

Annapurna - Individual Business Loans for SMSEs

Women entrepreneurs in India face persistent barriers to accessing finance, including high collateral requirements, large loan sizes, and eligibility criteria that exclude those new to formal credit. These challenges are especially pronounced in rural and semi-urban areas, where low financial literacy, limited confidence, and bias in credit assessment further restrict access. As a result, many women-led businesses remain underfunded despite strong repayment behavior and clear demand for growth capital. Research by Women's World Banking (2023–2024) finds that six in ten women entrepreneurs struggle to obtain funding, often due to lack of collateral, even as many seek loans to expand their businesses.

Annapurna Finance, a leading microfinance institution with over 2.5 million customers, recognized both the gap and the opportunity. While women dominate its microfinance portfolio, they account for less than 8% of its MSME lending. To address this, Annapurna introduced a new credit policy and launched a collateral-free "Individual Business Loan" (IBL), designed as an entry point for women new to formal lending. The product offers smaller loan sizes and a pathway to larger loans as borrowers build repayment histories.

The rollout shows promising results: the IBL product reached more women customers, and clients were more likely to complete Udyam registration compared to non-IBL borrowers. This suggests that tailored, lower-barrier credit products can help women transition from informal to formal finance, supporting business growth, and strengthening financial inclusion.

Quick facts

Barriers addressed



Social Norms

Biases that center men as financial customers



Policy & Regulation

Lack of proportional & tired KYC requirements



Institutional Norms and Practices

Lack of strategic focus on women customers



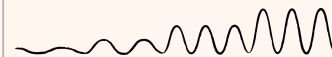
Product & Market Design

Poor understanding of women's financial needs
Complex onboarding process

Segment focus

1 2 3 4

Customer Journey Relevance



Geography

India

Key stakeholders involved

Annapurna
Women's World Banking
PayPal

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Key activities

To address the barriers that restricted women's access to MSME loans, Annapurna initiated a structured design process. Through customer research and ideation sessions, Annapurna identified opportunities to make its products more relevant and accessible for women entrepreneurs. The focus was on reaching women who were new to individual loans, operating informal businesses, and often excluded from traditional MSME products. The solutions prioritized were:

- **New credit policy for women customers:** Annapurna revised elements of its MSME credit policy to make it easier for women to qualify for loans. This included adjusting institutional criteria, such as collateral requirements, loan size expectations, and documentation processes, so that more women entrepreneurs could meet the standards for approval.
- **Individual Business loan product:** Building on this policy change, Annapurna introduced a collateral-free, small-ticket IBL loan, specifically for new to individual credit, women entrepreneurs. This product created a gradual pathway, enabling women to start with smaller amounts and progress to larger loans as they built repayment histories.
- **Leveraging the MFI customer base:** Annapurna planned to tap into its extensive microfinance client base of over 2.5 million women as a new channel to source individual loan applicants. By reaching

women directly through this base, the institution reduced reliance on frontline staff who traditionally encouraged higher-ticket, male-dominated loan applications, thereby increasing the volume and eligibility of women's applications for individual loans.

- **Use of gender-disaggregated data:** Through the cohort design process, Annapurna systematically analyzed gender-disaggregated portfolio and customer research data for the first time. This informed revisions to credit policy and helped institutionalize gender analysis in decision-making.

Outcomes/results

Annapurna launched a pilot of the Individual Business Loan (IBL) product in early 2024, with strong early results and rapid scale-up.

- **Strong demand and scale:** Reached 3,509 women in the pilot, with 3,243 applicants; expanded to 42,073 total customers by March 2026, the majority women.
- **Pathway to formal finance:** Enabled women to build repayment histories and supported registration of informal enterprises, strengthening credit profiles.
- **Sustainable portfolio performance:** Maintained low NPAs at 1.42%, indicating viability for scale.

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- **Improved financial capacity:** IBL recipients accessed larger loan sizes (₹88,020 vs. ₹78,232) and showed greater ability to handle short-term shocks (31.6% vs. 23.9%).
- **Increased financial confidence and usage:** Higher confidence in digital repayments (43.9% vs. 26.1%) and overall customer satisfaction.
- **Business and skills growth:** 84.6% reported increased knowledge and skills; nearly 39% reported significant business improvement.
- **Strategic commitment to outreach to women:** Annapurna's leadership recognized that women accounted for only a small portion of its MSME borrowers and made closing this gap a strategic priority by committing to the innovation cohort.

Key enabling environment factors for the intervention

These results suggest that Annapurna successfully addressed a gap in its MSME portfolio - where women previously represented only 7.8% of borrowers - demonstrating strong potential to expand women's participation in formal lending.

- **Supportive regulatory environment:** India's strong microfinance and MSME lending ecosystem created a policy framework that made it possible for Annapurna to develop gender-intentional loan products.
- **Established base of women clients:** With a microfinance portfolio serving more than 2.5 million women, Annapurna had a trusted customer base that provided a natural pipeline for new MSME loan applicants.

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Potential for scale/replicability

The solutions developed by Annapurna Finance show real promise to grow within India and to inspire similar efforts in other markets. The combination of a large customer base, a practical product design, and lessons that resonate beyond one institution creates space for meaningful scale and replication.

- **Scalability within Annapurna:** Building on its existing reach, Annapurna can extend the Individual Business loan product across more branches, creating structured pathways for women to gradually move from microfinance to MSME lending. This progression has the potential to unlock larger opportunities for women entrepreneurs over time.
- **Replication across financial institutions:** The barriers addressed in this project - collateral demands, high minimum loan sizes, and staff preferences for larger loans - are challenges faced by many providers. The Individual Business loan model, paired with a gender-intentional credit policy, offers a blueprint that other financial institutions can adapt to their own markets.

Challenges encountered during the program

While the pilot showed encouraging results, Annapurna also had to work through several hurdles in designing and rolling out women-centered MSME products. These challenges highlighted areas where both internal systems and market practices needed to evolve to better serve women entrepreneurs.

- **Internal approval processes:** Developing a new credit policy and loan structure required multiple layers of internal signoff, which slowed down the rollout.
- **Stringent eligibility criteria:** Even with changes to product design, the broader credit framework still leaned toward larger loan sizes and collateral requirements, making it harder for many women to qualify.
- **Staff practices:** Loan officers, often incentivized to focus on higher-ticket loans, tended to overlook women customers seeking smaller amounts, narrowing the pool of potential applicants at the outset. Accordingly, IBL sourcing was designed to be delivered through Annapurna's MFI branches, leveraging their expertise in low-ticket JLG lending.

Exemplars

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Recommendations from the research

The Annapurna experience offers several takeaways for financial service providers that want to bring more women into MSME lending. These lessons suggest not just what to do, but how to approach the work in a way that truly meets women where they are.

- **Design for women's realities:** Many women entrepreneurs start small and prefer loans that are modest in size and free from collateral requirements. Building products with these realities in mind - rather than simply adapting existing high-ticket loans - can open the door for more women to participate.
- **Create graduation pathways from microfinance to MSME lending:** Large microfinance portfolios can be powerful pipelines. By intentionally helping women transition from group-based microloans to individual MSME products, providers can expand women's access to larger and more flexible financing.
- **Embed gender into credit policy:** A new product alone won't close the gap. What makes a difference is weaving gender considerations into credit policies and risk assessments so that barriers are lowered across the board.
- **Invest in stronger data systems:** Without reliable gender-disaggregated data, it's hard to diagnose challenges, track progress, or show the business case. Strengthening data capture should be a priority for institutions that want to make meaningful change.
- **Support frontline staff:** Loan officers and field staff are often the first point of contact for women customers. Training, incentives, and tools that encourage them to welcome women applicants can help counteract the tendency to prioritize larger loans.

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