

India Supply Chain Finance Market Assessment, By Offering [Export and Import Bills, Letter of Credit, Performance Bonds, Shipping Guarantees], By Provider [Banks, Trade Finance House], By Application [Domestic, International], By End-user [Large Enterprises, Small and Medium-sized Enterprises], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

India Supply Chain Finance market is projected to witness a CAGR of 9.24% during the forecast period FY2025-FY2032, growing from USD 403.51 million in FY2024 to USD 818.29 million in FY2032. Factors such as increasing competition and new agreements regarding supply chain finance, increasing demand for working capital financing, surge in adoption of supply chain finance by small and medium-sized enterprises in developing countries, government initiatives, and the adoption of digital technologies have led to growth in the supply chain finance market. Supply chain finance provides short-term credit that optimizes the working capital and reduces the risk of supply chain disturbance for the buyers and sellers. It provides the supplier with early payments on their invoices as they are automated using advanced technology.

In February 2024, Mumbai-based supply chain financing platform, Cashinvoice, raised USD 3.4 million in its Series A round from HDFC Bank, Pravega Ventures, and Accion Venture Labs. This current funding round enabled them to strengthen their end-to-end supply chain finance offerings and extend footprints to deep tiers of the supply chain. Many micro and small firms are unable to secure critical working capital for their daily operations. Overall, supply chain finance provides significant tools for managing liquidity, risk mitigation, and promoting cooperation among supply chain partners.

Government Initiatives Fuel Growth in the Market

The Indian government has taken various initiatives to boost growth related to supply chain finance in the country. Some of these are Make in India Initiative, Production Linked Incentives, India Semiconductor Mission, Industrial Corridor Development Program, and National Logistics Policy. The supply chain finance market will bear the effect of the Make in India initiative, which is intended

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to increase domestic production by enhancing manufacturing. It encourages businesses to manufacture products in India indirectly, which thereby increases the demand for raw materials, components, and others. The financial incentives under the Production Linked Incentive program will be paid to selected companies for achieving incremental production, which will ensure that companies expand their manufacturing capabilities and grow production capacities, further indirectly benefiting the supply chain finance market.

Technological Advancements Boost the Market Growth

Innovation in technology and a rise in the adoption of digitalization have been important in fueling growth of the supply chain finance market. Fintech startups are part of the major process of optimization of financial transactions occurring within the supply chain, as they develop a dynamic model using API-enabled services that enhance the early payment opportunity by the buyers against offering cash discounts. This increases operational efficiency, transparency, and flexibility in market. The adoption of blockchain technology and smart contracts provides security and integrity to the supply chain as it helps in risk mitigation. In June 2023, ICICI Bank launched an industry-first and one-of-its-kind digital B2B ecosystem platform, Digital Financial and Supply Chain Platform, to enable corporates to digitize end-to-end integration with their supply chain constituents, dealers, vendors, and other micro, small, and medium enterprises, for day-to-day business transactions and payments or collection, as well as availing of channel financing from ICICI Bank at a click of the button.

Banks are Dominating India Supply Chain Finance Market

The market share of supply chain finance in the country is dominated by banks. It provides working capital loans, invoice discounting facilities, and letters of credit to name only a few of the many sundry financing options. Moreover, it is the area-wide network, financial knowledge, and access to capital that they utilize in coming up with structured finance solutions for businesses. They help companies manage financial risks associated with their supply chains thus providing risk mitigation services. They have built relationships with their customers, allowing them to provide financing solutions that cater to their needs. Supportive environment provided by the Reserve Bank of India has promoted banks to give supply chain finance solutions to their customers. State Bank of India provides two schemes under supply chain finance, the Electronic Vendor Financing Scheme (e-VFS) and the Electronic Dealer Financing Scheme (e-DFS). These web-based platforms provide paperless banking and real-time transfer of funds, which is fully customizable as per the business requirements.

West and Central India to Dominate Market Share

The west and central region of India is dominating the supply chain finance market share. Major cities in India such as Mumbai, Bangalore, Delhi, and Chennai are the main hubs of supply chain finance activities due to the presence of major financial institutions, banks, and a strong infrastructure. In this region, Mumbai is the leading city in India for supply chain finance as it is home to many headquarters of banks and financial institutions. The city has a firmly established financial ecosystem, which has enabled the growth of supply chain finance activities.

South India is emerging as the fastest region due to increased liquidity for businesses, enhanced supply chain efficiency, and overall economic development.

Future Market Scenario (FY2025 - FY2032F)

-□ In June 2024, CredAble, a leading FinTech launched its new product Revolving Short-Term Loans as a part of MSME lending. It will broaden access to credit and allow MSMEs to find solutions to their working capital difficulties.

-□ The new product uses CredAble's low-code technology to alter underwriting procedures and create new standards in the MSME lending industry.

-□ The supply chain finance market is in its rapid growth phase, and the enhancements are being carried out by the key players, which would soon take the market to another level.

Key Players Landscape and Outlook

India supply chain finance market is highly competitive as companies offer working capital loans and other financial products that help an organization meet its operational needs. In the advanced economy, all the companies use techniques such as partnerships and collaboration with FinTech companies and mergers and acquisitions to provide the best products will lead to growth of market. These techniques drive innovation, efficiency, and market expansion, leading to a dynamic business environment.

Recently in January 2024, Yes Bank unveiled SmartFin, a complete digital end-to-end supply chain finance (SCF) platform with

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Veefin Solutions. SmartFin allows digital SCF loans to dealers and suppliers of corporate clients to achieve their strategic business objectives of working capital efficiency, market extensions, acceleration of sales, and enhancing the partnership of supply chain. Built from the ground, digital onboarding, credit underwriting, loan management, and transaction processing within the platform are all-encompassing and completely redefined in terms of availability for SCF products.

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