



## SME

### RBI mulls regulatory sandbox for innovation in MSME lending; suggests businesses how to stay competitive

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Updated: April 15, 2020 9:12 PM

Credit and Finance for MSMEs: The cohort will be based on the RBI's Public Credit Registry (PCR) announced in 2018 having a record of borrowers and lenders for the seamless and transparent flow of information.



RBI governor Shaktikanta Das urged MSMEs to “enhance their technical capacity and explore newer markets”.

**Credit and Finance for MSMEs:** After setting up the regulatory sandbox and launching cohorts last year to boost innovation in digital payments, Reserve Bank of India (RBI) is now mulling over running a sandbox for cohorts focusing on MSME lending. RBI Governor Shaktikanta Das speaking at an ASSOCHAM event last week said that it would boost innovation in the lending process for MSMEs. “In due course, we propose to run a regulatory sandbox for cohorts focussed on lending. This would promote innovation in MSME lending segment,” Das said. A regulatory sandbox is usually referred to the live testing of new products or services in a controlled environment while cohort is an end-to-end sandbox process starting from preliminary screening of applications to test design, application assessment and testing, and final evaluation of product, service or technology.



the information asymmetry that impedes access to credit for micro and small entrepreneurs.” MSMEs have been raising credit through traditional bank lending process while only a few businesses, which are digitally active, are aware of online lending from NBCFs and MFIs.

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“MSMEs have taken a maximum hit among all business communities. They don't have any reserve with them as most of it has been spent on fixed expenses such as rent, electricity, salaries etc. For most of them, payments from buyers are also stuck. Hence, it has been the demand for MSMEs to solve the liquidity crisis through easy lending processes. While nothing concrete has been declared so far by RBI on the sandbox but

we are certain that it will promote and ease MSME lending,” Mukesh Mohan Gupta, President, Chamber of Indian Micro, Small & Medium Enterprises (CIMSME) told Financial Express Online.

Das urged micro-business growing into small and medium enterprises to “enhance their technical capacity and explore newer markets in order to stay competitive for sustainable growth. As per the one-time restructuring exercise permitted by the RBI of existing loans to GST-registered MSMEs without any downgrade in their asset classification, the number of MSME loan accounts restructured by the public sector banks had crossed 6 lakh as on January 31, 2020, according to the Ministry of Finance.



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