

EASING CREDIT FLOW: ON THE RESERVE BANK OF INDIA'S PUBLIC TECH PLATFORM FOR FRICTIONLESS CREDIT

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The Reserve Bank of India's plan to establish a '[Public Tech Platform for Frictionless Credit](#)' is a well-intentioned move that is aimed at easing the flow of credit, especially to small and marginal borrowers. Announced as part of the Statement on Developmental and Regulatory Policies that [accompanied the latest monetary policy](#), earlier this month, the platform is intended to serve as a one-stop digital clearing house for credit-related information, which should help accelerate the loan approval and disbursement process significantly. [Developed by the Reserve Bank](#) Innovation Hub, the platform will feature open architecture, open Application Programming Interfaces (APIs) and standards that would facilitate the seamless flow of required digital information from varied entities including State and central governments, credit information companies and digital identity authorities to lenders. As part of an effort to validate the technology and its utility, the RBI said the platform would be introduced in a pilot project that would focus on products such as Kisan Credit Card loans of up to 1.6 lakh per borrower, loans to dairy farmers, credit-sans-collateral to MSMEs, and personal and home loans through participating banks. Lenders would be able to access data on the borrowers and credit-related services from agencies including Aadhaar e-KYC, land records in States where local governments have digitised such data (Tamil Nadu, Karnataka, Uttar Pradesh and Maharashtra included) and even milk pouring data from select dairy cooperatives.

The need for such a centralised public platform can hardly be over-emphasised when one considers the lack of formal credit penetration, particularly among small and marginal farmers in the rural hinterland. More than seven decades since Independence, the question of what needs to be done to make institutional rural credit more inclusive continues to remain a vexing challenge to government planners and economic researchers alike. In 2021, a National Bank for Agriculture and Rural Development economist observed that 'even among well-developed regions, small and marginal farmers were disadvantaged in terms of credit access', with barely a fifth of the more than 12.5 crore small and marginal farmers having access to institutional credit. As a result, a large majority of rural borrowers end up availing loans from informal sources including moneylenders, and often at usurious rates of interest. The digital platform, if successfully implemented, can help redress precisely this challenge to the delivery of formal credit by helping leverage the contemporary advances in digitisation of information and ensuring that small-ticket loans are made available in a timely and cost-effective manner to those most in need of financing support.

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