Supply Chain Finance for MSMEs: An Analysis of Trends and Future

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This paper offers insights into traditional and evolving financing methods for MSMEs. Insights about the preference of financing methods and needs have been provided based on primary research. The effects of the pandemic has also been discussed. A comparison matrix built ranks different factors important in MSME financing. Recommendations for different stakeholders have been provided to make the process efficient for all parties.

Keywords: Supply chain finance, Trade financing, MSME financing, Buyer-led financing, Supplier-led financing, Future of supply chain finance, TREDS, Factoring, Letter of Credit, P2P lending, Channel finance, Dynamic discounting, Blockchain backed transactions, Forfaiting, Smart contracts.

1. Introduction

MICRO, Small and Medium Enterprises (MSMEs) are an important factor for India's balanced growth contributing 40 per cent of India's GDP. The share of export in India for MSMEs is around 50 per cent. It employs 11 crore of non-agricultural workers making it the largest employment-providing sector post agriculture. Most importantly, it provides employment to a range of populations including rural (45%) and urban (55%) areas enabling inclusive growth in India. MSMEs account for 95 per cent of the industrial units and are crucial suppliers for large enterprises. Most MSMEs It is evident that for India to become an aspiring 5 trillion-dollar economy, MSMEs will be the most important driver.

In spite of the strategic importance of the sector, MSMEs face a continuous liquidity crunch and high-interest rates. The access to funding for these businesses has been a concern hindering its growth in the past. The lack of investors' confidence in these businesses leaves it with banks and financial intermediaries as the only source of funding. On top of it, the lack of proper supporting platforms and systems makes exports in many countries a risky proposition for them. Various existing financing mechanisms including buyer-led financing and supplier-led financing are limited for MSMEs. The layer of intermediaries in these mechanisms makes the interest rate for financing too high for the profitable export of their products and services. Efficient working capital management is also very difficult for these businesses especially when they are involved with large corporates which leaves them with minimal negotiating capability. Delayed payments by these organizations make the situation even worse. These businesses need funding for raw materials and assets that are needed to fullfill the order received. The issue of delayed payments is addressed by The MSME Development (MSMED) Act, 2006 where the buyer will have to make the payment to the supplier (MSMEs) within 45 days of the acceptance. However, in reality, the days extend up to 65 days and sometimes even up to 120-150 days. There are numerous governmental organizations operational like State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs), and Small Industries Development Bank of India (SIDBI) for long-term and short-term funding for the purchase of machinery and equipment, construction and asset acquisition. Moreover, some commercial, rural and cooperative banks also provide term loans for various purposes. Commercial banks sanction composite loans comprising term loans and working capital loans with limits typically up to ₹10

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Suman, S. (2023), Supply Chain Finance for MSMEs: An Analysis of Trends and Future, *FOCUS WTO*, Vol. 25 No. 3, pp. 3-24. http://publication.iift.ac.in/focuswto_archive.asp

million. But in spite of all these, India's MSME sector faces major issues in getting adequate credit. According to the latest data on credit disbursement, 82.6 per cent of the total outstanding credit of ₹26,041 was lent to large businesses. In total, the demand for funding for MSME is more than 26 lakh crore. Despite the large size of financial markets, the penetration in MSMEs has been very low due to lack of transparency, high perceived risk and lack of efficient connecting mechanism

1.1 General Terms

- *Supply Chain Finance:* Companies frequently use a variety of methods to better manage their working capital requirements in order to support their supply chain. The focus is on employing various methods/processes to create liquidity in the supply chain. Supply chain finance is the process of managing working capital and liquidity through finances, methods, and techniques as they are applied to various supply chain operations (SCF). Supply Chain financing encompasses a wide range of items. The exchange of products, services, and capital across countries has increased as a result of growing global trade and technological integration. The buyer (sometimes known as the importer) and the seller are the two key players in cross-border (across countries) commerce (known as the exporter). These two parties' trade allows them to develop their businesses beyond their home markets and into worldwide markets. Importers and exporters come from diverse parts of the world, thus there are a variety of reasons that can cause problems. For example, in cross-border payments, there is a risk of counterparty default, which makes them risky. Payment modes, such as documentary collection, letter of credit (LC) and bank guarantee (BG) are used to introduce a third party to a transaction to mitigate this risk.

  Technology is paving the way for innovation, questioning the current framework of these solutions, and ensuring that they are used in more constructive ways. Banks and other financial institutions have begun to recognize the importance of receivables and payables. In this section, we'll look at the operational factors and industry standards around SCF, as well as the payment options accessible to enable smooth transaction processing during cross-border transactions. We also want to forecast what will be the next big thing in supply chain financing and where it will go in the future. The benefit of MSMEs will be the emphasis of our use case.

- *Method of Payments:* International payments have a wide range of risks that may cause uncertainty over the payments made between the exporter and importer. Unless the payment is accepted by the seller (importer), the transaction is not considered a sale. Therefore, it is in the best interest of the seller to receive payments as soon as possible (in many instances, the payment is received before the goods are shipped to the importer). At the same time, unless the goods are received by the importer, making the payment can be risky and it is in the best interest of the importer to delay the payment for as long as possible (in many instances, the payment is made after the goods are sold by the buyer).

  The following two methods are when the risk is borne entirely by a single party (buyer or seller). The success of these methods is based on trust.

- *Cash in Advance:* In this method, payment is made upfront before the shipment takes place. This secures the process for suppliers, that is, it is advantageous for exporters, and the entire risk is on the buyer since an unfavourable cash flow is created for him.
- *Open Account:* In this method, the buyer does not pay for the goods until a specified date after the shipment; therefore, this is a preferable method for importers. This secures the process for the buyer by delaying the eventual outflow of cash and the risk is borne by the seller.
- *Documentary Collection:* In this method, the supplier (exporter/drawer) and buyer (importer/drawee) get into a contractual agreement to use this method for payment with a measure of protection built into the agreement. The bank becomes an intermediary to facilitate the exchange of payment against the documents. However, the bank does not guarantee the payment to the supplier in case of default.

- *Letter of Credit:* They are financial, legally binding instruments, issued by banks that pay the exporter on behalf of the importer, if the terms specified in the LC are fulfilled. If the buyer is unable to make a payment on the purchase, the bank will be required to pay on the importer's behalf.
- *Consignment:* In this type, the importer sends payment to the exporter when the goods have been sold in the foreign market to the customers. The title of goods remains with the exporter until they are sold in the market. It should be offered only to trustworthy importers with an excellent credit rating in countries where political and economic risk is very low.

2. Related Work

A lot of work has been performed related to Supply chain finance for MSMEs since this is one of the most crucial spaces contributing to the development of India and has seen a lot of work by different developing start-ups. A major contribution to the disruption brought in the field is due to the arrival of blockchain and its uses. The work done in this space focuses on two major topics:

The *first* one is the evaluation of the impact of working capital management and efficient supply chain finance on the profitability of MSMEs. The work is focused on different times and countries. This includes Deloof (2003) study on working capital management and profitability on around 1000 Belgium non-financial firms during 1992-96, Eljelly's research (2004) on Saudi companies, Nazir & Afza (2009), Eramus (2010), Mohammad & Saad (2010). These also focused on how funds stuck on current assets can be utilized in investments that can help MSMEs grow. Garcia-Teruel & Martínez-Solono (2007) took a sample of 8,872 firms to study the empirical evidence of working capital management on MSMEs profitability. This study focused on Spanish firms. According to his study current assets comprised 69.5 per cent of the total asset and current liability comprised 52.8 per cent of the total liability. Modeling the supply chain finance (SCF) barriers of Indian SMEs using the BWM framework (2021) uses a hybrid approach using Best-worst Method to evaluate the barriers and challenges in the efficient and productive execution of supply chain finance strategies.

The *second* topic discussed in projects discussed how different lending and working capital management methodologies are coming to bridge the gap of supply chain finance for MSMEs. Research like Receivables Management and Supply Chain Finance for MSMEs: Analysis of TREDS (2018) by Niti Nandini discussed the new initiatives with the support of the GOI - "TREDS". It was a revolutionary step that had been the brainchild of Dr. Raghuram Rajan. Not only did the platform provid low-interest funding solutions to thousands of MSMEs but made 25+ banks and NBFCs to be a part of the system to provide better rates to corporates via reverse factoring. There are a few other research done on the same topic.

But the trends recently has changed a lot and with blockchain and Decentralized finance penetrating the space there has been several NBFCs and fintech companies providing solution to the funding gap in a different democratized manner.

3. Objectives

- *Performing the Analysis of Trends; Traditional Supply Chain Methods:* One of the objectives is to analyze the trends in the supply chain finance, especially for MSMEs and how it has evolved to facilitate these organizations to improve their working capital management and solve their liquidity issues. This would include various financing methods employed to provide early funds to the businesses and types of financial intermediaries that are actively involved in it.
- *Exploring the Future of Trends; Advanced Supply Chain Financing Methods Emerging in the Markets:* With the blockchain creating disruption in various fields, supply chain finance is no exception. In fact, supply chain finance has been one of the most impacted fields due to blockchain. It has fundamentally changed how MSMEs are funded and changed the dynamics of various financial intermediaries. With blockchain, there have been various businesses that have entered into supply chain finance with the objective of connecting MSMEs with retail investors and democratizing the financing solutions to widen the funding source and lower the interest rates for this small business.

4. Methodology

A primary survey is conducted with senior management of companies operational in a variety of industries. Exploratory research is performed on senior leader of a capital-intensive industry start-up. The exploratory research paved the path to designing a questionnaire for the survey. The survey has 22 MSME respondents. The conclusion of the survey is based on demographic analysis and a comparison matrix built on the premise of the survey. The comparison matrix assigns weightage to different attributes which are perceived to be important for MSMEs. The attributes are mutually exclusive and collectively exhaustive. The goal of the matrix is to build a model to evaluate a working capital funding source and compare different kinds of sources using the assigned weightage. It will also help the sources to understand their consumer perspective and focus on relevant and most value-adding attributes.

5. Traditional Supply Chain

5.1 Buyer-led Financing

These financing solutions are buyer-centric and basically provide funding to the supplier through buyer. The credit quality of the buyers in most cases becomes an important factor. So, generally, big organizations support their small suppliers by providing payment solutions using these methods. These methods include:

5.1.1 Reverse Factoring

Reverse factoring is a financing solution offered by a financing entity to the importers/ buyers in a trade deal. In reverse factoring, an early payment is made to the supplier by a third party in exchange for discounts on the invoices. It is a technique that optimizes the cash flows of the buyers since the early payment is processed by a third-party financing entity and enables them to utilize the cash by appropriately allocating it to different operations of the company as required.

It creates a win-win situation for both the buyers and the corresponding suppliers. High-rated suppliers who are on board with the reverse factoring programme can be paid off earlier than the payment terms, as set initially in the sale contract, for a small finance charge or discount. A reverse factoring process is set up by the buyer in the transaction and the offered financing is based on the buyer's credit history, which if positive, can be at a lower rate than what a supplier would be charged based on its own credit rating, thus proving to be cost-effective for the supplier.

Reverse factoring can either be done by the buyer on its own by reaching out and negotiating with funders/ banks or the buyer can buy one of the available fintech platforms that support the factoring architecture.

There are various factors or areas that are considered before the buyer finalizes the design of the reverse factoring programme:

Programme Objective

(a) To extend terms of sale to reduce the cost of goods sold.

(b) To manage supplier relationships by providing low-cost funding options.

(c) To manage supplier risk.

Geographies

The geography in which the buyer and seller are operational and the currency in which the trade is transacted also play an important role.

Benefits

- *Supplier*

(a) Lower DSO as the capital is accessed much earlier than the original terms.

(b) The cost of financing received through the SCF programme is more affordable as it is based on the buyer's credit rating.

(c) Generally, no fee is applicable to participate.

- *Buyers*

(a) Increased DPO as companies can forego payment for much longer than original terms and cash is held onto for longer periods of time. This allows them to either extend the length of investments and generate larger returns or pay off other cash outflows.

(b) Better supplier relationships by offering financing options with improved borrowing costs.

(c) Can be able to access an integrated, multi-country, multicurrency solution.

- *Financial Institution:* Banks in traditional SCF programmes provide finance to the supplier on behalf of the buyer at a discounted rate but end up receiving full payment from the

buyer later, thus walking away with a net profit. In this way, the banks/funders can earn a return on a relatively risk-free transaction.

The sources of funding are available in Table 1.

Typical reverse factoring can be broken down into steps (Table 2).

5.1.2 Dynamic Discounting

Dynamic discounting is somewhat similar to reverse factoring. In a dynamic discounting programme, the buyer uses his own funds (instead of third-party financier funds) to pay off its suppliers in exchange for discounts on the sum of the amount to be paid. Such a programme is also called an early payment programme due to the early settlement of trade payables by buyers using the available cash.

Dynamic discounting is beneficial for suppliers having low credit who are in need of funding. They will now be able to get funding with the help of their buyer's credit. Under dynamic discounting, the earlier the invoice is paid by the buyer, the higher the discount received from the supplier, that is, the discount is dynamic to the point of time at which the payment is undertaken. Previously, with the traditional discount method, buyers received a fixed discount for early invoice payment within a limited time frame.

With the growth of fintech solutions, some companies have also started offering mixed programmes. Fintech companies have solutions that allow companies to self-fund an affordable proportion amount of the programme and rely on a third-party funding to service the rest of the programme. This means that different segments in a buyer's supply chain can be serviced through different programmes like through a reverse factoring programme that uses third-party funding and a dynamic discounting programme that uses the buyer's own available cash. However, both programmes make use of the same central technological architecture.

TABLE 1

Funding Options	Explanation
Single banks	In this type of funding option, a single bank acts as the source of funding.
Multiple banks	Buyers choose multiple banks as funding source, thereby utilizing multiple platforms of these banks. Each bank is responsible for an agreed list of suppliers.
	Fintech companies, the buyers, suppliers and financial institutions are linked to a common network through the SCF platform. In this model, the suppliers trade the approved invoices for which they require early payments. This platform enables direct participation of multiple banks in the buyer's SCF programme.

TABLE 2

Key components	Buyer	Seller	Funder bank
Contract	1. Enters into a contractual sale agreement with the seller	2. Enters into a contractual sale agreement with the buyer	
Invoicing	4. Buyer approves the invoices and the funder bank regarding the payment	3. Seller sends buyer the invoice and notifies for requiring early payments	
Payment			5. The funder bank initiates payment to the seller, either partial or infull, as per terms of agreement with the buyer
Settlement	6. On due date, the amount due to the funder bank (and buyer, if remaining) is paid		

TABLE 3

Key components	Buyer (Borrower)	Seller	Lender
Financing arrangement	1. Enters a finance prepayment arrangement with the lender		1. Enters into a finance prepayment arrangement with the borrower
Contract	2. Enters into a contractual sale agreement with the seller	2. Enters into a contractual sale agreement with the buyer	
Payment	4. Buyer makes a prepayment to the seller for the sale contract		3. Lender advances loan to the buyer (borrower) for prepayment to the seller
Manufacturing and delivery		5. Seller uses the funds to manufacture, process and transport the goods to the buyer, as per contractual terms	
Sale and settlement	6. Goods received from the seller are sold to the end-user and buyer receives payment from the end user		7. Buyer settles the prepayment finance loan received from the lender

TABLE 4

Key components	Importer (Buyer)	Advising bank (Buyer's bank)	Exporter (seller)	Issuing bank (seller's bank)
Contract	1. Enters into a contractual sale agreement		1. Enters into a contractual sale agreement 2. Enlist a banking institution guaranteeing the stipulated trade amount	
Bank Guarantee		5. Receives the BG issued by the issuing bank and informs the importer about the same	3. Requests its bank, issuing bank, to set up a BG in name of the beneficiary – importer	4. Verifies all aspects of the trade and the parties to the trade and issuing a BG

TABLE 5

Type of BGs	Explanation
Bid Guarantee	Frequently, trade contracts are granted via a bidding process, set up by the importer, and the lowest bid is received. As a proof of the seriousness of the intent to service the contract, if granted, importers require bidders (exporters) to also provide a guarantee from a bank. If an exporter receives the contract but fails to meet/perform on the terms of the contract, then the importer can demand to collect the stipulated amount posted in the bid guarantee.
Advance payment Guarantee	Sometimes, exporters require an advance payment after negotiating the terms of the sale contract and prior to starting production of the deliverables. In such cases, an importer may demand a BG against the advance payment to safeguard itself in the event of default by the exporter.
Performance Guarantee	In the event that the exporter fails to perform as per the terms of the sale contract, the importer can demand the funds from the performance guarantee given by the exporter to make good the losses faced by the importer.

5.1.3 Prepayment Finance

In prepayment finance, the lender provides funding to the buyer so that it can pay the supplier well in advance. The buyer pays the seller before the goods delivery and after the buyer has sold the goods to the end customer and the payment is made by the customer, the buyer sends the payment to the lender. This helps the buyer to extend the credit period with the seller and renegotiate a favourable contract price.

In Prepayment finance, the bank faces two types of risks:

Performance risk: The seller might send substandard/damaged products. This might decrease the value of goods received and hence decrease the value of the loan.

Default risk: The buyer might not pay the required payment.

Hence to mitigate these risks, the loan shall be issued on the following clauses:

- The loan is made on a limited recourse basis, that is, the bank has limited claims on the loan in case the loan is not paid back.
- Banks insist on performance guarantees of the seller by using LCs or guarantees.

A prepayment finance programme can be broken down into steps (Table 3).

5.1.4 Bank Guarantee

A guarantee is an assurance issued by a seller/exporter's banking institution to the buyer/importer. It is a documentary assurance in the scenario that the seller/exporter fails to meet the contractual standards defined in the contract of sale or defaults on the contract, the guarantee issuing bank shall make good on the amount stipulated in the guarantee. A bank guarantee is not exactly a financing method in international trade, but rather a form of security in the event of default by the exporting entity.

In a bank guarantee, a beneficiary is named – the importer/buyer of goods and the bank is obligated to pay only the named beneficiary the stated amount.

The key steps in requesting and settling a bank guarantee (Table 4)

In the event of default on trade terms/contract by the exporter, the importer would demand from the issuing bank the payment of funds under the guarantee via communicating with the advising bank. It should be noted that in a BG transaction, the importer is transferring a portion or all the credit risk faced to the exporter's issuing bank and this transfer is facilitated and paid off by the exporter.

The two most common scenarios in which an exporter would agree to take on additional costs for securing the importer's risk would be as follows:

- The importer has a strong credit rating whereas the exporter is a relatively smaller firm and would like to secure its future transactions with the importer.
- The exporter has a low credit rating and thus, an importer requires evidence of performance from the exporter

There are three main types of BGs commonly seen in international trade contracts (Table 5).

5.1.5 Letter of Credit

Letter of credit (LOC) financing is a method of financing used in international trade. It involves a letter of credit, which is a document issued by a bank on behalf of a buyer, guaranteeing that the seller will be paid a certain amount of money upon meeting specific conditions. The letter of credit serves as a form of payment assurance for the seller, as it ensures that they will receive payment for their goods or services as long as they meet the terms and conditions outlined in the letter of credit. The buyer, on the other hand, benefits from the protection of the bank's guarantee that the seller will fulfill their obligations.

There are two main types of letters of credit financing: commercial and standby. Commercial letters of credit are used primarily in trade transactions, while standby letters of credit are used to provide financial guarantees in case of default or non-performance. Overall, a letter of credit financing can be an effective way to mitigate risk and ensure that international trade transactions are completed successfully. However, it can also be a complex and time-consuming process, requiring careful attention to detail and a thorough understanding of the terms and conditions outlined in the letter of credit.

5.1.6 Buyer's Credit

Buyer's credit is a type of financing method used in

international trade, where the buyer (importer) borrows money from a bank or other financial institution in order to pay for goods or services purchased from a seller (exporter) in another country. Under this financing method, the importer's bank or financial institution extends credit to the importer, which is used to pay the exporter for the goods or services. The importer then repays the loan to their bank or financial institution over a predetermined period of time. It is often used in situations where the exporter requires payment in advance or where the importer does not have sufficient funds to pay for the goods or services upfront.

Buyer's credit can provide a number of benefits to both the importer and exporter, including increased cash flow, reduced risk, and greater flexibility in financing arrangements. However, it is important for both parties to carefully consider the terms and conditions of any buyer's credit agreement before entering into it, to ensure that it is suitable for their specific needs and circumstances.

5.2 Supplier-led Financing

5.2.1 Factoring

Factoring may be a sort of financing facility during which a supplier sells its accounts receivables to a 3rd party, called as a "factor", at a reduction. The factor then collects payment on the sold invoices from the purchasers. Due to the asset, which is financed, factoring is additionally known in some industries as "accounts receivable financing".

Key terminology concerning factoring is as follows:

- *Factor:* This is a commercial financing institution that buys a supplier's receivable invoices. A factor enables the supplier to receive some of the income immediately rather than expecting the credit day period given to the customer. The remainder of the income is received from the factor upon payments from the receivables. For this service, a factor usually charges commissions and fees on the invoice amount.
- *Receivable:* Receivables are debts owed to a supplier by its customers for goods or services that have been delivered or used but not yet paid for. It is a financial asset that is transferrable in nature and provides the owner the right to gather money against that receivable.
- *Invoice:* A commercial invoice is a legal document of a trade transaction, issued by the seller to a buyer for the goods sold or services rendered. It contains all the financial aspects involved in the transaction.
- *Seller (Client):* The seller sells the receivables for cash, usually at a discount.
- *Debtor (Customer):* A debtor has a financial liability that requires him or her to make a payment to the owner of the invoice. They are also called buyers.

A factoring programme can be broken down into steps (Table 6).

There are two types of factoring depending on the onus/ responsibility in case of default:

Recourse factoring - The factor purchases the receivables from a supplier on the condition that the supplier (client of the factor) will buy them back if they go uncollected, that is, if the debtor to the receivable defaults on its payment.

Non-recourse factoring - Non-recourse factoring allows a supplier to sell its receivables to a factor without the obligation of taking up any unpaid receivables. Rather, if the customers back out on their payments or pay their receivables late, all the losses are absorbed by the factor, completely reducing the credit risk faced by the supplier.

Non-recourse factoring has a higher commission or discount rate than recourse factoring.

5.2.2 Pre-shipment Finance

Pre-shipment Credit (PC) includes any loan or advance given by a bank to the exporter/seller of goods for financing the purchase of raw materials, processing, manufacturing, or packing of goods before shipment. A PC is provided based on an LC opened in the exporter's/seller's favour by an overseas buyer/importer for an order received from the importer.

The exporter/seller can use the loaned funds for undertaking the manufacturing process for the goods for which the sale contract is created, while simultaneously also improving its working capital. If the seller had received the loans after shipping the goods, the seller might have had a problem with working

capital, and hence, unable to optimize its manufacturing process.

A pre-shipment finance programme can be broken down into steps (Table 7).

Types of pre-shipment finance:

- *Advance against cheques/Drafts received as advance payment:* Where exporters receive direct payments from abroad by means of cheques/drafts, the bank may grant export credit at a concessional rate till the time of realization of the proceeds of the cheques/draft. Here, the rate is low due to the short-term nature of the borrowing until the proceeds are realized.
- *Packing credit:* Packing credit is a loan provided to exporters/ sellers to finance the procurement of goods before they are shipped. The bank funds the exporter against an LC and a confirmed order for selling the goods or services. This advance is provided to purchase raw materials, process, manufacture, pack, market and transport the required goods and services.

5.2.3 Post-shipment Finance

Post-shipment credit, as the name suggests, is a loan provided by a banking institution to an exporter after the goods have been shipped to the importer. Post-shipment credit is taken to finance the interim period between the shipment of goods, as per terms of the sale contract and receipt of

TABLE 6

Key components	Buyer	Seller	Factor
Contract	1. Enters into a contractual sale agreement with the exporter	1. Enters into a contractual sale agreement with the importer 2. Enters into a factoring agreement with the factor and sends the invoices to the factor	
Initial factor payments			3. Sends the invoice to the buyer for approval and on receiving approval, makes an initial payment of funds to the seller, as per terms of the factoring agreement
Final payments settlement	4. On approving the invoice, makes payment as per the terms of the sale contract to the factor		5. Pays the remaining amount due to the seller after deducting a preagreed factoring fee

TABLE 7

Key components	Importer(Buyer)	Exporter(Seller)	Financing bank (Seller's bank)
PC		1. Enters into a PC with its bank	
Sale contract and PC funds	2a. Forwards the sale contract to the exporter	2b. Exporter forwards the sale contract received from the importer to its bank, as an evidence of sale. Basis the sale contract, exporter requests for funds under PC	3. Provides PC loan to exporter
Shipment		4. Ships goods to the importer	
Payment and settlement	5. Payment is made to the exporter as per the terms of the sale contract	6. Amount due is paid to the financing bank, in accordance with the terms of the PC financing arrangement	

funds from the importer. In other words, banks or financial institutions provide bridge finance for export sales receivable after the date of shipment of goods to the date of realization of export proceeds.

Types of post-shipment finance:

- *Export bill discounting:* After the goods have been shipped, the exporter submits the necessary export documents to the bank and the bank extends post-shipment credit via discounting or purchasing of such export bills at a concessional rate of interest.
- *Advances against bills for collection:* Sometimes, an exporter might not want to discount the export bills, especially if it is operating at narrow margins. In such cases, it can arrange to send export bills for collection wherein the bank can allot a portion of the bills for collection with the subsidized rate of interest.
- *Advances against duty drawback receivable from the government:* Duty drawbacks are issued by the customs department after submission of necessary export documents with customs. This duty drawback is a receivable asset and the bank provides an advance against such duty drawback receivables from the customs department.

Key steps in post-shipment finance (Table 8).

5.2.4 Forfaiting

Factoring is a domestic financing source and its counterparty in international trade is called forfeiting. Forfaiting allows an exporter to surrender its right to receive payment against the goods delivered or services rendered to the importer, in exchange for instant payment from a forfeiture. Using a forfeiter, an exporter can easily turn a credit sale into a cash sale, without recourse to him or his forfeiture, thereby eliminating risk. These international trade receivables are typically in the form of unconditional bills of exchange that are legally enforceable in nature.

Like factoring, forfeiting also has specific terminology pertaining to it, explained as follows:

1. *Forfeiter:* A forfeiture is a specialized financing institution that buys a supplier

TABLE 8

Key components	Importer (Buyer)	Issuing bank (Buyer's bank)	Exporter (Seller)	Advising bank (Seller's bank)
Contract	1. Enters into a contractual sale agreement with the exporter		1. Enters into a contractual sale agreement with the importer	
LC	2. Requests its bank – issuing bank for an LC	3. Issues the LC and transfers the same to the exporter's bank – advising bank		4. Communicates to the exporter about receipt of LC
Shipment			5.Ships goods to the importer and gives necessary documents (such as commercial invoice and bill of lading) to advising bank	
Post-shipment funding				6. On receipt and scrutiny of document, bank releases post shipment funds to the exporter
Payment		8. On receipt and scrutiny of documents, the bank releases the amount due to the advising bank	7. Sends the documents to the issuing bank for payment	

firm's invoices or accounts receivables in exchange for immediate cash. A forfeiture usually charges commissions and fees for this immediate fund supply.

2. *Receivable:* Receivables are formed from unpaid invoices, that is, goods and services supplied on credit and are debts to be paid by the customers. It is a financial asset giving the owner a legal right to collect money from the debtor.

3. *Aval:* An aval is an unconditional, irrevocable, freely assignable and transferable promise to pay the beneficiary on the maturity date of a bill of exchange or promissory note. It is created by the addition of the words "for aval" or "per aval" on the bill of exchange or the promissory note.

4. *Invoice:* A commercial invoice is a legal document of a trade transaction issued by the seller to a buyer for the goods sold or services rendered. It lists all the financial components involved in the transaction.

Key steps in the forfaiting programme are shown in Table 9.

Like factoring, forfaiting can have recourse or non-recourse, depending upon the forfeiter. Non-recourse factoring and forfaiting are

TABLE 9

Buyer	Seller	Availing bank	Forfaiter
1. Promissory notes are sent to the availing bank		2. Notes are availed and returned to the buyer	
3. Forwards the availed notes to the seller	4. Seller discounts the availed notes with its bank – forfaiter, on a non-recourse basis, obtaining a loan from the forfaiter		5. Does one or more of the following with the availed papers: - Held till maturity - Issues short-term papers against it for investors - Issues short-term papers against it for trade in the secondary market

TABLE 10

Parameter	Factoring	Forfaiting
Defination/meaning	Exporters sell their receivables to a factor without the obligation of absorbing any unpaid receivables as any losses are absorbed by the factor	Exporters sell their medium and long-term account receivables and obtain cash from the forfaiter
Maturity	Advances are short-term in nature	Advances are generally medium-term in nature
Extent of finance	Usually 80% of the value of invoice	100% of the value of invoice
Creditworthiness	Factor does the credit rating	Forfaiting bank relies on the creditability of the availing bank
Cost	Factoring cost is borne by the buyer	Forfaiting cost is borne by the overseas buyer
Services provided	Day-to-day administration of sales and other services are provided	No services provided
Negotiable instruments	Does not deal with negotiable instruments	Evidenced by bills of exchange, promissory notes, LCs

very similar providing immediate cash flows to suppliers and reducing exposure to credit risk. However, there are some significant differences between them, listed (Table 10).

6. Future of Supply Chain Finance

6.1 Treds

Trade Receivables Discounting System is an RBI-licensed platform for discounting of sales invoices by MSMEs. The first guideline was made in 2014 while it was licensed in 2015. TREDS platform started operations in 2017. MSMEs get options for multiple lenders for invoices discounted under the platform. The key players in TREDS who have received the license are:

- M1 exchange – A fintech backed by Amazon.
- Invoice Mart – JV with NSE.
- A-Treds – A JV between Axis Bank and Mjunction (e-capital arm of Tata Group).

Other key players are 25+ banks, NBFCs and factoring units and thousands of NBFCs registered.

Benefits

- Timely finance to MSMEs.
- Reduced interest cost for MSMEs.
- Better rates to corporates via reverse factoring.

For seller

- Improved cash flows.
- Without recourse.
- Alternate financing.
- No debt, no collateral.

For buyer

- Streamlined vendor payment.
- Seamless ERP integration.
- Improved procurement process.
- Flexible payment terms.

Financer

- Expansion of business.
- Low risk.
- 100% transaction backed lending.

TREDS process flow

- Seller uploads invoice on the platform.
- Buyer accepts invoice on the platform.
- Financer bids for invoice.
- Seller accepts bid.
- Financer disburses funds to the seller.
- Seller receives the funds within 48 hours of accepting the invoice.
- Buyer pays financer on the due date.
- Financer receives an outstanding amount.

PEST Analysis of TREDS

Political: TREDS received huge support from Government of India and RBI. Government of India has ordered top PSU companies to bring their entire vendor network comprising thousands of suppliers to the platform. One other enabling factor is the ease of registration through Udhyam Online

Economic: The amendment to allow NBFCs to be a part of TREDS is a big economic boost. Allowing discounting of both invoices as well as the bill of exchange is a big boost. Also companies with more than 500 crore turnover will have to mandatorily register on TREDS.

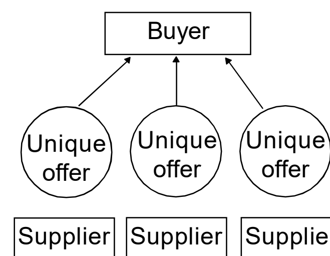
Social: Improving the socio-economic growth of 40 per cent of India's workforce that is employed in the MSME sector and better cash flow management leading to encouragement of entrepreneurship in this sector

Technology: Technological advancement in the field of AI/ML and blockchain to improve transactional efficiency and risk assessment with further boost volumes and adaptability.

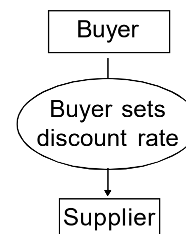
6.2 Dynamic Discounting

This is a supply chain method that does not need any financial intermediary to be a part of the mechanism to finance the suppliers of the corporates. This is an innovative concept very pervasive in India. There are two kinds of dynamic discounting in this type which is practiced in India:

Supplier's pull:



Buyer push:



6.3 P2P Lending

India's P2P lending market size is forecasted to grow at a rate of 21.6 per cent during the forecasted period of 2021-26 reaching $10.5 billionn by 2026. P2P is a unique model as it is mainly an online business in which individual and institutional investors provide funding to people seeking loans. The entire P2P lending ecosystem is based on mobile applications. The entire money exchange and credit process happens in a few clicks.

At present, the P2P lending space is populated by more than 30 players including Faircent, Rupaiya Exchange, Lend Box, India Money Mart, Len Den Club, Monexo, Loan Baba, Cap Zest, i2i Funding and many others.

Functions of P2P Platform

- The platform performs multi-layered background checks on the participants of the platform which brings trust in the system and reduces risks.
- Continuous assessment and regular update of risk categories of the participants on the platform.
- The platform lists all the loans and helps in performing the transactions.
- The platform helps investors collect their payments.
- The platform also helps lenders in loan recovery in case of default.

Growth Drivers of Platforms

- Low cost of lending as compared to traditional banks.
- Less time and convenience.
- Loan without security.
- Lucrative returns.

Risks Associated in P2P Lending

- There is a huge risk of default where the borrower is not able to repay the interest or principal. Technological advancement can help eliminate this risk.
- Loopholes in the product application. This can cause the flow of credit into the wrong hands. The trust level of the consumer also goes down thus impacting the overall business.
- There is no protection from the government and the Central Bank to the lenders. The P2P is an alternative to traditional finance and thus does not come under the preview of any institution (Figure 2).

A comparison between banks and P2P lending is shown in Table 11.

FIGURE 2

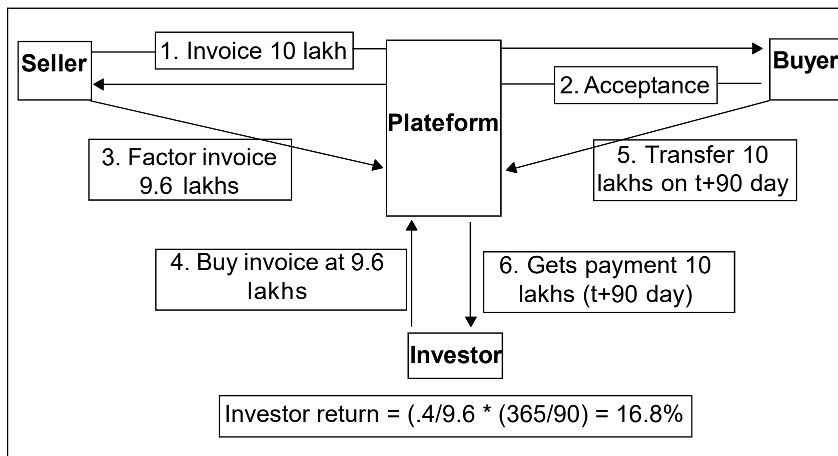
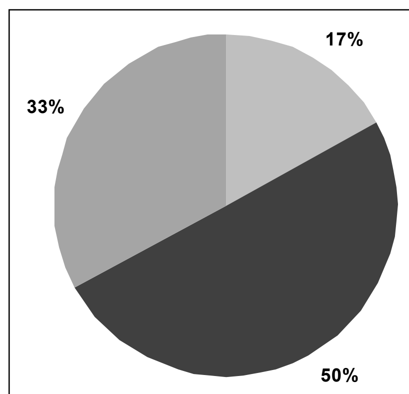


TABLE 11

Basis	Banks	P2P lending
Duration	Since banks do in-depth verification it takes a lot of time	P2P lending performs faster processing of loans
Product	Banks offer Standardized lending products to their customers	Based on the profile a customized solution is provided to P2P customers
Approach	Banks take a closer look at the credit score of the company	P2P lending takes a data driven appraoch
Rules & Regulations	Since there the process involves credit rating assessment, the rules and regulations followed are stringent	Comparatively the rules and regulations are flexible. Therefore the risk involved in P2P lending is uncertain

Lenders on P2P platform:



Loss rates and net returns on different risk classes (Table 12).

Recommendations

- An increase in lending limit is recommended for HNIs and UHNIs as low limits like ₹10 lakh are not attractive enough for lenders as the effort is more than the return. This will also give more exposure to MSMEs.
- RBI should increase greater regulatory scrutiny of unsecured P2P lending g due to the systemic nature of risks involved for end customers, wherein they may lose all their money if the loan underwriting process is not robustly managed.
- There is uncertainty around the definition of participant which creates a further risk for digital lending platforms backed by institutional lenders as they are unsure of their participation. Similarly, there is ambiguity about direct selling agencies providing services to institutional lenders, because the definition is broad enough to include P2P lending firms operating outside of Internet platforms.
- The introduction of a requirement for platforms to assess investors' knowledge and experience of P2P investments is recommended. This can be in the form of an appropriateness assessment, to assess an investor's knowledge and experience of P2P investments, be undertaken, where the investor has not received any external advice.
- Comprehensive data privacy and protection laws are missing in the regulatory landscape of our country. This needs to be fixed to prevent the misuse/violation of the stakeholders' privacy.

TABLE 12

Risk category	Loss rates (%)	Net returns (%)
Minimal risk	0	12.9
Low risk	0.5	17.2
Medium risk	2	19.9
High risk	7	18.7
Very high risk	12	18.6

6.4 Channel Finance

Channel finance is a trade finance mechanism by channel partners like dealers, buyers, or distributors by corporates. In this kind of supply chain finance method we talk about the sell side of the supply chain or the purchaser. Naturally, the stakeholders in this would be manufacturers, dealers and financial institutions.

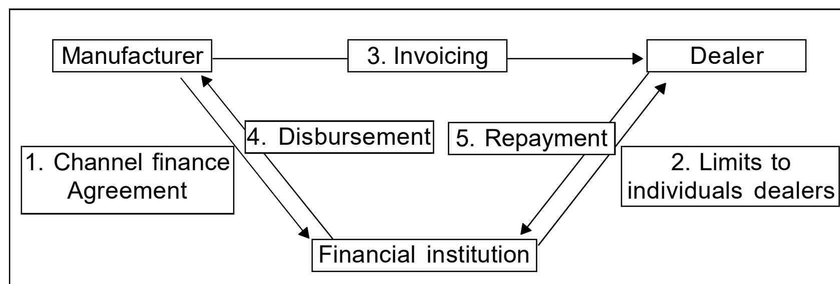
Steps

- Manufacturer and financial institution make a channel finance agreement together.
- Based on the agreement terms and analysis of the financial institution, each dealer is given certain limits related to financing.
- When the manufacturer raises an invoice to the dealer, the invoicing is done via the platform itself.
- The institution disburses the manufacturer according to the limit and then takes repayment after certain defined days (Figure 3).

6.5 AI-Based Lending

Another model becoming popular is transaction via smart contracts. In any transaction, there are various risks involved. These include the obligations not being satisfactorily fulfilled by either buyer or seller on time. But this is being solved by the upcoming smart contract methods in a transaction. Instead of relying on some intermediary, in the smart contract method we rely on codes and the auto-verification of documents

FIGURE 3



which triggers pre-determined events according to the contract.

6.6 Crypto Tokens & Blockchain Backed Transactions

Blockchain-backed lending is a type of lending that utilizes blockchain technology to secure loans and manage transactions. In this model, borrowers can offer their digital assets such as crypto-currencies as collateral for a loan, and lenders can use the blockchain to track and manage the loan.

The use of blockchain technology in lending offers several benefits, such as increased transparency and security. Blockchain technology allows for transparent and tamper-proof record-keeping, which can help prevent fraud and ensure the integrity of transactions. It also enables faster and more efficient loan processing and settlement. In blockchain-backed lending, smart contracts are often used to automate the lending process. Smart contracts are self-executing computer programmes that automatically enforce the terms and conditions of a loan agreement. They can also be programmed to trigger certain actions, such as releasing collateral or initiating a payment, based on specific events or conditions.

7. Primary Research

7.1 Interview

1. *Interviewer:* What is the industry your business works in? What do you do?

Respondent: We are an environment services company. We sell air pollution control equipment that works on radio wave technology to offices, movie theaters, factories and governments. We sell our flagship product 'Pure Skies' on a subscription basis as well which means we provide clean air as a service to the organizations which afford us. We are a stop solution for clean air to them. We monitor, analyze and reduce pollution to increase their workplace/space productivity.

2. *Interviewer:* Is your business involved in exports of any kind?

Respondent: Yes, we just started exporting our product and services to UAE and we plan to export to the US, Europe, Australia, South Korea and Japan in the future once the COVID situation eases.

3. Interviewer: Any specific reason why you chose UAE first? How much do you export? I mean what is the percentage of revenue you have achieved from the export segment?

Respondent: Actually, we just started so we have received very few orders till now. So, the export segment is not that high for us. In fact, due to the whole COVID situation, we had to temporarily stop focusing on the export segment. The reason for choosing the UAE first is that the country had relatively cheaper and easier compliance requirements as compared to places like the US and Europe.

4. *Interviewer:* Do you need working capital funding daily? How crucial is working capital funding for your business?

Respondent: Well. It mostly depends on the sales we do. When we have a greater number of orders all at a time then we need to have a reliable source of funding. Otherwise, for small orders, we don't need external funds since we already have the product and enough capital for it. Currently given the pandemic scenario the orders are not that high. Organizations in difficult times focus more on core operations and future strategy than employee productivity, health, etc. unless there are strict compliance requirements.

5. *Interviewer:* What is the range of funding that is required? Do you take it for the short-term or long-term?

Respondent: Again it depends on the number of orders we are getting. We started in 2019 and before that, we were working on our product and research part. So just after a few months since we started COVID happened. During critical times when COVID hit had impacted organizations, we needed very little working capital. But sometimes when we need to expand as we did recently in north India or when we get the high number of orders, we do need funding. If we get 4-5 large orders, a ballpark figure would be around 70 per cent of the sales value we need as funding for each order.

6. *Interviewer:* Generally, what is your primary source of funding? Do you also use a single source or multiple other sources as well?

Respondent: We mainly rely on banks for our working capital

requirements. We have an account in ICICI. We don't depend on any other source as of now.

7. *Interviewer:* Is there any reason for going specifically for ICICI Bank? Why don't you explore sources other than banks like fintech companies NBFCs, etc.?

Respondent: Currently we don't need that much of funds. But even when we do, we rely only on banks for many reasons. For example, Banks are more reliable than these sources. If I pick up my phone now, the person at ICICI will talk to me and solve any issue I have in his capacity. At least there is a person I can contact and rely on in case of doubt or any other needs but there is no such thing as such on those websites and platforms. For us, the priority is not cutting costs in funding at the expense of reliability. Even if we face challenges, we would prefer banks because of the ease with which we can get loans and the reliability involved.

8. *Interviewer:* What is your current interest rate range through the bank?

Respondent: Again, it depends on scenarios and varies from case to case basis but on average it is between 12-14 per cent.

9. *Interviewer:* What are some of the funding instruments you use for working capital funding?

Respondent: We mostly use Bank overdraft, private funding, venture debt and sometimes EXIM Bank offerings as well. Mostly we rely on bank overdrafts for our line of credit.

10. *Interviewer:* What are the challenges you face in your current source of funding for working capital?

Respondent: For start-ups like us there are many challenges when we go and ask for a loan to a bank. Firstly, we need to show them that we are profitable and they study our balance sheet and records and completely analyze us. Sometimes with the banks, the issue is when you go asking for funding, initially, they would claim it to be a very easy and quick process but once you go to them, they would start asking for a million other things. Moreover, banks need collateral in all cases and that is risky for us given the kind of asset we own and how much we depend on it. We give more priority to the collateral requirement sometimes than the interest rates. The reason is that we are a product-based company. Providing those as collateral would essentially mean when we breach the terms or break covenants, we are putting the whole business in danger. Also, we have limited collateral so we can't explore too many options once we put collateral to a bank.

11. *Interviewer:* Have you heard about the TREDS system to fund MSMEs; it's an Indian Government initiative?

Respondent: Yes, I have. I have briefly gone through how it works and everything.

12. *Interviewer:* Why don't you go for it then since the collateral constraints would not be there and you might get better interest rates as well?

Respondent: See there are a few reasons why we don't explore these options even though it might seem promising. As I said earlier as a growing startup reliability and ease of getting fund is important for us. We have a person of contact in case of any doubt in the case of banks but what if we get stuck or have some issues in other sources like TREDS? There is no definitive person to contact. Moreover, the terms and conditions and the regulations are quite complex. To make use of the platform, we would have to devote time and resources to it. And we have none. As of this stage, we want to focus on our core operations since our growth defines our valuation and cutting little costs by investing time in these is not something that we can afford.

13. *Interviewer:* What changes do you feel to be brought to make you shift to TREDS?

Respondent: Firstly, the terms and conditions should be made simple. If we had really known about TREDS and worked on it, we would have been more than happy to use it daily. But the fact is we would have to really work our way towards the terms and regulations before we use it. Even the onboarding criteria and process is difficult. That should be made simple. Also, there should be some sort of customer support. That would put our faith in the whole system.

14. *Interviewer:* And what about the fintech companies who are offering loans without collaterals and many other services in this area? Why don't you explore them?

Respondent: Yes, that is a convenient source of funding and

I have researched about them. They offer loans very easily without collateral. But we have not faced much of an issue with our current source to be willing to explore other options as well. Truth be told we have not given thought about having multiple funding sources. Anyways, we need to have banks since we can't completely depend on these fintech firms for the long term. Plus, the interest rates are on the higher side. But yeah, if we face the need for more working capital in the future, we might explore these options as well. Right now, our focus is on growth and navigating through COVID.

15. *Interviewer:* How has the COVID impacted your business? Have your working capital requirements reduced or increased because of it?

Respondent: As other businesses it has impacted us a lot. Our product provides clean air in office spaces, factories, movie theatre and all these kinds of places most of which has been closed due to COVID. So naturally the need for our products has reduced due to lockdown. Also, currently half of our employees are sick due to this new variant even though we have been working from home. They have individually been affected. So, we have less manpower and there are multiple things to attend to. So basically, both our capability and the demand have been negatively impacted.

16. *Interviewer:* Has there been a change in how banks loan you due to COVID have they increased or reduced interest rates increased the collateral requirement or restricted the amount of loans they used to give earlier?

Respondent: The interest rate has mostly reduced but there have been many restrictions from the bank side for disbursing the loans. They require more criteria to be met and sometimes ask for higher and more valuable collateral which is not very good for us.

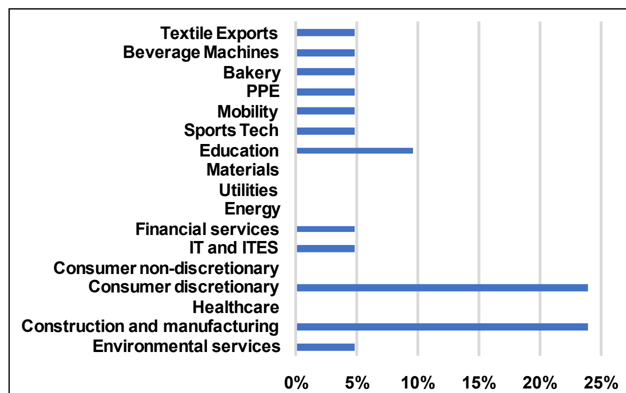
17. *Interviewer:* Have any business units been closed due to COVID? Do you plan to restart the business post COVID-19?

Respondent: There is only one product we focus on and hence we only have a single business unit. So, I think this question does not apply to us.

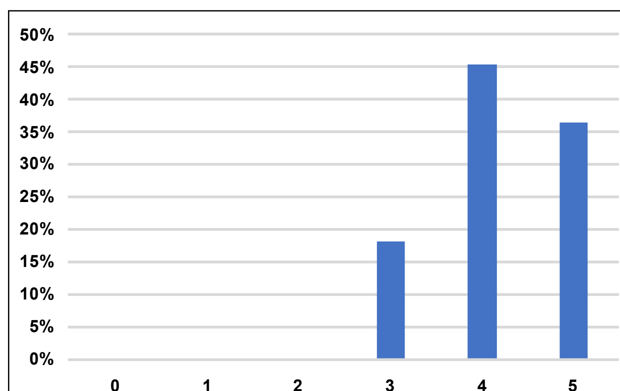
7.2 Survey

Questionnaire

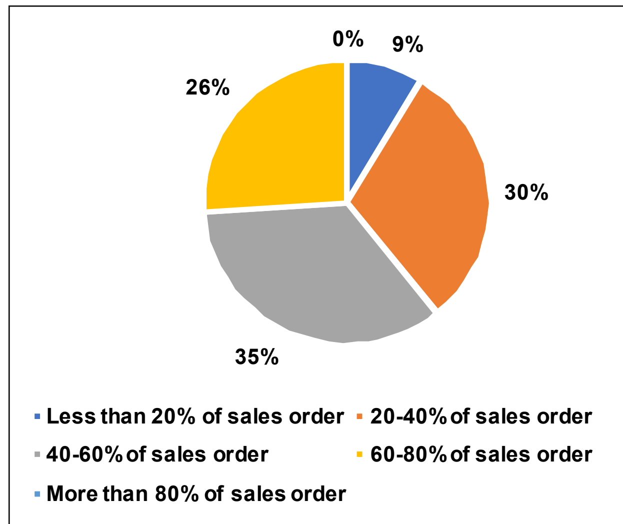
- Which industry does your business operate in?



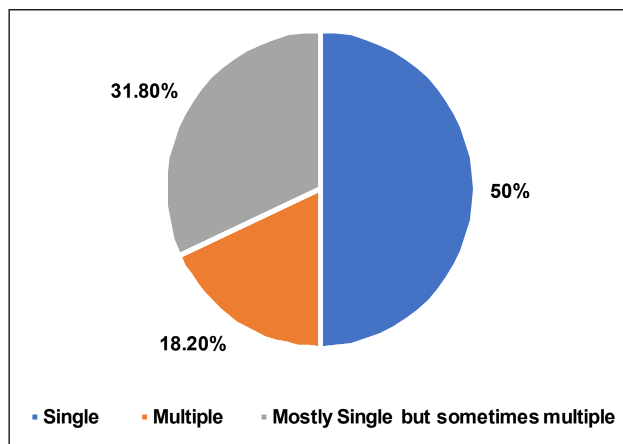
- On a scale of 1 to 5 (5 being the most important) how important is working capital management for your business profitability



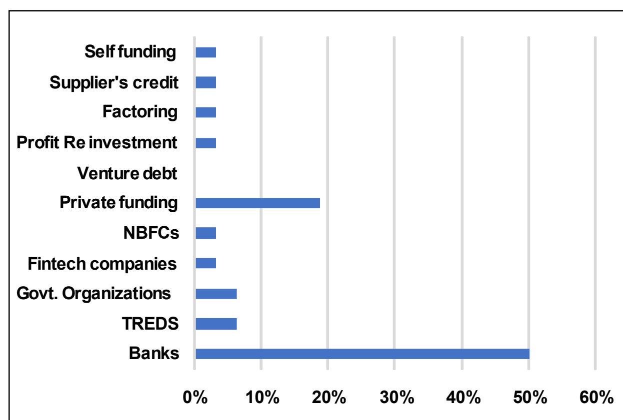
- How much working capital do you need in general? (Apart from COVID situation)



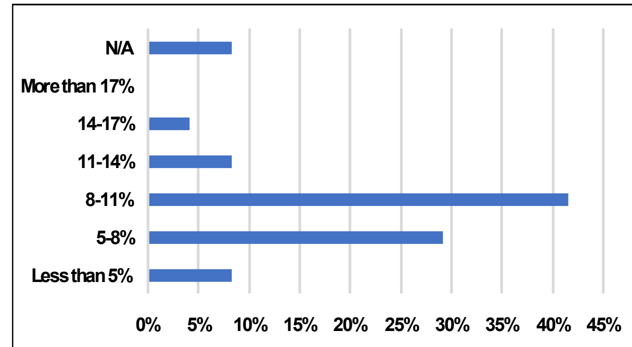
- Do you use single source or multiple source of funding for working capital?



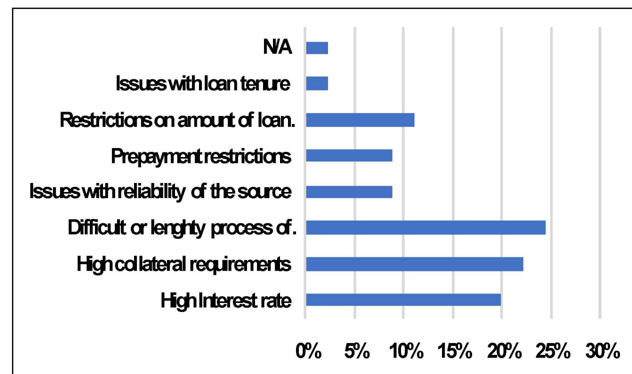
- What are the major source/sources of funding for your working capital?



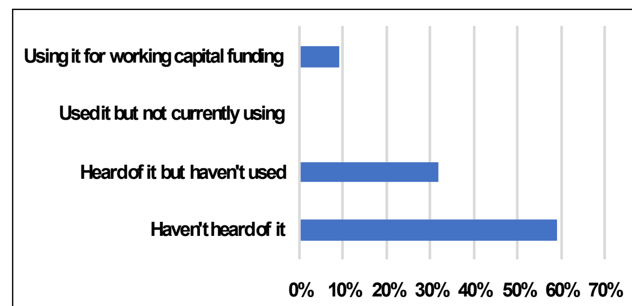
- What is the current average interest rate you have to pay for your working capital requirements?



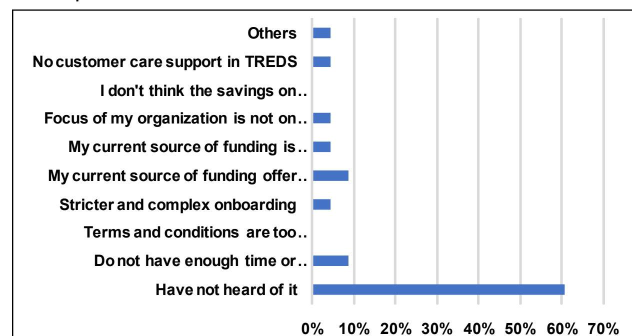
- What are the challenges you face in your current working capital source of funding?



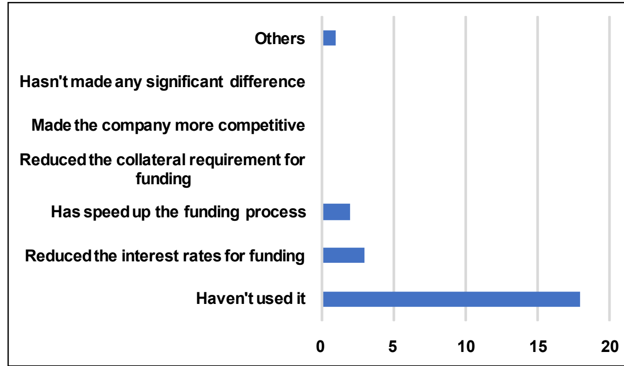
- Have you heard of TREDS? Do you use it?



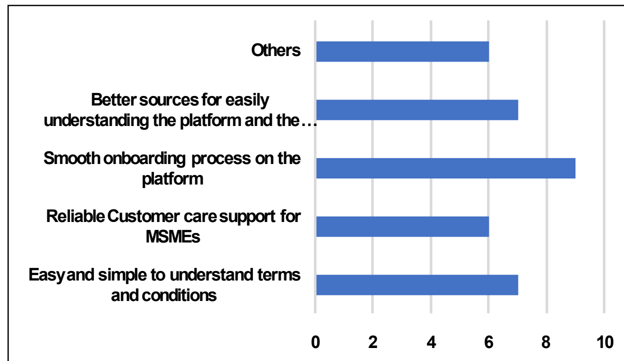
- Why don't you use TREDS for working capital requirements?



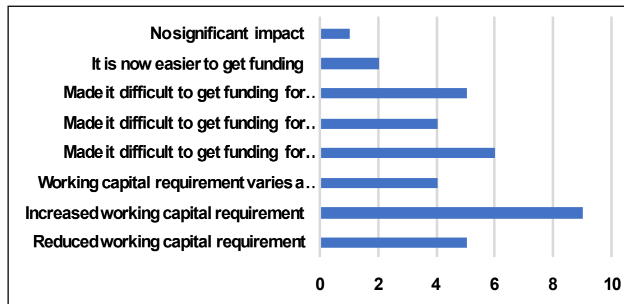
- If you use it how has it improved your business?



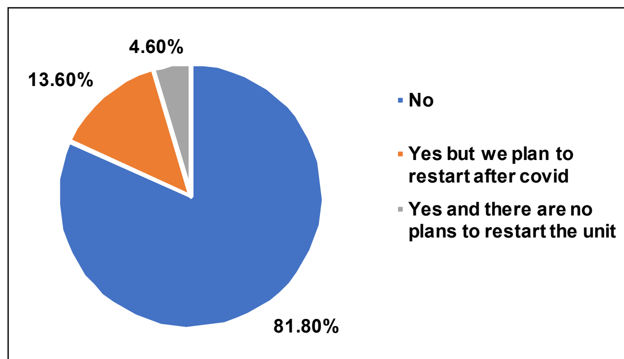
- What improvements do you expect from TREDS to use it?



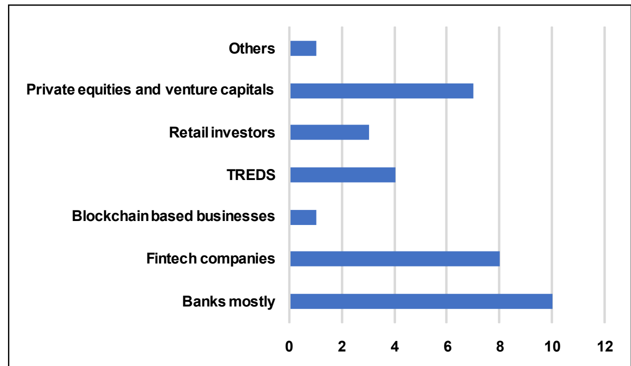
- How has COVID impacted your business related to working capital?



- Have you closed any business unit due to COVID?



- What do you think is the future of working capital management sources?



8. Observations

1. Industry of Operations

The MSMEs mix in the survey consists of mostly construction & manufacturing and consumer discretionary segments both of which consist of 23.8 per cent of total respondents. No respondents belong to the Healthcare, Bakery, Materials, Consumer Discretionary, or utility industry. Though there is a diverse range of MSMEs from IT, financial services, Education to Bakery, Textile, and beverages industries.

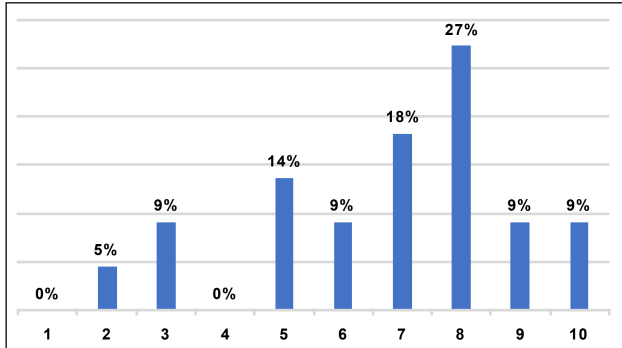
2. Working Capital Importance to Profitability

On average the working capital is very important for many MSMEs. Around 36 per cent respondents which consists of textile, apparel and some other industries say that working capital is extremely important for their business. However, the interesting insight is that construction & manufacturing industry respondents have varied answers. Some MSMEs in the industries believe working capital is extremely important whereas others do not so much.

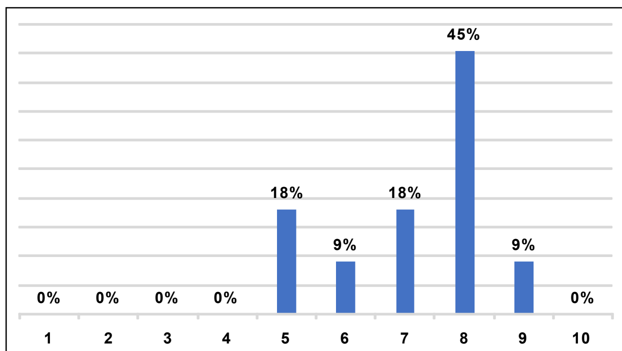
The reason for this difference is the availability of assets. The businesses having comparatively high-value assets get access to multiple sources of funding while others have to rely upon fewer sources. Therefore, management of the working capital has to be focused more on MSMEs having lower collateral asset values. This seems to be the reason why some mark the factor extremely important while others less so.

9. Comparison Matrix

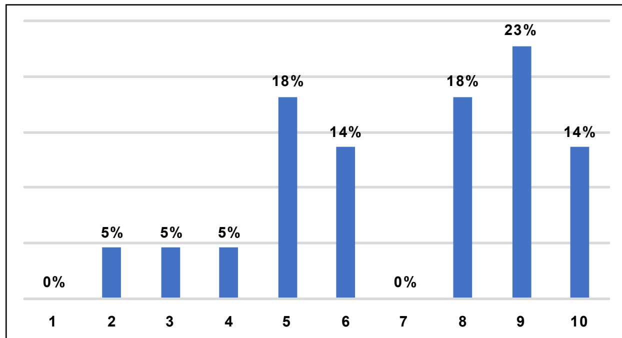
- Ease of getting loan (loan processing method/complex terms of condition/too technical)



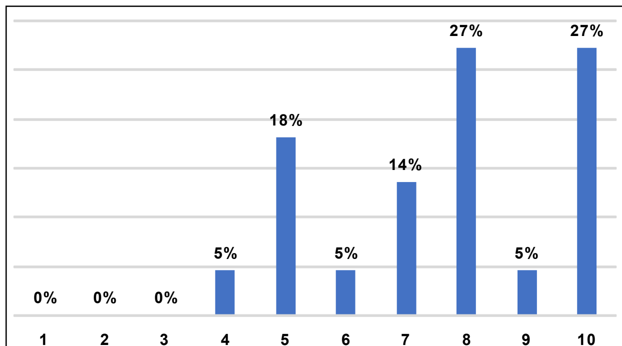
- Feeling of Safety (For example, owing to presence of physical bank)



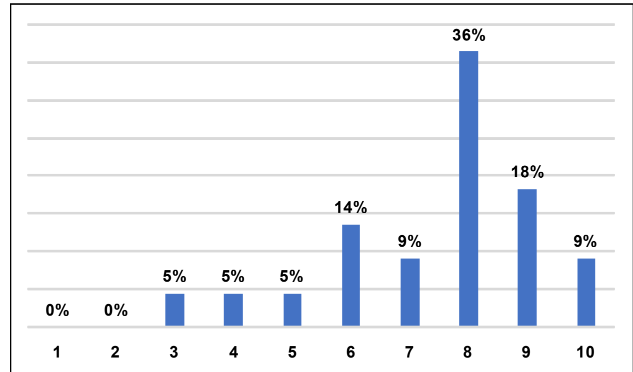
- Collateral Requirement



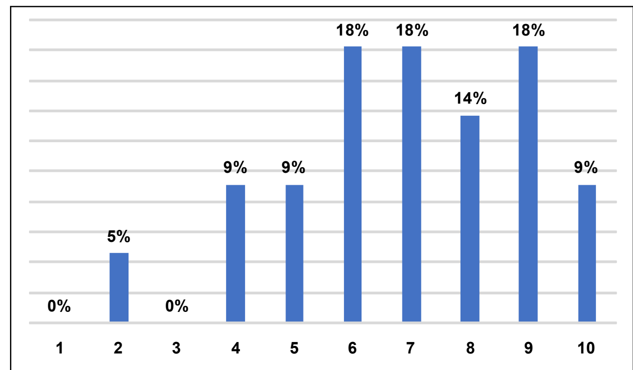
- Interest Rate



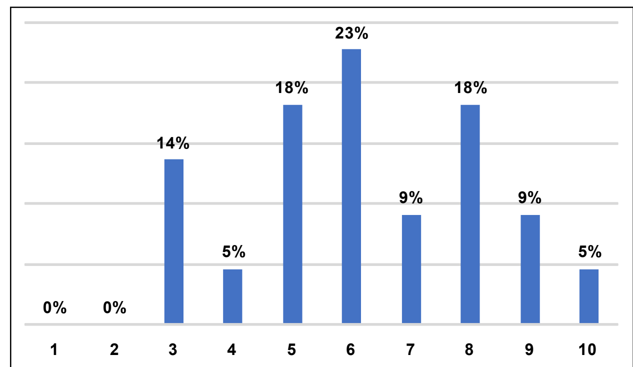
- Reliability (Easily reliable source for regular funding)



- Amount of funding available



- Prepayment flexibility



- Loan tenure

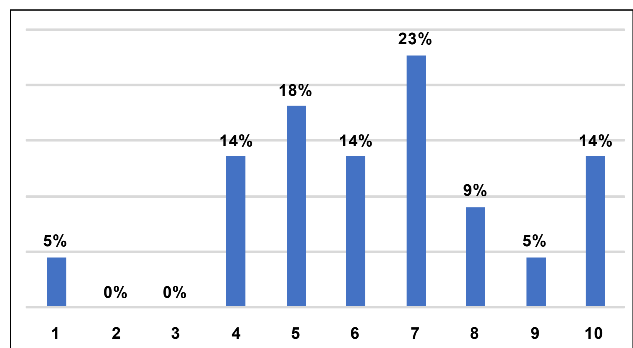


TABLE 13

Attributes	Wa	Wf
Ease of getting loan (loan processing method/complex terms of condition/too technical)	6.77	1.21
Feeling of Safety (For example, owing to the presence of physical bank)	7.45	1.33
Collateral requirement	7.00	1.25
Interest rate	7.63	1.36
Reliability (Easily reliable source for regular funding)	7.45	1.33
Amount of funding available	6.91	1.24
Prepayment flexibility	6.22	1.10
Loan tenure	6.41	1.15

Wa = Weighted average of ratings of attributes with several respondents

Wa= (R1*1 + R2*2 + R3*3 + R4*4 ...Rn*n) /R1+R2+R3+ …Rn)

Where R1, R2, R3…Rn are no. of respondents marked rating 1, 2, 3….n respectively

Wf = Final weighted average of attributes in the comparison matrix

Wf = Wa/ (Total sum of ratings/ number of respondents)

= Wa / 5.58

10. Conclusions and Recommendations

- Working capital needs have largely been impacted due to COVID among MSMEs but the direction highly depends on the kind of industry an MSME is involved in. Depending on the industry the response has been high for increased as well as the decreased funding requirement.
- Although blockchain-based businesses and defiusing cutting-edge technologies are aiding the supply chain finance field and could be the future, the MSMEs are largely unaware of it and least likely to think of it as a future for their funding sources.
- Even the TREDS, a revolutionary platform with a huge number of investors, is unknown to many MSMEs and there is a small percentage of users who are using it owing to several challenges. There is a need to educate and aware MSMEs to the platform so that those in need can utilize the platform.
- For MSMEs to get onboard with TREDS the onboarding process has to be made simpler with easy-to-understand terms and conditions. Also, the majority of MSMEs demand sources that can easily educate them about the platform and its nitty-gritty.
- High collateral requirement is an issue for the MSMEs and a regular issue they face. It also puts them into a difficult situation especially when the assets they put on collateral are operational and very important for their businesses. So there is a need for low collateral funding sources with competitive interest rates. The lack of support and concern addressal system prohibits them from using available sources like TREDS.
- The feeling of safety (that includes the availability of physical outlets and customer support) and reliability of the funding source are among the most important attributes MSMEs look for while exploring the funding sources after comparing interest rates (which is the most important attribute). On the other hand, loan tenure and prepayment, flexibility are among the least important attributes.
- Time and resources for MSMEs are mostly focused on generating sales and increasing the market share rather than reducing costs, especially financing costs. They prefer a reliable source with minimum possible interest rates. Currently, banks are the most preferred sources for these reasons. However, there are certain recommendations to the government and new companies providing solutions in this area.
- The sources whether it be platforms like TREDS or any other fintech platforms, should focus on increasing awareness towards the platform and how it can help MSMEs in their businesses with the least risk of reliability and safety.

- Platforms especially government platforms like TREDS helping MSMEs at a scale should keep the onboarding process and terms & conditions fairly simple and easy to understand. There should be a regular webinar to increasing awareness as well as explain the onboarding requirements to MSMEs. Preferably there should be an automated chat support system that helps businesses understand the terms & conditions, onboarding requirements, etc.
- The platforms can tie up with different government institutions that have a physical presence with a person appointed at strategic locations to help businesses with their issues and queries related to funding. This will become a game-changer since all the issues starting from awareness to reliability and safety can be solved by it. The strategic locations can be a large number of start-up locations like Bangalore, Hyderabad, etc.
- There is a massive gap between the requirement of funding and the supply of the same. Government institutions have been largely unsuccessful in filling those gaps. Banks generally ask for large collaterals even after the reduction of interest rates due to government push. Eventually, the MSMEs don't get funding since it becomes too risky for them to bet on their valuable operational assets. This suppresses the entrepreneurial spirit in the businesses to take higher risks or to expand in larger areas. The constant innovation and turnaround of businesses in situations like COVID-19 requires huge funding support which cannot only be met by banks.
- The government can also work on the PPP model with emerging fintech companies to lower the interest rate and provide reliability to the businesses. The fintech platforms offer funding at a restricted amount and for a higher interest rate since the collateral requirements are low to none. They possess large data and perform algorithms to detect the risk level in different lending scenarios. Instead of going with the old difficult onboarding process with multiple check-points, government platforms/ sources like EXIM Banks can take help from these advanced AI tools from this fintech to reduce their risks at the same time simplifying the onboarding process.

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