

Help PSBs assess credit to MSMEs, DFS secy to fintechs

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Department of Financial Services (DFS) Secretary Vivek Joshi on Wednesday urged fintech companies to assist public sector banks (PSBs) in developing a credit assessment model for micros, small and medium enterprises (MSMEs) based on their digital footprints.

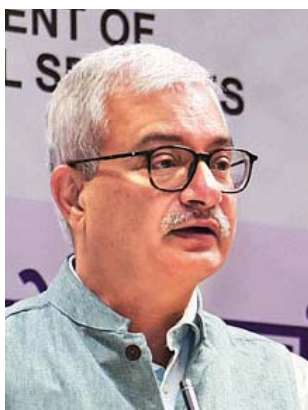
Rather than relying on balance sheets or the returns generated by MSMEs, Joshi suggested that the new model focus on the digital footprints created by MSMEs, particularly micro and nano enterprises.

In the FY25 Budget, Finance Minister Nirmala Sitharaman had asked PSBs to take a lead in developing a new credit assessment model based on the scoring of digital footprints of MSMEs in the economy. "This is expected to be a significant improvement over the traditional assessment of credit eligibility based only on asset or turnover criteria. That will also cover MSMEs without a formal accounting system," she had added.

"I believe there is a significant role for fintechs to play in helping banks enhance their digital lending capabilities. I urge fintechs to help banks in creating and implementing that (credit assessment model)," said Joshi at a fintech conference organized by industry body Ficci.

Joshi also emphasised that fintechs need to strike a balance between regulatory requirements and innovation while working to resolve challenges faced by banks.

Noting that fintech has transformed the financial sector with innovative solutions, Joshi said he would urge fintechs to col-



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laborate with banks rather than creating solutions independently and then approaching banks, because PSBs deal with larger and more complex issues.

"Since fintechs are not working closely with banks, they may have limited information about the challenges the banking system faces. Therefore, we should work towards having fintechs address problems identified by banks. Many banks have started empanelling startups for this purpose, and it would be highly beneficial to provide them with problems and seek tailored solutions," he said.

While acknowledging the immense potential of fintech, Joshi highlighted that the growth of digital technology brings unique challenges, including governance issues, regulatory and statutory compliance, consumer protection, and fair practices.

"It is essential to balance fintech innovation with timely regulatory responses," he noted.