



TReDS Analysis Report

# From Compliance to Catalyst:

Charting the Journey of **TReDS** in India



# Authors

---

**MANISH KUMAR**

Founder & CEO

---

**Vibha Krishnan**

Head of Marketing

---

**Preethi Ravi**

Content Writer

# Table of Contents

<b>1. Executive Summary</b>	<b>04</b>
<b>2. Introduction</b>	<b>05</b>
<b>3. The Pre-TReDS Landscape: Systemic Challenges</b>	<b>06-09</b>
3.1. The Pre-TReDS Liquidity Crisis	
3.2. Systemic Challenges without a Regulatory Framework	
3.2.1. Limited Access: Exclusion of Smaller Sellers	
3.2.2. Manual and Fragmented Processes	
3.2.3. Lack of Transparency	
3.2.4. Gaps of Traditional Financing	
<b>4. Operational Rollout of TReDS: The Digital Solution</b>	<b>10-13</b>
4.1. The Factoring Process	
4.2. Reverse Factoring Process	
4.3. Timeline of TReDS Evolution	
<b>5. Current TReDS Ecosystem and its Proven Impact</b>	<b>14-20</b>
5.1. Timeline of TReDS Evolution	
5.2. The Arrival of an Entrant	
5.3. Collective Impact on the Ecosystem	
5.3.1. For MSME Suppliers: Liquidity, Resilience, and Growth	
5.3.2. For Corporate Buyers: Value Creation and Supply Chain Resilience	
5.3.3. For Financiers: Solving Unit Economics and Mitigating Risk	
5.3.4. For Financial Inclusion: Democratising Access and Social Impact	
5.4. Building the Financial Resilience	
<b>6. Future TReDS 2.0: Strategic Expansion and Innovation</b>	<b>20-33</b>
6.1. Challenges To Universal Adoption	
6.1.1. Awareness, Digital Literacy, and Onboarding Complexity	
6.1.2. Inactive Participant Base and Engagement Gaps	
6.2. Innovations Expected in TReDS 2.0 (2026 and Beyond)	
6.3. Operational Outlook and Digital Integration	
6.4. Enhancing Credit Safety and Accessibility	
6.4.1. Extending Credit Guarantee Fund Scheme for Factoring (CGFSF) Coverage	
6.4.2. Promoting Trade Credit Insurance (TCI) as a Risk Mitigant	
<b>7. Conclusion: Pathway to Universal Financial Infrastructure</b>	<b>34</b>
<b>8. References</b>	<b>36</b>

# 1. Executive Summary

The Trade Receivables Discounting System (TReDS) is a landmark initiative by the Reserve Bank of India (RBI) designed to resolve the liquidity challenges faced by India's micro, small, and medium enterprises (MSMEs). The TReDS platform plays a pivotal role in enhancing the financing capabilities of micro, small, and medium enterprises (MSMEs) across India by facilitating efficient financing of trade receivables. It has successfully transitioned from an innovative concept to a proven digital platform that enables MSMEs to unlock working capital by converting trade receivables into immediate cash. By providing a unified marketplace, TReDS brings together MSME sellers, corporate buyers, including government departments and public sector undertakings (PSUs), and financiers such as banks and NBFC factors, facilitating secure, collateral-free invoice discounting with competitive pricing through an auction-based mechanism. The entire process is digital, seamless, and transparent, significantly reducing turnaround times and improving financial inclusion across sectors.

The Reserve Bank of India (RBI) has approved five entities to operate as TReDS platforms, ensuring a robust and competitive environment for buyers, sellers, and financiers alike. These entities include A.TREDS Limited (INVOICEMART), KredX Platform Private Limited - Domestic Trade Exchange (DTX), C2FO Factoring Solutions Private Limited (C2treds), Mynd Solutions Private Limited (M1xchange), and Receivables Exchange of India Limited (RXIL). Together, these platforms provide MSMEs with seamless access to working capital by enabling the discounting of their invoices in a digital, transparent, and market-driven setting.

Beyond MSMEs, banks and non-banking financial companies (NBFCs) play a vital supporting role in India's supply chain financing ecosystem. These financial institutions offer a broad landscape of tailored supply chain financing products designed to meet the diverse needs of various industries and business sizes. Their product offerings range from invoice discounting and factoring to receivables financing and supply chain loans, aimed at optimising working capital cycles and reducing liquidity gaps.

The integration of these financial institutions with digital platforms and FinTech innovations has significantly enhanced the overall efficiency and accessibility of supply chain financing across India. This synergy enables real-time transaction processing, faster onboarding, streamlined credit assessments, and superior risk management capabilities. The result is a more inclusive financial ecosystem where MSMEs, corporate buyers, and financiers interact seamlessly, fostering growth, transparency, and financial stability.

## 2. Introduction

The MSME ecosystem contributes around 30% of India's national GDP and employs more than 265 million individuals. Despite their vital role in driving economic development and job creation, MSMEs face persistent challenges such as limited access to finance, delayed payments, and complex regulatory hurdles. These challenges contribute to supply chain inefficiencies, including fragmented logistics, poor access, and high operational costs, which negatively impact MSMEs, corporate buyers, and the overall supply chain ecosystem. Delayed payments and cash flow constraints slow down operations and increase risks throughout the network. To mitigate these systemic issues, the Reserve Bank of India introduced the Trade Receivables Discounting System (TReDS) in 2014, an electronic platform facilitating invoice financing. TReDS enables faster, transparent, and seamless transactions among MSMEs, corporate buyers, and financiers, improving liquidity, reducing payment delays, and fostering a more financially inclusive and resilient ecosystem.

The system is now transitioning into its next phase, TReDS 2.0, which focuses on deep integration with other major government digital systems, such as the GST Network (GSTN) and the Government e-Marketplace (GeM). This push aims for universal financial inclusion and stronger supply chains. The financial market for Indian trade, driven by these digital solutions, is expected to reach approximately USD 3.88 billion by 2030, with small business finance being the fastest-growing segment. This provides a clear overview of the platform's past, present results, and future prospects for everyone involved. The analysis further outlines TReDS journey, its significant impact, challenges, and the strategic path forward, creating a financially inclusive ecosystem.



### 3. Pre-TReDS Landscape Overview

India's factoring landscape was characterised by manual processes, collateral processes, and institutional banking systems. The process worked, but only for those who least needed it. Delayed payments were estimated to total ₹10.7 lakh crore for MSMEs across India, with micro and small enterprises disproportionately bearing 80% of this burden. This liquidity crunch compelled MSMEs to rely on costly external financing, disrupting their ability to maintain inventory and negatively impacting their credit ratings, which often led to a debt burden. This financial pressure contributed to a persistent structural challenge in India's economy, marked by a high concentration of small enterprises and a limited number of medium-sized firms. Before the advent of the TReDS (Trade Receivables e-Discounting System) platform, Indian businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), faced significant challenges in managing their working capital and getting timely payments. The supply chain financing (SCF) ecosystem was largely traditional, fragmented, and often inefficient.

Here's the depiction of how the supply chain ecosystem evolved pre-TReDS in India:

### 3.1. Challenges faced before TReDS

Before TReDS, supply chain financing in India was characterised by:

- **Reliance on Traditional Bank Loans and Overdrafts:**

**Cash Credit/Working Capital Loans:** Businesses primarily relied on traditional bank loans, such as cash credit or working capital loans, which often required significant collateral (like land, building, or inventory). This was a major hurdle for MSMEs that lacked sufficient fixed assets.

**Overdraft Facilities:** Overdrafts were another common method, allowing businesses to draw more money than available in their current account up to a pre-approved limit.

**Challenges:** These methods often involved lengthy approval processes, high-interest rates (especially for MSMEs perceived as higher risk), and stringent collateral requirements, limiting access to finance for smaller players.

- **Manual Invoice Discounting/Factoring:**

**Bilateral Arrangements:** Invoice discounting and factoring existed, but they were largely bilateral arrangements between a supplier and a bank/NBFC.

**Process:** A supplier would sell their invoices (receivables) to a financial institution at a discount to get early payment. The financial institution would then collect the full amount from the buyer on the due date.

- **Reverse Factoring (Limited):**

While less prevalent for MSMEs, some larger corporates might have initiated reverse factoring arrangements with their key suppliers. In this, the buyer would arrange for a financier to pay their suppliers early based on the buyer's strong credit rating.

**Challenges:** This was primarily driven by the buyer's initiative and was not widely accessible to all MSMEs in their supply chains.

- **Purchase Order (PO) Financing and Inventory Financing:**

**PO Financing:** Some businesses, particularly those with large confirmed orders, could get financing against their purchase orders. This helped them procure raw materials or fulfill the order.

**Inventory Financing:** Businesses could also use their inventory as collateral to secure loans.

**Challenges:** These methods also typically involved traditional lending norms, including collateral and credit assessment, making them less agile for immediate cash flow needs.

**• Delayed Payments from Large Buyers:**

A pervasive issue for MSMEs was the extended payment cycles from larger corporate buyers. While the MSME Development Act mandated payments within 45 days, enforcement was often weak, leading to severe cash flow crunch for small businesses. MSMEs, with less bargaining power, often had to accept longer payment terms.



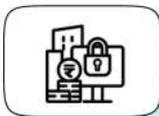
**Lack of Transparency:**

Pricing was often opaque and determined through individual negotiations, leading to varying rates for different businesses.



**High Transaction Costs:**

The manual process involved extensive paperwork, verification, and due diligence, making it cumbersome and costly.



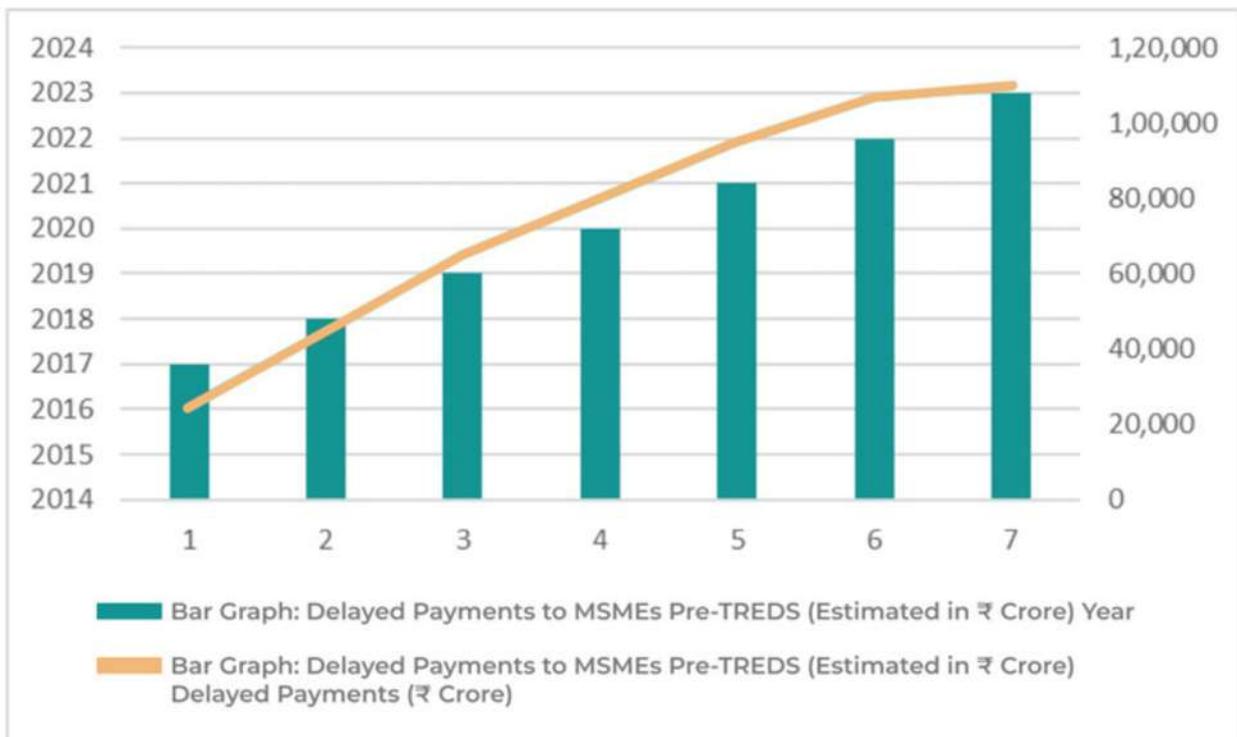
**Limited Access:**

Smaller MSMEs found it difficult to access these facilities due to their lower creditworthiness or lack of established relationships with banks.



**Recourse Basis:**

Often, invoice discounting was on a "with recourse" basis, meaning the supplier remained liable if the buyer defaulted, adding to the MSME's risk.



Source: Ministry of MSME, Gov of India. (n.d.). MSME Samadhaan.

Fig 1 depicts Increasing payment delays in the pre-TReDS era from (2016- 2022).

## 3.2. Systemic Challenges without a Regulatory Framework

Traditional factoring services catered predominantly to established businesses, demanding collateral that MSMEs couldn't provide and charging rates that reflected the transaction's opacity rather than the actual risk. The process was paper-heavy, relationship-dependent, and fraught with delays.

Key systemic challenges are outlined as follows:

**3.2.1. Limited Access:** Services catered to larger, well-established businesses, requiring collateral and resulting in MSMEs turning to costly informal credit.

**3.2.2. Manual and Fragmented Processes:** Transactions relied heavily on paperwork, credit assessments, and manual approvals, leading to considerable delays and operational inefficiencies for both suppliers and financiers.

**3.2.3. Lack of Transparency:** The market lacked transparency and standardised tools for assessing buyer creditworthiness, which made financiers hesitant and resulted in MSMEs struggling to secure favorable terms.

**3.2.4 Gaps of Traditional Financing:** Traditional banks focused primarily on providing loans rather than efficient invoice discounting solutions, further marginalising smaller enterprises.



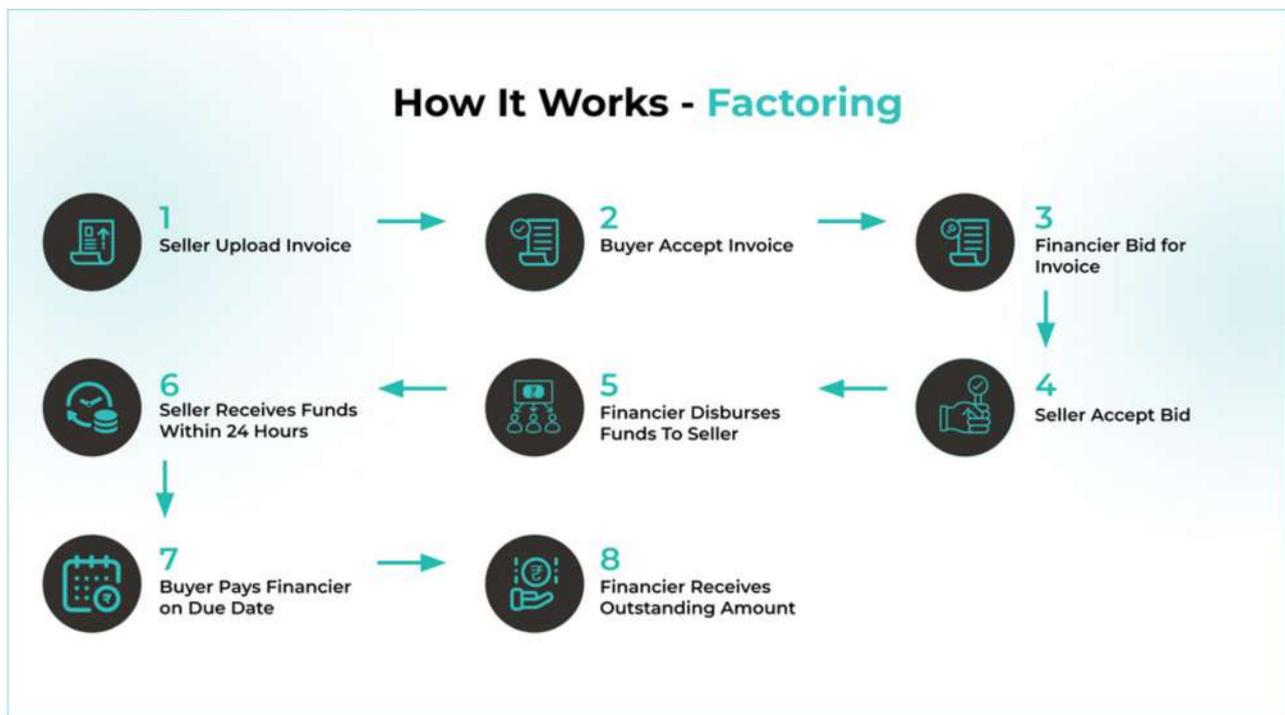
## 4. Operational Rollout of TReDS: The Digital Solution

To address the challenges faced by MSMEs, the Reserve Bank of India created the TReDS framework by digitising invoice discounting. In 2014, RBI issued guidelines outlining a simple, transparent digital marketplace connecting MSME sellers, corporate buyers, and financiers, eliminating traditional financing frictions like collateral requirements and delays. This enabled competitive financing through secure, regulated platforms. The design focused on easy invoice uploading, acceptance by buyers, discounting by financiers, and seamless settlement, empowering MSMEs to access working capital efficiently and fairly.

In short, RBI conceptualised and regulated TReDS as a digital platform to democratise invoice financing, fostering financial inclusion and growth in India's financial landscape.

## 4.1. The Factoring Process

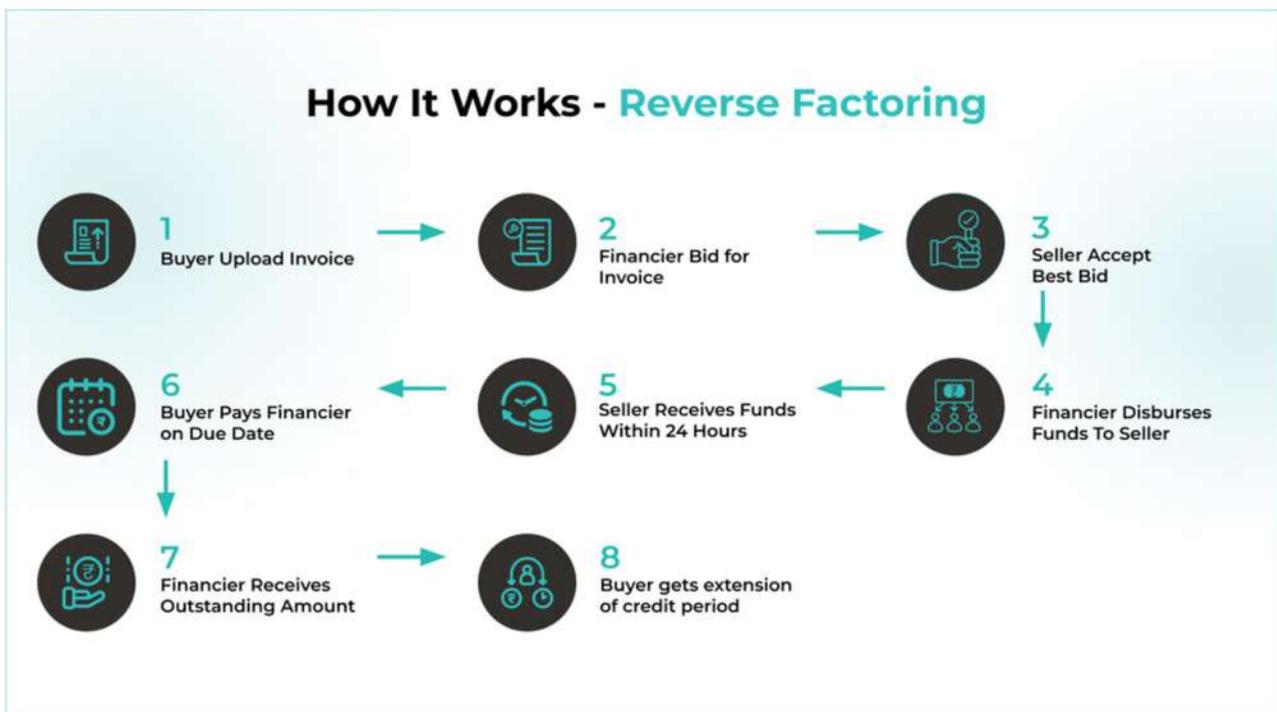
Factoring is a financing mechanism wherein Micro, Small, and Medium Enterprises (MSMEs) or suppliers sell their approved trade receivables to a financier (bank or NBFC) at a discounted rate to obtain immediate liquidity. Under the Trade Receivables Discounting System (TReDS), the process begins when the seller uploads an invoice on the platform, which is then digitally accepted by the buyer. Financiers subsequently place competitive bids, and the seller selects the most favorable discount rate. Upon acceptance, funds are typically disbursed to the seller within 24 hours, significantly improving cash flow and working capital efficiency. On the invoice due date, the buyer remits the payment directly to the financier, who receives the full outstanding amount. Factoring enables MSMEs to convert their receivables into liquidity without increasing leverage, thereby mitigating payment delays and reducing dependence on informal credit channels.



As per TReDS operational data, factoring transactions have contributed substantially to addressing liquidity constraints in the MSME sector by shortening the receivables cycle and enhancing financial discipline across supply chains.

## 4.2. Reverse Factoring Process

Reverse factoring, also referred to as buyer-led supply chain financing, is a structured financing solution that allows buyers to facilitate early payments to their suppliers through an approved financier. On the TReDS platform, the process is initiated by the buyer, who uploads the accepted invoice for financing. Financiers then bid to discount the invoice, and upon the seller's acceptance of the most competitive bid, funds are disbursed to the seller, generally within 24 hours. The buyer, in turn, repays the financier on the agreed due date, often with an extended credit period. Because the financing cost is linked to the buyer's creditworthiness, suppliers, especially MSMEs gain access to lower-cost capital and improved liquidity. Reverse factoring thus enhances supply chain resilience by reducing working capital pressures on suppliers while enabling buyers to optimise their payment cycles.



Data from TReDS transactions indicate that reverse factoring has become a preferred solution for large corporates seeking to strengthen vendor relationships and ensure financial stability across supply networks.

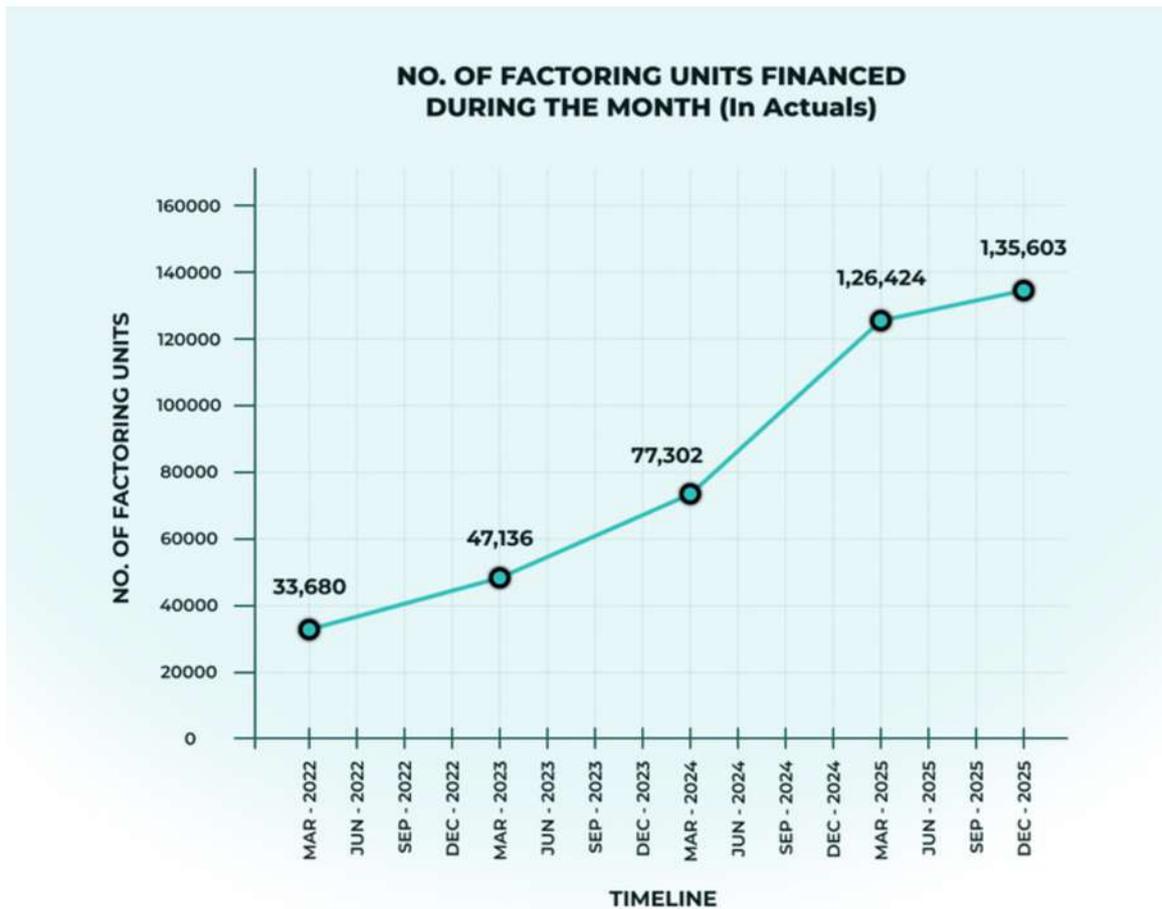
### 4.3. Timeline of TReDS Evolution





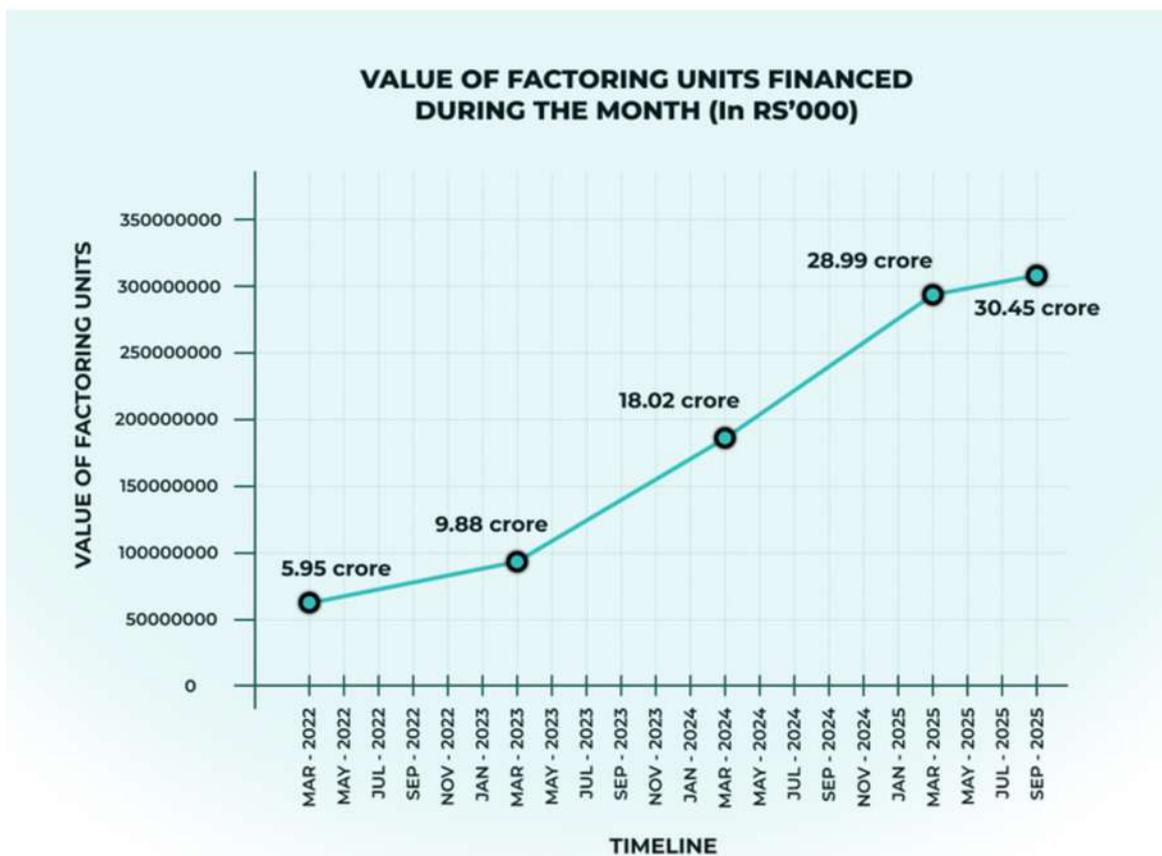
## 5. Current TReDS Ecosystem and its Impact

The TReDS ecosystem has experienced exponential growth that validates its fundamental premise. According to recent data, total financing volumes surged from approximately ₹950 crore in FY2018 to over ₹2,33,000 crore in FY2025, representing a nearly 250-fold increase in seven years. This is a paradigm shift in how working capital reaches the businesses that need it most.



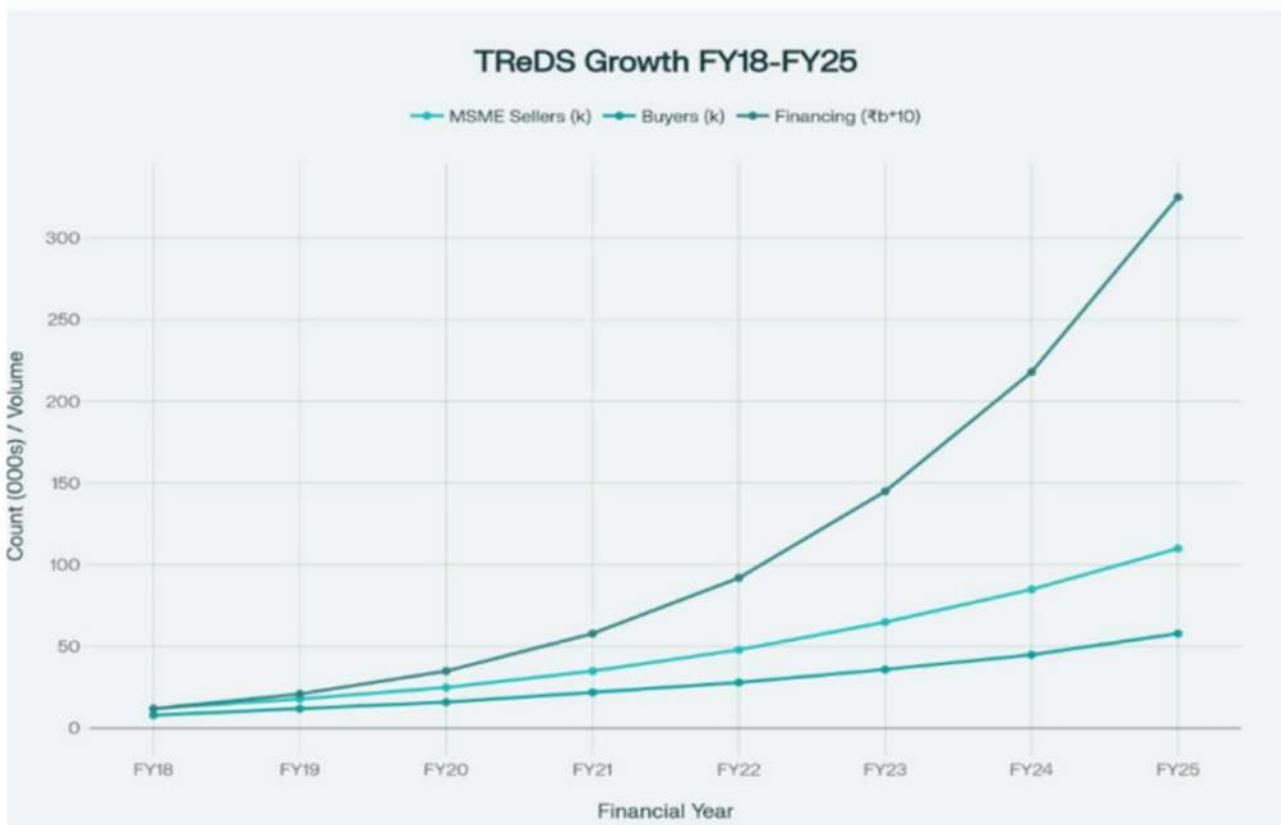
Source: TReDS Statistics, RBI.com

Fig 2 depicts the increasing number of FUs from Mar 2022 - Sep 2025



Source: TReDS Statistics, RBI.com

Fig 3 depicts the increasing value of FUs financed from Mar 2022 - Sep 2025



Source: TReDS Statistics, [RBI.com](http://RBI.com)

By FY2025, platforms like RXIL had reportedly registered over 40,000 MSMEs, with manufacturing firms representing 52% of participants. The platform has facilitated over ₹5 lakh crore in total financing since inception.

## 5.1. Core Functioning of the Platform

The platform's efficiency stems from its auction-based mechanism, where multiple financiers bid on a Factoring Unit (an approved invoice), securing competitive rates based on the corporate buyer's creditworthiness. This competition is crucial, as an increase in the number of financiers on the platform has been shown to reduce interest rates for transactions.

## 5.2. The Arrival of an Entrant

The TReDS platforms saw the introduction of an entrant in January 2025, when the government mandated the onboarding of corporates with a turnover of ₹250 crore and above on the TReDS platform. It was around this time that DTX by KredX platform was approved and commenced its operations, joining the existing platforms like RXIL, Invoicemart, Mlxchange, and C2treds. The entry of DTX by KredX, India's prominent supply chain finance technology pioneer, signifies continued growth and competitive impact on the TReDS ecosystem.

## 5.3. Collective Impact on the Ecosystem

What makes TReDS genuinely transformative is not solely the exponential volume of transactions recorded, but the quality and depth of positive outcomes it delivers across the entire supply chain ecosystem. TReDS acts as a systemic solution that converts regulatory infrastructure into tangible economic value for all three core participants: MSME suppliers, corporate buyers, and financiers.

### 5.3.1. For MSME Suppliers: Liquidity, Resilience, and Growth

TReDS directly addresses the MSMEs' primary challenge, the liquidity crisis caused by delayed payments yielding measurable financial and operational benefits.

- Accelerated Cash Flow and Reduced Receivable Cycles:** Research indicates that participation reduces the receivable cycle by an average of 23 percentage points and increases to 40 percentage points for MSMEs in financially less developed states. This indicates financial access with a cause in the rural economy building resilience. Participating firms experience an 8% average increase in sales, an increase in fixed assets, and employee compensation. The platform further enables MSMEs to shift from managing cash flow crises to planning strategic expansion.
- Deepening Financial Inclusion in Underserved Regions:** The platform's impact is even more pronounced in financially less developed states and rural economies, where the reduction in receivables can increase to 40 percentage points. This indicates that TReDS is successfully achieving financial access with a cause, building critical resilience in the rural economy where credit access is most constrained.
- Direct Link to Business Expansion:** The availability of timely, affordable capital facilitates a crucial shift from crisis management to strategic planning. Participating firms leverage this liquidity for growth, reporting an 8% average increase in sales, measurable increases in fixed assets, and improved employee compensation. The platform thus enables MSMEs to shift their focus from managing cash flow crises to planning strategic expansion.



Fig 3 depicts the increasing number of sellers registered from 2018- 2025

Source: Assessment Report, 2025

This immediate realisation of cash converts a pending asset (the invoice) into operational capital, drastically improving working capital management.

### 5.3.2. For Corporate Buyers: Value Creation and Supply Chain Resilience

TReDS provides significant benefits to the corporate buyers (anchors) who approves the invoices on the platform.

- **Enhanced Negotiation and Efficiency:** By ensuring their suppliers are not constrained by cash flow desperation, buyers are positioned to negotiate better procurement terms and foster healthier, more cooperative vendor relationships.
- **Supply Chain Stability:** Liquidity-constrained buyers experience an increase in sales, demonstrating how efficient supply chain financing creates value throughout the ecosystem. The financial health of the supply base translates directly into more resilient supply chains, insulating the anchor corporate from risks related to vendor defaults, quality issues, or production halts. This strengthens the entire operational network.
- **Optimised Payment Cycles:** The Reverse Factoring model enables buyers to maintain or even extend their internal payment cycles while ensuring their suppliers are paid immediately by the financier. This allows buyers to optimise their own working capital without compromising vendor stability.

Liquidity-constrained buyers experience an increase in sales, demonstrating how efficient supply chain financing creates value throughout the ecosystem. When suppliers aren't desperate for cash, buyers can negotiate better terms and build more resilient supply chains.



Source: Assessment Report, 2025

Fig 4 depicts the increasing number of buyers registered from 2018-2025.

### 5.3.3. For Financiers: Solving Unit Economics and Mitigating Risk

The platform's digital architecture fundamentally solved the poor unit economics that plagued traditional factoring services, making trade receivables a viable, scalable asset class.

- **Cost-Effective Scaling:** Digital onboarding, automated reconciliation, and the inherent transparency of the Factoring Unit process minimise manual intervention and transaction costs. This efficiency allows financiers (banks and NBFCs) to scale cost-effectively across a massive number of MSME transactions.
- **Reduced Default Risk:** Access to a vetted buyer ecosystem and the ability to link the financing decision to the buyer's creditworthiness significantly reduces default risk. This makes TReDS assets highly attractive.
- **Meeting Regulatory Mandates:** The financing of MSME invoices allows banks and NBFCs to efficiently meet their Priority Sector Lending (PSL) targets using high-quality, digitally verified trade assets, aligning commercial goals with regulatory obligations.

### 5.3.4. For Financial Inclusion: Democratising Access and Social Impact

The platform's digital architecture has democratised access in ways traditional, branch-based banking systems could not, delivering substantial social and economic benefits.

- **The Power of Digital Architecture:** TReDS provides a unified, competitive marketplace accessible irrespective of the MSME's geographical location or relationship with a specific manager. This marks a profound step toward democratising financial access.
- **Empowering Women Entrepreneurs:** The platform has shown remarkable success in bridging inclusion gaps. The participation of MSMEs led by women entrepreneurs or senior women executives experienced an explosive growth, increasing from just 14 firms in 2018 to 7,406 firms in 2024. This substantial increase indicates the creation of a financially inclusive and resilient ecosystem that actively supports marginalised segments.
- **Systemic Adoption:** According to RBI statistics, TReDS platforms cumulatively witnessed a more than 250% increase in the value of invoices financed from March 2022 (₹5,945.68 crores) to April 2025 (₹21,316 crores). This sustained, exponential adoption across the ecosystem confirms that the Indian business community is increasingly relying on the supply chain financing ecosystem facilitated by TReDS, thereby delivering substantial, quantifiable economic benefits.

TReDS represents something increasingly rare in policy implementation: an initiative that has largely delivered on its promise. It has proven that well-designed digital infrastructure can solve problems that have resisted decades of conventional intervention.

Success, however, creates its own imperatives. The platform must evolve from serving early adopters (MSMEs with sufficient digital sophistication and scale) to becoming genuinely universal infrastructure. This requires sustained focus on challenges: language barriers, digital literacy, regulatory flexibility, and the deep ERP integrations that make participation a habit rather than requiring conscious effort.



## 6. Future TReDS 2.0 Opportunities for Growth

The Trade Receivables Discounting System (TReDS) has demonstrated remarkable growth, validating its role as a vital financial infrastructure for MSMEs. According to the Reserve Bank of India (RBI) data, total financing through TReDS skyrocketed from approximately ₹950 crore in FY2018 to over ₹2,33,000 crore in FY2025, marking a nearly 250-fold increase over seven years. This milestone reflects a fundamental transformation in how working capital is efficiently channeled to businesses in need.

## 6.1. Challenges To Universal Adoption

While the platform's growth is robust, certain systemic hurdles restrict TReDS from reaching its full potential, particularly among micro and smaller enterprises:

### 6.1.1. Awareness, Digital Literacy, and Onboarding Complexity:

A significant hurdle remains the limited awareness and complexities in the registration process for MSME sellers, particularly among micro-enterprises with low digital literacy. A fundamental obstacle to universal access is the gap in awareness and digital capability among the largest segment of the MSME sector: micro-enterprises

- **Limited Outreach and Trust:** Despite the platform's regulatory backing, a significant portion of the 6.3 crore MSME units remain unaware of TReDS benefits or the simplicity of its competitive auction model. This lack of information is compounded by institutional distrust and a preference for established, costly, informal credit channels.
- **Digital Literacy as an Exclusionary Barrier:** The onboarding process, while digital, still requires a degree of technical proficiency, including digital signing, document aggregation, and navigating the platform interface. This creates a functional digital literacy barrier for MSMEs operating in Tier 2 and Tier 3 cities or rural clusters, leading to higher drop-off rates during registration.
- **Documentation Friction:** Even after registration, the manual verification of trade documents (in the absence of full DPI integration) contributes to friction, making the process less "seamless" than the "B2B UPI" ideal.

### 6.1.2. Inactive Participant Base and Engagement Gaps

- **Inactive Participant Base:** A considerable share of registered participants remain inactive. This is often due to trading relationships defaulting to faster direct payment by the buyer or breakdowns in the initial trading relationship.
- **Restrictive Regulations (Non-MSME Suppliers):** The exclusion of non-MSME suppliers from the platform deters large corporates with mixed supplier bases, forcing them to maintain separate, inefficient payment systems.

## 6.2 Innovations Expected in TReDS 2.0 (2026 and Beyond)

- **Deep Digital Integration:** Plans are underway to integrate TReDS more deeply with government digital ecosystems such as GSTN, enabling real-time invoice verification to streamline documentation, and GeM, facilitating financing for MSMEs engaged in government contracts.
- **Expanding Threshold for Inclusive Growth:** The Government of India's recent initiative to raise the turnover threshold for MSMEs from ₹250 crore to ₹500 crore, effective from 01 April 2025, signals a clear commitment to fostering broader inclusion within the business landscape. Building on this momentum, a further revision increasing the threshold from ₹500 crore to ₹1000 crore could serve as a significant catalyst for inclusive growth across the ecosystem.

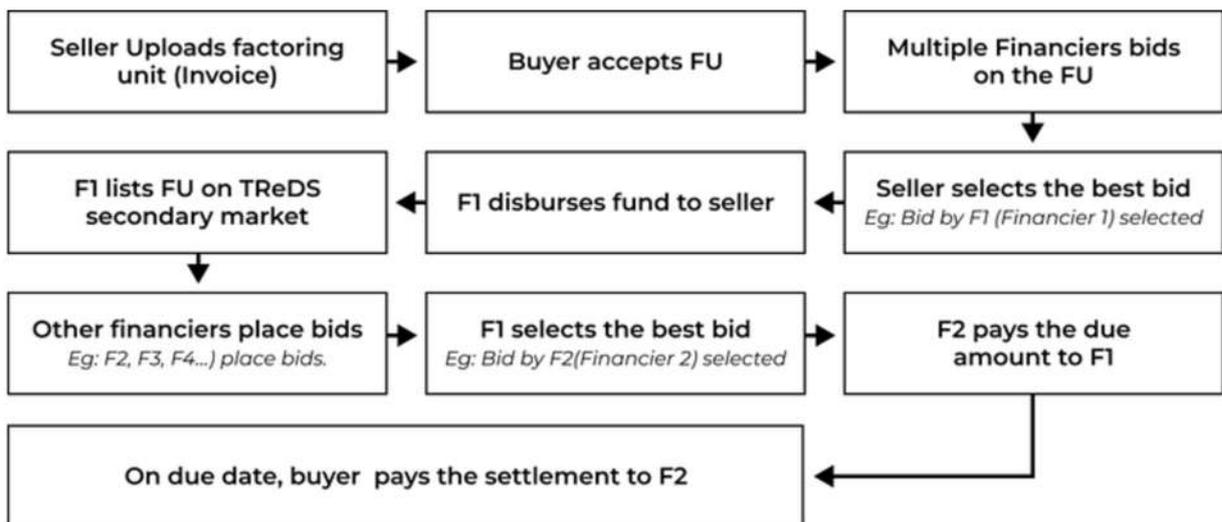
This adjustment is expected to allow a larger spectrum of enterprises, including those transitioning beyond traditional MSME status, to benefit from platforms like TReDS, which enhance operational efficiencies and provide smoother access to working capital finance. As liquidity availability improves through more robust TReDS systems, businesses gain greater financial stability enabling increased investments in innovation, technology, and market expansion. This integrated approach, combining strategic regulatory updates with fintech solutions, positions India's MSMEs and emerging enterprises for transformative growth starting in 2026 and beyond, while setting a benchmark for inclusive economic empowerment in emerging markets.

- **Insurance Companies as Financiers:** New RBI guidelines permit insurance companies to join TReDS as "fourth participants," expanding the platform's risk management capabilities. Additionally, entities registered under the Factoring Regulation Act will be recognized as financiers, fostering competition and liquidity.
- **Focus on Regional Access:** Leveraging Artificial Intelligence is essential to overcome language and digital literacy barriers for MSMEs in Tier 2 and Tier 3 cities, offering crucial support in regional languages and easing onboarding complexities.

**Secondary Market Functionality:**

A secondary market mechanism will allow financiers to sell their existing invoice portfolios to other financiers on the platform, providing liquidity and flexibility to financiers and accelerating capital turnover.

- The Second Window Model:** This buyer-independent, seller-driven financing model allows MSMEs to access funds before formal corporate buyer approval by leveraging MSME-specific credit data like GST history. This approach is expected to unlock substantial transaction volume, benefit smaller MSMEs with lower-value invoices, and attract fintech and NBFC financiers, significantly enhancing MSME liquidity and inclusion. Thus, this proposal is critical for reducing friction for micro-enterprises. It allows for supplier financing based on the seller's credit profile and integrated data (GSTN, Account Aggregator) without mandatory buyer acceptance, thereby significantly reducing transaction costs and approval times.
- Credit Safety:** Extending government guarantees like the Credit Guarantee Fund Scheme and promoting Trade Credit Insurance would protect financiers from buyer defaults, encouraging them to fund invoices from smaller or less-rated buyers.
- Secondary Discounting (Re-discounting):** "Secondary discounting," or re-discounting, refers to a phase in the established TReDS process as explained below.
- Objective:** The goal is to ensure sufficient liquidity among financiers to support continuous discounting on the platform, not to change the fundamental buyer-seller interaction model.



Addressing liquidity constraints faced by financiers, the re-discounting feature enables a financier who has already discounted an invoice to sell it to a secondary financier, freeing up capital and enabling them to finance new invoices rapidly. This secondary market enhances portfolio risk management and transaction volume.

## 6.3. Operational Outlook and Digital Integration

The next phase of growth requires deep integration with India's expanding Digital Public Infrastructure (DPI) to eliminate friction and enhance security, effectively cementing TReDS's role as the "B2B UPI" of the supply chain.

- **6.3.1 GSTN Integration:** Real-time invoice verification through the Goods and Services Tax Network would eliminate documentation friction, accelerate processing, and enhance credibility for all participants. When invoice authenticity can be verified instantly against tax records, both sellers and financiers can move faster with greater confidence.
- **6.3.2 GeM Integration:** Linking TReDS with the Government e-Marketplace would unlock a significant market of MSMEs increasing marginal profit who currently struggle with working capital while waiting for public sector payments.
- **6.3.3 Harnessing Artificial Intelligence (AI):** Domestic Trade Exchange(DTX), leverages KredX's advanced technology infrastructure to offer a seamless and user-friendly experience tailored for the MSME sector. The platform provides a comprehensive suite of financial solutions, including early payments, accounts payable and receivable financing, and process automation. This approach empowers businesses to enhance cash flow management, build resilient and sustainable supply chains, achieve operational efficiency and ensure compliance with regulatory requirements. Moreover, KredX's strong market presence and expertise in supply chain financing further solidify its ability to drive tech adoption across the country.



**Access to advanced technology for MSMEs:** DTX platform prioritises inclusivity by offering an affordable and user-friendly interface that minimises the technological barriers for smaller MSMEs. KredX plans to provide targeted educational initiatives and support to enhance digital literacy among MSMEs. Furthermore, DTX by KredX focuses on simplicity and accessibility, ensuring that even businesses with limited technical expertise can easily engage with the platform. Leveraging Artificial Intelligence to overcome language and digital literacy barriers for MSMEs in tiers 2 and 3 cities, supporting regional language assistance, and easing onboarding complexities.

## 6.4. Enhancing Credit Safety and Accessibility

A key imperative for achieving the universal scale envisioned in TReDS 2.0 is to systematically reduce the perceived and actual risk for financiers. The current reluctance of banks and Non-Banking Financial Companies (NBFCs) to bid aggressively on invoices from smaller MSMEs or those supplied to lower-rated corporate buyers constrains market depth. Enhanced risk mitigation frameworks are essential to unlock deeper pools of capital and lower the effective cost of credit for MSMEs.

### 6.4.1. Extending Credit Guarantee Fund Scheme for Factoring (CGFSF) Coverage

The Credit Guarantee Fund Scheme for Factoring (CGFSF), established by the government, is a vital policy tool designed to address the foundational issue of collateral deficit and perceived counterparty risk in factoring transactions. Integrating this scheme deeply with TReDS platforms can be a powerful catalyst for inclusion.

- **Mechanism of Risk Transfer:** By extending CGFSF coverage to Factoring Units traded on TReDS, the government effectively provides a partial guarantee against potential default by the corporate buyer. This transfers a portion of the credit risk away from the individual financier (bank/NBFC) and onto the fund.
- **Supporting Finance Availability for Smaller Buyers:** This policy action is specifically designed to incentivise financiers to accept bills from smaller or lower-rated corporate buyers that they would otherwise avoid due to internal risk mandates. The presence of a government guarantee acts as a credit enhancement, making the asset more attractive for financing.
- **Pushing Inclusion Deeper:** The ultimate outcome is the strengthening of finance availability for the most vulnerable MSMEs those who supply non-top-tier corporate buyers. This mechanism operationalises the objective of pushing financial inclusion deeper into the MSME spectrum, ensuring that the benefits of TReDS are not concentrated solely among suppliers to highly-rated corporations.

Bringing the Credit Guarantee Fund Scheme for Factoring to TReDS transactions would encourage financiers to accept bills from smaller or lower-rated buyers, pushing inclusion deeper into the MSME ecosystem.

### 6.4.2. Promoting Trade Credit Insurance (TCI) as a Risk Mitigant

Comprehensive trade credit insurance coverage against buyer defaults would address the fundamental risk that limits financier participation in transactions involving unrated or lower-rated corporate buyers. In short, promoting trade credit insurance to protect financiers from buyer defaults.

While CGFSF is government-backed, the active promotion and regulatory integration of Trade Credit Insurance (TCI) introduces a market-based layer of protection against buyer defaults, diversifying risk across the ecosystem.

- **Addressing Fundamental Risk:** TCI provides comprehensive coverage against the default risk of the corporate buyer. This directly addresses the fundamental risk that limits financier participation in transactions involving unrated or lower-rated corporate buyers, thereby maximising the eligible pool of invoices.
- **Regulatory Framework:** The RBI has already provided the necessary regulatory space by permitting insurance companies to participate in TReDS as a "fourth participant." This enables insurance entities to underwrite the credit risk associated with the Factoring Unit.
- **Market-Driven Confidence:** The availability of TCI, facilitated through the TReDS mechanism, allows financiers to price transactions with greater confidence and reduced risk premiums. When an MSME's invoice is covered by a reputable insurance entity, the effective credit rating of the transaction improves, encouraging more aggressive bidding and resulting in lower interest rates for the MSME.
- **Enhancing Liquidity:** In short, promoting TCI protects financiers from buyer defaults, which in turn encourages them to deploy capital more readily and competitively. This seamless integration of risk mitigation is paramount to unlocking sustained and affordable liquidity across the entire supply chain.

By implementing both CGFSF coverage and enhancing the TCI framework, TReDS 2.0 establishes a robust, dual-layered defense against credit risk, ensuring that the platform's liquidity benefits are broadly accessible and reliably sustained.

## 6.5. Market Outlook and Projections for TReDS 2.0

The demonstrable success and accelerating adoption of the TReDS platform provide a strong empirical basis for forecasting its market trajectory and strategic importance in the coming fiscal years. These projections are grounded in the existing growth momentum, reinforced by the comprehensive regulatory mandates and the planned integration of Digital Public Infrastructure (DPI).

### 6.5.1 Projected Volume and Momentum

Based on the recent study and conservative industry forecasts, the TReDS ecosystem is poised for continued exponential growth:

- **FY2026 Volume Threshold:** TReDS transaction volume is reliably expected to cross the **₹3 lakh crore** threshold by the end of the financial Year 2026. This projection is driven primarily by two converging forces:
  - 1. Regulatory Pull:** The mandatory onboarding of all corporate buyers with a **₹250 crore+ turnover** is systematically expanding the total addressable market and the daily supply of invoices available for discounting.
  - 2. Increased Liquidity:** The secondary market functionality (re-discounting) and the participation of insurance companies will significantly **enhance financier liquidity**, allowing platforms to absorb the increasing volume of trade receivables without encountering capital constraints.

## Competitive Landscape of TReDS Platforms

	License Date	Transaction Volume	USP
<b>RXIL</b>	2016	<ul style="list-style-type: none"> <li>₹2,300 Cr (FY20) + ₹6,500 Cr (FY21) + ₹25,000+ Cr (FY23)</li> <li>FY25 Target: ₹40,000 Cr</li> </ul>	<ul style="list-style-type: none"> <li>First RBI-approved TReDS platform in India</li> <li>Joint venture between SIDBI and NSE</li> </ul>
<b>M1xchange</b>	2017	<ul style="list-style-type: none"> <li>₹32,000 Cr throughput in H1 FY25 (2x YoY)</li> <li>₹43,000 Cr invoices discounted in FY24 (86% growth from ₹23,100 Cr in FY23)</li> </ul>	<ul style="list-style-type: none"> <li>Offers a user-friendly platform with quick onboarding for MSMEs</li> </ul>
<b>Invoicemart</b>	2017	<ul style="list-style-type: none"> <li>First TReDS platform to cross ₹2,000 Cr in 18 months</li> <li>₹2,500+ Cr throughput by March 2019</li> </ul>	<ul style="list-style-type: none"> <li>Joint venture between Axis Bank and mjunction</li> <li>Focus on digital invoice discounting</li> </ul>
<b>C2treds - by C2FO</b>	2024	<ul style="list-style-type: none"> <li>NA (specific figures for India are not publicly disclosed)</li> </ul>	<ul style="list-style-type: none"> <li>Global working capital platform with dynamic discounting &amp; early payments</li> </ul>
<b>DTX - by KredX</b>	2025	<ul style="list-style-type: none"> <li>Target of ₹2,000 crore by the end of 2025</li> </ul>	<ul style="list-style-type: none"> <li>AI-driven finance automation for invoices &amp; cash flow</li> <li>Integrated supply chain finance for domestic &amp; global trade</li> </ul>

- Multiplier Effect:** The robust growth in TReDS directly supports India's ambitious **6.8% GDP growth** target. Every rupee financed through the platform frees up MSME working capital, enabling accelerated production and mitigating supply chain disruptions, thereby serving as a multiplier for overall economic activity. Adoption of TReDS 2.0 features will improve platform usability and transparency, which are essential for scaling to smaller MSMEs.

### 6.5.2 Impact of TReDS 2.0 Feature Adoption

The successful adoption of TReDS 2.0 features will shift the platform's impact from merely enabling transactions to driving fundamental structural improvements in the financial ecosystem:

- Usability and Transparency for Scalability:** Key integrations particularly with GSTN for instant invoice verification and AI-driven regional language support are non-negotiable for improving platform usability and transparency. These improvements are essential for effectively scaling to smaller MSMEs (micro-enterprises) who are currently hindered by digital literacy barriers and complex processes. The TReDS system is evolving into an universally accessible, automated infrastructure for all participants.
- Enhanced Competitiveness and Lower Cost of Capital:** As the market becomes deeper and more secure through Credit Guarantee Fund Scheme for Factoring (CGFSF) and Trade Credit Insurance coverage, financier risk perception will continue to drop. This will intensify competitive bidding across a broader base of invoices, ensuring that MSMEs gain sustained access to the most affordable, low-cost capital available in the market.

In essence, the TReDS 2.0 trajectory positions the platform not just for growth in volume, but for essential growth in quality, inclusion, and systemic efficiency for securing India's economic future.

## 6.6. Strategic Expansion and Product Development

The current scenario for cross-border financing in India, particularly in the factoring segment, is one of significant underdevelopment, presenting a major area for regulatory focus. Cross-border factoring constitutes a mere 6% of India's total factoring volume, which is dominated by domestic transactions (94%). This international segment has struggled, shrinking by 14% between 2016 and 2023, and India's share of the global factoring market remains minimal. Key challenges include regulatory hurdles, such as the RBI's classification of reverse factoring as a "non-core" product, which limits its adoption, and high costs, as factoring does not receive the interest subvention benefits given to traditional export credit. The growth reflects India's expanding role in global trade, driven by strong performances in both merchandise and services exports. Exporters can capitalise the fast-growing trade finance market by partnering with KredX GTX and achieve instant liquidity against their unpaid international receivables.

KredX GTX (Global Trade Financing Exchange), is an innovative, and fully digital international trade finance exchange, a dual licensed platform that addresses the financing requirements of Indian businesses involved in global trade. KredX is the first entity to receive a licence from the International Financial Services Centres Authority (IFSCA) to establish its ITFS Platform at GIFT City in Gujarat, India.



International Trade Financing Services (ITFS) platforms of 4 entities were operationalised under Regulatory Sandbox of IFSCA. Authorised under IFSCA's ITFS Framework, these platforms have been established by RXIL Global IFSC Ltd., Vayana (IFSC) Private Ltd., Mynd IFSC Private Ltd. and Kredx Ventures IFSC Private Ltd.

### **New product lines and a focus on a larger scale define TReDS's future:**

**6.6.1 Focus on Expansion:** Traditionally, exporters used to seek funding exclusively within their own country, which involved the tedious and time-consuming process of visiting nearby financial institutions individually. This is where KredX GTX steps in and connects exporters with a large pool of financiers from across the globe on one platform. The platform enables exporters to choose the financing option that meets their business model.

Following are the benefits for exporters:

- **Competitive financing rates:** KredX provides lowest financing rates through a transparent bidding system
- **Wide array of financiers:** With KredX GTX, exporters can have access to multiple domestic as well as international financiers on a single platform, with a click of a button
- **Faster fund disbursal:** Registration on KredX GTX requires minimal paperwork making it easier to acquire funds. Additionally exporters can get funds without collaterals as it enables performance-based financing. There is a vast array of opportunities for Importers to streamline their supply chain as well as improve their credit rating on the KredX GTX platform. In this competitive market, getting access to multiple domestic and international financiers is very important for importers to survive and scale. With KredX GTX, importers can stay ahead and unleash their global potential.
- **Strengthening supplier relations:** With export factoring platforms, such as the KredX's GTX (Global Trade Exchange) significantly strengthens supplier relations for importers by providing rapid access to liquidity. Through its platform, importers can swiftly secure financing from a diverse pool of financiers against their international payables, enabling them to make timely, or even early, payments to their suppliers. This prompt payment capability nurtures better working relationships, builds trust, and enhances the importer's reputation, often leading to improved procurement terms, potential discounts, and a more reliable supply chain. This links TReDS ecosystem directly to India's global trade ambitions.

**6.6.2 Focus on Scale:** While the turnover threshold limit was recently revised as mentioned below, continuous review of the definition is necessary to ensure the protective TReDS mandate covers the maximum number of growing enterprises.

**Revised MSME Definition:** Micro, Small, and Medium Enterprises (MSMEs) are pivotal to India's economic growth, contributing significantly to GDP, exports, and employment. Recognising their economic importance, the Government of India revised the MSME classification criteria in the Union Budget 2025 to better align with evolving business realities and to provide enhanced support.

The new MSME definition, effective from 01 April 2025, substantially increases the investment limits by 2.5 times and doubles the turnover thresholds across categories, enabling a broader range of enterprises to access government benefits, including credit, subsidies, and tax incentives.

#### Revised MSME Classification Criteria as per Union Budget 2025

Enterprise Category	Revised Investment Limit (April 2025)	Revised Turnover Limit (April 2025)
Micro Enterprise	2.5 Crore	10 Crore
Macro Enterprise	25 Crore	100 Crore
Medium Enterprise	125 Crore	500 Crore

## How does it Impact?

- **Higher Ceilings = Greater Flexibility:** Enterprises no longer need to worry about crossing older thresholds too quickly. They can invest in machinery, technology, and manpower to enhance competitiveness.
- **Holistic Assessment (Investment + Turnover):** By considering turnover, the government ensures that the classification reflects the business's actual market presence, not just its capital expenditure.
- **Reduced Compliance Burden:** With standardised and unified definitions across manufacturing and services, documentation and compliance requirements are more straightforward.
- **Inclusive Economic Growth:** By expanding the range of MSMEs, more companies can benefit from government schemes such as credit guarantees, subsidies, and easier loan availability.



## Implications for Businesses and Economy

### 1. Massive Expansion in Eligible Enterprises

The most immediate and visible impact is the dramatic inclusion of a wider range of businesses, particularly the micro to medium supply chains. Many startups, technology firms, and traditional manufacturers previously excluded now qualify for MSME status, unlocking access to government schemes, subsidies, and priority credit lines.

This expansion incentivises enterprises to invest in capacity building, digital technology, and workforce development without immediate concern of losing MSME benefits. Offering a longer runway before re-classification reduces financial and regulatory pressure, encouraging sustainable growth trajectories.

## **2. Broadening Financial Inclusion**

A broader MSME base allows for a wider distribution of government-sponsored credit guarantees, tax incentives, and specialised financing programs. For instance, credit guarantee coverages for micro and small enterprises have been expanded in tandem, unlocking approximately ₹1.5 lakh crore in additional credit over five years, as highlighted in government communications.

With the adoption of digital platforms like TReDS, more MSMEs can benefit from hassle-free invoice discounting and invoice financing facilities, irrespective of geography or enterprise size. This inclusion reduces dependence on informal lending sources, which typically charge exorbitant rates and enforce tough terms, thereby strengthening the financial foundation of small businesses.

## **3. Alignment with Modern Business Practices**

The shift from a singular investment-focused metric to a dual-parameter system incorporating turnover mirrors global practices and reflects real market positioning. This holistic approach accommodates businesses such as many tech startups and service-oriented enterprises.

The removal of sector-based distinctions, merging manufacturing and service MSME categories, simplifies classification, reducing overhead and enabling more straightforward compliance and support mechanisms.

## **4. Enabling Technology Adoption and Competitiveness**

By raising threshold limits, MSMEs can allocate more resources towards technology adoption, digital transformation, and process improvements. These capabilities are crucial for competing in increasingly digital and globalised markets.

Furthermore, improved scalability enables Indian MSMEs to access export finance easier, integrate with global value chains, and tap international markets, supported by extensions with export factoring platforms like Global Trade Exchange(GTX).

## **5. Policy and Programmatic Synergy**

The new classification details with several government initiatives aimed at MSME growth:

- MSME credit cards aimed at small enterprises, providing working capital up to ₹5 lakh per unit.
- Extended subsidies and tax rebates encouraging clean tech, manufacturing, and labor-intensive sectors.
- Export promotion missions to boost MSME participation in foreign trade.
- Enhanced fund-of-funds for startups and scale-ups.

## 6. Challenges and Considerations

While the expanded definition offers substantial opportunities, it also poses challenges:

- **Awareness and Outreach:** Disseminating information and facilitating seamless registration for a diverse supply chains remains critical.
- **Digital Literacy:** Bridging digital divides among micro and rural enterprises to ensure equitable access to new financing platforms.
- **Regulatory Changes:** Monitoring and refining policies to balance resilience with growth incentives, avoiding unintended exclusions.



# TReDS

### 6.6.3 Opportunities and The Way Forward

TReDS represents a singular success in policy implementation, having largely delivered that a regulated, digital infrastructure can effectively resolve liquidity challenges that resisted decades of conventional intervention. Recent headwinds in the industry suggest a metamorphosis of the TReDS system from being seen only as a discounting mechanism to it emerging as a comprehensive B2B payment platform, one through which MSMEs route all their invoices. As a result, B2B payments can become faster by enabling end to end invoice validation and creating a secure, auditable digital trail. TReDS brings greater transparency to the operational cycle. This strengthens payment discipline among large buyers, builds higher confidence for financiers, and allows MSMEs to manage liquidity. As a result, B2B payments become faster, more reliable, and more efficient, improving cash flow and overall supply-chain health for every participant.

The platform must now evolve from serving early adopters toward establishing as a universal financial infrastructure. This requires a sustained, systemic focus on two key areas:

- **Bridging the Access Gap:** Overcoming operational hurdles such as regional language barriers and digital literacy deficits, which currently exclude many micro-enterprises.
- **Driving Adoption through Seamlessness:** Ensuring deep ERP integrations and regulatory flexibility that make TReDS participation the default, frictionless mode of transaction, rather than an optional, conscious effort.

The core mission is to bring fresh technological innovation and operational excellence to an ecosystem where the foundation is laid and the race is now focused purely on execution and scale.

The integration of CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises), a key government initiative with TReDS platforms further enhances working capital access for lower-rated and small MSMEs. Together with the Government policy reforms, TReDS collectively work together in improving access on risk-mitigated transactions instead of collateral requirements, which can help MSMEs have increase in market sizes and access funding at better margins and encourage greater participation from large enterprises.

As more B2B transactions become digital, integrating broader enterprise payment processes with TReDS will support financial inclusion, strengthen supply-chain financing, and contribute to the government's objectives around formalisation and digital infrastructure.

Together with the Government policy reforms, TReDS platforms collectively work together in improving access to working capital for lower-rated and thin-file MSMEs. In this trajectory, TReDS emerges as a cornerstone platform that catalyses expansion, optimises supply chain liquidity, and cultivates confidence in overall economic growth.



## 7. Conclusion

India's regulatory landscape is rapidly evolving to strengthen liquidity and expand access to affordable finance. The anticipated increase in the MSME definition to a ₹1000 crore turnover from an existing 500 crore threshold will allow a vastly larger number of enterprises and non-MSMEs to leverage the TReDS platform. TReDS, overall, represents a landmark achievement in India's financial inclusion journey, transforming invoice financing from a fragmented, collateral-heavy market to an inclusive, transparent ecosystem. The platform's evolution, ongoing innovations, and expanding scope will cement its role as a significant financial infrastructure driving growth and broader economic resilience over the next decade. The future of TReDS is about permanently embedding the shift from a regulatory interface towards a unified payment portal and an inclusive credit into the core of India's financial structure, thereby securing the long-term prosperity of supply chains.

Together, the reforms and fintech advancements support an ecosystem where MSMEs, a wider range of enterprises, and financiers can scale sustainably. The expanded thresholds and stronger TReDS platform create fertile ground for innovation, technology adoption, and integration into global supply chains, fostering economic inclusion and resilience. As a result, India is setting new standards for inclusive growth and financial empowerment in emerging markets, fueling transformative growth trajectories for MSMEs in 2026 and beyond. This holistic approach is not only about growth numbers but also about the stability and accessibility in India's economic progress.



## 8. References

Economic Times. (2025, July 1). RXIL provided MSMEs ₹80,000 cr by discounting bills in FY25. (<https://economictimes.indiatimes.com/industry/banking/finance/treds-platform-rxil-crosses-rs-2-lakh-cr-msme-invoice-financing-milestone/articleshow/122201568.cms>)

IndiaFilings. (2025, June 25). MSME definition 2025: Revised investment & turnover limits. (<https://www.indiafilings.com/learn/msme-new-definition/>)

Ministry of Micro, Small and Medium Enterprises, Government of India. (2025, March 21). Notification S.O no 1364-E dated 21.03.2025 revised definition of MSMEs. (<https://www.dcmsme.gov.in/Notification-S.O-no-1364-E-dated-21.03.2025-Revised-Definition.pdf>)

Press Information Bureau, Government of India. (2024). Participation of women-led MSMEs in TReDS platform increases from 14 firms in 2018 to 7,406 firms in 2024. (<https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2002574>)

Receivables Exchange of India Limited (RXIL). (2025). Impact assessment of the trade receivables discounting system TReDS. (<https://www.rxil.in/wp-content/uploads/2025/05/trade-receivables-impact-assessment-report-2025.pdf>)

Reserve Bank of India. (2019, December 31). FAQs on Trade Receivables Discounting System (TReDS). (<https://www.rbi.org.in/commonman/english/scripts/FAQs.aspx?Id=3138>)

Reserve Bank of India. (2025). Trade Receivables Discounting System (TReDS) statistics. (<https://www.rbi.org.in/Scripts/TReDSStatisticsView.aspx>)

Small Industries Development Bank of India (SIDBI). (n.d.). Credit Guarantee Fund Scheme for Factoring from (<https://www.sidbi.in/en/credit-guarantee-fund-scheme-for-factoring>)

The Insurance Regulatory and Development Authority of India (IRDAI). (n.d.). Trade Credit Insurance from (<https://irdai.gov.in/document-detail?documentId=381438>)

DTX by KredX. (n.d.). About DTX from (<https://www.dtxindia.in/>)

Goods and Services Tax Network (GSTN). (n.d.)from (<https://www.gstn.org.in/>)

Government e-Marketplace (GeM). (n.d.)from (<https://gem.gov.in/>)