

# MSMEs urge RBI to allow P2P lending, crowdfunding

Cite examples of other countries' regulatory frameworks for crowdfunding

**HARSH KUMAR**  
New Delhi, 16 July

**M**icro, small, and medium enterprises (MSMEs) have urged the Reserve Bank of India (RBI) to develop a regulatory framework for peer lending and crowdfunding to overcome credit gaps, according to an industry insider who was part of a meeting with central bank officials in Mumbai last week.

"Given the efficacy of these frameworks, it is imperative for India to adopt a comprehensive framework encompassing both equity-based crowdfunding with an upper limit of ₹10,000 for an investor to invest in MSMEs and debt-based crowdfunding models," the industry source said.

"This would empower MSMEs by giving them the choice to either raise funds by offering equity shares or by securing debt financing."

A recommendation paper by the India SME Forum submitted to the RBI said MSMEs' finance gap, estimated at \$530

## MONEY MATTERS

- ▶ Framework needed to give more options for raising funds
- ▶ Finance gap for MSMEs has been widening
- ▶ Sector facing credit gap of \$530 billion
- ▶ Capital issues hindering their growth potential and ability to compete



billion, had been widening in recent years, posing significant challenges.

"As a result, a significant portion of the MSME sector remains underserved, hindering their growth potential and ability to compete in an increasingly globalised market," it added.

The recommendation paper further added crowdfunding platforms presented a promising alternative for MSMEs. More than 80 geographies, including the United States (US), the United Kingdom (UK), the European Union, Saudi Arabia, and the United Arab Emirates, have implemented regulatory frameworks for crowdfunding, facilitating the flow of capital to small businesses. Collectively, the US, the UK, and China make up 96 per cent of the overall

financial reward crowdfunding market, with the US accounting for 51 per cent, China for 28 per cent, and the UK for 17 per cent.

Crowdfunding is a method of raising capital collectively by a large number of individuals, typically through online platforms. This approach taps the resources of a wider audience (the "crowd") to fund a project, business, or venture.

P2P lending is a form of crowdfunding that enables individuals to borrow and lend without an official financial institution as an intermediary.

P2P-lending platforms connect borrowers directly with investors, facilitating loans that are often more accessible and at lower interest rates than bank loans.