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# RBI's 2026 Master Direction on TReDS for MSME Financing

24 June 2026

ECONOMY

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CURATED &amp; WRITTEN BY

**Bharat Choudhary**

UPSC Educator &amp; Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

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# RBI's 2026 Master Direction on TReDS for MSME Financing

24 June 2026 · 7 min read ·

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## WHY IN NEWS

The Reserve Bank of India, on June 23, 2026, issued a consolidated , merging all previously scattered TReDS instructions into a single 2026 framework. The move aims to ease the onboarding of Micro, Small and Medium Enterprises (MSMEs), broaden participation on the platforms, and deepen invoice-based financing as a tool to fix the chronic working-capital and delayed-payment crisis facing small businesses.

## WHAT IS TReDS AND HOW INVOICE DISCOUNTING WORKS

TReDS is an **online electronic platform** regulated by the RBI under the Payment and Settlement Systems Act, 2007, that enables the **financing (discounting) of trade receivables of MSMEs** through an auction mechanism involving multiple financiers.

A “trade receivable” is simply an unpaid invoice: when an MSME supplier delivers goods or services to a large buyer (a corporate, PSU or government department), payment is typically due after 30 to 90 days. Until that money arrives, the supplier’s working capital is locked up. TReDS unlocks it early.

### The Auction Mechanism Step by Step

- 1 **Upload:** The MSME seller uploads an invoice (already accepted by the buyer) onto a TReDS platform.
- 2 **Acceptance:** The buyer confirms the invoice digitally, converting it into a “factoring unit”.
- 3 **Bidding:** Multiple registered financiers (banks, NBFC-Factors) bid to discount the invoice. Because several financiers compete in the auction, the **discount rate is driven down**, lowering the cost of finance for the MSME.

4 **Disbursal:** The winning financier pays the MSME upfront (the invoice value minus a small discount), giving instant liquidity.

5 **Settlement:** On the due date, the buyer pays the financier the full invoice amount.

The defining feature is that the financing is usually “**without recourse**” to the MSME, meaning the credit risk shifts to the buyer’s credit profile, not the small supplier’s. This is exactly why TReDS is powerful: a tiny supplier can raise cheap finance on the strength of a blue-chip buyer’s creditworthiness.

## WHAT THE 2026 MASTER DIRECTION CHANGES

The consolidated Direction simplifies a patchwork of circulars and introduces several substantive (<https://ujjyari.com/vocab/substantive/>) reforms designed to widen the financier base and strengthen risk protection.

KEY CHANGE	PROVISION
<b>Minimum net worth (operators)</b>	Platform operators must maintain a minimum net worth of <b>Rs 25 crore</b> , certified by a statutory ( <a href="https://ujjyari.com/vocab/statutory/">https://ujjyari.com/vocab/statutory/</a> ) auditor
<b>Compliance deadline for existing entities</b>	Already-operating TReDS platforms have time <b>until 31 March 2028</b> to meet the Rs 25 crore net-worth requirement
<b>Credit-guarantee cover</b>	Financiers are now permitted to <b>avail credit guarantee cover</b> on receivables financed through TReDS, cushioning default risk
<b>New participants</b>	<b>Insurance companies</b> and <b>government-notified credit guarantee funds</b> are permitted to participate on the platforms
<b>Onboarding</b>	Simplified onboarding norms to bring more MSMEs and financiers onto the system

### Why These Changes Matter

- The **Rs 25 crore net-worth floor** ensures only financially sound operators run systemically important payment infrastructure, balancing prudence with the goal of broader access.
- Allowing **credit-guarantee cover** addresses a key reluctance among financiers: fear of default. With a guarantee backstop, banks and NBFC-Factors can extend finance to a wider pool of MSME receivables, including those tied to weaker buyers.
- Admitting **insurance companies and credit guarantee funds** as participants diversifies the supply of capital and risk-bearing capacity on the platforms, moving TReDS beyond a bank-and-NBFC-only ecosystem.

## THE MSME DELAYED-PAYMENT PROBLEM

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The reforms cannot be understood without the backdrop they are meant to solve: India's MSMEs are routinely **starved of working capital because their large buyers pay late**.

### The MSMED Act 2006 and the 45-Day Rule

Under the **Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**, a buyer must pay a registered micro or small enterprise within the period agreed in writing, and in any case **not later than 45 days** from the day of acceptance of goods or services. If the buyer delays beyond this, it is liable to pay **compound interest at three times the bank rate** notified by the RBI.

### MSME Samadhaan

To enforce this, the government runs **MSME Samadhaan**, an online portal where micro and small enterprises can file applications against buyers for delayed payments. These cases are referred to the **Micro and Small Enterprise Facilitation Councils (MSEFCs)** constituted by state governments for conciliation and arbitration.

Despite these legal protections, enforcement is slow and many MSMEs avoid pursuing large buyers for fear of losing future business. **TReDS sidesteps this problem entirely** by converting the receivable into immediate cash, transferring the waiting and the risk to a financier instead of the small supplier.

## THE FACTORING REGULATION (AMENDMENT) ACT, 2021

A crucial enabler of TReDS expansion was the **Factoring Regulation (Amendment) Act, 2021**, which acted on the recommendations of the **U.K. Sinha Committee** on MSMEs.

Key reforms it introduced:

- **Widened the universe of financiers:** Earlier, only a limited set of NBFCs (those with factoring as their principal business) could factor receivables. The amendment allowed a far larger number of NBFCs to undertake factoring, dramatically expanding the pool of financiers eligible to participate on TReDS.
- **Empowered the RBI** to make regulations on the manner of registration of factors and filing of transaction details.
- **Mandated registration** of factoring transactions with the Central Registry (CERSAI) within a stipulated time to prevent fraud and double-financing.

By multiplying the number of permitted financiers, this Act laid the legal groundwork that the 2026 Master Direction now builds upon to deepen liquidity on the platforms.

## THE THREE TReDS PLATFORMS

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The RBI has licensed three TReDS platforms, all operational and competing for invoice volume:

PLATFORM	PROMOTER / BACKING
<b>RXIL</b> (Receivables Exchange of India Ltd)	A joint venture of SIDBI ( <a href="https://ujyari.com/terms/sidbi/">https://ujyari.com/terms/sidbi/</a> ) and NSE
<b>Mixchange</b>	Operated by Mynd Solutions
<b>Invoicemart (A.TReDS)</b>	A joint venture of Axis Bank and mjunction

Together these platforms have channelled lakhs of crores of financing to MSMEs since launch. The 2026 framework, by easing onboarding and adding credit protection, is expected to increase both the number of participating MSMEs and the total [throughput](https://ujyari.com/vocab/throughput/) of all three.

## ANALYSIS AND WAY FORWARD

TReDS sits at the intersection of three policy goals: **financial inclusion**, **ease of doing business** (<https://ujyari.com/terms/ease-of-doing-business/>), and **MSME competitiveness**. The 2026 Master Direction is best read as a maturing step, moving the system from a niche, bank-dominated facility toward a deeper, multi-financier market.

### Strengths of the reform:

- **Consolidation** (<https://ujyari.com/vocab/consolidation/>) removes regulatory ambiguity, lowering compliance friction for operators and onboarding friction for MSMEs.
- Credit-guarantee cover directly attacks the single biggest deterrent to financing weaker receivables.
- Wider participation (insurers, guarantee funds) builds **resilience** (<https://ujyari.com/vocab/resilience/>) and competitive pricing.

### Remaining challenges:

- **Buyer onboarding remains the bottleneck.** TReDS works only when large buyers accept invoices on the platform. Mandating onboarding of large corporates and government entities (turnover-threshold (<https://ujyari.com/vocab/threshold/>) mandates already exist) needs stronger enforcement.
- **Awareness among micro enterprises** is low; many do not know TReDS exists or how to register.
- **Interoperability** (<https://ujyari.com/terms/interoperability/>) and **data flow** between TReDS, GST e-invoicing and the Account Aggregator framework could be deepened to enable richer, data-based underwriting.

**Way forward:** integrate TReDS with the **Open Network for Digital Commerce (ONDC)** style of cash-flow-based lending, tighten enforcement of buyer-onboarding mandates, and use GST and Account Aggregator data to extend financing to first-time, thin-file MSMEs. The end goal is a system where no viable small enterprise fails simply because a large buyer paid late.

## UPSC RELEVANCE

### Prelims:

- TReDS is regulated by the RBI under the **Payment and Settlement Systems Act, 2007**.
- The MSME Act, 2006 prescribes the **45-day** payment rule for micro and small enterprises.
- The **Factoring Regulation (Amendment) Act, 2021** widened the pool of NBFCs that can act as factors and is linked to the **U.K. Sinha Committee**.
- The three TReDS platforms: **RXIL, M1xchange, Invoicemart**.

### Mains (GS3, Indian Economy, Mobilisation of Resources, Inclusive Growth):

- Discuss how TReDS addresses the structural problem of delayed payments and working-capital scarcity in the MSME sector.
- Evaluate the role of credit-guarantee mechanisms and a widened financier base in deepening cash-flow-based lending to small enterprises.
- Examine MSME financing reforms as instruments of financial inclusion and formalisation of the informal economy.

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**TReDS (Trade Receivables Discounting System):** RBI-regulated online platform for auction-based discounting of MSME trade receivables (invoices) among multiple financiers; governed under the Payment and Settlement Systems Act, 2007.

**2026 Master Direction:** Issued by RBI on June 23, 2026, consolidating all TReDS instructions into one framework.

**Minimum net worth for operators:** Rs 25 crore (auditor-certified); existing platforms have until 31 March 2028 to comply.

**New features:** Financiers may avail credit guarantee cover; insurance companies and government-notified credit guarantee funds allowed as participants.

**Three TReDS platforms:** RXIL (SIDBI-NSE JV), M1xchange (Mynd Solutions), Invoicemart / A.TReDS (Axis Bank-mjunction JV).

**Factoring Regulation (Amendment) Act, 2021:** Widened the set of NBFCs eligible to act as factors; based on the U.K. Sinha Committee; mandates registration with CERSAI.

**MSMED Act, 2006:** Mandates payment to micro and small enterprises within 45 days; enforced via MSME Samadhaan portal and MSEFCs.

*Sources: Reserve Bank of India (<https://www.rbi.org.in>), Business Standard (<https://www.business-standard.com>), Press Information Bureau (<https://pib.gov.in>)*

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CURATED &amp; WRITTEN BY

## Bharat Choudhary

UPSC Educator &amp; Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/daily/2026/06/24/rbi-treds-master-direction-2026-msme-financing/>

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