

## Around 16% of bank credit disbursed through digital mode went to SMEs

According to a report of an RBI working group on digital lending, digital channel is an emerging mode of disbursing credit by banks and Non Banking Finance Institutions (NBFCs). The report estimates that loan disbursement through digital mode of lending grew more than 12 times between 2017 and 2020. While there is no universal definition for digital lending, it can be loosely defined as one where the entire process of lending, right from credit assessment, loan approval, disbursement and repayment is facilitated through electronic platform.

According to the report, which was placed in the public domain last month, 16.5% of bank loan disbursed through digital mode so far has gone to small and medium enterprises (SMEs). On the other hand, a lion's share (51%) of the banks' digital mode of funding went to personal loans for retail borrowers. Another 27% went to miscellaneous category, which includes home loans, education loans, trade loans and small business loans. Similarly, for NBFCs, loans to SMEs account for 7% of total loan disbursed through digital mode. The authors of the report estimated these figures based on survey data collected from a sample of banks and NBFCs.

### Digital ecosystem

Growth in digital lending is supported by the rapid emergence of the digital lending ecosystem consisting of credit bureaus, payment gateways, lending platform technology providers, account aggregators, and other players. This ecosystem consists of two major players, one is the bank or NBFC that actually provides loan and takes the credit risk on its balance sheet and the other is a marketplace or a FinTech platform, which brings together lenders and borrowers, but does not provide credit on its own.

Non Banking Finance Companies (NBFCs) are faster in adopting digital mode of lending than banks as digital mode accounts for 10% of the total loan disbursed by NBFCs compared to just 2% for banks. The share of NBFCs in total digital lending in the financial sector has grown five times to 30% today from 6% in 2017. Private sector banks account for another 55% of the digital lenders, with the remaining share comprising public sector banks and miscellaneous fintech companies.

### Policy recommendations

The Working Group has offered several policy recommendations to promote innovation and at the same time regulate lending in the digital ecosystem. Some of the recommendations of the Working Group are:

Central government may introduce law to prohibit illegal lending in the digital space

Loan can be disbursed to a borrower holding Prepaid Payment Instrument (PPI) such as wallet or cards, only if the PPI account is fully KYC compliant.

A Self Regulatory Organisation (SRO) may be set up to regulate the activities of players in the digital lending ecosystem

Government may set up a nodal agency to verify the technological credentials of Digital Lending Applications of lenders and Loan Service Providers.

Entities not registered with RBI or under any relevant legislation should not be allowed to offer loans through digital platform

There is a need to audit the algorithm used for underwriting loans through digital platforms

Adequate measures should be taken to protect borrowers; some of recommendations in this regard are: submission of standardised fact sheet by lenders to the regulator, there should be a code of conduct to govern unsolicited messages for digital loans etc.

It is expected that Reserve Bank of India and Government of India will examine these recommendations and consider implementing them with necessary changes based on wider consultation with stakeholders.

## Notifications

### PIB

Criteria under ODOP

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1780257>

Top export districts in the country

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1780245>

Around 111 foreign companies set up presence in India since May 2020

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1780254>

Financial Assistance to MSMEs

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1779752>

Contribution of MSMEs to Manufacturing sector

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1778410>

'MAKE IN INDIA' in Micro Industries

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1778409>

Trademark registrations

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1779750>

## DGFT

Enlistment of agencies to issue Certificate of Origin

<https://content.dgft.gov.in/Website/dgftprod/aa5f5f13-f8d6-4049-994b-d6127807230c/PN%2042%20dated%2008-12-2021%20Eng.pdf>

Application for import authorization for water melon seeds

<https://content.dgft.gov.in/Website/dgftprod/ce8b816f-3c5e-46c9-b084-920cae136a0a/PN%2041%20Eng.pdf>

Fixation of SION under Chemical and allied products

<https://content.dgft.gov.in/Website/dgftprod/e003e3c7-acce-41a2-b85a-ea8b93d33bfd/Public%20Notice%2040%20dated%2002.12.2021%20-Eng.pdf>

## CBIC

Anti-dumping duty on "Certain Flat rolled Products of Aluminium" from China

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfnns-2021/cs-add2021/csadd68-2021.pdf;jsessionid=DAA18F0AEB5232EC599E901D5B7E9EC7>

## RBI

BRICS Economics Bulletin



<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/BRICSE20216DF8FA9335C0495893F0087A8729D73B.PDF>

Transition from LIBOR to Alternative Reference Rate (ARR)

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=52688](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52688)