

## **RBI worried by banks' approach to lending to SMEs**

Our Bureau

*Cites Amazon Lending, supplier financing as models*

Mumbai, January 13:

The Reserve Bank of India is of the view that the 'one-size-fits-all approach' of banks is detrimental when it comes to lending to small and medium enterprises (SMEs). In a recent report prepared by RBI Executive Director Deepak Mohanty, global examples such as Amazon Lending and supplier financing were highlighted as the way forward for SME financing in India.

This was cited in a SME conference titled 'Innovation for Growth' by New York-based researcher and business intelligence provider IICORP. Addressing the conference, Vinu Lal, Country Head, IICORP, said it was interesting to note that Indian regulatory framework enables e-commerce firms like Amazon to provide business loans to certain sectors where banks are wary of funding.

Amazon has reportedly begun offering funding to some of its largest sellers based in select countries, including India, under a programme called Amazon Lending, especially to select sellers, who have the capability to scale up their business models. This, in turn, would help in increasing the Internet giant's e-commerce volumes.

The report also mentions that under the innovative financing structures, the most recent development is supply chain finance (SCF). This involves a relationship between a finance provider and a large company under which the financier agrees to provide short-term funding against invoices issued by the large company's suppliers once these have been formally approved for payment.

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