Credit Guarantee Program for Women Entrepreneurs in Gujarat

Midline Report

Funded By

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Strategy and Innovation Partner

Samhita
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1. Introduction

1.1 Background

Over 60 million micro, small, and medium enterprises (MSMEs) in India operate in the unorganized sector and face a massive credit gap, estimated at USD 530 billion. Women-run MSMEs, in particular, face unique challenges but also exhibit significant potential for growth. By facilitating access to technology, finance, and markets, women-led MSMEs can be integrated into the formal economy. By providing tailored support and resources, we can enhance their market presence and help them compete effectively in the global economy.

Without access to formal credit, many are left with no choice but to turn to informal lenders who charge exorbitant interest rates and may use exploitative collection methods. This can push entrepreneurs into debt traps, stalling business growth and threatening financial stability.

To address this gap and promote financial inclusion, Samhita-CGF, with the support of 360 ONE Foundation, has launched a credit guarantee program. By using philanthropic capital to provide credit guarantees, the program reduces the perceived risk for lenders and encourages them to lend to first-time borrowers who would otherwise be excluded from formal finance.

1.2 Program design

As part of this program, a credit guarantee is extended to the SEWA Trade Facilitation Centre (STFC) to facilitate access to affordable finance for 2,600 informal women entrepreneurs across multiple districts in Gujarat. The goal is to help these entrepreneurs transition into the formal credit ecosystem—many of whom are unbanked, have low or no CIBIL scores. Some may also have poor credit histories or lack formal business documentation, making it nearly impossible for them to secure loans from traditional financial institutions.

To mitigate the perceived risk associated with lending to this segment, a First Loss Default Guarantee (FLDG) of ₹1 crore has been provided. This guarantee is expected to unlock up to ₹10 crore in total loans, with individual loan amounts ranging from ₹10,000 to ₹75,000. The loans come with a repayment tenure of 1 to 5 years, and a deferment period of 1 month before repayments begin – offering a sustainable financing pathway for these entrepreneurs. Without such support, many of them would otherwise remain dependent on high-cost, informal sources of credit to sustain or grow their businesses.

2. Methodology

2.1 Evaluation design

The evaluation framework for the project follows a longitudinal approach, which systematically tracks and measures the impact of the intervention over time. The baseline was established using data from the survey conducted between March 2024 to May 2024, which was originally administered to 10–15% of the project participants. A dedicated baseline report, based on this data, has already been submitted.

The indicators chosen based on their direct relevance to tracking progress over time are following:

- Business Profile: Type and vintage of business, business formalization (e.g., ITR filing, GST, and Udhyam registration)
- Financial Literacy: Bank account usage, investment practices, and insurance coverage
- Digital Literacy: Mobile phone ownership and digital payments
- Business and Household Finances: Turnover, expenses, profitability, loan schedules, and family income
- Asset Ownership: Physical assets relevant to livelihood
- Digital Adoption: Use of digital tools for selling products and receiving payments

The midline assessment was conducted between February and April 2025, while the follow-up endline assessment is scheduled for Nov-Dec 2026 (by this time few of the loans will be closed).

2.2 Sampling strategy

The baseline report was curated with a sample of 189 participants at a 95% confidence level with a 6.87% margin of error.[1] The midline survey successfully received 121 surveys after data quality checks[2].

[1] However, it was later identified that 28 participants did not meet the eligibility criteria for the programme and were subsequently excluded. This brought the effective sample size to 161, and the same participants were approached for the midline survey.

[2] These quality control measures were implemented daily until the final sample of 121 participants was reached:

- Total time taken for survey: Surveys that fell below a reasonable time (less than 7 mins) threshold were flagged, as sufficient time is essential to ensure that enumerators properly explained each question to participants and collected thoughtful responses.

3. CG utilization and repayment

3.1 Utilisation of credit guarantee loans

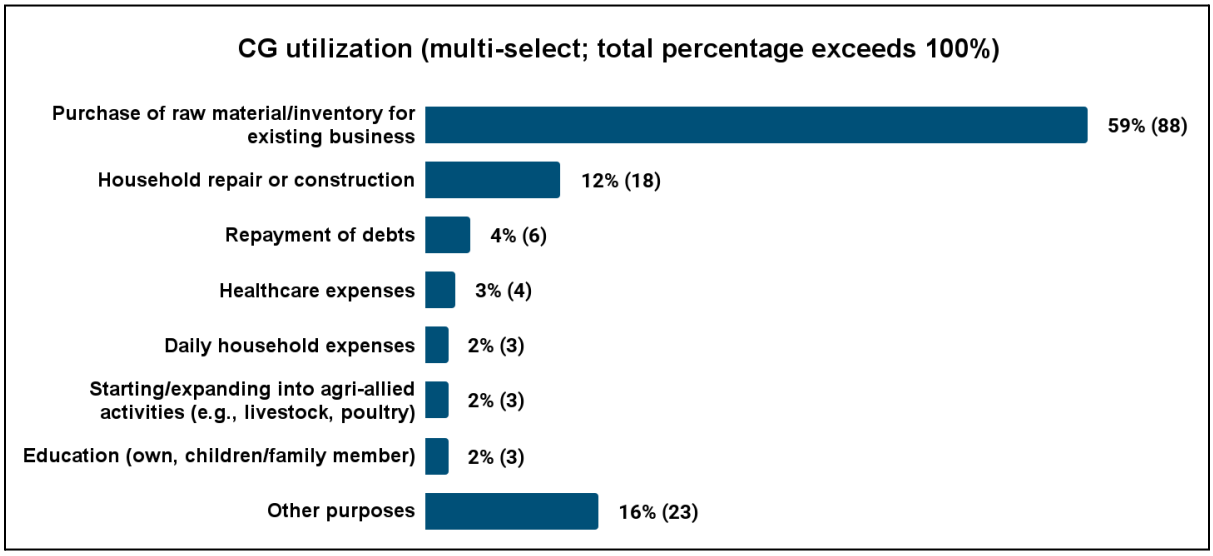


Fig 1: CG utilization

The chart titled "CG utilization" captures how the participant utilised the Credit Guarantee (CG) loan they received[3]. A significant majority—59% (88 participants)—used the funds to purchase raw materials or inventory for their existing businesses. This indicates a strong entrepreneurial intent among recipients, with the CG amount primarily acting as a working capital boost to sustain or expand ongoing business activities. Additionally, 2% of participants reported using the funds for daily household expenses, engaging in agri-allied activities such as livestock or poultry farming, and investing in education—either for themselves or a family member. This suggests that the loans were directed toward livelihood diversification. Overall, the data reflect that while the primary use of the CG support was business-oriented.

- Outliers and extreme values: Additionally, all outliers and extreme values, particularly related to income and revenue, were carefully reviewed. These entries were cross-verified with enumerators and, when necessary, reconfirmed with participants to ensure the accuracy and validity of the data.

[3] The total count for this graph is more than 100% since this was a multiple choice question and a single participant may have chosen more than one option to answer.

3.2 Repayment analysis

For a comprehensive demographic and socio-economic profile of all participants enrolled in the project (N=2,596), please refer to the Annexure: Participant Overview section of the report.

3.2.1 Overall repayment

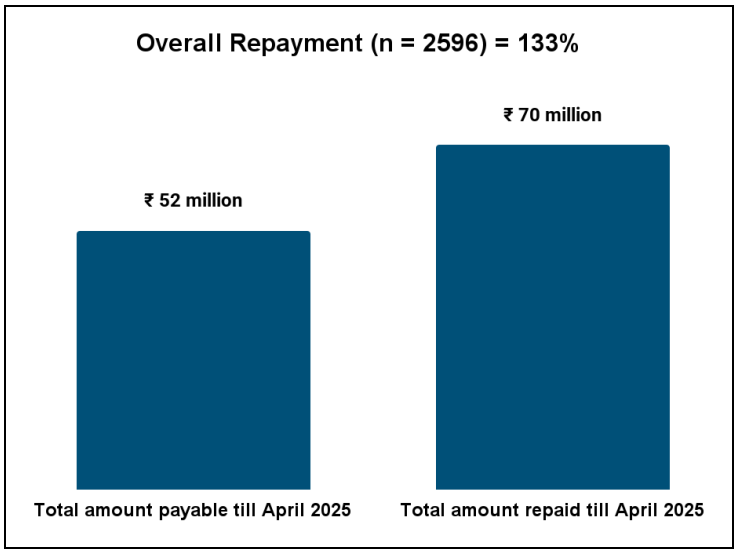


Fig 2: Overall repayment rate

As of April 2025, the overall repayment rate under the Credit Guarantee (CG) loans[4] stands at an impressive 133%, with participants collectively repaying ₹70,246,726 million against a total payable amount (till April 2025) of ₹52,751,901 million.

Based on discussions with the implementation partner and ground team, this trend of over repayment is largely due to adaptive repayment patterns commonly seen in rural communities. Many borrowers paid multiple EMIs in advance, especially those who had to travel long distances to the branch so that they don't have to visit the branch frequently and risk missing any repayments. Seasonal income variations also played a role in over repayments: during peak harvest or festival sales, borrowers paid larger sums when they earned more, which helped them stay ahead on their loans and manage lean periods better. This flexible approach to repaying loans reflects how rural entrepreneurs actively plan around their livelihoods and local realities.

[4] The CG loan initiative was designed to extend accessible and affordable credit to underserved entrepreneurs, offering average loan sizes of ₹42,495 (ranging from ₹10,000 to ₹75,000) with annual interest rates between 11.5% and 19%, depending on the partner institution and borrower profile.

3.2.2 Repayment categorization

As mentioned earlier, the portfolio maintains a robust overall repayment rate of 133%. To understand this better, the portfolio is further divided into repayment categories.

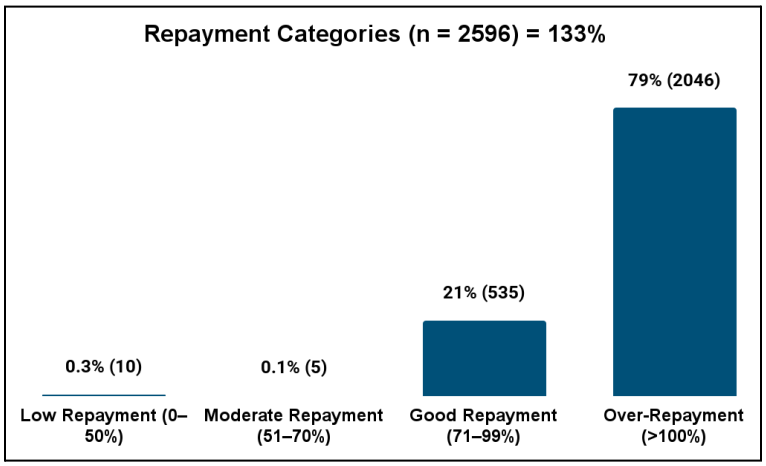


Fig 3: Overall repayment Category

By repayment category, the vast majority — 79% of participants (2,046 borrowers) — fall under the Over-Repayment (>100%) category, having paid back significantly more than their scheduled amounts. Another 21% (535 borrowers) fall under Good Repayment (71–99%), while only a negligible number (15 borrowers) fall under the Low (0–50%) and Moderate (51–70%) Repayment categories. Notably, no participant has repaid exactly 100% — instead, the majority either repaid slightly below or well above their scheduled amounts.

3.2.2.1 Repayment rates categorized by loan tenure and amount

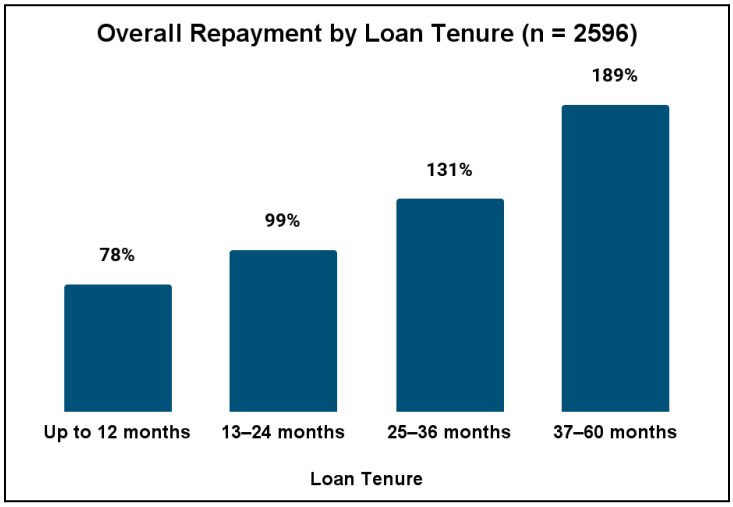


Fig 4: Overall repayment by Loan Tenure

When analysed by loan tenure, borrowers with shorter tenures of up to 12 months repaid ₹61,665 against a due of ₹78,870, achieving a repayment rate of 78%. In contrast, those with 13–24 month tenures repaid ₹2.72 lakh against ₹2.73 lakh due, with a repayment rate of 99%. Repayment performance improves further for 25–36 month loans, where participants repaid ₹65.71 crore on a due of ₹50.17 crore (131% repayment). Notably, participants with 37–60 month tenures repaid ₹4.20 crore against a due of ₹2.23 crore, achieving the highest tenure-based repayment rate of 189%, indicating that longer, more flexible repayment schedules enable stronger financial discipline. This suggests that borrowers with longer repayment tenures especially frontloaded some of their EMIs through part pre-payments.

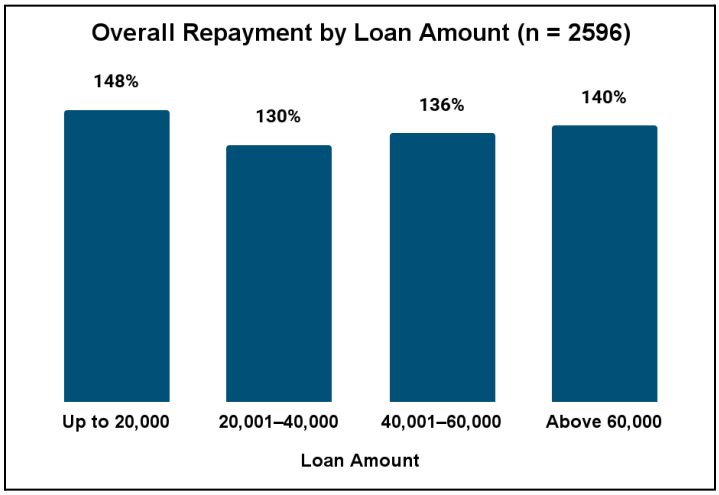


Fig 5: Overall repayment by Loan ticket size

Looking at loan amounts, participants with smaller loans (up to ₹20,000) repaid ₹15.59 lakh against a due of ₹10.53 lakh, achieving the highest repayment rate of 148%. Those with loans between ₹20,001–40,000 repaid ₹3.86 crore on a due of ₹2.96 crore (130%), while borrowers with ₹40,001–60,000 loans repaid ₹28.23 crore against ₹20.72 crore due, reflecting a repayment rate of 136%. Even larger loans (above ₹60,000) saw strong performance, with ₹18.77 lakh repaid on a due of ₹13.39 lakh, resulting in a repayment rate of 140%.

3.2.2.2 Repayment rates categorized by type of entrepreneurs (Aspiring vs Existing) (on sample, n=121)

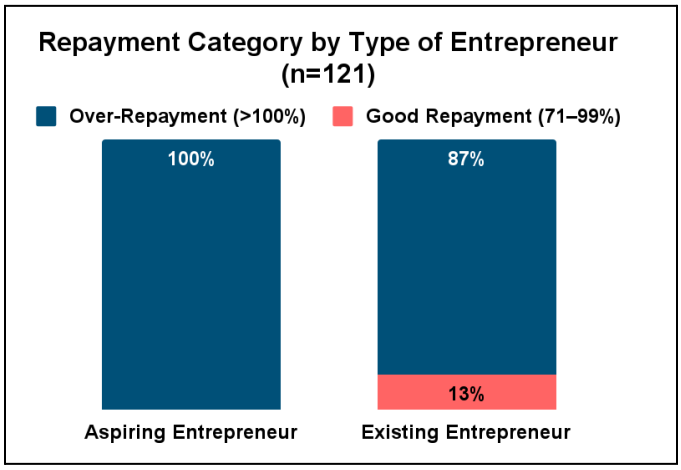


Fig 6: Overall repayment category by type of entrepreneur

The repayment category breakdown further highlights that all Aspiring Entrepreneurs (100%) fall into the Over-Repayment (>100%) category, showing they have repaid more than their total dues. Among Existing Entrepreneurs, 87% are in the Over-Repayment group, while 13% are in the Good Repayment (71–99%) category — with none falling below this range.

4. Impact of credit on income and other changes

Within the overall sample of 121 participants, 15 individuals identified themselves as **aspiring entrepreneurs** at the baseline stage. These were participants who did not yet own or operate any business ventures but expressed a clear intent to utilize the CG loan provided through the program to establish their own enterprises. In contrast, the remaining 106 participants were categorized as **"existing entrepreneurs"** as they reported to have already engaged in entrepreneurial activities at baseline.

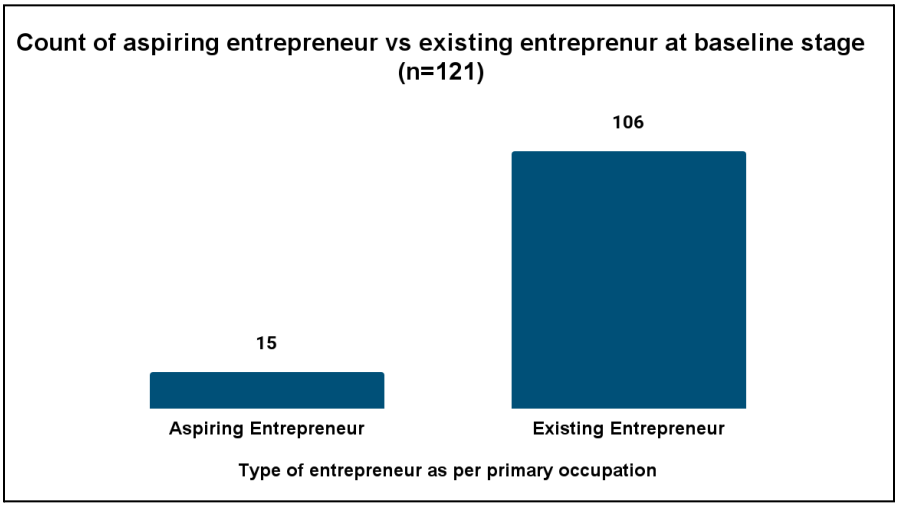


Fig 7: Count of aspiring entrepreneurs vs existing entrepreneurs at baseline stage

This section presents a comparative analysis of entrepreneurial progression among the aspiring entrepreneurs, alongside changes observed in their income levels, digital and financial profiles from baseline to midline.

4.1 Entrepreneurial progression: baseline aspirants who became entrepreneurs

By the time of the midline assessment, 11 out of 15 aspirants had successfully transitioned into entrepreneurs, having initiated their own income-generating activities or business operations. This represents a 73% conversion rate from aspiration to entrepreneurship among this subgroup. The transition reflects not only the feasibility of business ownership among previously non-entrepreneurial individuals but also underscores the catalytic role of targeted financial support in realizing economic agency.

4.2 Change in individual income from primary business

4.2.1 Change in income for aspiring entrepreneurs

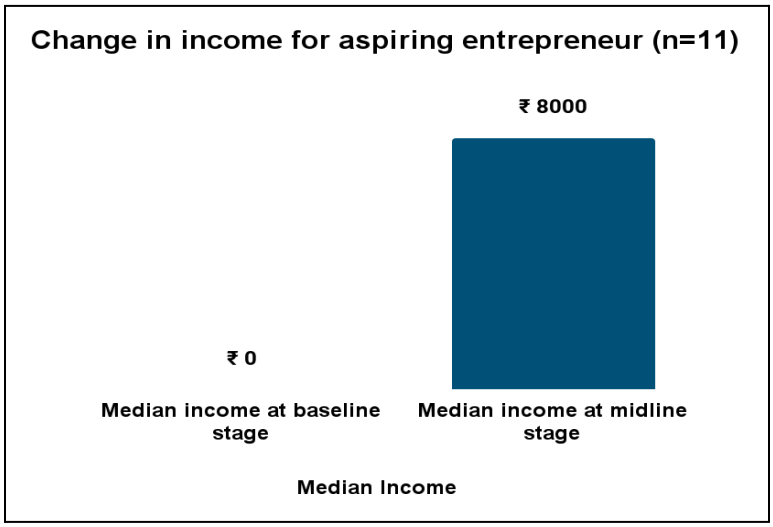


Fig 8: Change in income of aspiring entrepreneurs

This section highlights the change in income among the 11 individuals who, at baseline, aspired to become entrepreneurs and successfully launched their own ventures by the midline stage. For this group, the median monthly income at baseline was ₹0, as they were first-time entrepreneurs with no prior business income. By the midline, this group had diversified their livelihoods by setting up small businesses. As a result, their median income rose significantly to ₹8,000 per month, demonstrating that they were not only able to act on their entrepreneurial aspirations but also generate a stable source of income for the first time through their new enterprises.

4.2.2 Change in income for existing entrepreneurs

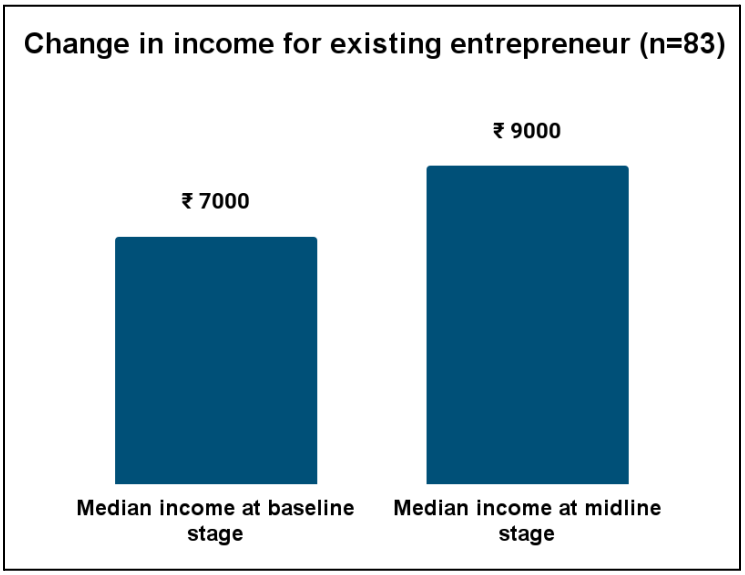


Fig 9: Change in income of existing entrepreneurs

Among the 106 existing entrepreneurs tracked from baseline to midline, 83 participants who used their CG amount specifically for income-generating activities have seen their median monthly income increase from ₹7,000 at baseline to ₹9,000 at midline, representing a 29% increase in median income. This suggests that when the CG loan is invested productively, it can lead to measurable income growth. It's important to note that this figure includes business expenses, so as these entrepreneurs fully utilise their CG amount, expand operations, and their businesses become more stable, we expect to see further improvements in net income by the endline stage.

As previously noted, a significant proportion of participants have demonstrated a high rate of loan repayment, which is a positive sign of financial discipline and business sustainability**. Many entrepreneurs have reported that they are using their net business profits to make repayments towards the Credit Guarantee (CG) loans they have taken**—an encouraging indicator that businesses are at least generating sufficient income to meet financial obligations.

4.3 Digital profile- ownership of personal phone

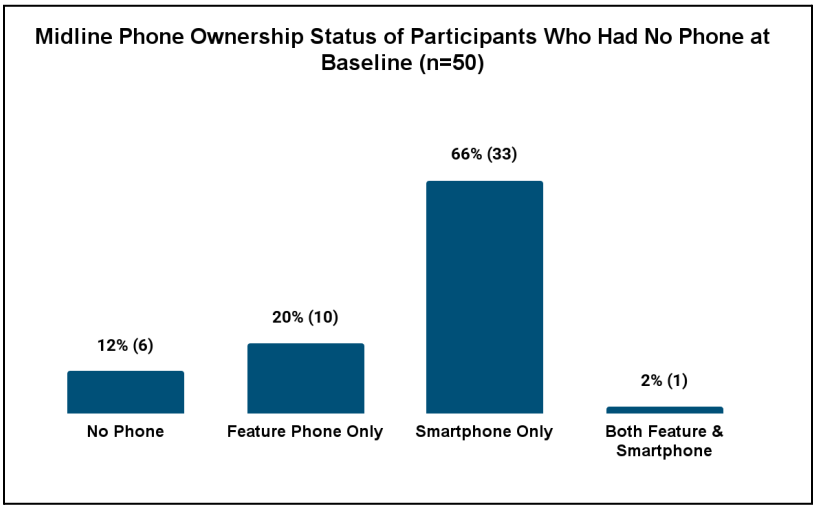


Fig 10: Personal phone ownership among participants from baseline to midline

Total phone ownership increased from 59% of participants (71 out of 121) at baseline to 93% (112 out of 121) at midline. Among the 50 participants who did not own a personal phone at baseline, the midline data show a significant shift in ownership. By midline, 44 participants own a personal phone, where 66% (33 participants) now own a smartphone, while 20% (10 participants) have acquired a basic feature phone. One participant (2%) owns both a feature phone and a smartphone, reflecting multiple device use. Only 12% (6 participants) still do not personally own a mobile phone. This demonstrates strong conversion to phone ownership, with the majority transitioning directly to smartphones — highlighting improved digital access and readiness for digital financial and entrepreneurial activities.

5. Midline Insights on Decision-Making and Record-Keeping[5]

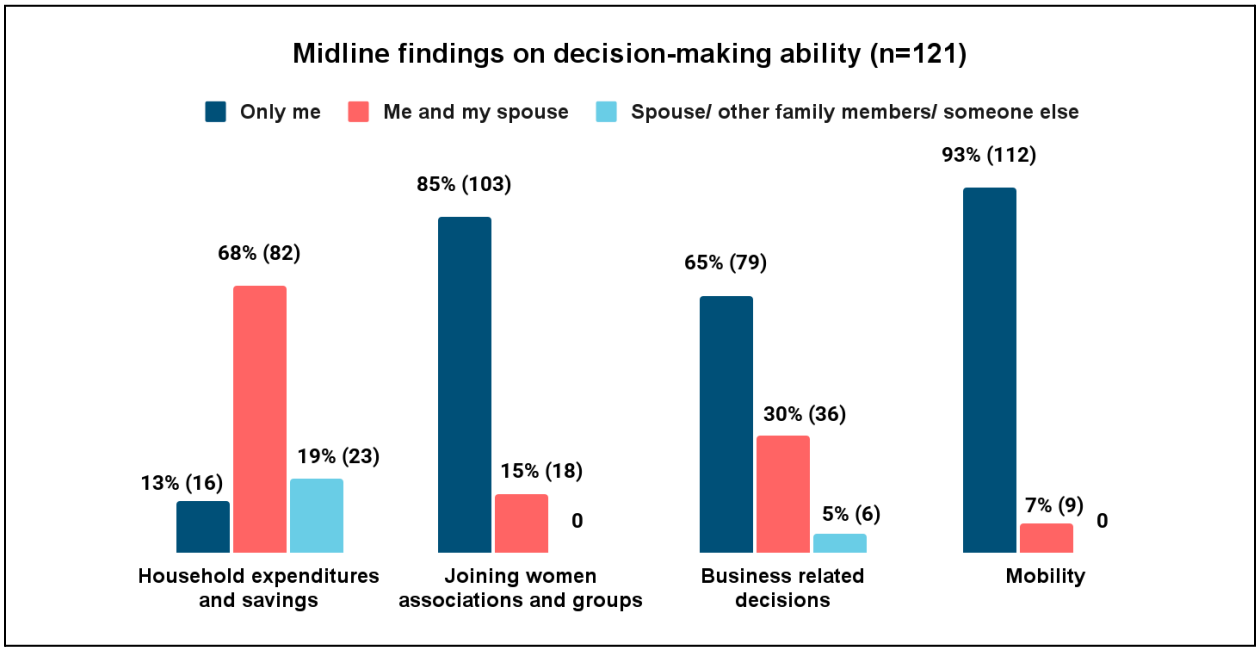


Fig 11: Midline findings on the decision-making ability of participants

At the midline stage, the data shows how women are currently exercising agency in different areas of decision-making. For household expenditures and savings, the majority (68%) make decisions jointly with their spouse, while 13% decide independently, indicating that full autonomy in this area remains limited for many. In contrast, 85% of participants decide on their own when it comes to joining women's groups and associations, reflecting strong individual ownership of collective participation. Mobility shows the highest level of personal freedom, with 93% of women reporting that they decide independently about their own movement. In the area of business-related decisions — a key focus of the programme — 65% make these choices independently, while another 30% do so jointly with their spouse.

[5] Note: This question on decision-making ability was not included in the baseline survey, so no comparison can be drawn at this stage. However, it was introduced in the midline to allow for meaningful comparison with endline findings.

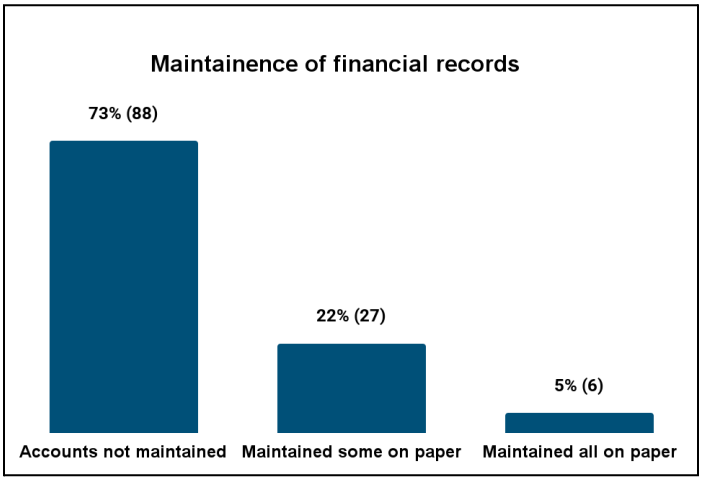


Fig 12: Maintenance of financial records

A significant majority of participants do not maintain any form of financial records. Specifically, 88 respondents reported that they do not keep accounts at all. A smaller segment, comprising 27 participants, indicated that they maintain some records on paper, reflecting a partial effort towards documentation. Only 6 participants reported maintaining all their financial records on paper, suggesting that comprehensive and consistent recordkeeping is rare.

This pattern highlights a broader challenge of informal financial management practices among the participants, which could have implications for their ability to access formal credit, track business performance, or plan for growth. Strengthening financial literacy and promoting simple, paper-based, or digital recordkeeping systems are key areas for intervention.

6. Conclusion and next steps

The midline findings of this programme point to a promising trajectory in the journey of financial inclusion and entrepreneurship for informal women entrepreneurs in Gujarat. The program began as an effort to make affordable and accessible credit available to underserved women, but now has evolved into a catalyst for broader economic and personal empowerment.

Most notably, the overall repayment rate stands at 133%, showing that participants are not only meeting but often exceeding their repayment commitments — a strong signal of viable and resilient businesses. The programme has also succeeded in converting entrepreneurial aspirations into reality: 73% of women who aspired to start a business at baseline have now done so. Existing entrepreneurs have seen their median monthly income increase from ₹7,000 at baseline to ₹9,000 at midline, representing a 29% increase in income, indicating potential for future growth as they reinvest and expand. Digital inclusion has improved sharply, with phone ownership rising from 61% to 95%, opening doors to digital services and market opportunities. 65% of women reported making business decisions independently, showing growing agency in this area, while household finances are still mostly decided jointly. We hope that by the endline, even more women will gain the confidence and resources to take these decisions independently.

However, the low levels of formal recordkeeping underline the need for further capacity-building in basic financial management. Taken together, these results show that the Credit Guarantee model, paired with practical, context-specific support, is helping women entrepreneurs build more sustainable, confident, and digitally connected enterprises.

As the programme moves toward the end, the focus will shift to tracking long-term business sustainability, income growth, and empowerment outcomes through follow up midlines. It will be important to continue documenting the evolution of these businesses—how they scale, diversify, and adapt.

Finally, the lessons from this programme offer valuable insights for replication and scale. With its blend of financial access and contextual support, the CG model holds immense potential for empowering women in other underserved geographies. The next phase will be critical in consolidating these insights into a scalable blueprint for inclusive entrepreneurship.

7. Annexure: Participant overview

This section provides a comprehensive demographic profile and an overview of the participants for the project. Although a total of 2,600 individuals were enrolled, the analysis is based on 2,596 participants in this section due to minor gaps[6] in data availability. Key demographic indicators examined in this section include age, gender, education, and occupation.[7] These variables offer insights into the socio-economic background of the participants.

7.1 Age and gender

The demographic analysis of the participant group (n = 2,596) shows a median age of 39 years, with the age range being between 19 to 64 years. As the program is specifically designed to support and empower women entrepreneurs, all participants are women. The age distribution reflects a diverse mix of both younger and more experienced women—some already engaged in entrepreneurial activities, while others aspire to start their businesses.

7.2 Education

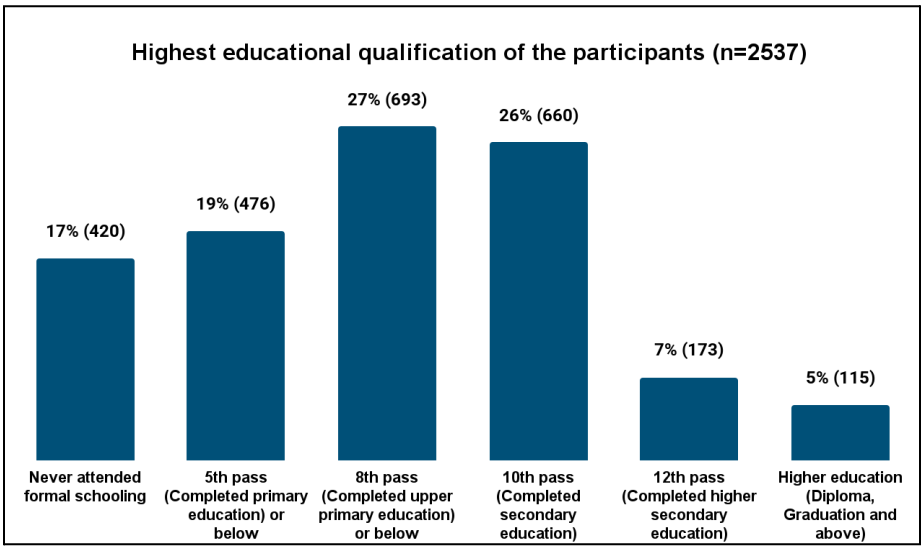


Fig 13: Highest educational qualification of the participants

[6] The said gaps included inconsistent data about the address and the income data of these 4 participants
[7] For more detailed demographic information, please refer to the baseline report.

The chart presents the highest educational qualifications of 2,537 participants[8]. A significant portion of the participants have relatively low levels of formal education. The largest group comprises those who have studied up to the 8th grade, accounting for 27% (n=693) of the sample. Following closely, 26% (n=660) of participants have completed their 10th grade, marking the end of secondary education. At the higher end of the educational spectrum, 7% (n = 173) of participants have completed their 12th grade, i.e., higher secondary education. Only 5% (n=115) have attained higher education, which includes diploma courses, graduation, or above. Overall, the data highlights that a vast majority of participants have education levels limited to secondary schooling or below.

7.3 Occupation

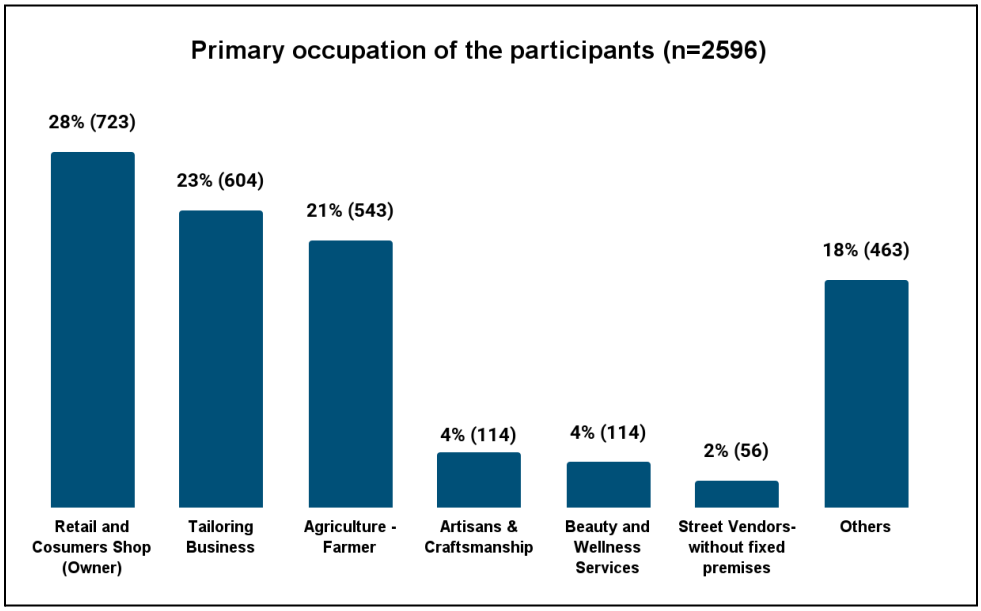


Fig 14: Primary occupation of participants

A large proportion of women are engaged in running retail and consumer shops (28%), followed by those involved in tailoring businesses (23%) and agriculture (21%). Other occupations include artisanship and craftsmanship (4%), beauty and wellness services (4%), and street vending without fixed premises (2%), indicating engagement in both skilled and informal sectors. The 'Others' category (18%) comprises a mix of smaller or less conventional economic activities such as food processing, domestic services, and miscellaneous trades. The occupational distribution suggests that most women participants are engaged in low-capital, self-employed ventures that offer flexibility and autonomy.

[8] While the total number of individuals in the program was 2,600, data on educational qualifications were not available for 63 participants. Hence, this analysis is based on the remaining 2,537 individuals.



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