

TReDS to spin MSME flywheel: A million strong in two years

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The country's trade receivables electronic discounting system (TReDS) platforms are drawing up plans to onboard as many as a million micro, small and medium enterprises (MSMEs) over the next couple of years.

The issue figured in recent discussions between the Reserve Bank of India (RBI) and firms in the TReDS space. Other matters taken up as part of the stock-taking included the status of the inclusion of insurance companies as the 'fourth participant' on TReDS (apart from MSME sellers, buyers, and financiers) and its linkage with the Goods and Services Tax Network.

TReDS are online platforms that enable suppliers to MSMEs to discount their invoices and receive payments, ensuring the conversion of their receivables into funds within a short period. Currently, there are three TReDS platforms: Receivables Exchange of India, M1xchange, and Invoicemart.

It is expected that the Union Budget for 2025-26 may introduce more measures for MSME financing, with TReDS potentially playing a bigger role. To broaden the footprint of TReDS, the Budget for 2023-24 lowered the threshold for companies to ₹250 crore from ₹500 crore and mandated the presence of all central public sector enterprises on these platforms. This compliance is expected



TREADING NEW GROUND: A BIGGER ROLE FOR TReDS

BUDGET BOOST: 2025-26 Budget may unveil new measures to empower MSMEs through TReDS

WIDENING THE TRACKS: 2023-24 Budget lowered the threshold for companies to **₹250 crore**, mandating public sector enterprises to join

THE BIG 3: Receivables Exchange of India, M1xchange, and Invoicemart currently lead the TReDS space

BRIDGING GAPS: TReDS addresses MSMEs' **₹52.2 trillion** credit shortfall by connecting sellers with banks and buyers

to be completed by the end of the current financial year (2024-25).

The RBI's Report on Trend and Progress of Banking in India (2022-23) observed that the number of registered MSME sellers on TReDS increased by nearly 51 per cent, while the number of buyers rose by 35 per cent, indicating improving

participation on these platforms.

The number of invoices uploaded and financed grew by more than 56 per cent during this period, with the success rate remaining steady at 94 per cent.

The success rate is defined as the percentage of invoices uploaded that get financed.

As mentioned in the U K Sinha-led Report of the Expert Committee on MSMEs (June 2019), buyers often use

TReDS as an alternative to banks. To delay payments, buyers frequently raise objections or point out errors in the submitted bills. Credit or adjustment notes are commonly used to avoid cash payments.

Strict legislative measures for payments within fixed deadlines (and penalties in the form of interest charges) have had limited impact, as MSME sellers hesitate to complain for fear of losing future business.

TReDS addresses the credit gap of MSMEs, estimated at around ₹52.2 trillion, by connecting them with banks and clients.

According to RBI Deputy Governor Michael Debabrata Patra, these platforms reduce funding costs by up to 2.5 percentage points, and the value of invoices financed through TReDS has increased more than 23 times.

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