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RESERVE BANK OF INDIA

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March 19, 2014

## RBI Seeks Feedback on Concept Paper on Trade Receivables and Credit Exchange for Financing MSMEs

The Reserve Bank of India has today sought feedback on the [Concept Paper on Trade Receivables and Credit Exchange for Financing Micro, Small and Medium Enterprises \(MSMEs\)](#). Comments may be [emailed](#) or sent by post to the Chief General Manager, Department of Payment and Settlement Systems, Reserve Bank of India, Central Office, 14<sup>th</sup> Floor, Shahid Bhagat Singh Marg, Mumbai-400001 on or before April 20, 2014. The concept paper is available on RBI website ([www.rbi.org.in](http://www.rbi.org.in)).

### Background:

Given the potential of MSMEs in unlocking growth, employment and inclusion in the economy and society, there is a pressing need to address concerns related to financing of this segment.

Despite efforts on multiple fronts as well as enabling legal and regulatory provisions, the MSME segment continues to be belabored with the problem of delayed payments and dependency on their corporate buyer/s.

The matter has been addressed in the reports of the Committee on Financial Sector Reforms (2008) as well as the Working Group on Securitisation of Trade Receivables (2009). The reports had recommended having an institutional infrastructure for creating necessary liquidity for trade receivables through a mechanism of efficient and cost effective factoring / reverse factoring process. The statement made by the Governor on September 04, 2013 regarding facilitation of Electronic Bill Factoring Exchanges in the country, has drawn the attention of many stakeholders in the country in offering their expertise and experience in this area to facilitate building of suitable infrastructure for MSME financing.

This concept paper has been prepared taking into account the interest expressed by few entities and in consultation with a few stakeholders. The model outlined in the paper envisages both, primary market segment (in which invoices first undergo a reverse factoring process to enable the first level of financing to the MSMEs) as well as a secondary market segment (where the financiers of the primary segment get an opportunity to trade these invoices).

It is also imperative to understand and address the many issues and challenges outlined through wider consultation process. To this end, the Reserve Bank has sought views on the concept paper on Trade Receivables and Credit Exchange in the country. Specific and actionable feedback would be highly valued.