

LENDERS POV DATA

The credit gap in India's organized lending market is estimated to be approximately **₹30 lakh crore** as of 2025. While formal MSME credit has grown to reach ₹35.2 lakh crore by March 2025, nearly 50% of the potential demand remains unaddressed by formal institutions.

Below is an in-depth breakdown of whose gap is not being fulfilled, the specific products they lack, and the institutional reasons for this failure.

1. Micro and Nano-Enterprises: The Documentation Paradox

The "long tail" of the MSME sector, comprising over 98% of all units, faces the most significant exclusion.

- **The Gap:** Out of an estimated 6.35 crore MSMEs, only 3.68 crore have ever accessed formal credit. Approximately 35% of micro-units remain unregistered, disqualifying them from institutional lending.
- **What is lacking:** Lenders demand three years of audited financials and tax returns (ITR/GST), which many informal units do not maintain.
- **Example:** A local grocery (kirana) store with high daily cash flow but no formal GST records is often rejected by banks. While **udaanCapital** uses "trade-centric" risk models to onboard 150,000 such stores within 24 hours, traditional banks still require manual documentation that can take weeks.

2. Women-Led Enterprises: The Collateral and Social Barrier

Women entrepreneurs represent 26.2% of proprietary MSMEs but face a disproportionate funding gap.

- **The Gap:** There is a **35% funding gap** between male and female-led enterprises. Only 76% of women-led firms have accessed formal credit compared to 84% for men.
- **What is lacking:** Many women lack property or high-value assets in their own names to offer as security, yet lenders remain "asset-backed" rather than "cash-flow based".
- **Example:** A woman running a successful home-based catering business may have a healthy digital payment footprint but no land title to mortgage. Consequently, 36% of all credit availed by women in 2024 was restricted to **gold loans**, indicating a lack of unsecured business credit.

3. Gig Economy Workers: The "Thin-File" Workforce

India's 1.2 crore gig workers are increasingly digitally active but remain "financially invisible".

- **The Gap:** Approximately 40% of gig workers earn below ₹15,000 per month, falling below the minimum threshold for most bank personal loans and credit cards.
- **What is lacking:** Underwriting systems lack the "algorithmic reasoning" to quantify income volatility. Lenders view the lack of a fixed monthly salary as a high risk, ignoring the digital footprint of their earnings on platforms like Swiggy or Uber.
- **Example:** A delivery partner with a high platform rating and three years of consistent work history is often denied a ₹50,000 personal loan by a traditional bank due to the lack of a Form-16 or a "salary slip".

4. Niche Industrial Clusters: The Sectoral Mismatch

General lending policies often ignore the specific cash-flow cycles of industries like textiles and dairy.

- **The Gap:** In the textile sector, only 14% of MSMEs access formal finance.
- **What is lacking: Seasonal/Flexible Repayments.** Standardized 12-month EMI cycles do not align with industries where production cycles are long or payments are delayed. In textiles, 60% of firms face payment delays of 90+ days.
- **Example:** A dairy farmer needs credit for cattle feed and medicine on a daily basis. Traditional "allied activity" bank loans are rigid, whereas fintechs like **mooPay** offer **Milk Receivable Financing (MRF)**, which enables instant loans against milk supplied but not yet paid for, using an in-built repayment mechanism from the dairy's payment cycle.

Where does Organized Lenders Lack: The Institutional Barriers

Challenge	Impact on the Public	Proof/Data
Legacy Infrastructure	Prevents real-time processing and AI-driven underwriting for non-salaried segments.	Only 32% of banks have successfully integrated AI into core systems; 70-80% of IT budgets go toward maintaining legacy platforms.
Liquidity Paradox	Record RBI infusions fail to lower interest rates for small-ticket borrowers due to "broken plumbing" (dollar sales/cash leakage).	Bond yields in 2025 reflect supply pressures rather than policy signals, keeping MSME lending rates high at 11-12%.
Regulatory Risk Weights	Banks must set aside more capital for unsecured loans, leading to a "flight to safety" towards prime borrowers.	NTC (New-to-Credit) share in originations dropped 3% in Q1 2025 as lenders became more cautious.
Documentation Burden	Manual underwriting and audited financial requirements push borrowers toward informal moneylenders.	35% of lenders cite repeated data entry and inefficient document gathering as major hurdles in loan origination.