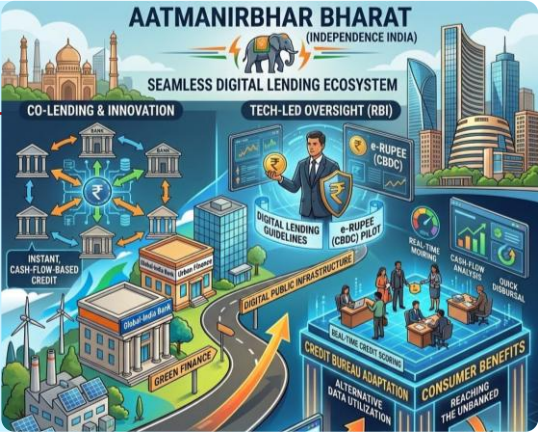
Digital Lending Guidelines & CBDC e-Rupee Rollout

2023

Sovereign Green Bonds & Green Deposit Framework

2024

Present: Unified Lending Interface (ULI) & ONDC Integration



The Rise of Aspirational Business in India mirrors the successful journey of Asian peers

Indian business is now deeply integrated with global supply chain and competing on value and not merely exploiting low-cost advantage

JAPAN (1950s–1970s)



Specialized SME Policy Banks (Shoko Chukin Bank)



Localized credit guarantee associations

Structural Impact:

Modernized informal workshops into high-precision, specialized component suppliers integrated into major export networks.

SOUTH KOREA (1970s–1980s)



Small & Medium Industry Promotion Corporation (SME-PC)



Credit Guarantee System (KODIT)

Structural Impact:

Insulated specialized suppliers against conglomerate concentration risks while deepening domestic supply chain capacity.

INDIA (2017–2026+)



Cash-flow-based underwriting (DPI, AI)



Policies to power MSME segment like Emergency Credit Line Guarantee Scheme

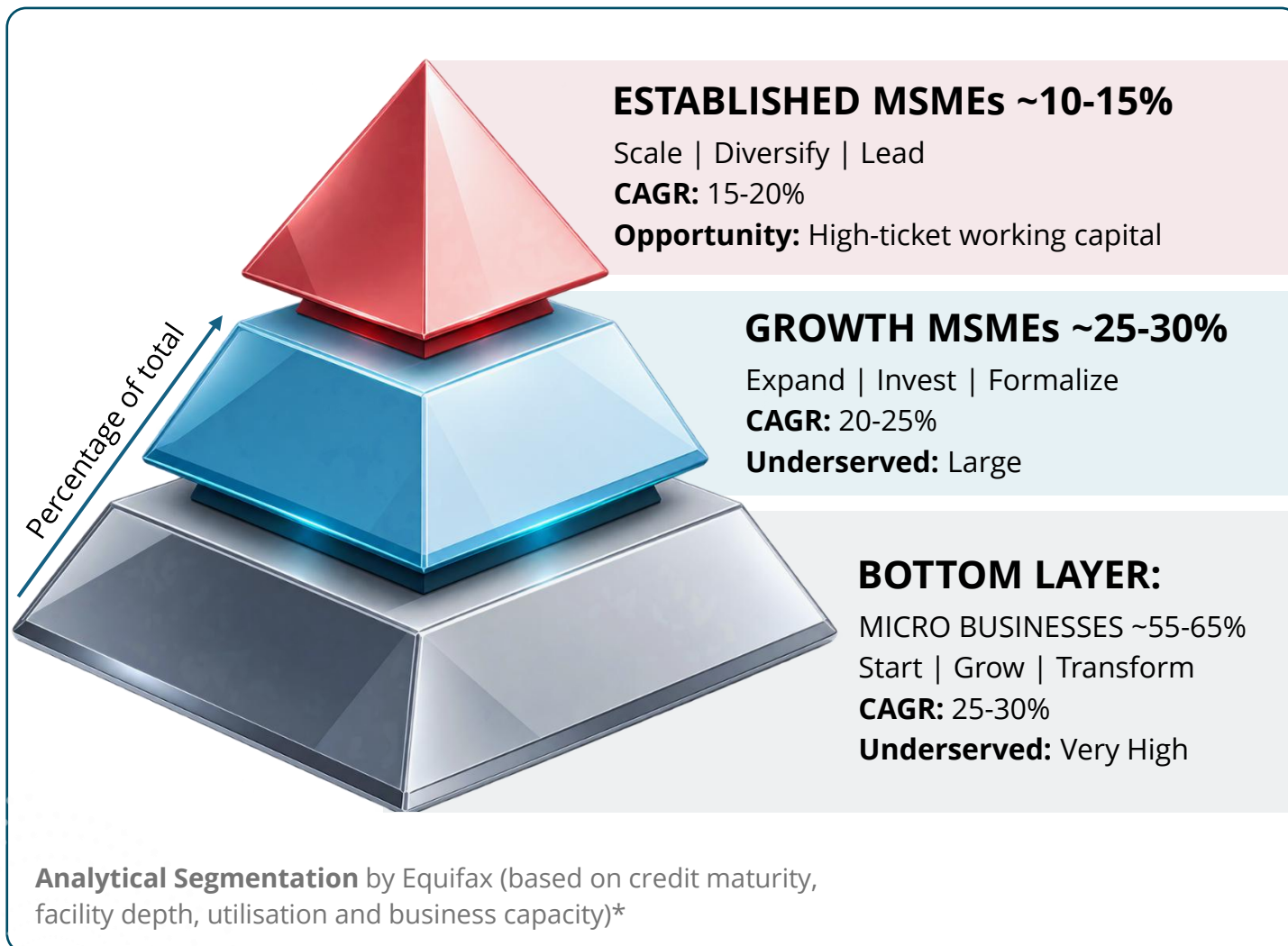
Structural Impact:

Replaced asset-backed collateral mandates with DPI-driven cash-flow underwriting to formalize the micro-enterprise sector.

CREDIT ECOSYSTEM & POLICY MECHANISM

Decoding the Diversity: Why the Aspirational Business is Not a Monolith

To bridge the credit gap, we must look beyond a homogeneous view and recognize varying business maturities and credit behaviors



*Includes Udyam-registered enterprises and UAP (Unregistered/Informal) enterprises as per MSME Ministry. CAGR represents Credit Growth.



 **8.9 Cr+**
Udyam + UAP Registrations*
As of July 2026

 **39.6 Cr+**
Employment Generated
As of July 2026

 **31.1%**
GDP Contribution
FY 2023-24

 **₹14.69 L Cr**
CGTMSE Guarantees
Sanctioned as of June 2026

 **45.73%**
Share in India's Exports
FY2023-24



What is Driving the Commercial Credit Boom?

Rising formalization & digitization

Digital adoption & e-commerce growth

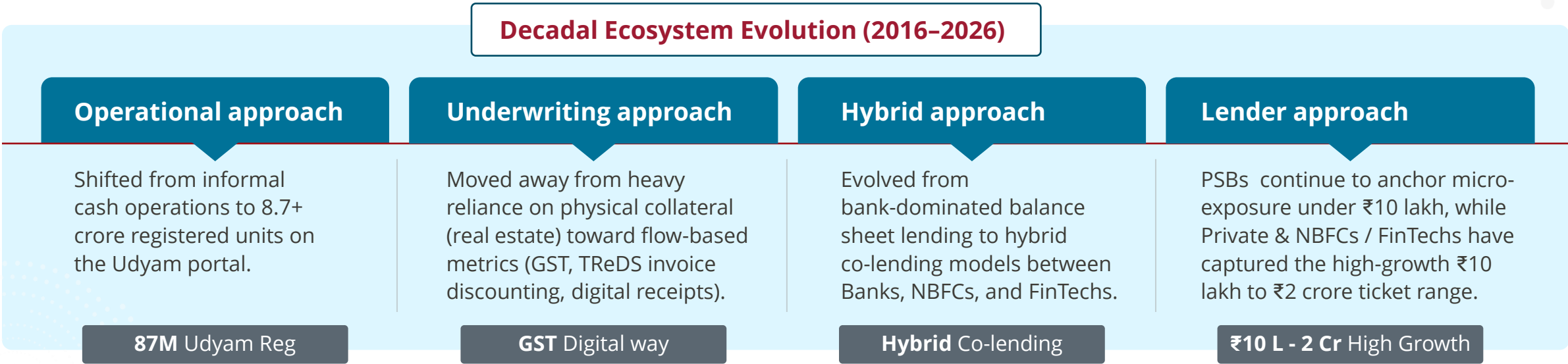
Supply chain expansion & integration

Government schemes & policy support

Alternative data & analytics enabling better underwriting

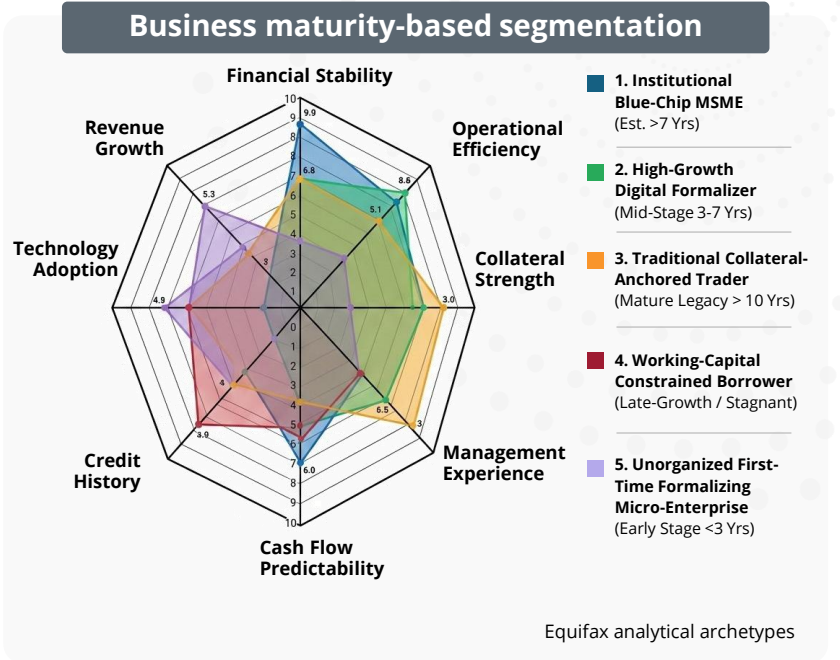
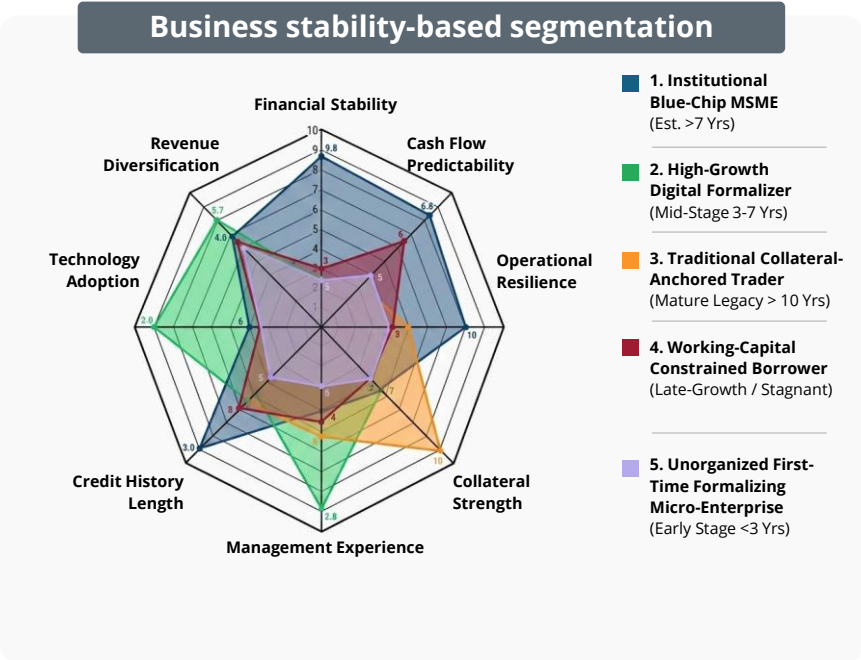
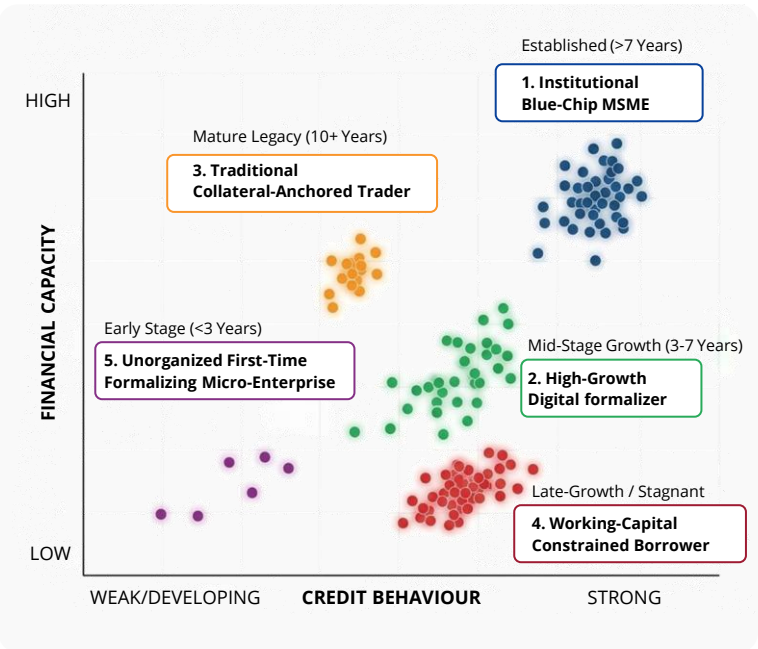
The Aspirational Growth Agenda: Addressing the uneven Credit Landscape

While India's MSME universe is increasingly dynamic and credit-ready, unlocking formal credit at scale remains a critical hurdle



Mapping the Aspirational Ecosystem: Five Distinct Commercial Borrower Personas

Distinct financial capacities and operational models require highly tailored, persona-driven credit solutions to unlock true potential



Commercial Borrower Personas Summary & Core Insights

Institutional Blue-Chip MSME capital-intensive High Maturity High Capacity	High-Growth Digital Borrowing to expand Mid Maturity High Capacity	Collateral-Anchored Built around assets High Maturity Low Capacity	Working-Capital Constrained High Utilization Low Maturity High Capacity	First-Time Micro New credit users Low Maturity Mid Capacity
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KEY Insight: Solving credit inclusion is not simply about finding more MSMEs — it is about identifying what type of borrower each MSME is and matching credit structures accordingly.

Deconstructing Aspirational India: The Five Personas

Defining the Next Wave of Commercial Borrowers who dictate distinct underwriting pathways and lender alignment

 Borrower Persona	 Business Maturity Stage	 Financial Capacity & Exp	 Underwriting Parameters	 Primary Lender Alignment
1. ESTABLISHED Institutional Blue-Chip	Established (>7 Years)	Medium Segment ₹10 Cr – ₹50 Cr	Audited P&L, DSCR > 1.5x, Low Utilization (<30%)	Private Banks & Large PSBs
2. TECH FORMALIZER High-Growth Digital	Mid-Stage Growth (3–7 Yrs)	Micro2 / Upper Small ₹50 Lakh – ₹5 Cr	High GST Velocity, AA Banking Streams, Cash- Flow Leverage	Tech-Enabled Private Banks & NBFCs
3. TRADITIONAL Collateral-Anchored Trader	Mature Legacy (>10 Years)	Small Segment ₹1 Cr – ₹10 Cr	Immovable Collateral (LAP/CC), Seasoned Banking, Asset Backing	Public Sector Banks (PSBs)
4. WC STRAINED Vulnerable Borrower	Late-Growth / Stagnant	Micro / Small Segment ₹20 Lakh – ₹3 Cr	High Utilization (>85%), SMA-1/2 Status, Dense Bureau Inquiries	High-Yield NBFCs & Special Situation Funds
5. Nano Enterprise First-Time Micro	Early Stage (<3 Years)	Micro Tier Up to ₹25 Lakh	Synthetic P&L, UPI/BSA Digital Footprint, Promoter Bureau Score	Fintechs, Micro-NBFCs, PSB Digital Journeys



Credit Assessment & Risk Profile

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India's expanding MSME credit ecosystem creates a stronger foundation for Aspirational Growth



India's MSME credit ecosystem continues to expand, supported by growth in portfolio and a widening base of active borrowers



Increasing participation in formal credit provides enterprises with greater access to capital for working capital, capacity expansion and business growth



This expanding credit footprint creates a larger universe of enterprises with the potential and ambition to scale



Portfolio Growth

Industry Portfolio

₹46.5 Lakh Cr

Mar'25 to Mar'26

▲
12%



Active Loan

Industry Active Loans

₹1.9 Cr

Mar'25 to Mar'26

▲
3%



Disbursements

Industry Disbursements in JFM'26

₹4.5 Lakh Cr

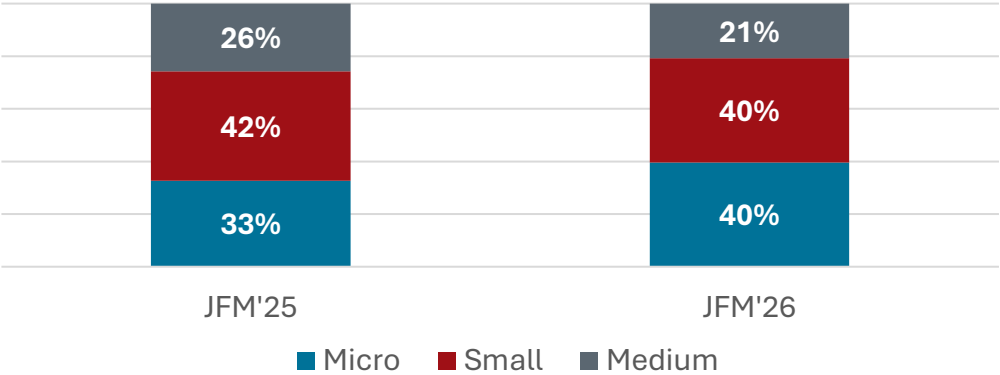
JFM'25 to JFM'26

▲
0.5%

A broader credit ecosystem is creating more room for India's businesses to aspire, invest and grow.

Micro enterprises are gaining momentum in MSME credit originations

Origination Distribution by Segment



Micro enterprises increased their share of origination value from 33% in JFM'25 to 40% in JFM'26, while their average ticket size increased by 32%

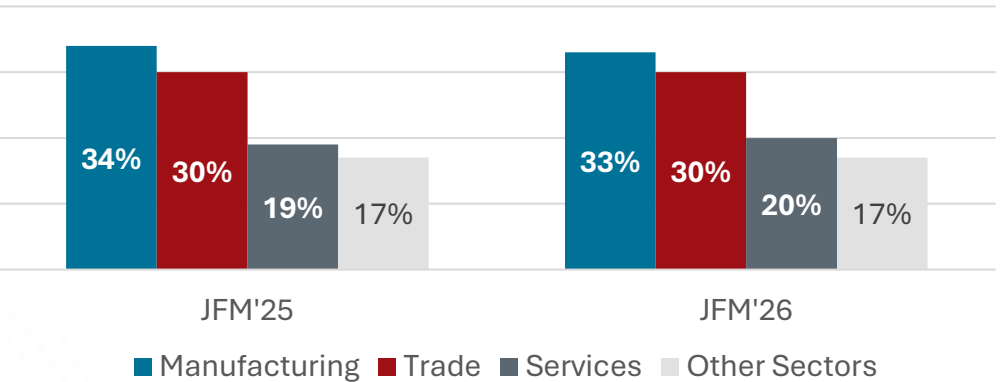


This indicates that the smallest enterprises are participating more actively in formal credit and accessing larger funding requirements



Manufacturing and Trade continue to anchor MSME credit demand, together accounting for a significant share of originations

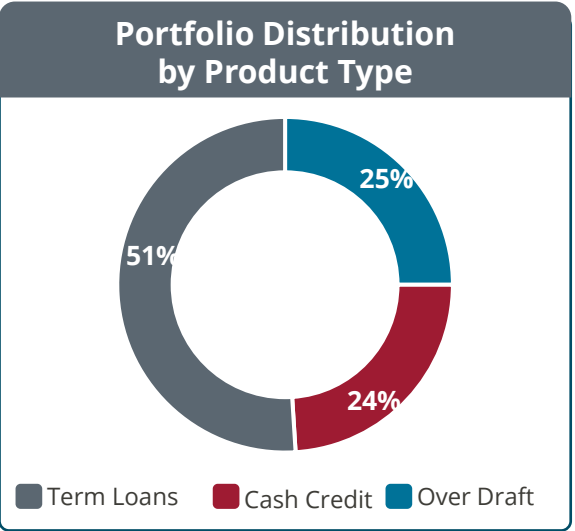
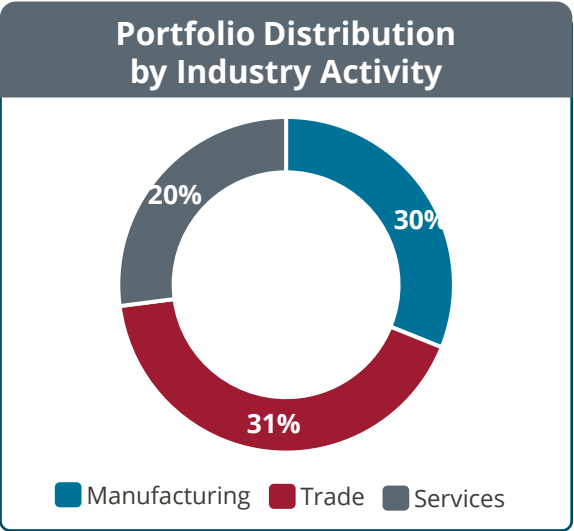
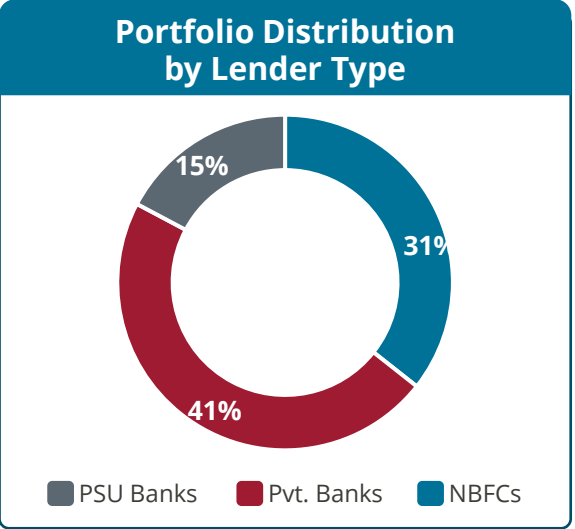
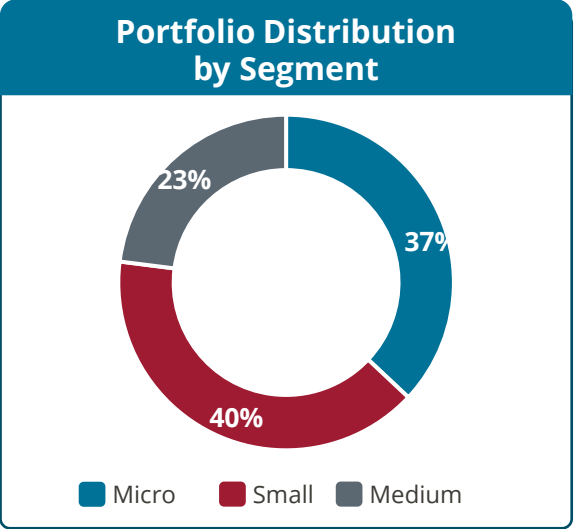
Origination Distribution by Sector



India's aspiration story is increasingly starting at the Micro level - with businesses seeking more capital to pursue bigger opportunities.



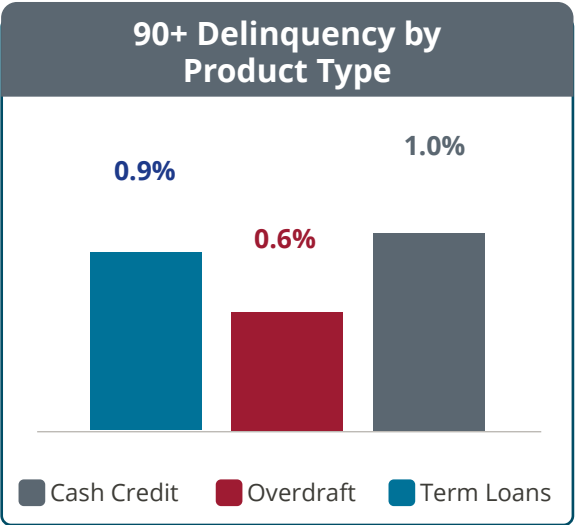
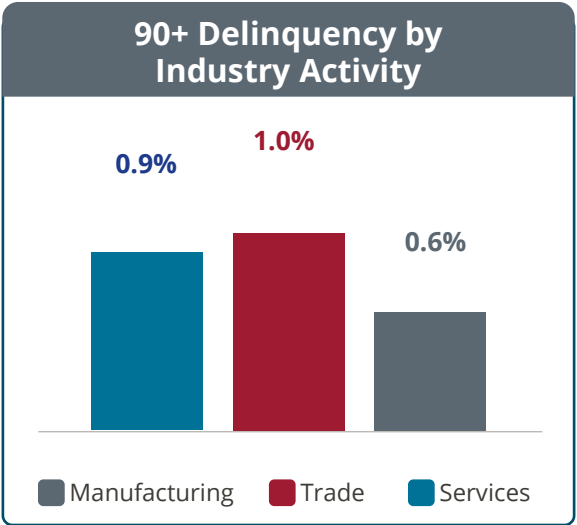
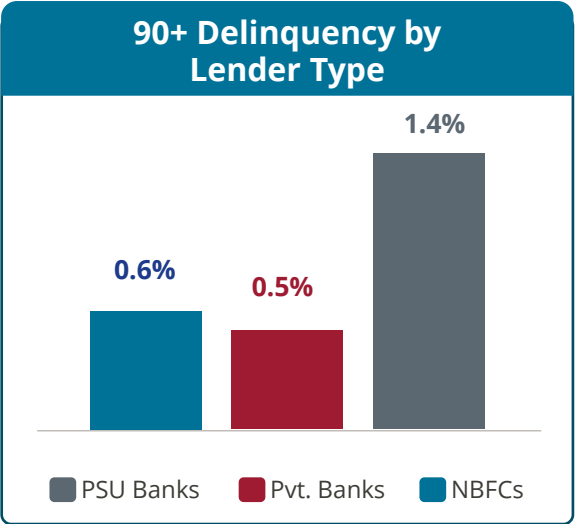
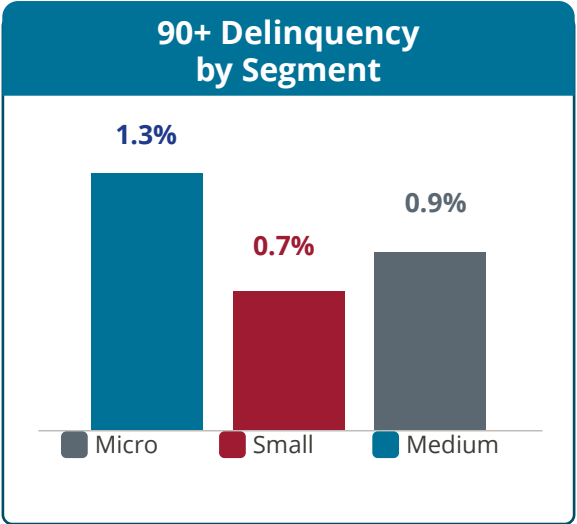
Strong term loan demand signals high borrower confidence



-  With 77% of exposure concentrated in Micro and Small entities, the portfolio is optimized for higher yields but remains sensitive to macroeconomic shocks
-  Monitoring early warning risk indicators for small borrowers remains critical
-  Pvt. Banks maintain the primary share of financing
-  51% concentration in Term Loans highlights the sustained capital development by borrowers

The next growth opportunity lies not simply in lending more, but in identifying businesses that can grow responsibly.

Scaling operations require an equal focus on credit resilience



-  As of March 2026, overall portfolio quality remains below 1.5% across all the cuts, though clear stress pockets emerge within Micro segment and NBFCs
-  The Trade business segment and term loans are showing elevated risk
-  Identifying enterprises demonstrating sustainable credit behavior can help balance inclusion, growth and portfolio resilience

Aspirational businesses will emerge across sectors-but their financing journeys will not all look the same.

West Commands Credit Scale (35.1%), while North Outpaces Growth (14.4%) and South Leads Operational Capital Demand (71.2%)

Zonal POS Exposure, PAR Metrics & Economic Anchors

Region	POS Exposure (as on Apr '26)	POS Share (%)	YoY Credit Growth in Apr '26 over Apr '25	PAR 90-179 (as on Apr '26)	*WC Utilization (CC, OD) as on Apr '26	Key Regional Economic Anchors
West	₹16.3 Lakh Cr	35.1%	10.9%	1.6%	65.5%	Largest credit anchor; Dense manufacturing (MH, GJ)
South	₹12.5 Lakh Cr	26.7%	13.9%	1.8%	71.2% (Highest)	Highest WC intensity; Auto, Tech & Textiles (TN, KA, TS, AP)
North	₹11.01 Lakh Cr	23.8%	14.4% (Fastest)	1.3%	68.3%	Leading growth momentum; Agri-processing & Trade(UP, DL, HR, PB)
East & NE	₹5.4 Lakh Cr	11.9%	13.2%	1.9 %	70.2%	Untapped credit penetration headroom (WB, BR, OD, NER)

Western Belt



High Ticket Disbursal: Maharashtra and Gujarat account for highest share of total loan value, driven by high capital intensity in engineering and chemical clusters.

Southern Hubs



Export & Precision: Tamil Nadu & Karnataka lead export-oriented auto components, electronics, and technology hardware with rapid PLI adoption

North & East Belt



Volume-Dense Micro Units: UP, West Bengal, and Bihar represent high micro-volume clusters requiring small-ticket working capital support

Strategic Takeaways & Actionable Portfolio Insights:



Credit Demand & Liquidity Health: Higher utilization (like the South's 71.2%) indicates strong demand for short-term operational cash, but high utilization without credit expansion can signal potential liquidity stress.

Growth Headroom: Regions with lower relative utilization or untapped credit penetration (e.g., East & NE at 11.9% POS Share) offer lenders headroom to scale small-ticket working capital support.

Sectoral Risk Assessment: By cross-referencing WC utilization with PAR 90-179 (default/delinquency metrics), we can evaluate whether high operational borrowing is translating into healthy revenue or elevated portfolio risk.

Manufacturing Credit Anchored in West & South, Driven by Mid-Ticket Textiles/Engineering (₹10L-2Cr) and Small-Ticket Food Processing (₹2L-10L)

Regional Clustering, Sectoral Growth

Portfolio Scale & Exposure



₹13.2L Cr

Total Manufacturing POS

Concentration Breakdown:

The top 3 manufacturing sectors account for **51.25% of total credit outstanding**. Lenders face a dual-concentration risk tied to specific geographic belts and export-sensitive sectors.

Geographic Clusters in Manufacturing

Western & Southern Hub Dominance:
Commercial lending is heavily concentrated in key industrial belts:



Maharashtra & Gujarat:

Ranked #1 & #2 nationally, driving core volume in heavy engineering, textile processing, and auto components

Tamil Nadu: Dominant Southern cluster (#3 nationally), led by textile production and automotive engineering.

Manufacturing Sub-Sectors Analysis

Textiles & Engineering

Textiles (17.65% share) & Engineering (17.25% share)

- Dominated by the ₹10L-2Cr exposure segment (51.20% share in Textiles, 56.01% in Engineering).
- Characterized by established entity credit histories and capital-intensive operational needs.
- Higher reliance on private bank term funding and specialized trade finance lines.



Food Processing

Food Processing (16.20% share)

- Predominantly concentrated in the smaller ₹2L-10L exposure segment (36.48% share).
- Strongly tied to localized agricultural supply chains and semi-urban processing units.
- High participation from Public Sector Banks (PSBs) delivering Mudra and working capital facilities.



Strategic Takeaways & Actionable Portfolio Insights for Lenders



Bank Channel Alignment:

Private Banks dominate Mid-Ticket ₹10L-2Cr (Textiles/Engg), while PSBs dominate ₹2-10L (Food Proc). Tailor product underwriting to channel strengths.



Geographic De-risking:

With 51.25% credit concentrated in MH, GJ & TN, lenders must diversify into Tier 2/3 processing hubs to insulate against regional export shocks.



Agri-Supply Chain Opportunity:

Small-ticket Food Processing (₹2L-10L) offers high-velocity, semi-urban cash flow lending with lower default correlation to global trade.

The top 10 states contribute 72% of the total industry NTC



15.73% Maharashtra
Top NTC Share



~45.2% Top 5 States
Aggregate NTC



27% Southern Corridor
Contribution

Key Highlights

Maharashtra leads overwhelmingly with **15.73%** of total NTC, followed by Uttar Pradesh (8.91%) and Gujarat (7.63%).

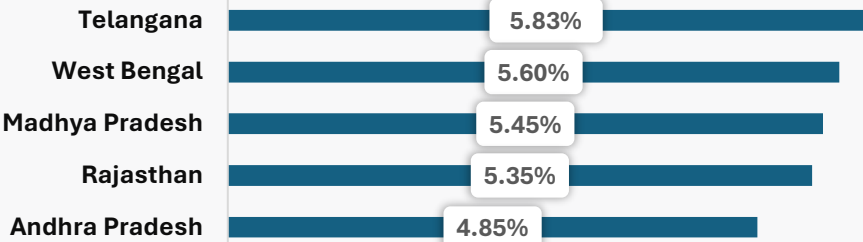
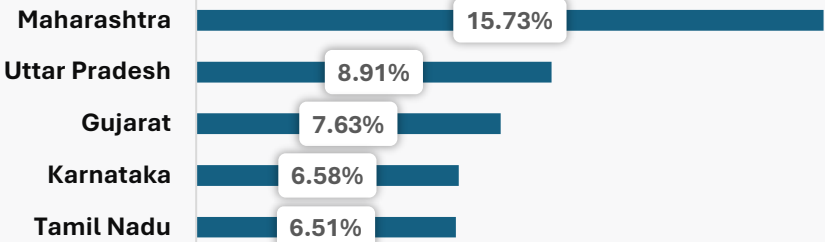
Top 5 States generate ~45.4% of aggregate NTC volume, demonstrating heavy commercial centralization.

Strategic Takeaways

High-Growth Corridors: Southern states (KA, TN, TS, AP, KL) collectively account for 27% of total Contribution.

Tier-2 Growth Drivers: MP, Rajasthan, and West Bengal demonstrate consistent mid-tier contributions exceeding 5% each.

Top 10 Contributing States



Actionable Portfolio Strategies for Lenders

Market Concentration vs. Penetration:

Top 5 states drive ~45.2% of total NTC volume (led by Maharashtra at 15.73%), making aggressive digital onboarding essential to capture core market share.



Southern Corridor Scale: The broader Southern region (KA, TN, TS, AP, KL) commands **27%** of NTC acquisition (with core Top 10 Southern states contributing 27%)—deploy dedicated localized credit assessment models for these high-velocity tech and manufacturing clusters.

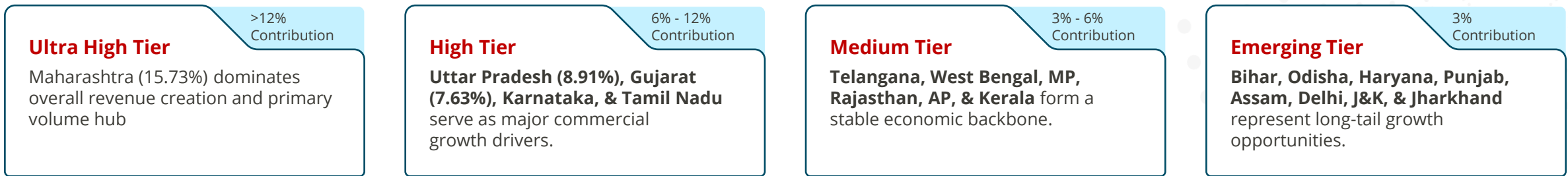


Emerging Tier-2 Headroom: MP (5.45%), Rajasthan (5.35%), and West Bengal (5.60%) represent untapped growth frontiers; expand low-ticket, automated credit underwriting to capture first-time borrowers safely.

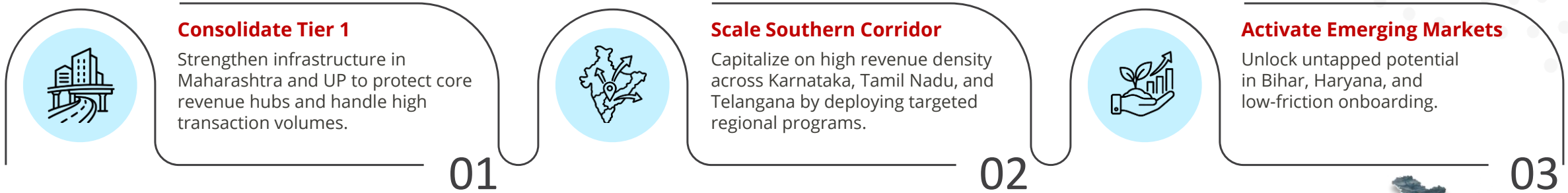


NTC - Maharashtra dominates with 15.73% contribution, anchoring regional expansion across southern and emerging hubs.

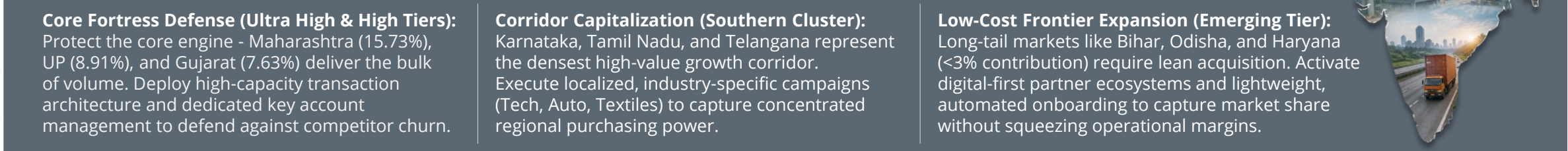
Geographic Tier Breakdown



Regional Action Plan & Future Focus



Executive Action Playbook



India's Untapped MSME Opportunity: ~5 Crore Enterprises Yet to Access Formal Credit

A large enterprise base remains outside formal credit, while the addressable financing gap continues to be substantial

~5.1 Cr

59%

~5.1 Cr registered enterprises outside the observed formal-credit universe

Derived from ~8.7 Cr registered MSMEs vs ~3.6 Cr enterprises observed with formal-credit access

₹30 Lakh Cr

24%

Addressable MSME Financing gap

Estimated unmet/addressable formal-credit demand, indicating significant headroom for responsible credit expansion.

35% | 27%

Women-owned | Services

Segments with relatively higher estimated credit gaps

What this means for Aspirational Businesses



Visibility

Millions of enterprises remain outside formal credit and need to become visible and assessable to lenders.



Inclusion

Closing the gap requires deeper reach into underserved enterprise segments, including women owned businesses.



Opportunity

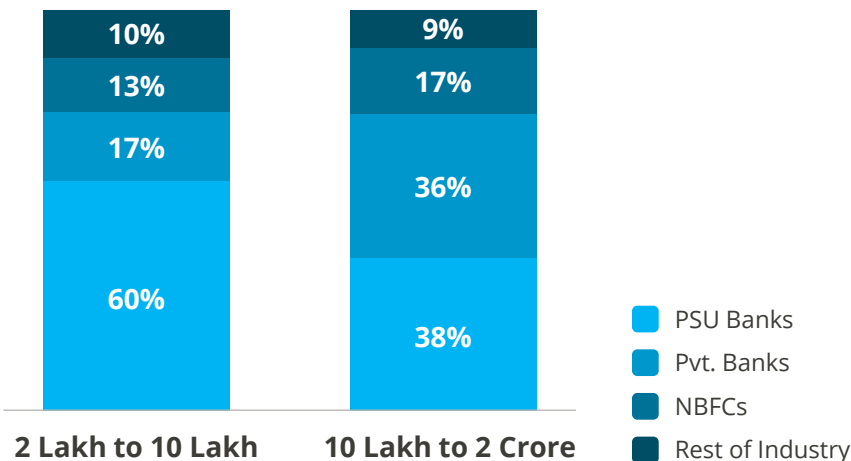
Better data, digital decisioning and risk differentiation can convert unmet demand into sustainable credit growth.

India's MSME opportunity is twofold—bring ~5 crore enterprises into the formal credit ecosystem while addressing a ~30 lakh crore financing gap.

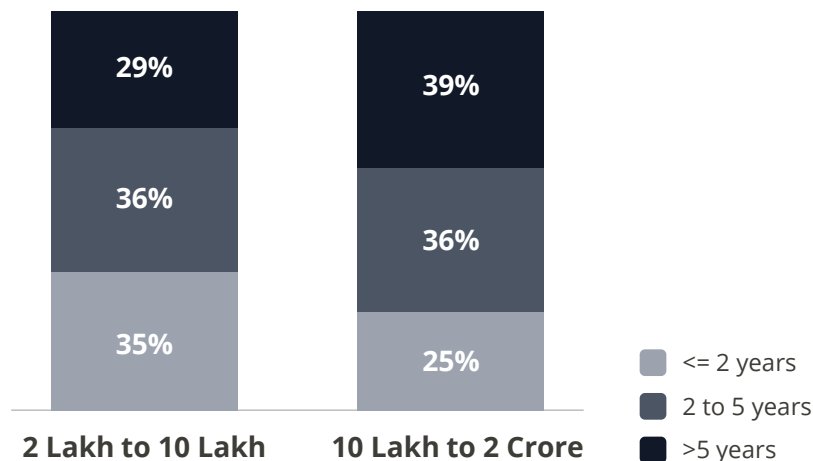
Credit access deepens as enterprises build financial maturity



Exposure by Ticket Size & Lender Type



Exposure by Ticket Size & Vintage on Bureau



Lender Dominance

PSU Banks dominate lower ticket sizes (60%), while Private Banks hold a larger share (36%) in the ₹10L - ₹2Cr band.



Vintage Correlation

Enterprises with >5 years of bureau vintage account for 39% of exposure in the Rs.10 Lakh to 2 Cr segment, compared with 29% in the Rs.2-10 Lakh segment.



Strategic Takeaway

Established credit history and financial maturity are directly associated with access to deeper pools of formal credit.

Core Insight

As businesses build a credible credit track record, the ecosystem opens the door to larger funding opportunities.

MSME Commercial Credit: Segment Population & Served Analysis

Credit-market segmentation developed specifically to access formal-credit penetration and addressable opportunity; distinct from the earlier aspirational business personas



Detailed breakdown of credit ranges and midpoints across five distinct commercial borrower segments

Commercial Credit Segment	Population Range (M)	Served Range (M)	Credit Gap Range (M)	Range Midpoints (Pop / Served / Gap)
The Emerging Ready to enter formal credit	25 – 30	6 – 8	19 – 22	27.5M / 7.0M / 20.5M
The Growth Seeker Borrowing to expand	20 – 25	8 – 10	12 – 15	22.5M / 9.0M / 13.5M
Credit Experienced Knows how to use credit	15 – 20	10 – 12	5 – 8	17.5M / 11.0M / 6.5M
Asset-backed Op. Business built around assets	10 – 15	8 – 10	2 – 5	12.5M / 9.0M / 3.5M
Credit Intensive Credit is central to business	10 – 15	8 – 10	2 – 5	12.5M / 9.0M / 3.5M
Total Market Universe Aggregate industry opportunity	80 – 105	40 – 50	40 – 55	92.5M / 45.0M / 47.5M

The above segments are illustrative and designed to assess formal-credit penetration and potential opportunity.



The Indian Commercial Lending Ecosystem

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3.2	Operating Models by Lenders	48 - 53

The Indian Commercial Lending Ecosystem

Robust Network of Regulators, Enablers, and Lenders Operating Through an Integrated Value Chain to fuel the nation's growth ambitions

Apex Regulators

& Dev Bodies

RBI: Regulates banks/NBFCs, monetary policy, capital adequacy (Basel III), PSL mandates, and digital lending guidelines.

SEBI & MCA: Govern corporate debt, bond issuance, listed debt obligations, ROC compliance, and company filings.

IBBI: Administers the Insolvency & Bankruptcy Code (IBC) for time-bound resolution of commercial defaults.

Policy & Development

& Credit Support

MoF / DFS: Steers macroeconomic policy, PSL priorities, public sector recapitalization, and MUDRA Yojana.

MoMSME & CGTMSE: MoMSME shapes enterprise policy; CGTMSE provides collateral-free credit guarantees.

SIDBI & NABARD: Apex refinance institutions providing liquidity and risk mitigation to MSME and priority rural agribusiness.

DPI Enablers

& Infrastructure

NPCI & GSTN: UPI/NACH for instant disbursement & e-mandate collection; GSTN enables invoice-level tax data verification.

Account Aggregators (AA): RBI-regulated consent framework enabling real-time, tamper-proof financial statement exchange.

TReDS: Electronic exchange platforms (RXIL, M1xchange) for MSME receivables.

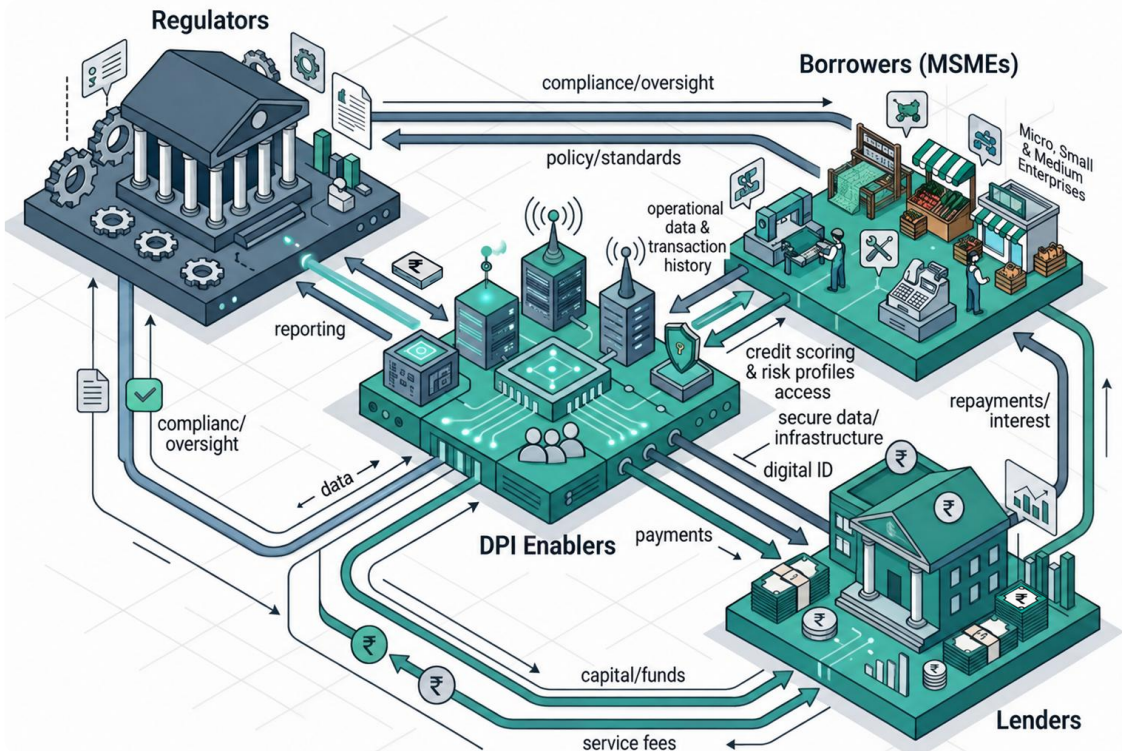
Credit Bureaus: CICs maintain critical commercial credit scores (CCR).

Lenders

& Manufacturers

Credit Distribution Network: Scheduled Commercial Banks (PSBs, Private, Foreign), Non-Banking Financial Companies (NBFCs), Small Finance Banks (SFBs), and FinTech co-lenders originating and underwriting business loans.

System Integration Flow



DPI Enablers bridge systemic gaps by facilitating frictionless data, identity verification, and payment routing between **Regulators** and **Lenders**.

Credit Flow Architecture

End-to-End Value Chain: From Wholesale Liquidity to Ground-Level Credit Delivery



Capital Providers

WHOLESALE LIQUIDITY

Retail Depositors:

Provide low-cost, stable primary liquidity.

Bond Markets:

Deep institutional debt for long-term commercial capital.

Refinance Bodies:

SIDBI & NABARD inject targeted development funds.

Credit Manufacturers

BALANCE SHEET RISK

Risk Absorption: Balance sheet underwriters holding the ultimate default risk.

Co-Lending Models:

CLAs leverage structured risk sharing between lenders.

Strategic Alliances:

Banks partner with local NBFCs for specialized reach.

Distributors & LSPs

OCEN INTEGRATION

FinTech Platforms: Embed digital credit directly at transaction points.

B2B Marketplaces:

Integrate credit into supply chain checkouts.

GeM Portal:

Drives direct public procurement financing via APIs.

End Borrowers

ECONOMIC OUTPUT

MSMEs: Deploy active working capital & targeted CapEx.

Kiranas:

Drive localized, high-velocity inventory rotation.

Agri-FPOs:

Fuel primary processing & critical farm-level mechanization.

Validation Layer: Credit Bureaus (Equifax)

Provides deep, automated, and instant checks on commercial credit histories and scores.

Social Media (The Influence Amplifiers)

Platforms: Facebook, Instagram, X, LinkedIn

Core Impact

Empowers lenders with high-fidelity risk screening, proactive fraud checks, and dynamic, continuous portfolio health monitoring.

Drives awareness, builds trust, shapes sentiment, enables alternate data signals and helps in acquisition & marketing engagement.

Digital Visibility: Amplifying Aspirational India's Reach

Social Media Advertising Democratizes Customer Acquisition and Drastically Lowers Distribution Costs for Grassroots Enterprises

Macro Shift: Democratizing Reach

Decentralizing the Ad Ecosystem

Historically dominated by corporate budgets, the landscape is now a powerful equalizer. With **India's digital AdEx** reaching **~₹93,156 crore**, growth is heavily driven by emerging MSMEs.

Unlocking "Bharat"

Social media enables local businesses to build national footprints without heavy physical CapEx. Grassroots entrepreneurs can now **scale from local clusters directly to a pan-India audience**.



Micro Impact CAC Reduction



The Shift

Moving away from expensive offline retail networks and broad TV spots to targeted social media for intent-based direct-to-consumer (D2C) sales.



The Numbers

A grassroots business can launch hyper-targeted campaigns with typical monthly budgets starting between ₹20,000 and ₹75,000.



The Impact

Transitions MSMEs into scalable, performance-driven growth engines. Measurable outcomes lower CAC and build a transparent digital transaction trail.

Digital Workflows Accelerating the Next-Gen Economy

Transforming the End-to-End Commercial Lending Journey and Drastically Reducing CAC and TAT for Emerging Enterprises



Lead Generation & Sourcing

Digital platforms and Loan Service Providers (LSPs) integrate credit directly into B2B supply chains, capturing intent at the point of transaction with very low Customer Acquisition Cost (CAC).



Onboarding & KYC

FinTechs utilize fully digital onboarding processes, requiring zero physical visits, replacing heavy reliance on physical branches.



Underwriting & Risk Assessment

Automated decision engines leverage Account Aggregators (AA) to instantly read consented financial data be it bank statements and GST data, shifting from manual balance sheet reviews to fast, data-driven underwriting.



Disbursement

Integration with digital payment rails ensures near-instant Turnaround Time (TAT) for funding.



Post-Disbursement Monitoring

Lenders utilize continuous digital transactional histories and platform data to ring-fence cash flows and monitor health.



Collections

Infrastructure enablers like NPCI run NACH for loan repayment mandates, enabling seamless, automated collections and reducing default friction.



Lower CAC

Digital sourcing & intent capture at the transaction point.



Faster TAT

Automated underwriting and digital rails enable near-instant funding.



Reduced Risk

Real-time data & continuous monitoring improve risk management.



Better Outcomes

Efficient collections and health monitoring drive stronger portfolio quality.

Lender Differentiation to Serve a Diverse, Growing India

Strategic Alignment Across Cost of Funds, Operational Reach, and Underwriting Philosophies to Fund Every Tier of Enterprise

The commercial lending landscape is divided among distinct organizational models, each with strategic strengths tailored to specific borrower profiles.



Strengths



Operations



Target

Public & Private Banks

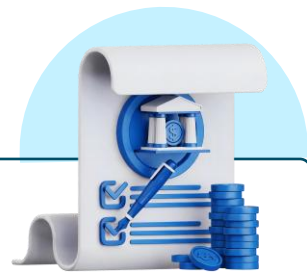


Massive capital base, lowest interest rates, and integrated trade finance.

Traditional branch-led models with high CapEx/OpEx.

Traditional MSMEs, mid-market corporates, and large public sector enterprises.

NBFCs



Niche expertise, lenient collateral norms, and flexibility.

Hub-and-spoke models balancing reach with medium OpEx; localized relationship building.

Unorganized sector, fleet operators, and Tier 2/3/4 city SMEs requiring asset-backed loans.

FinTechs & Digital Lenders



Hyper-personalized UI/UX, fully digital onboarding, and alternate underwriting (AI/ML, telecom data).

Platform-based with low CAC, highly scalable, and near-instant TAT.

Gen-Z entrepreneurs, e-commerce sellers, and New-To-Credit businesses requiring unsecured working capital.

FinTechs: Unlocking Credit for Aspirational India

Disrupting lending via cash-flow underwriting & embedded finance ecosystems to bring the unorganized sector into the formal fold

Alternative data & cash-flow underwriting

Instead of relying on traditional balance sheets, FinTechs utilize alternative data models.

Subject to applicable regulation, lawful basis/consent, purpose limitation, data minimization, explainability and model governance

Initiatives like GST Sahay and Account Aggregators (AA) bring the unorganized sector (kiranas, micro-units) into the formal commercial lending fold.



Embedded Finance & OCEN

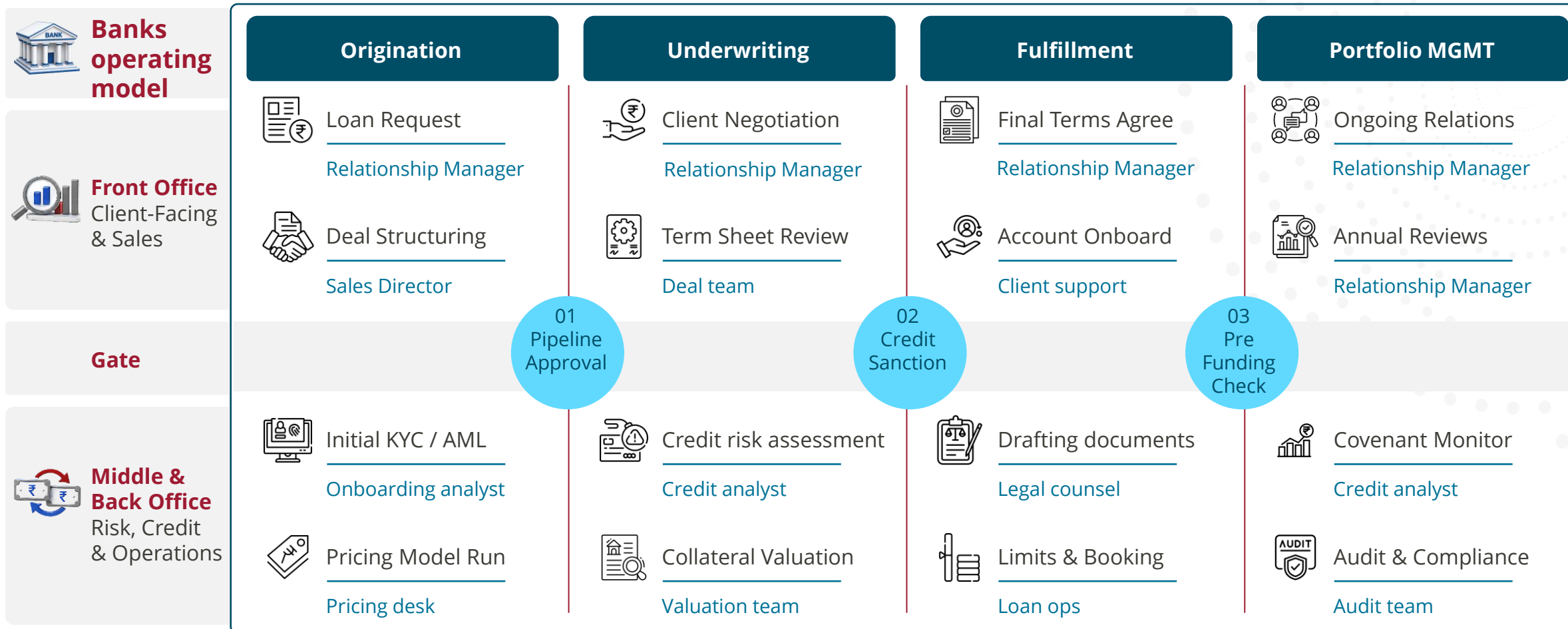
OCEN is democratizing credit by unbundling lending via APIs.

Loan Service Providers (LSPs) act as intermediaries, embedding commercial loans directly into B2B supply chains, merchant apps, and supplier portals.

This allows lending at the point of transaction (e.g., checkout finance for B2B purchases) with very low CAC, managing risk by ring-fencing cash flows through the platform.



"The future of commercial credit lies in moving away from hard physical collateral to real-time, digital cash-flow-based ring-fencing."



Systems & Data Technology Foundation



CRM
Platform



LOS
System



Rating
Engine



Collateral
Mgmt



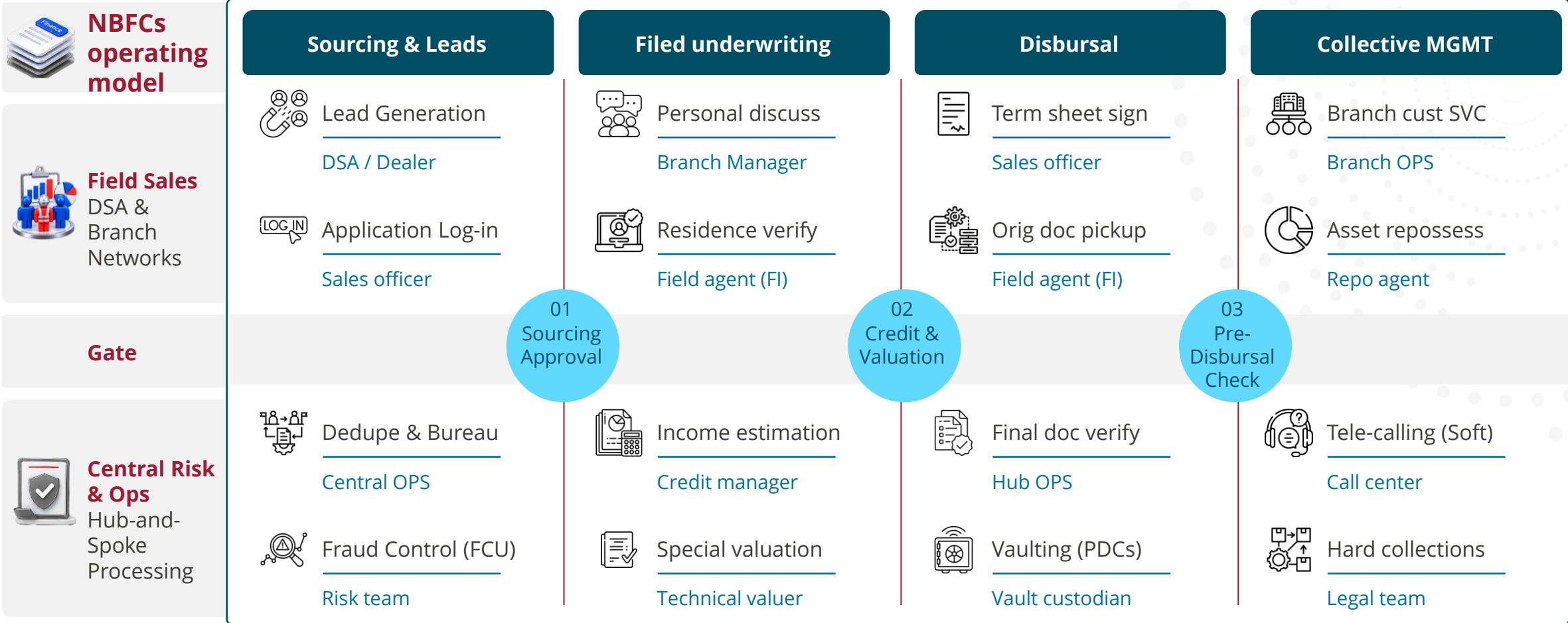
Document
Mgmt



Core
Banking



Data
Lake





Fintechs operating model



Digital Touchpts

Mobile, Web & APIs

Gate



Automated Risk

Algorithms & STP

Digital Acquisition



App / Web Journey

End User



Embedded API

Partner Platform

01
Identity
Verified



Alt Data Scraping

Data Engine



OCR & Doc Parse

Vision AI Model

Algo Decisioning



Video KYC / Live

End User



Account Aggregator

End User

02
Algorithmic
Approval



ML Algorithmic Score

Credit Algo



Manual Underwrite

Senior Analyst

Instant Fulfilment



E-Sign / Aadhaar

End User



E-Mandate / NACH

End User

03
Digital
Mandate
Set



Smart Contract Gen

Platform Backend



Payment Gateway

API Integration

Digital Lifecycle



Self-Serve Dash

End User



Chatbot / WhatsApp

AI Assistant



Auto-Reconcile

Finance BOT



Early Warning Syst

ML Tracker

Systems & Data

Cloud & API Infra



Cloud
Native



API
Gateway



ML Ops
Pipe



Identity
(IdP)

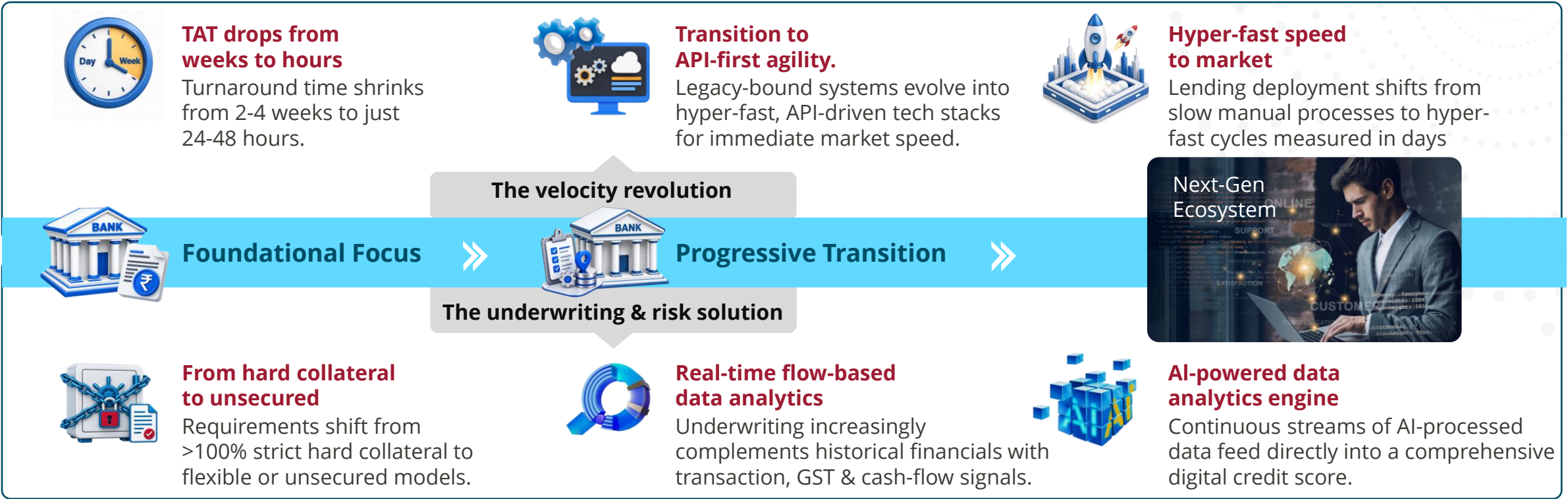


Pay
Gateway



Digital
Core

The lending maturity spectrum : Evolving for future scale



Maturity	Foundational Focus	Progressive Transition	Next-Gen Ecosystem
Primary Core Focus	Balance Sheet & DSCR	Asset Quality & Cashflow	Flow-Based Data Analytics
Target Borrower profile	 Large Corporates and Prime MSMEs	 Mid-Market and Emerging SMEs	 Micro Enterprises & First-Time Borrowers

Strategic Credit Mapping: Financing Diverse Segments

Illustrative / Typical Lender Positioning across Aspirational India Segments



While institutions actively operate across overlapping credit brackets, distinct lender categories exhibit clear primary advantages based on risk underwriting, reach, and operating cost.



**Micro-Enterprises &
New-To-Credit (NTC)**

SFBs & FinTechs

SFBs provide local connect and unsecured group loans for peri-urban/rural pockets. FinTechs utilize alternate underwriting and zero physical visits for urban NTC businesses and gig aggregators.



**Small Businesses &
Unorganized Sector**

NBFCs

Offer lenient collateral norms, asset-backed financing (Commercial Vehicles, Loan Against Property), and high-touch service via hub-and-spoke models in Tier 2/3/4 clusters.



**Mid-Market Corporates &
Emerging Businesses**

Private Sector Banks

Provide technology-led relationship banking, fast processing, and integrated trade/supply chain finance for urban/semi-urban affluent businesses

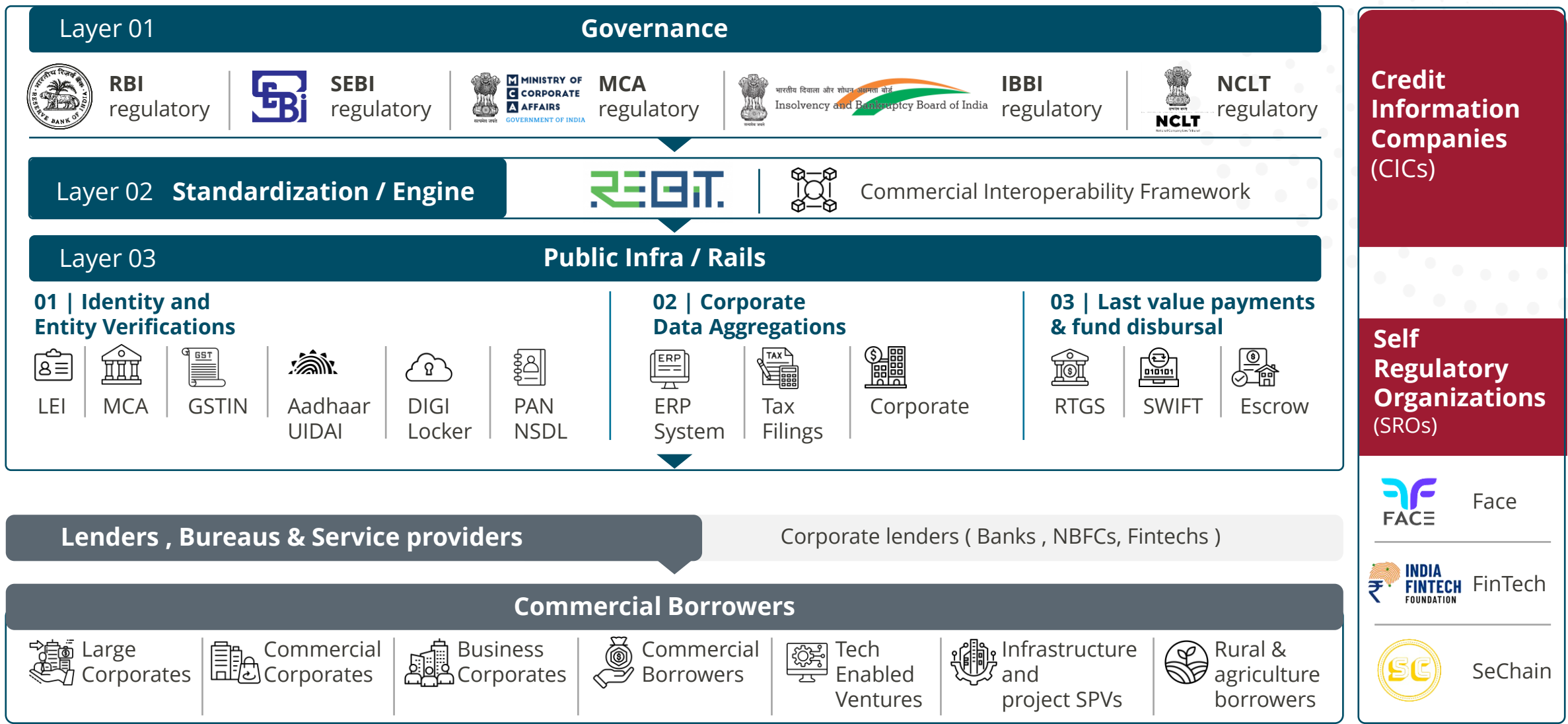


**Agri-Businesses &
Traditional MSMEs**

**Public Sector Banks &
Co-Lending**

PSBs leverage massive capital and government backing for term loans and KCC. Co-lending optimizes reach for priority sector MSMEs in remote areas.

Commercial Credit Ecosystem Participants





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4.2	Addressing Structural Impediments	61 - 67
4.3	Recommendations & Strategy	68 - 70

Structural Forces Shaping The Next Five Years

Powerful megatrends are redefining commercial credit and creating new opportunities



Strong GDP & Business Growth

Expanding economy fuels credit demand across sectors and regions.

1



Rise Of Aspirational India

More businesses aspire, formalize and seek credit to grow.

2



Digital Transformation & Data Revolution

Technology and data unlock smarter decisions and wider credit access.

3



Policy & Regulatory Support

Supportive reforms and infra build a strong foundation for credit growth.

4



Sustainability & Resilience

Businesses embrace sustainable and resilient models for long-term value.

5



These structural forces are creating favourable conditions for inclusive, sustainable and technology-led commercial credit growth.

India 2035: A ten-year credit vision

From expanding access to building a resilient, intelligence—led commercial credit ecosystem



**Today
(2025)**

Expanding Access

21 Mn+ MSMEs
have formal credit

Credit penetration
at ~14% of
MSME GVA

Banks drive
~75% of
commercial credit



2030

Building Momentum

35— 40 Mn
MSMEs formally
credit active

Credit penetration
at ~22% of
MSME GVA

Diversified
lenders to
contribute ~40%



2035

Intelligent & Inclusive Ecosystem

60+ Mn MSMEs
formally
credit active

Credit penetration
at ~32% of
MSME GVA

Digital & new-age
lenders to
contribute ~60%



3X

Growth in credit
active MSMEs
(21 Mn → 60+ Mn)



2.4X

Increase in credit
penetration
(~14% → ~32%)



2.5X

Rise in new- age &
digital lender share
(~25% → ~60%)



**Stronger
& smarter**

Risk management
through data,
analytics and AI-led
decisioning



By 2035, India's commercial credit ecosystem will be deeper, broader and smarter— powering sustainable and inclusive economic growth.

A Large and Expanding Commercial Credit Opportunity

Multiple forces are supporting demand for formal credit across businesses of all sizes

1. Demand acceleration

Rising business formation, urbanization and income growth are increasing credit demand.

More businesses seeking capital to grow

2. Supply deepening

Lenders are expanding reach, products and flexibility to serve diverse business segments.

Broader access and innovative credit solutions



3. Market expansion

Credit is reaching underserved geographies, sectors and business segments.

New-to-credit and underserved segments coming in

4. Value multiplication

Data, analytics and technology enable better risk management and customer outcomes.

Better decisions, lower risk, higher productivity



More Borrowers

Across all business segments



More Credit

Larger ticket sizes and working capital needs



More Uses

Growth, modernization, inventory and more



More Impact

Stronger businesses, jobs and economic growth



The commercial credit opportunity is large and diverse —supported by demand and supply, with data and technology creating additional opportunities for expansion.

The Power of Alternate Data

Richer insights. Broader access. Smarter credit decisions

Expanding Data for a Complete View of Businesses

01 Financial Data

- Bank transactions
- Cash flow patterns
- Trade payments
- Account behavior

Shows financial health & stability

02 Business Data

- GST returns
- Invoices & sales
- Business registrations
- Industry & supplier data

Reveals business performance



Composite Risk View

360° understanding of businesses

03 Behavioral Data

- Digital payments
- UPI & wallet activity
- Credit behavior
- Purchase patterns

Captures behavior & intent

04 Potential Alternate Signals

- Utility payments
- Telecom activity
- Geolocation insights
- Digital footprint

Expands reach & reduces risk

The Impact of Alternate Data

Broader Access

Reach more businesses, including thin-file and underserved segments.

Better Risk Decisions

Richer insights lead to more accurate underwriting and lower losses.

Stronger Growth

Enable responsible lending, higher approvals & sustainable portfolio growth.



Richer insights can support more informed risk decisions, broader access and responsible portfolio growth.

AI & GenAI: The Next Frontier in Commercial Credit

Intelligent technology to transform every stage of the credit lifecycle



AI-powered commercial lending

Smarter decisions | Better outcomes | Stronger growth

Smarter Underwriting

AI/ML models analyze vast data to assess risk and create greater accuracy and consistency.

More consistent risk assessment
Potentially lower losses

Process Automation

Automate data extraction, document checks and decisioning to improve speed and efficiency.

Faster turnaround
Lower cost to serve

Personalization Of Credit

GenAI tailors credit solutions to each business's unique needs, behavior and cash-flow patterns.

Better-fit credit
Stronger customer relationships

Early Warning & Portfolio Intelligence

AI detects early stress signals and manages portfolios for proactive risk management.

Early risk detection
Healthier portfolios



The impact

Operational Excellence

Efficient processes, lower costs and higher productivity.

Stronger Outcomes

Potentially higher approval precision, improved portfolio monitoring and sustainable growth.



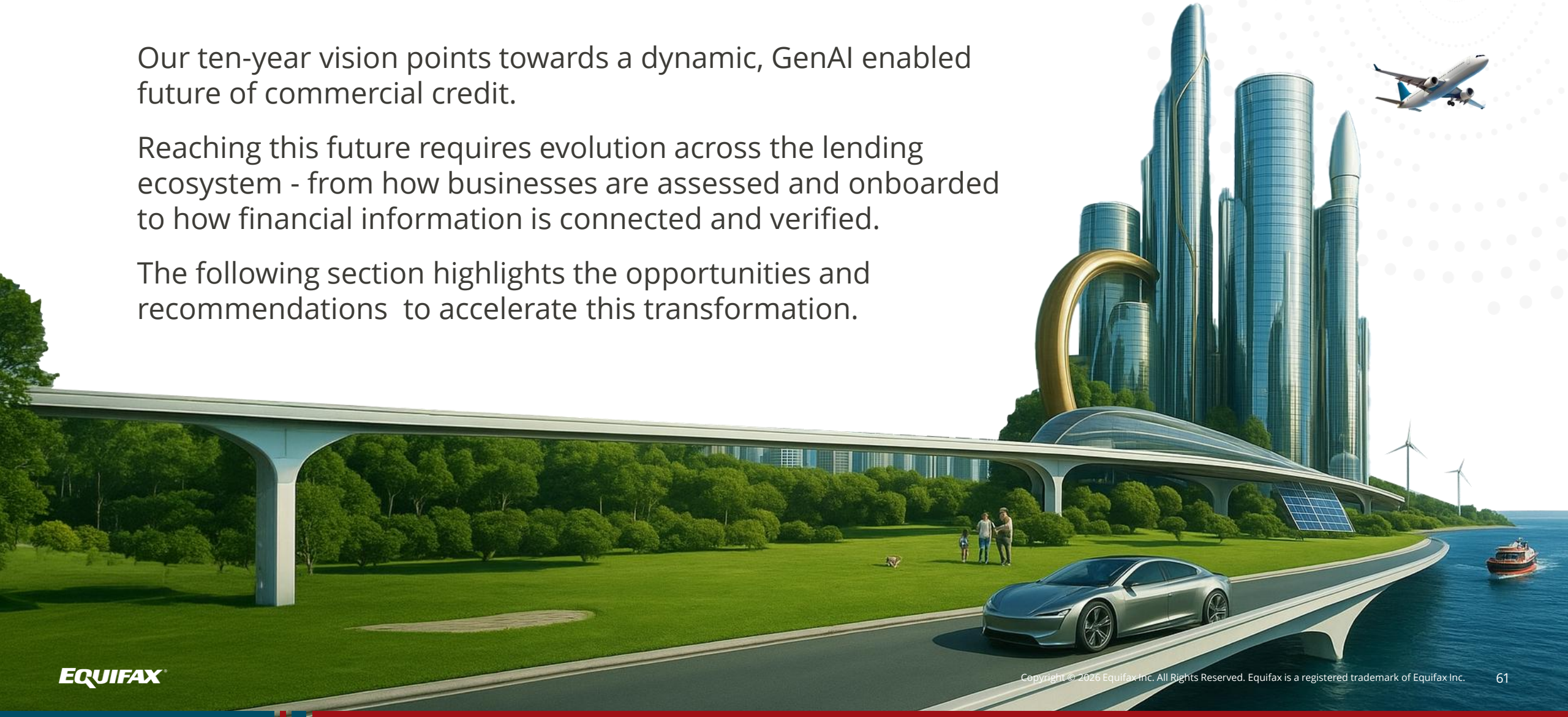
AI and GenAI are not just operational tools — they are structural catalysts for scaling the future of commercial credit.

Bridging Today to Tomorrow

Our ten-year vision points towards a dynamic, GenAI enabled future of commercial credit.

Reaching this future requires evolution across the lending ecosystem - from how businesses are assessed and onboarded to how financial information is connected and verified.

The following section highlights the opportunities and recommendations to accelerate this transformation.



Making Every Aspirational Business Visible to Credit

My shop has consistent daily sales and great margins, but my application could not be assessed through traditional bureau information because of limited credit history. How do I prove I'm a reliable borrower if I don't get my first loan to build a history?

Micro-business Owner

Without formal bureau records, traditional models may have limited visibility into your credit worthiness. We know you might be creditworthy, so we need ways for our system to see your financial health without a pre-existing track record.

Underwriter

01

Expanding Credit Visibility (Building Visibility for Emerging / Thin-File Borrowers)

Broader data visibility beyond traditional bureau history - such as utilizing alternate data like UPI receipts and GST filings - can help lenders recognize creditworthy emerging borrowers and support responsible credit access and financial inclusion.

I want to approve this business, but I only see a tiny fraction of their financial life. How can I confidently verify their true operational health?

Risk Officer

Their enterprise and alternative data-like GST filings, utility payments, and telecom bills-do exist, but they are currently stuck in isolated portals. Once we help this data cross-pollinate*, we can build a comprehensive 360-degree business risk view.

Data Analyst

02

Connecting the Financial Footprint (Creating a Connected Financial View)

Connecting relevant financial signals from multiple isolated sources can enable a richer, more holistic risk assessment, leading to smarter decisions, better risk management, and sustainable business growth.

The next creditworthy business may not have a long bureau history - but its financial footprint can tell its story

Building Smarter Credit for the New-Age Aspirational Business

My business is doing well, but global disruptions, rising costs or supply delays can strain my cash flow. How can I access credit when these risks are beyond my control?

Micro- Business Owner

Traditionally credit relies on historical performance. We need to understand how the supply chain exposure, input cost, sector conditions could affect future cash flows.

Risk Manager

03

Building Resilient Credit for a volatile world (Integrating external risk signals into Commercial Lending)

Building external risk intelligence into commercial credit can help lenders anticipate how global and economic shocks may affect businesses. Combining business cash flows with sector, supply-chain and macroeconomic signals can enable more dynamic risk assessment, proactive credit support and resilient financing for aspiring enterprises

I run a highly profitable digital service, but I don't own real estate to pledge. Even if I did, the land records in my state aren't fully digitized yet.

Asset- Light Entrepreneur

Because physical assets like land aren't dematerialized everywhere like stocks are, we are currently forced to rely on traditional collateral requirements that can constrain access for some high growth, asset-light businesses.

Credit Manager

04

Advancing Digital Asset Verification (Moving Beyond Physical Collateral)

The ongoing digitization of physical assets (like land records) and the integration of alternative digital metrics allow lenders to transition to seamless asset validation, opening doors for modern, asset-light, high-growth businesses.

Tomorrow's credit decisions will increasingly look beyond traditional financials - to understand business resilience, emerging risks and the assets that power growth

Taking Aspirational Credit from Inclusion to Scale

It takes our team a few days to manually verify and underwrite a single commercial file. How can we possibly serve the millions of small, aspirational enterprises out there?

Spending that much time and operational expense on a small-ticket loan is economically unviable. However, once we move to API-driven data ingestion and automated policy rules, we will be able to scale.

Branch Manager

Head of Lending

05

Achieving Scalable Economics (Automating Small Ticket Decisions)

Transitioning from manual underwriting to automated, AI-driven decisioning can reduce operational costs, potentially improving unit economics and scalability for the small-ticket commercial market.

My workshop is thriving in a Tier-3 district, but the local bank branches there only process basic agricultural or personal loans. They say they don't have the tools to fund my commercial expansion.

While formal commercial credit is currently too concentrated in large metros, we can leverage initiatives like the government's Aspirational Districts Program to build specialized commercial lending infrastructure in a Tier 3 district like yours.

Rural Manufacturer

Policymaker

06

Empowering Regional Enterprise Growth (Expanding Infrastructure beyond metropolitan cities)

Leveraging strategic initiatives to expand specialized commercial lending infrastructure into thriving tier-3 markets unlocks vital capital, driving inclusive economic growth for underserved, high-potential regional enterprises.

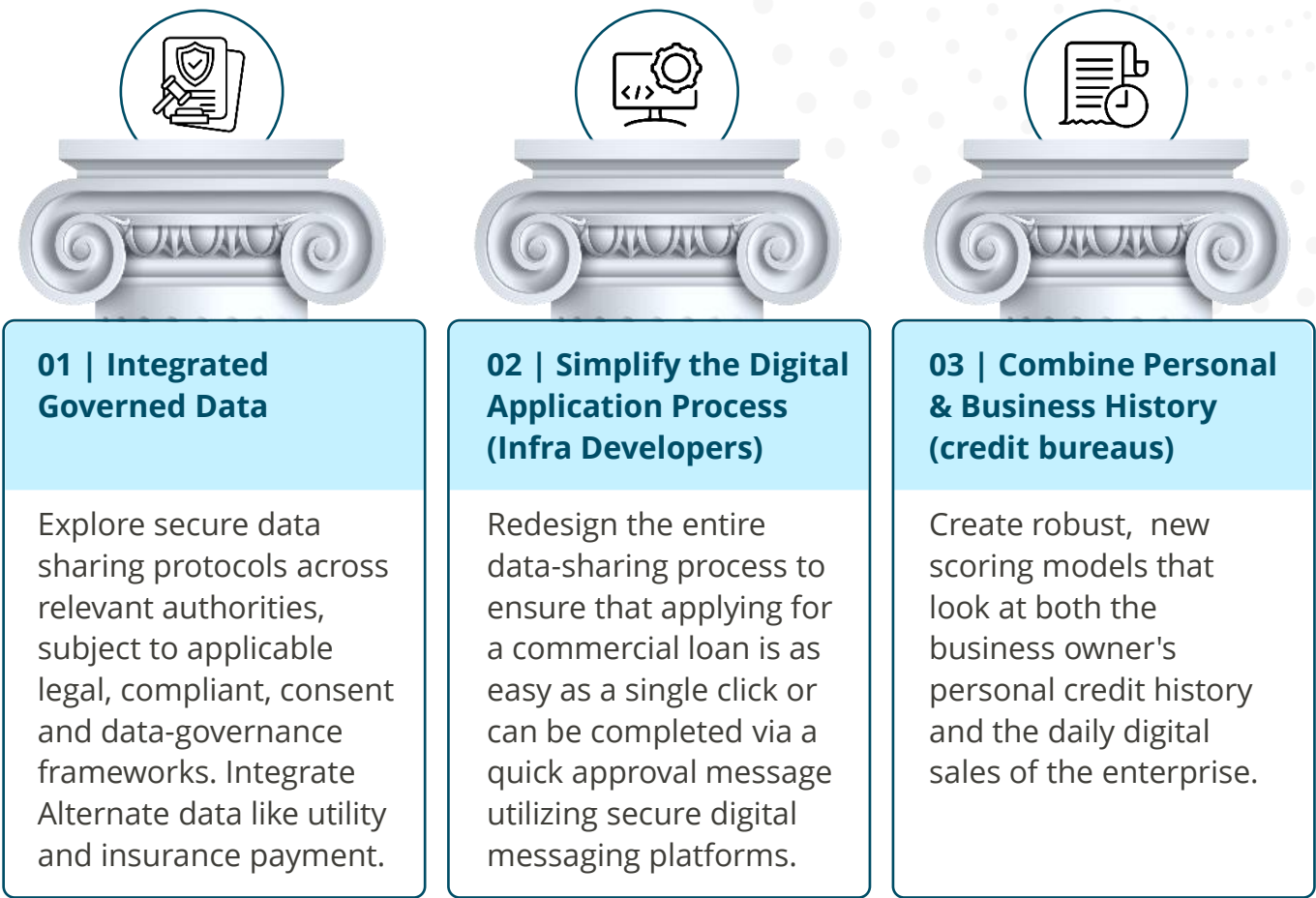
When technology lowers the cost of lending and credit infrastructure reaches beyond metros, millions of local ambitions become scalable opportunities

Build a Connected Commercial Data & Risk Ecosystem

Move from isolated, institution-centric credit checks to a connected system that looks at the complete financial footprint of a commercial borrower



Three Core Pillars



Make Commercial Credit Dynamic, Digital & Segment-Specific

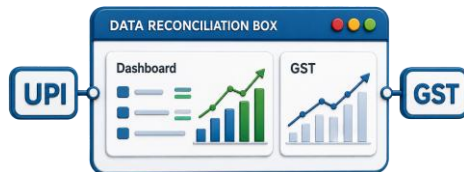
Transforming the lending lifecycle to deliver capital precisely when and where the Aspiring commercial borrower requires it

Asset-Backed



Traditional approaches may rely more heavily on physical collateral and can face limitations where personal and business finances are commingled.

Cash-Flow Led



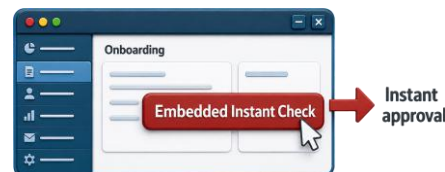
Underwriting increasingly complements traditional financial information with verified transaction data and GST records with other risk signals, reducing reliance on physical assets.

Branch Sourcing



Business owners must leave their shops to visit bank branches, deal with physical paperwork, and wait weeks for approval.

Embedded Credit



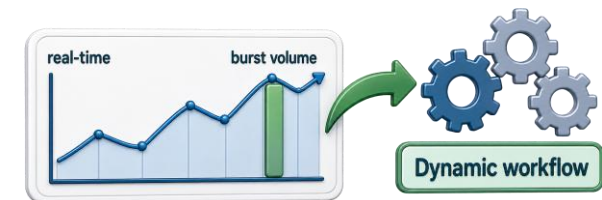
Lending is "embedded." Businesses are offered instant credit directly inside software they already use (accounting, billing, or B2B platforms).

Static Limits



Loan limits are static and require a periodic manual review once a year. Capital often arrives too late for sudden business needs.

Dynamic Limits



Smart algorithms constantly monitor daily sales to automatically increase loan limits during busy seasons and safely lower them during slow periods.

Enable a Credit Graduation Journey for the Aspirational Business

The "Invisible" Business

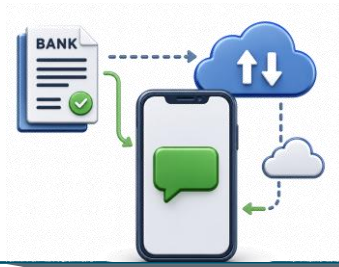
Platforms like Udyam Assist bring informal businesses onto the official radar.



Stage 1

Establishing a Digital Identity

Easy, digital messaging tools help the business link their bank accounts digitally.



Stage 2

Securing the First Formal Credit Line

Combine the owner's personal score with business data to approve the first loan fairly.



Stage 3

Automated Growth

Lenders use verified transactions, digital sales and GST records to dynamically reassess the business's credit limit as it grows.



Stage 4

The Established Enterprise

The business can gain access to a broader suite of specialized financial products, with reduced reliance on physical collateral where appropriate.



Stage 5



The goal is to create a reliable ladder that helps small, aspiring businesses establish identity, build credit history and progressively access growth capital.

Actionable Stakeholder Blueprints

Part 1: The Rule-Makers & Builders (Systemic Foundation)

Policymakers

Scale Responsible Use of Alternative Data

Expand the use of permitted alternative data sources, under appropriate consent, privacy and model-governance frameworks.

Deepen Secure Data Sharing Across Relevant Agencies

Encourage secure and consent-based data sharing across relevant agencies to enable more comprehensive credit assessment.

Standardize Data Formats

Upgrade and promote consistent, interoperable data formats across relevant agencies to facilitate seamless data integration.

Infrastructure Developers

Streamline Onboarding

Design intuitive digital forms to ensure smooth and successful application completions.

Use Familiar Interfaces

Embed consent and approval tools directly within trusted apps.

Enable Multi-Account Linking

Enable secure, consent-based connection and verification of relevant personal and business accounts.



Actionable Stakeholder Blueprints

Part 2: The Data & Capital Providers (Execution & Lending)

Credit Bureaus

Enhance Credit Coverage

Build tailored scorecards catering to NTC by leveraging permitted alternative and emerging data signals beyond traditional bureau history.

Score the Future

Use predictive, forward-looking revenue forecasting alongside historical credit signals to accurately evaluate a business's true growth potential.

Contextualize Metrics

Benchmark business performance directly against specific industry peers to ensure highly tailored assessments.

Lenders & Fintechs

Lend on Cash Flow

Underwrite working capital using verified transaction and cash-flow signals to actively support modern, asset-light business models.

Offer Seamless Credit

Embed instant loan approvals directly into B2B checkouts and GST billing software.

Automate Monitoring

Adjust credit limits dynamically based on verified changes in revenue and business performance.



Aspirational India: Macro Ecosystem Summary

Strategic Outlook & Actionable Roadmap



10-YEAR DRIVERS

Ecosystem Tailwinds

DPI Integration: AA, GSTN, and OCEN enabling instant cash-flow validation.

AI Automation: Predictive analytics accelerating underwriting speed.

Supply Chain: "China + 1" positioning MSMEs into high-value export corridors.

Embedded SaaS: Credit flows native within procurement and POS.



GROWTH BARRIERS

Structural Frictions

Informality Gap: Lack of digital footprint results in high credit rejection.

Capital Lockup: Chronic payment delays from buyers strain operational liquidity.

High Cost: Traditional collateral models may limit access for micro-borrowers.

Compliance Drag: Heavy administrative load diverts focus from scaling.



STRATEGIC ROADMAP

Tri-Party Blueprint

Lenders: Transition to digital, persona-based cash-flow underwriting.

Tech Enablers: Build hyper-localized alternative data and API-led rails.

Policy makers: Expand CGTMSE guarantees and modernize collateral rules.



MACRO OUTCOMES

Strategic Impact

Formalization: Graduating micro-borrowers to official banking channels.

Capital Velocity: Reducing risk premiums across semi-urban industrial clusters.

Economic Projection: Unlocking liquidity to anchor India's ambition to become a \$7 Trillion economy by 2030*.

Strategic Imperative

By combining DPI technology rails, cash-flow underwriting, and regulatory risk guarantees, India can address structural barriers and convert grassroots business ambition into sustainable commercial scale.

* Source : S&P Global projection (India's nominal GDP to exceed \$7 trillion by FY2030-31)

Summary

India's economic narrative is undergoing a structural transformation, driven by the emergence of a new class of entrepreneurs and the sophisticated integration of digital infrastructure. This shift is reshaping how capital is deployed and how commercial scale is achieved.



Market Dynamics & The Rise of the Aspirational Entrepreneur

The traditional Indian business mindset is shifting from defensive survival to aggressive growth. This evolution is most visible in Tier-2 and Tier-3 cities, where a new generation of youth entrepreneurs is leveraging local domain knowledge to solve core logistical and agricultural frictions. This "Aspirational India" is empowered by robust Digital Public Infrastructure (DPI), including UPI and GSTN, which have fundamentally lowered transaction costs and formalized the economy. By prioritizing equity creation and long-term asset ownership over standard corporate security, this generation is democratizing wealth creation across the nation.



Government Policy as a Growth Multiplier

National ambitions are supported by a deliberate policy framework designed to foster indigenous manufacturing and export capabilities. Initiatives such as "Make in India" and Production-Linked Incentive (PLI) schemes have been pivotal in incentivizing local assembly and supply-chain integration. Schemes like One District One Product (ODOP)—which has revitalized local micro-economies and artisans—these policies have catalyzed a surge in manufacturing output and export competitiveness. Government marketplaces and seed funds further ensure that small-scale enterprises can compete on a level playing field with global players.



The Evolution of the Lending Landscape

The history of commercial lending in India reflects a transition from state-led, asset-collateral-based systems to a modern, data-driven ecosystem. Over the decades, the sector has evolved from the formative years of central planning to the current era of "Digital Consolidation." The critical paradigm shift today is the increasing complementation of physical collateral requirements with cash-flow-based underwriting. By utilizing Account Aggregators (AA), GST filings, and real-time digital transaction trails, lenders can now assess the creditworthiness of diverse borrower personas—from Tech Formalizers to First-Time Micro enterprises—with unprecedented speed and accuracy.



Strategic Outlook & The Roadmap to Scale

Looking ahead, the goal of realizing India's potential \$7 trillion economy by 2030 requires a Tri-Party Blueprint involving Regulators, Tech Enablers, and Lenders. The future of credit lies in achieving scalable economics through AI and Generative AI, which will automate decisioning, monitor early-warning indicators, and offer hyper-personalized credit. To dismantle remaining structural frictions—such as capital lockups and compliance drag—stakeholders must integrate external risk signals and expand digital infrastructure beyond metropolitan hubs. By transitioning to embedded, dynamic, and cash-flow-led credit models, the ecosystem can ensure that every aspirational business has the access, liquidity, and resilience required to power Bharat's next decade of growth.



Missing Middle

India's "Missing Middle" represents a large segment of aspirational MSMEs that have moved beyond micro-scale operations but remain underserved by formal commercial credit. These businesses have the ambition and potential to scale, but often fall between small-ticket lending and traditional commercial finance. Winning this underserved segment can unlock a high-growth pool of customers today—and build enduring commercial relationships as they scale into tomorrow's larger enterprises.

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Aspirational India Report

About Equifax India

The Aspirational India report by Equifax provides a strategic blueprint to capture the next wave of credit expansion. Moving beyond surface-level trends, this exclusive intelligence decodes the core aspects driving the nation's growth. It equips lenders with the insights to confidently navigate emerging segments, scale profitably, and sustainably underwrite the future.

Equifax India is a leading provider of credit information and analytics solutions, helping financial institutions and businesses make informed decisions through data, technology and insights. As part of Equifax Inc., the company combines global capabilities with deep understanding of the Indian credit ecosystem to support responsible lending, financial inclusion and sustainable economic growth.

Core Team

Karthikeyan GK Abhijeet Mishra Vandana Panchal Reema Paswan Ann Mathew Srinivas N

Insights@equifax.com

Media and Public Relations

Suhas Diwakar Zele

suhasdiwakar.zele@equifax.com