

Approved TReDS Platforms in India: Structure, Operations and Role in MSME Financing

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Abstract: TReDS provides an organised digital mechanism for financing the trade receivables of MSMEs through invoice discounting. It connects MSME sellers, buyers and banks or financial institutions on a common digital platform. RXIL played an important role in establishing institutionalised trade receivables financing in India, while Mlxchange contributed to digital invoice discounting by enabling financiers to competitively bid for accepted invoices. Invoicemart further strengthened the TReDS ecosystem through digital processing and institutional participation in invoice financing. TReDS helps MSMEs convert outstanding receivables into immediate funds and improve their working-capital position. It provides MSMEs with greater access to institutional finance against genuine trade transactions and can reduce dependence on traditional borrowing for short-term financial requirements. Digital processing improves transparency, efficiency and speed in the financing and settlement of receivables. TReDS can also contribute to financial inclusion by extending organised financing opportunities to small and emerging enterprises. Wider awareness and participation of MSMEs, buyers and financiers are important for expanding the TReDS ecosystem. Overall, TReDS represents an important step towards strengthening digital receivables financing, improving MSME liquidity and supporting sustainable growth of the MSME sector.

Keywords: TReDS, MSMEs, Trade Receivables, Invoice Discounting, Receivables Financing, RXIL, Mlxchange, Invoicemart, Working Capital, Digital Finance, Financial Inclusion, Banks, Financial Institutions, Invoice Financing, Trade Credit, Liquidity, Fintech, Digital Payments, MSME Financing, Working Capital Management, Corporate Buyers, Payment Delays, Institutional Finance, Financial Access, Business Growth.

Introduction

Trade receivables constitute an important component of the working capital of business enterprises, particularly Micro, Small and Medium Enterprises (MSMEs). In the normal course of business, an MSME supplies goods or services to a buyer and raises an invoice against which payment is generally received after an agreed period. Although such credit sales help enterprises maintain business relationships and increase their market opportunities, delayed realization of receivables can create serious working-capital constraints. For smaller enterprises, the gap between the supply of goods and the receipt of payment may affect their ability to purchase raw materials, pay wages, meet operating expenses and undertake further production. In India, the problem of delayed payments to MSMEs has been recognised as an important constraint on their financial sustainability. Traditional sources of finance, such as bank working-capital loans and overdraft facilities, may not always provide adequate or timely liquidity. In this context, the development of the **Trade Receivables Discounting System (TReDS)** represents an important institutional innovation. TReDS is intended to facilitate the financing of trade receivables of MSMEs through a formal electronic platform, thereby enabling eligible receivables to be discounted by financiers.

The Reserve Bank of India (RBI) had issued guidelines for setting up and operating TReDS in December 2014. The system was envisaged as an electronic mechanism through which invoices or bills raised by MSMEs against corporate and other eligible buyers could be financed by banks and other permitted financiers. By 2017, the emergence of TReDS platforms marked an important step

towards creating a more organised market for MSME receivables financing.

1.1 Meaning and Concept of TReDS

The Trade Receivables Discounting System may be understood as an institutional and electronic platform designed to facilitate the discounting of trade receivables of MSMEs. Under the system, an MSME that has supplied goods or services to an eligible buyer can offer the corresponding receivable for financing. Financial institutions participating on the platform can bid to finance the receivable at a particular discount rate. The basic objective of TReDS is to convert an MSME's outstanding trade receivables into liquid funds before the actual due date of payment. Instead of waiting for the buyer to make payment after the agreed credit period, the MSME can obtain funds from a financier by discounting the receivable. The financier subsequently receives the payment from the buyer according to the terms of the transaction.

Thus, TReDS creates a link between **MSME suppliers, buyers and financiers** through an electronic platform. It is different from a conventional loan because financing is primarily linked to an underlying trade receivable. The creditworthiness of the buyer and the validity of the underlying transaction therefore become important elements in the financing process. The introduction of such a mechanism is particularly relevant for MSMEs because the sector often faces difficulties in obtaining timely institutional finance. A well-functioning receivables-discounting system can help reduce the period for which working capital remains blocked in unpaid invoices.

1.1.1 Evolution of Trade Receivables Discounting in India

The development of TReDS needs to be viewed against the broader problem of access to finance faced by MSMEs in India. Traditionally, enterprises have relied on bank finance, internal resources and informal sources to meet their working-capital requirements. However, the increasing scale of commercial transactions and the persistence of delayed payments created a need for more specialised mechanisms for financing receivables. The RBI's guidelines issued in 2014 provided an institutional framework for the establishment and operation of TReDS platforms. The objective was to create a transparent and technology-based mechanism through which MSME trade receivables could be financed. This represented a movement from individual bilateral arrangements towards a more organised electronic system. By 2017, the concept had moved from the regulatory and developmental stage towards actual implementation. The RBI's records show approvals relating to TReDS operators, including Mynd Solutions for the M1xchange system and Receivables Exchange of India Limited (RXIL) for the RXIL system. This development indicated the beginning of an organised digital market for MSME trade receivables in India.

1.1.1.1 Need for Institutionalised Receivables Financing

The need for institutionalised receivables financing arises primarily from the mismatch between the time of sale and the time of payment. When an MSME sells its products on credit, it records a receivable, but the cash corresponding to that sale may not be available immediately. During this period, the enterprise must continue to meet its operating expenses.

For a large enterprise, such a liquidity gap may be manageable because of stronger financial resources and access to multiple sources of finance. For an MSME, however, even a relatively short delay in payment can create pressure on working capital. The enterprise may therefore be required to borrow additional funds or postpone payments to suppliers and workers. An organised receivables-discounting mechanism can address this problem by allowing eligible invoices to be converted into immediate liquidity. It also has the potential to introduce greater transparency and competition into the financing process. The RBI had specifically recognised the importance of improving liquidity support for the MSME sector in its policy relating to factoring transactions.

1.1.1.2 TReDS and the Financing Needs of MSMEs

TReDS is particularly relevant to MSMEs because working capital is essential for maintaining their production and business operations. When payments from buyers are delayed, an enterprise may face difficulties in purchasing raw materials, paying labour costs and meeting other short-term obligations. The availability of receivables financing can therefore provide an alternative means of managing such liquidity pressures. Through

TReDS, the MSME does not necessarily have to wait until the maturity of an invoice to receive funds. Once an eligible receivable is accepted and financed, the enterprise can obtain funds after deduction of the applicable discount. This can improve cash-flow management and reduce dependence on conventional working-capital borrowing. The importance of such an arrangement is particularly significant because RBI policy in this period was placing considerable emphasis on improving the flow of institutional credit to MSMEs. The RBI's MSME lending framework recognised the importance of adequate and timely credit for the sector.

1.1.2 Regulatory Framework for TReDS

The regulatory framework for TReDS in India has been developed primarily under the supervision of the Reserve Bank of India. The RBI's guidelines for setting up and operating TReDS provided the basic framework for establishing the system. The regulatory approach was intended to ensure that the platform operated in an orderly, transparent and secure manner. The framework sought to bring together eligible MSME sellers, buyers and financiers on a common electronic platform. By providing standardised procedures for uploading, accepting, bidding and financing receivables, TReDS could reduce some of the administrative difficulties associated with conventional receivables financing. The regulatory framework was also important for ensuring confidence among participating financial institutions. Since the system involved financial transactions and settlement of receivables, appropriate regulatory oversight was necessary to protect the integrity of the platform and promote orderly functioning.

1.1.2.1 Role of the Reserve Bank of India

The Reserve Bank of India plays a central role in establishing the regulatory environment for TReDS. The RBI issued the guidelines for setting up and operating TReDS and subsequently dealt with the authorisation and regulatory aspects of the payment-system framework. The RBI's regulatory involvement was intended to support a safe and efficient electronic mechanism for financing trade receivables. The RBI's broader policy objective of improving liquidity for MSMEs also supported the development of mechanisms such as factoring and receivables financing. In August 2016, the RBI stated that certain factoring transactions could receive priority-sector classification when undertaken by banks departmentally, specifically with the objective of increasing liquidity support to the MSME sector.

1.1.2.2 Eligibility of Participants on TReDS

The functioning of TReDS depends on the participation of different categories of stakeholders. The principal participants include **MSME sellers, buyers and financiers**. The MSME seller brings eligible trade receivables to the platform, while the buyer is responsible for accepting the underlying invoice or transaction. Banks and other permitted financial institutions participate as financiers by providing funds against eligible

receivables. This multi-party structure is important because TReDS is not simply an online lending platform. It is an organised mechanism connecting a genuine commercial transaction with the financing process. The existence of an underlying trade receivable provides the basis for the transaction and helps establish the amount and maturity of the receivable. The participation of multiple financiers can also create competition in the discounting process. This may allow eligible MSMEs to obtain financing at comparatively competitive rates rather than depending entirely on a single financing institution.

1.1.2.3 Importance of Digital Receivables Financing

One of the most significant features of TReDS is its electronic and technology-based structure. Digital processing can reduce paperwork, improve transaction transparency and facilitate faster communication among MSMEs, buyers and financiers. It can also make the process of receivables discounting more systematic than traditional bilateral arrangements. Digital receivables financing is particularly valuable for MSMEs because time is an important factor in working-capital management. Faster processing of invoices and financing decisions can enable enterprises to obtain liquidity at an earlier stage. At the same time, electronic records can improve the traceability of transactions and provide greater standardisation.

TReDS Ecosystem and Working Mechanism

The Trade Receivables Discounting System (TReDS) is designed as an institutional mechanism for facilitating the financing of trade receivables of Micro, Small and Medium Enterprises (MSMEs). The system brings together MSME sellers, buyers and financiers on a common electronic platform. Its basic purpose is to enable MSMEs to obtain funds against their trade receivables before the actual due date of payment. In this manner, TReDS attempts to address one of the important financial difficulties faced by MSMEs, namely the blockage of working capital in outstanding invoices.

The TReDS ecosystem involves different participants, each performing a specific function. The MSME seller generates the trade receivable through the sale of goods or services, while the buyer confirms the underlying transaction and accepts the invoice. Banks and other permitted financial institutions provide financing against eligible receivables. The TReDS platform operator provides the electronic infrastructure through which these activities are carried out in an organised and transparent manner.

2.1 Major Participants in TReDS

The functioning of TReDS depends on the coordinated participation of four major categories of stakeholders: MSME sellers, buyers, financiers and platform operators. Each participant has a distinct role in ensuring that a trade receivable is transformed into immediate liquidity for the MSME.

2.1.1 Micro, Small and Medium Enterprises

MSMEs are the primary beneficiaries of the TReDS mechanism. In the ordinary course of business, an MSME may supply goods or services to a corporate entity or other eligible buyer on credit. An invoice is then generated against the supply, but payment may become due only after a specified period. Until payment is received, the amount represented by the invoice remains locked as a trade receivable.

Under TReDS, an eligible MSME can bring such receivables to the electronic platform for financing. Instead of waiting for the buyer to make payment on the due date, the MSME can obtain funds by discounting the receivable through a participating financier. The arrangement therefore helps the enterprise convert its outstanding receivables into working capital.

This mechanism can be particularly useful for smaller enterprises because their ability to absorb delayed payments may be limited. Timely access to funds can help MSMEs purchase raw materials, pay wages, meet operating expenses and continue their production cycle without depending entirely on additional borrowing.

2.1.2 Corporate and Government Buyers

Buyers constitute another important component of the TReDS ecosystem. These may include corporate entities and, subject to the applicable framework, other eligible buyers. A buyer purchases goods or services from an MSME and becomes liable to make payment against the corresponding invoice.

For a receivable to proceed through the TReDS mechanism, the underlying transaction and invoice need to be accepted by the buyer. Such acceptance provides confirmation that the goods or services have been supplied and that the buyer recognises the payment obligation.

The participation of buyers is therefore essential for establishing the authenticity of the receivable. A greater participation of large corporate buyers can also increase the number of invoices available for financing and thereby expand the usefulness of TReDS for MSME suppliers.

2.1.3 Banks and Financial Institutions

Banks and other eligible financial institutions act as financiers within the TReDS ecosystem. Their principal role is to provide funds against eligible trade receivables. Once a receivable is accepted by the buyer and placed for financing, participating financiers can submit their offers for discounting the receivable.

The participation of multiple financiers can create competition in the discounting process. A financier offering a suitable discount rate may finance the receivable, allowing the MSME to receive funds before the original maturity date. The financier subsequently receives the amount payable by the buyer according to the terms of the transaction.

The involvement of institutional financiers is important because it connects MSME trade transactions with the formal financial system. It also allows the financing decision to be linked with an actual commercial receivable rather than depending solely upon the traditional assessment of an MSME's borrowing capacity.

2.1.4 TReDS Platform Operators

TReDS platform operators provide the electronic infrastructure necessary for the functioning of the system. Their responsibility is to facilitate the interaction between sellers, buyers and financiers through an organised digital platform.

The platform operator provides mechanisms for uploading invoices, accepting or confirming transactions, inviting bids from financiers and facilitating the financing and settlement process. It therefore performs an important intermediary and technological role without itself necessarily providing the financing.

By 2017, the emergence of approved TReDS platforms represented an important development in the institutionalisation of receivables financing in India. Platforms such as **RXIL** and **M1xchange** were beginning to operationalise the TReDS framework and provide an electronic environment for MSME receivables discounting.

2.2 Working Process of TReDS

The working mechanism of TReDS can broadly be understood as a sequence beginning with the creation of a trade receivable and ending with the settlement of the financed amount. The process is designed to make receivables financing more systematic, transparent and technology-driven.

2.2.1 Creation and Acceptance of Invoices

The process begins when an MSME supplies goods or services to an eligible buyer. Following the transaction, the MSME raises an invoice against the buyer. The invoice represents the amount payable by the buyer at a specified future date.

The relevant invoice is uploaded or entered on the TReDS platform. The buyer then confirms or accepts the invoice. Acceptance is an important step because it establishes that the buyer acknowledges the underlying transaction and the corresponding payment obligation.

Once the invoice has been accepted, the receivable becomes available for financing through the TReDS platform, subject to the applicable eligibility conditions. This electronic process can reduce the administrative difficulties involved in conventional receivables financing.

2.2.2 Bidding and Discounting of Receivables

After acceptance of the invoice, eligible financiers participating on the platform can offer to finance the receivable. The financiers may submit bids indicating the discount rate or financing terms at which they are willing to provide funds.

The bidding mechanism introduces an element of competition among financiers. The MSME can therefore benefit from the availability of different financing offers rather than having to depend upon a single financing institution.

Once a suitable bid is selected and the transaction is completed, the financier provides the discounted value of the receivable to the MSME. The amount received by the MSME is lower than the face value of the invoice because the applicable discount represents the financing cost. However, the enterprise receives funds before the original payment due date, thereby improving its immediate liquidity position.

The discounting mechanism is one of the central features of TReDS because it transforms an outstanding commercial receivable into a source of short-term finance. It also provides a formal mechanism through which financial institutions can participate in MSME receivables financing.

2.2.3 Settlement and Payment

After the receivable has been financed, the buyer makes payment on the due date according to the terms of the transaction. The payment is settled through the prescribed electronic mechanism and the financier receives the amount due against the financed receivable.

Thus, the complete process may be viewed as a sequence of **supply of goods or services → invoice generation → buyer acceptance → financier bidding → discounting → payment to MSME → settlement by buyer**.

This mechanism allows the MSME to obtain liquidity earlier while the buyer continues to make payment according to the agreed credit terms. Consequently, the interests of the seller, buyer and financier can be accommodated within a common institutional framework.

2.3 Benefits of TReDS for MSMEs

TReDS offers several potential benefits to MSMEs. The most important benefit is improvement in working-capital liquidity. Instead of waiting for the maturity of trade receivables, an MSME can obtain funds against eligible invoices and use those funds for its immediate business requirements.

Another important benefit is the possibility of reducing dependence on conventional short-term borrowing. Since financing is linked to trade receivables, the MSME can use its outstanding invoices as a financial asset. This can be particularly useful for enterprises that may have limited collateral or restricted access to other forms of institutional finance. TReDS may also contribute to reducing the impact of delayed payments. When an MSME receives funds through discounting, the immediate cash-flow pressure arising from outstanding invoices can be reduced. This can help enterprises maintain regular production and meet their financial commitments. The electronic nature of the platform provides additional advantages. Digital processing can

improve transparency, reduce paperwork and facilitate faster communication between the different participants. Competition among financiers may also contribute to more competitive financing terms for eligible receivables.

Approved TReDS Platforms in India

The introduction of the Trade Receivables Discounting System (TReDS) in India marked an important development in the financing of Micro, Small and Medium Enterprises (MSMEs). The Reserve Bank of India had provided the regulatory framework for TReDS and granted in-principle approvals to entities for establishing such platforms. By 2017, the TReDS ecosystem was beginning to move from the policy and developmental stage towards actual operationalisation. The platforms emerging during this period were intended to connect MSME suppliers with corporate buyers and banks or other eligible financiers through an electronic system.

Three important entities associated with the establishment of TReDS platforms were Receivables Exchange of India Limited (RXIL), Mynd Solutions Private Limited through M1xchange, and A.TReDS Limited through Invoicemart. The development of these platforms was significant because they provided different institutional arrangements for achieving the common objective of facilitating the discounting of MSME trade receivables. The RBI records show that Mynd Solutions received authorisation for M1xchange in March 2017 and RXIL received authorisation in May 2017, while RXIL had been permitted to commence operations from December 2016.

3.1 Overview of Approved TReDS Platforms

TReDS platforms were designed to provide an electronic marketplace for trade receivables. Their principal function was to facilitate transactions between MSME sellers, buyers and financiers. Instead of requiring an MSME to approach a bank separately for every invoice, the platform enabled eligible receivables to be presented electronically to participating financiers. The development of multiple platforms was important for encouraging competition and expanding the reach of receivables financing. Although the platforms differed in terms of their institutional ownership and operational arrangements, their fundamental objective was similar: to improve the liquidity position of MSMEs by enabling them to obtain finance against accepted trade receivables. The emergence of these platforms also reflected the increasing importance of technology in financial intermediation. Through electronic processing, invoices could be uploaded, accepted, offered for financing and settled through a structured digital mechanism. Thus, TReDS attempted to make receivables financing more transparent, efficient and accessible.

3.1.1 Receivables Exchange of India Limited (RXIL)

3.1.1.1 Establishment and Background of RXIL

Receivables Exchange of India Limited (RXIL) was established as an important institutional initiative for

developing a TReDS platform for MSME financing. RXIL was incorporated on 25 February 2016 and was promoted by the Small Industries Development Bank of India (SIDBI) and NSE Strategic Investment Corporation, a subsidiary of the National Stock Exchange. (RXIL) The establishment of RXIL was significant because it brought together the expertise of SIDBI in MSME development and financing with the technological and market infrastructure associated with the National Stock Exchange. Such an institutional combination provided a foundation for developing an organised electronic marketplace for MSME trade receivables. RXIL operated under the TReDS guidelines issued by the RBI in December 2014. The RBI authorised RXIL to operate a TReDS platform under the Payment and Settlement Systems Act, 2007. (RXIL)

3.1.1.2 Ownership and Institutional Partnership

The institutional partnership behind RXIL was particularly important in the early development of India's TReDS ecosystem. SIDBI was associated with the promotion and financing of MSMEs, while NSE brought experience in operating technology-based financial market infrastructure. This combination was intended to create a reliable and transparent mechanism through which MSME receivables could be presented to financiers. The partnership also reflected the broader objective of linking MSME financing requirements with modern financial-market infrastructure.

The role of SIDBI was especially relevant because MSMEs represented the principal beneficiary group of TReDS. The involvement of a specialised financial institution focused on MSME development strengthened the developmental orientation of the platform.

3.1.1.3 Commencement of Operations

RXIL commenced its TReDS operations on 9 January 2017. The RBI had authorised RXIL to commence operations from 1 December 2016, and the platform subsequently began operational activity in January 2017. (System Health)

The commencement of RXIL's operations was an important milestone because it represented one of the first practical implementations of the TReDS framework in India. It demonstrated that the regulatory concept of an electronic trade receivables discounting system could be translated into an operational platform connecting MSMEs, buyers and financiers.

3.1.1.4 Role of RXIL in MSME Receivables Financing

RXIL's principal role was to facilitate financing against eligible trade receivables generated by MSMEs. Through its electronic platform, MSMEs could present their accepted receivables to participating financiers for discounting.

The significance of RXIL lay in its potential to reduce the period for which MSME working capital remained locked in outstanding invoices. Instead of waiting for the buyer

to make payment on the due date, the MSME could seek financing against the receivable and thereby obtain funds earlier. The platform also represented a movement towards more formal and transparent receivables financing. By bringing buyers, sellers and financiers together electronically, RXIL could help reduce some of the procedural difficulties associated with conventional invoice discounting.

3.1.2 M1xchange

3.1.2.1 Background and Ownership

M1xchange was developed by Mynd Solutions Private Limited, a company with experience in technology-enabled business and vendor-management services. The RBI had granted in-principle approval to Mynd Solutions to establish a TReDS platform, and M1xchange was launched in April 2017. ([M1xchange](#))

The development of M1xchange was closely associated with the objective of digitising the process of trade receivables financing. Mynd Solutions had experience in working with large corporates, banks and medium-sized businesses, and therefore its involvement in TReDS provided an opportunity to apply technological capabilities to the problem of MSME working-capital financing. M1xchange was designed as an electronic marketplace through which MSMEs could convert their trade receivables into liquid funds. Its model sought to bring MSME suppliers, corporate buyers and financiers together on a common platform.

3.1.2.2 Network of Banks and Financial Institutions

An important feature of M1xchange was its effort to create a network of financiers for discounting eligible trade receivables. The platform was designed to allow multiple banks and financial institutions to participate in the financing process. The presence of multiple financiers was significant because it could generate competition for eligible receivables. Instead of relying upon a single bank, an MSME could potentially receive competing financing offers. The platform described its model as one involving multiple financiers and competitive bidding for receivables. ([M1xchange](#))

This approach could contribute to better price discovery in receivables financing. It also helped establish TReDS as a marketplace rather than merely another channel through which an MSME could obtain a conventional bank loan.

3.1.2.3 Role in Trade Receivables Discounting

M1xchange was intended to facilitate the electronic discounting of invoices and bills of exchange on a pan-India basis. Its working model involved MSME sellers uploading invoices, buyers accepting the relevant transactions and financiers subsequently bidding to finance the receivables. ([M1xchange](#)) The platform's operations represented an important step towards paperless receivables financing. The first successful online invoice-discounting transaction on M1xchange was

announced in May 2017, indicating that the platform had begun moving from development into practical transaction activity. ([M1xchange](#))

For MSMEs, the principal significance of M1xchange was therefore the possibility of obtaining liquidity against accepted invoices without waiting until the original payment date. The platform could also help reduce administrative costs by bringing the different stages of the financing process onto a digital system.

3.1.3 Invoicemart

3.1.3.1 Background and Institutional Structure

Invoicemart was established as a TReDS platform operated by A.TReDS Limited. The platform was developed to connect MSME suppliers and corporate buyers with multiple financiers for the purpose of discounting trade invoices.

The establishment of Invoicemart added another institutional model to India's emerging TReDS ecosystem. Its structure combined the banking expertise of Axis Bank with the technology and marketplace experience associated with mjunction.

3.1.3.2 Partnership between Axis Bank and mjunction

A.TReDS Limited was established as a joint venture between Axis Bank and mjunction services. This partnership was significant because it combined the financial capabilities of a major private-sector bank with the technological and digital-marketplace capabilities of mjunction. The platform was intended to address the credit and delayed-payment difficulties faced by MSMEs by providing an electronic environment in which invoices could be offered to financiers. Invoicemart received the licence to set up its TReDS platform on 29 June 2017 and commenced operations on 5 July 2017.

3.1.3.3 Role in Digital Invoice Financing

The primary role of Invoicemart was to facilitate digital invoice financing by connecting MSME suppliers and corporate buyers with multiple financiers. Through the platform, sellers could offer their eligible invoices for financing, while participating financiers could provide funds against those receivables. The digital nature of the system was important because it could reduce paperwork and make the financing process more efficient. For MSMEs, the ability to obtain funds against invoices before their maturity could provide much-needed working capital and reduce the financial pressure caused by delayed payments. The emergence of Invoicemart, alongside RXIL and M1xchange, demonstrated that the TReDS framework was beginning to develop into a competitive electronic ecosystem rather than remaining solely a regulatory concept. Each platform had a different institutional background, but all were directed towards a common objective: improving the liquidity and access to finance of MSMEs through the electronic discounting of trade receivables.

4. RXIL: India's First TReDS Platform

4.1 Genesis and Development of RXIL

Receivables Exchange of India Limited (RXIL) was established as an important institutional initiative for developing an electronic platform for the financing of trade receivables of Micro, Small and Medium Enterprises (MSMEs). RXIL was incorporated in February 2016 with the objective of facilitating the discounting of MSME trade receivables through a transparent and technology-based mechanism. The establishment of RXIL was closely associated with the policy framework developed by the Reserve Bank of India (RBI) for the Trade Receivables Discounting System (TReDS). The platform was intended to address the problem of delayed realisation of payments by MSMEs and to provide them with an alternative mechanism for obtaining short-term liquidity against eligible trade receivables. By bringing sellers, buyers and financiers together on an electronic platform, RXIL sought to create an organised mechanism for receivables financing and to improve the flow of working capital to smaller enterprises.

4.1.1 Partnership between SIDBI and NSE

RXIL was promoted through a partnership between the Small Industries Development Bank of India (SIDBI) and NSE Strategic Investment Corporation, a subsidiary of the National Stock Exchange of India (NSE). This institutional partnership was significant because it combined SIDBI's specialised experience in MSME development and finance with the technological and financial-market infrastructure associated with NSE. SIDBI's involvement provided the platform with a strong developmental orientation towards the MSME sector, while NSE brought experience in operating electronic and transparent market infrastructure. The partnership reflected an attempt to apply modern financial-market technology to the problem of delayed trade payments and limited working-capital availability among MSMEs. Through this institutional structure, RXIL was positioned to provide an organised marketplace where eligible trade receivables could be presented to financiers for discounting.

4.1.2 Financial Institution Participation

Financial institutions constitute an essential part of the RXIL ecosystem because they provide the funds against which eligible trade receivables are discounted. Banks and other permitted financiers can participate on the platform and offer financing against invoices that have been accepted by the relevant buyers. The participation of several financial institutions is important because it introduces competition into the receivables-financing process and can provide MSMEs with opportunities to obtain finance on comparatively competitive terms. It also connects MSME suppliers with the formal financial system through a mechanism based on actual business transactions and accepted receivables. The involvement of institutional financiers therefore strengthens the capacity of RXIL to convert outstanding commercial invoices into a source of immediate working capital for MSMEs.

4.1.3 Launch and Commencement of Operations

RXIL marked an important milestone in the development of TReDS in India through the commencement of its operations in January 2017. The platform was authorised under the regulatory framework governing TReDS and began facilitating electronic trade-receivables transactions between MSME suppliers, buyers and financiers. The commencement of operations represented the transition of TReDS from a regulatory concept into a functioning financial mechanism. Through RXIL, eligible MSME receivables could be brought onto an electronic platform, accepted by buyers and offered to financiers for discounting. Its operationalisation therefore provided an important institutional channel through which MSMEs could seek faster access to funds against their outstanding invoices.

4.2 Operational Features of RXIL

The operational structure of RXIL is based on the interaction of three principal parties—MSME sellers, buyers and financiers—through an electronic platform. An MSME supplier generates a receivable after supplying goods or services to an eligible buyer and places the relevant invoice on the platform. The buyer confirms the transaction and accepts the invoice, after which participating financiers can provide offers for financing the receivable. Once the transaction is completed, the MSME receives the financed amount after deduction of the applicable discount, while the financier receives the payment from the buyer on the due date. This process provides a systematic mechanism for converting trade receivables into liquidity and reduces the need for MSMEs to rely solely on conventional working-capital arrangements.

4.2.1 Invoice Financing Mechanism

The invoice financing mechanism of RXIL is based on the discounting of eligible trade receivables. When an MSME supplies goods or services on credit, it raises an invoice against the buyer, creating a receivable that will become payable at a future date. After the buyer accepts the invoice on the platform, the receivable can be offered to participating financiers. Financiers may submit bids indicating the terms at which they are willing to provide funds. Following acceptance of an appropriate financing offer, the MSME receives the discounted value of the invoice before its original maturity date. The financier subsequently receives the amount payable by the buyer. In this way, the financing mechanism enables MSMEs to unlock funds that would otherwise remain tied up in outstanding receivables.

4.2.2 Participation of Banks and Financiers

The participation of banks and other eligible financiers is a fundamental feature of RXIL because these institutions provide the financial resources required for discounting trade receivables. The platform enables financiers to examine eligible invoices and participate in the financing process by submitting their offers. Multiple financiers can participate in the platform, thereby creating a competitive

environment for receivables financing. Such participation can be beneficial for MSMEs because competition among financiers may contribute to improved financing terms and greater choice. At the same time, the involvement of established financial institutions can increase confidence in the receivables-discounting process and strengthen the connection between MSMEs and formal institutional finance.

4.2.3 Digitalisation of MSME Receivables

Digitalisation is one of the major characteristics of RXIL's operating model. Traditionally, invoice financing could involve considerable paperwork, documentation and bilateral interaction between an enterprise and a financial institution. RXIL provides an electronic platform through which invoices and related transactions can be processed in a more systematic manner. The digital environment facilitates the submission and acceptance of invoices, participation by financiers and completion of financing transactions. It can also improve transparency and reduce administrative delays associated with conventional processes. For MSMEs, digitalisation has the potential to make receivables financing more accessible, efficient and convenient while supporting the development of a more organised market for trade receivables.

4.3 Contribution of RXIL to MSME Financing

RXIL contributes to MSME financing by providing a specialised mechanism through which outstanding trade receivables can be converted into working capital. MSMEs frequently sell goods or services on credit and may have to wait for a considerable period before receiving payment. During this period, their funds remain blocked in receivables, which can restrict their ability to meet immediate business expenses. By facilitating the discounting of accepted invoices, RXIL enables eligible MSMEs to obtain funds before the normal maturity of their receivables. This mechanism can strengthen the liquidity position of enterprises, reduce pressure on conventional sources of borrowing and improve their capacity to continue regular business operations.

4.3.1 Improvement in Working Capital

One of the principal contributions of RXIL is its potential to improve the working-capital position of MSMEs. Working capital is required for the continuous purchase of raw materials, payment of wages, settlement of supplier obligations and meeting other short-term operating expenses. When substantial amounts remain locked in unpaid invoices, enterprises may experience liquidity shortages even when their sales are satisfactory. Through receivables discounting, RXIL allows MSMEs to obtain funds against eligible invoices before the buyer's payment becomes due. The resulting improvement in cash flow can enable enterprises to maintain production, meet short-term obligations and reduce interruptions caused by insufficient working capital.

4.3.2 Reduction in Payment Delays

RXIL can also help reduce the financial impact of delayed payments to MSMEs. Delayed payment does not necessarily disappear merely because a receivable is financed, but the MSME can obtain liquidity without having to wait until the buyer ultimately makes payment. This reduces the period during which the supplier's working capital remains unavailable for productive use. By providing an organised mechanism for financing accepted receivables, RXIL can therefore lessen the cash-flow consequences associated with extended payment cycles. The mechanism is particularly useful where an MSME has completed its contractual obligations but must continue to meet business expenses while waiting for the buyer's payment.

4.3.3 Access to Competitive Financing

Another important contribution of RXIL is the possibility of improving MSMEs' access to competitive financing. The participation of multiple financiers creates an environment in which eligible receivables may receive financing offers from different institutions. This competitive process can help in determining financing terms according to the characteristics of the receivable and the credit quality of the buyer. For MSMEs, such a mechanism provides an additional avenue for accessing institutional finance without depending entirely upon traditional collateral-based lending arrangements. RXIL therefore represents an important innovation in MSME financing by combining electronic processing, institutional participation and receivables discounting to improve liquidity and facilitate more efficient access to short-term finance.

5. M1xchange and Invoicemart

5.1 M1xchange

M1xchange is an electronic Trade Receivables Discounting System (TReDS) platform developed to facilitate the financing of trade receivables of Micro, Small and Medium Enterprises (MSMEs). The platform provides an organised mechanism through which MSME suppliers can offer eligible trade receivables for financing and participating financiers can provide funds against those receivables. M1xchange seeks to connect MSMEs, corporate buyers and financial institutions through a technology-enabled marketplace. Its basic objective is to improve the liquidity position of MSMEs by allowing them to obtain funds against accepted invoices rather than waiting until the normal payment date. The platform therefore represents an important development in the use of digital financial infrastructure for addressing working-capital requirements and delayed-payment problems faced by smaller enterprises.

5.1.1 Institutional Background

M1xchange was developed by **Mynd Solutions Private Limited** as a platform for facilitating electronic trade receivables financing. Mynd Solutions had experience in technology-enabled business processes and services connecting enterprises and financial institutions, which provided an institutional foundation for developing a

digital receivables-financing platform. The Reserve Bank of India granted in-principle approval to Mynd Solutions for establishing a TReDS platform, and M1xchange subsequently commenced its operations. The platform was designed in accordance with the regulatory framework governing TReDS and was intended to create a transparent electronic environment for MSME invoice financing. Its institutional development reflected the growing importance of technology-based financial solutions for improving access to working capital and connecting smaller enterprises with formal sources of finance.

5.1.2 Role of Mynd Solutions

Mynd Solutions plays the central role of developing and operating the technological infrastructure underlying M1xchange. Its involvement enables the platform to provide an electronic marketplace through which sellers, buyers and financiers can interact in relation to trade receivables. The company facilitates the digital processing of invoices, buyer acceptance, financing offers and related transactions. By applying technology to the receivables-discounting process, Mynd Solutions seeks to reduce procedural complexity and improve the efficiency of MSME financing. Its role is therefore not merely that of a conventional financial intermediary but that of a technology-based platform operator facilitating interaction among participants in the TReDS ecosystem. This institutional model combines financial-market requirements with digital processing capabilities to support the financing of genuine trade receivables.

5.1.3 Participation of Banks and Financial Institutions

Banks and financial institutions are essential participants in the M1xchange ecosystem because they provide the funds required for discounting eligible trade receivables. Once an invoice raised by an MSME has been accepted by the buyer and made available for financing, participating financiers can submit their financing offers through the platform. The involvement of multiple financiers creates an opportunity for competition among financing institutions and can provide MSMEs with greater choice regarding the terms of receivables financing. The participation of institutional financiers also strengthens the connection between MSMEs and the formal financial system. By allowing financial institutions to compete for eligible receivables, M1xchange can facilitate a more organised process of price discovery and financing while reducing the dependence of MSMEs on a single source of short-term credit.

5.1.4 Financing of Trade Receivables through M1xchange

The financing process through M1xchange begins when an MSME supplies goods or services to a buyer and generates an invoice against the transaction. The invoice is subsequently uploaded or submitted to the platform and is accepted by the buyer. After acceptance, the receivable can be offered to participating financiers, who may submit bids for financing it at applicable discount rates.

When a financing offer is accepted, the MSME receives the financed amount after deduction of the applicable discount, while the financier becomes entitled to receive payment from the buyer on the due date. The mechanism enables MSMEs to transform outstanding receivables into immediate liquidity and can therefore help them manage their working-capital requirements more effectively. It also provides a structured process for linking actual trade transactions with institutional financing.

5.2 Invoicemart

Invoicemart is another TReDS platform established to facilitate electronic financing of trade receivables generated by MSMEs. It provides a digital marketplace connecting MSME suppliers, corporate buyers and financiers. The platform is designed to facilitate the submission, acceptance and discounting of eligible invoices through an electronic process. By enabling MSMEs to obtain funds against accepted invoices before their maturity, Invoicemart seeks to address liquidity constraints arising from delayed payment cycles. Its development adds another institutional model to the TReDS ecosystem and demonstrates the application of digital technology and banking infrastructure to the financing of MSME trade receivables.

5.2.1 Institutional Background

Invoicemart is operated by **A.TReDS Limited**, an entity established for operating a TReDS platform in accordance with the regulatory framework. The platform received approval to establish its TReDS operations and subsequently commenced activities for facilitating electronic invoice discounting. Invoicemart was designed to provide an online environment in which MSMEs could offer eligible trade receivables for financing and financiers could provide funds against them. Its institutional structure combines financial-sector participation with technology-based transaction processing. The platform consequently forms part of the broader effort to establish organised and transparent mechanisms for MSME receivables financing and to improve the availability of short-term liquidity.

5.2.2 Partnership between Axis Bank and mjunction

A.TReDS Limited was established as a joint venture between **Axis Bank and mjunction services**. This partnership combines the banking and financial expertise of Axis Bank with the technological and electronic-marketplace capabilities of mjunction. The involvement of a banking institution provides an important financial foundation for the platform, while mjunction contributes experience in developing technology-enabled marketplaces and business processes. The partnership reflects the significance of cooperation between financial institutions and technology-oriented organisations in developing digital solutions for MSME financing. Through this institutional arrangement, Invoicemart seeks to provide an organised platform where trade receivables can be processed electronically and made available to participating financiers for discounting.

5.2.3 Digital Invoice Discounting

Digital invoice discounting is the principal mechanism through which Invoicemart facilitates receivables financing. An MSME supplier can submit an eligible invoice generated from a genuine trade transaction, after which the buyer confirms or accepts the invoice. The accepted receivable can then be presented electronically to participating financiers for financing. Financiers may provide offers based on the characteristics of the receivable and the relevant financing conditions. Once the transaction is completed, the MSME receives funds before the original maturity date after deduction of the applicable financing cost. The digital process can reduce paperwork, improve transaction visibility and facilitate faster interaction between the parties. Consequently, Invoicemart contributes to the development of a technology-based approach to MSME invoice financing.

5.2.4 Role in Supporting MSME Liquidity

Invoicemart can play an important role in improving the liquidity position of MSMEs by enabling them to obtain funds against outstanding trade receivables. When an enterprise sells goods or services on credit, the resulting receivable may remain outstanding for a considerable period, during which the enterprise still has to meet wages, purchase raw materials and pay other operating expenses. Invoice discounting provides an opportunity to unlock the value of such receivables before the buyer's payment becomes due. The availability of this mechanism can reduce pressure on MSMEs' working capital and provide an alternative to conventional short-term borrowing. Invoicemart therefore supports the broader objective of improving timely access to institutional finance for smaller enterprises through an electronic and organised receivables-financing mechanism.

5.3 Comparative Understanding of the Platforms

M1xchange and Invoicemart share the common objective of facilitating trade receivables financing for MSMEs through electronic TReDS platforms, although their institutional structures differ. M1xchange is associated with Mynd Solutions, while Invoicemart is operated by A.TReDS Limited, established as a partnership between Axis Bank and mjunction. Both platforms bring together MSME sellers, buyers and financiers and provide an electronic mechanism for invoice acceptance, financing and settlement. Their common purpose is to convert eligible trade receivables into liquidity and improve the efficiency of MSME working-capital management. The existence of more than one platform also creates scope for broader participation and competition in the developing market for digital receivables financing.

5.3.1 Institutional Structure

The institutional structures of M1xchange and Invoicemart demonstrate different approaches to organising TReDS operations. M1xchange emerged from the technology and business-process capabilities of Mynd Solutions, whereas Invoicemart was developed through the partnership of Axis Bank and mjunction. The former

places considerable emphasis on technology-enabled financial-market processes, while the latter combines banking expertise with electronic marketplace capabilities. Despite these differences, both institutional structures are designed to support the same fundamental process of bringing MSME suppliers, buyers and financiers together. Their development demonstrates that TReDS can accommodate different organisational models while maintaining a common regulatory and operational objective.

5.3.2 Financial Participation

Financial participation is central to the functioning of both M1xchange and Invoicemart because banks and other eligible financiers provide the funds required for discounting trade receivables. The participation of multiple financial institutions can promote competition in the financing process and potentially improve the availability and pricing of funds for MSMEs. Rather than requiring an MSME to rely exclusively on its existing banking relationship, the platforms provide an environment where eligible receivables can be offered to a wider group of financiers. Such participation can strengthen the integration of MSMEs into the formal financial system and support more efficient allocation of short-term finance against genuine trade transactions.

5.3.3 Platform Accessibility and Digital Processes

Both M1xchange and Invoicemart use electronic processes to simplify the financing of trade receivables and improve accessibility for participating enterprises. Digital submission and acceptance of invoices, electronic communication with financiers and technology-enabled financing processes can reduce paperwork and administrative effort. For MSMEs, accessibility to such platforms is particularly important because smaller enterprises may face difficulties in navigating complex conventional financing procedures. The digital nature of the platforms can make receivables financing more systematic and transparent while facilitating interaction among sellers, buyers and financiers. Consequently, M1xchange and Invoicemart contribute to the development of a technology-driven ecosystem for MSME financing in which trade receivables can serve as an important source of short-term liquidity.

6. Role and Importance of TReDS Platforms for MSMEs

The Trade Receivables Discounting System (TReDS) has considerable significance for Micro, Small and Medium Enterprises (MSMEs) because it provides an organised mechanism for financing trade receivables. MSMEs often face difficulties arising from delayed payments, inadequate working capital and limited access to formal sources of finance. TReDS seeks to address these difficulties by connecting MSME suppliers with buyers and financiers through an electronic platform. By facilitating the discounting of accepted trade receivables, TReDS enables enterprises to obtain funds before the normal maturity of their invoices. The system can

therefore contribute to improved liquidity, reduced dependence on traditional borrowing, greater financial inclusion and increased use of digital financial services among MSMEs.

6.1 Improving MSME Liquidity

Liquidity is essential for the continuous operation and growth of MSMEs because enterprises need funds to meet day-to-day expenses and maintain their production and business activities. A significant portion of an MSME's working capital may remain blocked in trade receivables when buyers purchase goods or services on credit. TReDS provides a mechanism through which eligible receivables can be discounted and converted into funds before their original maturity. This enables MSMEs to obtain liquidity without necessarily waiting for the buyer's payment date. Improved liquidity can help enterprises meet immediate financial obligations, maintain production schedules and respond more effectively to business opportunities.

6.1.1 Conversion of Receivables into Immediate Funds

One of the most important functions of TReDS is the conversion of outstanding trade receivables into immediate funds. When an MSME supplies goods or services to an eligible buyer, the resulting invoice represents an amount that will be received at a future date. Through TReDS, an accepted invoice can be offered to participating financiers for discounting. Once a financier provides funds against the receivable, the MSME receives the discounted amount before the buyer's original payment date. This process transforms a relatively illiquid financial asset into immediately usable working capital. Such conversion can be particularly valuable for enterprises that have regular sales but experience cash-flow shortages because of extended credit periods.

6.1.2 Reduction of Working Capital Constraints

Working capital constraints are a major challenge for MSMEs because their business operations depend heavily on the timely availability of funds. Delayed realisation of receivables can restrict the ability of enterprises to purchase raw materials, pay wages, meet transportation costs and settle obligations to suppliers. TReDS can reduce these constraints by enabling eligible invoices to be financed before their maturity. The resulting liquidity can support the continuous rotation of working capital and reduce interruptions in business operations. By unlocking funds already represented by completed sales, TReDS can help MSMEs manage their cash flows more efficiently and improve their ability to sustain regular production.

6.2 Reducing Dependence on Traditional Borrowing

Traditional borrowing from banks and other financial institutions remains an important source of MSME finance, but obtaining such finance may involve documentation, collateral requirements, credit assessment and other procedural conditions. TReDS provides an additional mechanism in which financing is directly connected with eligible trade receivables. This can reduce

the extent to which MSMEs have to rely exclusively on conventional working-capital loans or other borrowing arrangements. Since the financing is associated with an underlying commercial transaction and accepted receivable, the mechanism provides an alternative route for accessing short-term funds. It therefore has the potential to diversify the financial resources available to MSMEs.

6.2.1 Alternative Source of Short-Term Finance

TReDS can serve as an alternative source of short-term finance by allowing MSMEs to raise funds against their trade receivables. Instead of obtaining a separate loan to meet temporary liquidity requirements, an enterprise can use eligible invoices as the basis for financing. This can be useful where the enterprise has adequate business activity and receivables but faces a temporary shortage of cash. Receivables-based financing can provide funds that are directly connected to the enterprise's sales transactions. Consequently, TReDS adds another financing channel to the existing system of bank loans, overdrafts and other working-capital facilities and can provide greater flexibility in managing short-term financial requirements.

6.2.2 Competitive Cost of Financing

The participation of multiple financiers on TReDS platforms can create competition for eligible trade receivables and may contribute to more competitive financing costs. Financial institutions can submit their offers for discounting accepted invoices, allowing market-based competition to influence the terms of financing. This mechanism can be advantageous for MSMEs because they may obtain financing without being restricted to the terms offered by a single lender. The cost of financing can depend upon factors such as the creditworthiness of the buyer, the maturity of the receivable and the prevailing market conditions. Competitive bidding can therefore support greater efficiency and transparency in the pricing of receivables financing.

6.3 Promoting Financial Inclusion

Financial inclusion involves improving the availability and accessibility of appropriate financial services for enterprises that may otherwise have limited access to formal financial institutions. MSMEs constitute an important segment of the Indian economy, but smaller enterprises can face difficulties in accessing timely institutional credit. TReDS contributes to financial inclusion by creating a formal electronic mechanism through which eligible MSME receivables can be presented to banks and other financiers. By connecting small enterprises with institutional sources of finance, the platform can help broaden participation in the formal financial system and reduce dependence on informal sources of funds.

6.3.1 Access to Institutional Finance

TReDS provides MSMEs with an opportunity to obtain financing from banks and other eligible financial

institutions against accepted trade receivables. This is significant because access to institutional finance can be more transparent and structured than dependence on informal credit sources. The presence of established financial institutions on TReDS also provides an organised channel through which receivables can be financed based on genuine business transactions. MSMEs can therefore use the value of their commercial receivables to obtain liquidity while strengthening their relationship with the formal financial system. Such access can be particularly important for enterprises that face difficulties in obtaining conventional collateral-based finance.

6.3.2 Participation of Small and Emerging Enterprises

The participation of small and emerging enterprises is important for ensuring that the benefits of TReDS extend beyond relatively established MSMEs. Smaller enterprises often experience greater difficulties in managing cash flows because of limited financial reserves and weaker bargaining power in relation to larger buyers. A receivables-discounting mechanism can help such enterprises obtain funds against eligible invoices and reduce the period during which their working capital remains blocked. Wider participation by small businesses can therefore increase the developmental significance of TReDS and support the integration of emerging enterprises into formal financial markets.

6.4 Strengthening the Digital Financial Ecosystem

TReDS contributes to the development of India's digital financial ecosystem by applying electronic technology to the financing of trade receivables. The system brings together sellers, buyers and financiers through digital platforms and enables several stages of the financing process to be carried out electronically. Digitalisation can reduce paperwork, improve the speed of communication and create electronic records of transactions. For MSMEs, this can make receivables financing more systematic and accessible. The development of TReDS therefore represents not only a financial innovation but also an important application of technology to MSME finance.

6.4.1 Paperless Invoice Processing

Electronic processing of invoices is an important feature of TReDS. Instead of depending extensively on physical documentation, invoices and related transaction information can be submitted and processed through the digital platform. Buyer acceptance, financing offers and other stages of the transaction can also be handled electronically. Paperless processing can reduce administrative costs and minimise the possibility of delays associated with physical documents. It can also make transaction records easier to maintain and access. For MSMEs, simplified invoice processing can reduce some of the procedural barriers associated with conventional receivables financing.

6.4.2 Transparency and Efficiency

TReDS can improve transparency and efficiency by bringing the different participants in receivables financing onto a common electronic platform. The process of invoice submission, buyer acceptance and financier participation can be carried out through defined procedures. The availability of multiple financiers can also introduce greater competition and improve visibility regarding financing offers. Digital records can facilitate better tracking of transactions and reduce unnecessary administrative intervention. Consequently, TReDS has the potential to make receivables financing more efficient while creating a more transparent relationship between MSMEs, buyers and financial institutions.

6.4.3 Faster Settlement of Receivables

Faster settlement of receivables is another important potential advantage of TReDS. Traditional invoice-based transactions can involve delays in documentation, communication and financing arrangements. An electronic platform can streamline these activities by enabling information to move more quickly between the relevant participants. Once an invoice has been accepted and financing has been arranged, the MSME can receive funds before the original maturity of the receivable. Faster access to funds can improve cash-flow management and reduce the financial pressure created by long payment cycles. Thus, technological efficiency can directly contribute to the financial stability of participating MSMEs.

6.5 Challenges and Future Prospects

Despite its potential benefits, the effectiveness of TReDS depends upon the participation and awareness of all stakeholders. The platform requires MSMEs to understand the mechanism, buyers to accept and process eligible invoices and financiers to provide adequate liquidity. Limited awareness, hesitation among enterprises, insufficient participation by buyers and restricted availability of financiers can affect the development of the system. In addition, MSMEs may require guidance regarding eligibility, documentation and the financial implications of discounting. Addressing these challenges is essential for ensuring that TReDS develops into an effective and widely used mechanism for MSME receivables financing.

6.5.1 Awareness among MSMEs

Awareness among MSMEs is essential for the successful adoption of TReDS. Many smaller enterprises may not be familiar with receivables discounting or may have limited knowledge of electronic financing platforms. Lack of awareness can prevent eligible enterprises from using the mechanism even when they face significant working-capital constraints. Greater dissemination of information through financial institutions, industry associations and MSME support organisations can help enterprises understand the benefits and procedures associated with TReDS. Training and guidance can further assist MSMEs in using digital platforms and making informed decisions regarding the discounting of their receivables.

6.5.2 Participation of Buyers and Financiers

The effectiveness of TReDS depends not only on MSME participation but also on the active involvement of buyers and financiers. Buyers need to accept eligible invoices and participate effectively in the electronic process, while banks and other financiers need to provide adequate financing against accepted receivables. If either group participates on a limited scale, the number of transactions and financing opportunities available to MSMEs may remain restricted. Wider participation can increase the depth and effectiveness of the TReDS ecosystem. Encouraging large corporate buyers and financial institutions to participate can therefore strengthen the overall functioning of the system.

6.5.3 Scope for Wider Adoption

TReDS has considerable scope for wider adoption as awareness of digital financial services increases and MSMEs seek faster and more flexible sources of working capital. Expansion of the platform ecosystem, greater participation by buyers and financiers and increased awareness among MSMEs can contribute to broader usage. Wider adoption can also strengthen competition among financiers and improve the efficiency of receivables financing. If effectively implemented, TReDS can become an important component of the MSME financing framework by reducing the financial impact of delayed payments, improving liquidity and connecting smaller enterprises more closely with formal institutional finance.

7. Conclusion

7.1 Overview of TReDS Platforms

Trade Receivables Discounting System (TReDS) platforms provide an organised digital mechanism for financing trade receivables of Micro, Small and Medium Enterprises (MSMEs). They connect MSME sellers with corporate and government buyers and banks or financial institutions, enabling accepted invoices to be converted into funds before their normal payment due date. The establishment of platforms such as RXIL, M1xchange and Invoicemart has strengthened the institutional framework for receivables financing and introduced greater transparency, competition and efficiency into the process.

7.1.1 Importance of RXIL

RXIL has played an important role in establishing the TReDS mechanism in India by bringing together MSMEs, buyers and financial institutions through a digital platform. Its institutional association with SIDBI and NSE provided a strong foundation for organised invoice discounting and helped demonstrate how technology could be used to address the working-capital difficulties faced by MSMEs.

7.1.2 Contribution of M1xchange

M1xchange has contributed to the development of digital receivables financing by providing a platform through which accepted invoices can be offered to participating financiers for competitive discounting. Its technology-

based process facilitates faster transactions and gives MSME sellers an additional channel for obtaining short-term funds against their trade receivables.

7.1.3 Role of Invoicemart

Invoicemart has further strengthened the TReDS ecosystem by providing a digital platform for invoice financing through the institutional partnership of Axis Bank and mjunction services. Its operations support electronic processing of invoices and facilitate interaction between MSME sellers, buyers and financiers, thereby contributing to improved liquidity and efficiency in trade receivables financing.

7.2 TReDS and MSME Development

TReDS has an important role in MSME development because delayed payment of trade receivables can create significant working-capital pressures for small enterprises. By enabling MSMEs to obtain finance against accepted invoices, TReDS can reduce the time between sale and receipt of funds and improve the financial management of enterprises. The mechanism also promotes greater participation of institutional financiers in MSME receivables financing.

7.2.1 Strengthening Working Capital

The conversion of trade receivables into immediate funds helps MSMEs maintain adequate working capital for purchasing raw materials, paying wages, meeting operating expenses and continuing production. This can reduce the financial pressure created by long payment cycles and allow enterprises to use their available resources more efficiently.

7.2.2 Improving Access to Finance

TReDS improves access to institutional finance by creating a structured platform where accepted receivables can be financed by banks and financial institutions. This provides MSMEs with an alternative to relying entirely on conventional working-capital loans and may improve access to financing on the basis of genuine business transactions and accepted invoices.

7.2.3 Supporting Sustainable MSME Growth

Better liquidity and improved access to finance can support sustainable growth of MSMEs by enabling them to accept larger orders, maintain regular production and meet business commitments without excessive financial pressure. The development of an organised receivables-financing system can therefore contribute to greater stability, competitiveness and continuity of MSME operations.

7.3 Concluding Perspective

TReDS represents an important development in the digitalisation of MSME finance by connecting trade transactions with institutional sources of short-term funding. RXIL, M1xchange and Invoicemart have contributed to creating an organised ecosystem in which receivables can be financed through transparent and

technology-enabled processes. The effectiveness of this mechanism depends on wider participation by MSMEs, buyers and financiers and on continued improvement in awareness and digital adoption.

7.3.1 Future of Digital Receivables Financing

The future of digital receivables financing depends on the wider adoption of technology, increasing awareness among MSMEs and greater participation by buyers and financial institutions. As digital processes become more integrated with business transactions, receivables financing can become faster, more transparent and more accessible, strengthening the connection between commercial activity and institutional finance.

7.3.2 Expanding the TReDS Ecosystem

Expansion of the TReDS ecosystem requires broader participation of eligible enterprises, buyers and financiers along with continued improvement in digital infrastructure and transaction efficiency. Greater awareness, simplified procedures and increased confidence among stakeholders can help extend the benefits of TReDS to a larger number of MSMEs and strengthen its role as an important mechanism for trade receivables financing.

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