India to raise share of state-owned companies on electronic invoices discounting platform

MUMBAI, Jan. 20 (Xinhua) -- India plans to raise the share of its state-owned companies on electronic invoice discounting platform, from a mere 4-5 percent of the total invoices discounted on these platforms in the country.

Speaking at a webinar on Thursday, Bhagwat Kishanrao Karad, India's junior federal minister for finance, said, "It is a cause of concern that the share of invoices issued by public sector undertakings is hardly 4-5 percent in the total invoices discounted at all the three TReDS (Trade Receivables Discounting System) platforms in the country."

The minister was speaking at the webinar after releasing a study on enhancing the competitiveness of micro, small and medium-sized enterprises through digital modes of financing. The research was conducted by MViRDC World Trade Center Mumbai, a trade facilitating body.

The study highlighted the need for a digital push in terms of lending to bridge the unmet credit needs of Indian small and medium-sized enterprises, which contribute 30 percent to India's gross domestic product, 45 percent to manufacturing, and 48 percent to the country's merchandise exports.

The study in particular pointed out factoring as a less popular tool or instrument of working capital finance in India. The annual domestic factoring turnover in India is 3.6 billion U.S. dollars, which is less than other developing countries, the report said.

Today, 90 percent of the formal credit to the small and medium-sized enterprises is disbursed by scheduled commercial banks, which incur huge costs and time on new customer acquisition and disbursement of loans because of low ticket size and difficulty in assessing the books of accounts of those firms.

Digital lending tools such as mobile apps and online marketplace are reducing the cost of identifying new small business borrowers and improving ease of credit risk assessment, with the help of artificial intelligence technology and machine learning, the study said.