

UNIFIED LENDING INTERFACE: A STRONG TRUMPCARD TO TRANSFORM THE LENDING LANDSCAPE IN INDIA

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ABSTRACT

The Reserve Bank of India has been taking many initiatives to transform the Digital Public Infrastructure (DPI) of India, where the new initiative of the Unified Lending Interface (ULI) is expected to transform the lending landscape in India by providing lenders with digital access to borrowers' data from diverse sources and offering frictionless credit. This paper is intended to elucidate the concept of the Unified Lending Interface, its evolution, key features, probable benefits, and challenges, which was earlier known as a Public Tech Platform for Frictionless Credit (PTPFC). This study also elaborated on the prospective mechanism of the ULI. This is a paper conceptual nature, and the secondary data has been collected from multiple sources. It is found that the ULI will be added to the new Trinity of JAM-UPI-ULI, which significantly contributes to transforming the Indian financial ecosystem. The study concluded that the ULI streamlines the lending process, seamless flow of digital information, reduces the credit appraisal time and cost, and smoothens the lending process, especially for rural and MSME borrowers. The authors opined that the ULI creates a more inclusive financial ecosystem; however, the data privacy of the borrowers must be safeguarded.

KEYWORDS: Unified Lending Interface, Lending process, Digital information, RBI

1. INTRODUCTION

The traditional lending system often suffers from inefficiencies and fragmentation, with borrowers needing to navigate through multiple financial institutions, each with its own processes, criteria, and documentation requirements. This creates a slow and cumbersome experience, with long approval times and limited transparency. Additionally, access to credit is often restricted, with credit assessments relying on rigid criteria like collateral and credit history, which can exclude individuals and small businesses without extensive financial records. The Unified Lending Interface (ULI) will be a remedy to transform the lending process, which centralizes and streamlines the process, offering a more user-friendly, transparent, and efficient system by integrating multiple lenders and leveraging technology to offer real-time approvals, better access, and more personalized loan options.

The Unified Lending Interface is a digital platform expected to transform the lending landscape in India, which provides lenders with digital access to borrowers' data from diverse sources and offers frictionless credit by reducing turnaround time for processing loan applications, especially for farmers and Micro Small, and Medium Enterprises (MSMEs).

At the inaugural session of the "RBI@90 Global Conference on Digital Public Infrastructure and Emerging Technologies" in Bengaluru on 26th August 2024, Mr. Shaktikanta Das, the Governor of the Reserve Bank of India, addressed how UPI (Unified Payments Interface) revolutionized the payments ecosystem. We anticipate that ULI will have a comparable

impact on India's lending system. The RBI has been taking many initiatives to transform the digital infrastructure of India where the new initiative of ULI will be added to the new Trinity of JAM-UPI-ULI, where the JAM is Jan Dhan-Adhaar-Mobile utilized to send benefits in cash precisely to the designated recipient's bank account and UPI, in which money can be transferred between bank accounts in a single window.

2. REVIEW OF THE LITERATURE

2.1 Conceptual Postulations

The Unified Lending Interface is one of the revolutionary initiatives, like JAN DHAN-ADHAAR-MOBILE, UPI, CBDC, etc., established by the Reserve Bank of India to transform the digital infrastructure. As it is a novel concept, numerous articles from various newspapers have reported and are expected to transform the lending system through digital information under a single platform.

Sharma (2016) studied the conceptual framework of the Unified Payment Interface (UPI), including its evolution, features, architecture, uniqueness, Need, and future prospects which revolutionized the Indian payment system. In addition to this, the author also discussed the mechanism of UPI. Kumar & Venkatesha (2014) opined that the Government of India's implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY) is a step in the direction of financial inclusion, an innovative concept that facilitates alternative methods of promoting banking habits and acts as a facilitator in eliminating poverty.

The Unified Lending Interface was mentioned as the Public Tech Platform for Frictionless Credit (PTPFC), which was on a pilot study, revealed that it has digitalized agricultural finance through digital KCC products, which deepen inclusion through hassle-free disbursement of loans, and fostered the FinTech innovations (Report on Currency and Finance 2023-24). PTPFC has seen a reduction in the turnaround time of KCC loans from several weeks to less than an hour, owing to its end-to-end digital processing (RBIH, 2024).

2.2 Research Gap and Significance of the Study

Since the Unified Lending Interface was announced recently, there is not much research has been conducted on its theoretical background, probable benefits and challenges, and mechanisms, etc. While existing studies have focused on digital and financial technologies like UPI, JAM, and CBDC as they have revolutionized the digital infrastructure of the country, it is essential to study the concept of ULI as it has the potential to transform the lending landscape of India.

2.3 Objectives of the study

- a. To understand the conceptual framework of the Unified Lending Interface. To study the potential benefits & challenges of the Unified Lending Interface
- b. To comprehend the mechanism of the Unified Lending Interface

3. RESEARCH METHODOLOGY

The Unified Lending Interface was announced recently by the governor of RBI at the "RBI@90 Global Conference on Digital Public Infrastructure and Emerging Technologies" in Bengaluru on 26th August 2024, the pilot study of which was launched during the month of August 2023. Hence, this research is conceptual in nature, and the information gathered is based on the reports published by government agencies and also from the numerous articles in various newspapers.

4. CONCEPT OF UNIFIED LENDING INTERFACE

A Unified Lending Interface is envisaged as a technological platform to streamline lending processes, intended to meet a significant unmet credit need in several sectors, specifically for agricultural and MSME borrowers. This would make it easier for lenders to obtain consent-based digital information on financial and non-financial parameters, including land records of various states from a variety of data service providers and is anticipated to ease the lending process for both the lenders and borrowers and lessen the complexity in turnaround time (TAT) for processing and sanctioning of loans.

The ULI architecture is distinguished by its use of standardized and common APIs (Application Programming Interfaces) that are designed with a "plug and play" approach in consideration. This design makes it simple to digitally retrieve information from a variety of sources, which streamlines the complex process of integrating many technologies. As a result, borrowers stand to benefit from improved credit availability and expedited processing times, all without the need for copious documentation.

4.1 Evolution of Unified Lending Interface

As part of the 'Statement on Developmental and Regulatory Policies' released on August 10, 2023, the Reserve Bank of India (RBI) has announced the development of a Public Tech Platform for Frictionless Credit (PTPFC), which was established by the Reserve Bank Innovation Hub (RBIH), a wholly owned subsidiary of RBI and launched a trial program on 17th August 2023 with the goal of providing lenders data and offer frictionless credit over digital. For lending credit digitally, the information required for credit appraisal and sanctioning is available from multiple sources like financial institutions, NBFCs, State and Central governments, digital identity authorities, Account Aggregators (AA), and credit information companies.

The Public Tech Platform will facilitate the smooth transfer of necessary digital information to lenders, enabling the distribution of credit without any obstacles. All participants in the financial sector will be able to easily connect and operate in a "plug and play" manner with the end-to-end digital platform's open architecture, open Application Programming Interfaces (APIs), and open standards.

Initially, the PTPFC was concentrated on products like entirely digital Kisan Credit Cards, dairy loans, MSME loans, tractor loans, digital gold loans, personal loans, vehicle loans, and home loans through participating banks. Due to the ease with which data can be accessed, lenders may be able to give credit at more reasonable rates, and it has seen a reduction in the turnaround time of KCC loans from weeks to less than an hour, owing to the end-to-end digital processing (RBI's Report on Currency and Finance). Now it is termed as a Unified Lending Interface at the Global Conference on DPI and Emerging Technologies by the governor of the RBI. In addition, the governor announced that the platform will soon be made available to a larger audience nationwide.

The RBI intends to scale ULI to nationwide rollout in due course, moving from pilot phase to more extensive adoption by adding more data service providers (state government records, property/land, alternate data sources like satellite, cooperative societies, etc.) to enrich the data available for credit appraisal (Economic Times) and also encouraging more FinTechs and NBFCs to use the infrastructure to build credit products, especially for underserved groups — small & rural borrowers, agriculture, MSMEs (BFSI). The Unified Lending Interface (ULI) has witnessed rapid growth within a short span, reflecting its increasing adoption and potential to transform digital credit delivery in India. Between December 2024 and April

2025, the number of loans disbursed through ULI more than doubled—from approximately 600,000 loans amounting to ₹27,000 crore to around 1.4 million loans worth nearly ₹65,000 crore (RBI). The MSME segment continues to play a significant role in this expansion, underscoring the platform's relevance for small and medium enterprises.

4.2 Key Features of Unified Lending Interface

- The ULI enables a seamless and consent-based flow of digital information on financial and non-financial parameters from diverse sources.
- It aims to offer frictionless credit by reducing turnaround time (TAT) for processing and sanctioning of loans, especially for farmers and Micro Small, and Medium Enterprises (MSMEs).
- ULI is a digital platform as a part of RBI's initiative to revolutionize the Digital Public Infrastructure (DPI), which forms the new trinity of JAM-ULI-UPI.
- It creates a more inclusive financial ecosystem for small borrowers and emerging businesses.
- It provides standardized and transparent loan terms across lenders.
- Streamlines the loan application and approval process, hence it facilitates real-time loan disbursements.
- The architecture of ULI has common and standardized Application Programming Interfaces (APIs), simplifying data access and lowering the complexity of technical integration using a plug-and-play approach.
- The plug-and-play approach refers to pre-fabricated facilities that come equipped with power, network, and other necessary infrastructure, enabling industries to begin operations right away.

5. POTENTIAL BENEFITS AND CHALLENGES OF ULI

5.1 Potential Benefits

The Unified Lending Interface is being a revolutionary step in the digital lending landscape of the Indian economy can bring numerous benefits to the financial ecosystem by streamlining processes, improving access to credit, and enhancing overall efficiency. Here are some of the potential benefits:

- Simplifies the lending process by providing a unified platform for multiple lenders.
- Improves access to credit for the underserved, especially for rural and MSME borrowers.
- It reduces turnaround time (TAT) by offering a consent-based and seamless flow of digital information.
- It helps in cost reduction for both borrowers and lenders.
- Facilitates quicker loan approvals and disbursements through streamlined processes.
- Enhances transparency in loan terms and conditions across various lenders.
- Provides a centralized data system for tracking and managing loans.
- Reduces the time and effort required for borrowers to compare loan offers.

- It supports financial inclusion by integrating with various financial service providers.
- Integrates with digital payment systems like UPI, making loan repayments more convenient.
- Encourages competition among lenders, potentially lowering interest rates and innovative services for borrowers.

5.2 Potential Challenges

The Unified Lending Interface is a concept that aims to streamline and standardize the lending process by integrating various financial institutions, platforms, and borrowers into a single interface. While the idea holds significant potential, several challenges could arise during its implementation and operation.

- It requires significant initial investment in technology and infrastructure for implementation.
- It may potentially increase the chances of data breaches due to centralized information storage.
- Challenges in standardizing processes across diverse financial institutions, as they have different architectures, protocols, technologies, and risk assessment models
- It may lead to operational complexity as managing a large-scale system with multiple stakeholders, including banks, NBFCs, fintech companies, and regulators, adds layers of complexity.
- It could expose borrowers to increased risk if not properly managed.
- A ULI might create a dependency on a single system, reducing flexibility and systematic risk for lenders.
- It could result in higher operational costs due to continuous updates to adapt to evolving financial technologies and regulations.
- It may lead to market fragmentation if the ULI does not gain widespread adoption.
- There could be user interface complexity due to varying levels of digital literacy.

6. MECHANISM OF UNIFIED LENDING INTERFACE

Based on the secondary data collected from reports of government agencies and newspaper articles, the authors have outlined the prospective process through which the ULI may work. The ULI operates by centralizing the loan application and approval process on a single digital platform.

- **User Registration and Authentication:** Borrowers register on the ULI platform using digital identity verification methods, such as biometric authentication or digital KYC (Know Your Customer) procedures, ensuring secure and verified access.
- **Loan Application:** The borrower submits a single loan application through the platform, which is standardized and contains all necessary information required by participating lenders.
- **Lender Access:** The ULI distributes the borrower's application to multiple lenders simultaneously, allowing them to review and assess the borrower's creditworthiness using their internal algorithms and criteria through APIs.

- **Loan Offers:** Lenders respond with loan offers that include details such as interest rates, repayment terms, and fees. These offers are presented to the borrower in a transparent, easily comparable format.
- **Offer Selection:** The borrower reviews the offers and selects the most suitable one. The chosen lender is notified through the ULI platform.
- **Approval and Disbursement:** Upon acceptance, the lender processes the loan approval through the ULI, leveraging digital signatures and automated workflows. Funds are then disbursed directly to the borrower's account via the platform.
- **Repayment Management:** The ULI integrates with digital payment systems, allowing borrowers to manage and make repayments through the same platform. The interface tracks repayments and provides reminders to borrowers.
- **Data Security and Compliance:** Throughout the process, the ULI ensures data security by using encrypted communication channels and adheres to regulatory requirements for financial transactions.
- **Analytics and Reporting:** The platform offers tools for lenders to analyze borrower data, track loan performance, and generate reports, contributing to better risk management and strategic decision-making.

This unified mechanism enhances efficiency, transparency, and accessibility in the lending process, benefiting both borrowers and lenders.

7. CONCLUSION

The Unified Lending Interface is one of the essential initiatives by the Reserve Bank of India as part of strengthening the digital public infrastructure of the country and it is a notable breakthrough that will influence the lending landscape in the future as India advances in its digital transformation. Due to the cumulative impact of numerous financial innovations and developments, the financial sector has been at the forefront of the current digital transformation in the world over the recent decade. The ULI is an attractive proposition for borrowers, lenders, and regulators alike, fostering a more efficient, transparent, and inclusive financial system. In addition to this, it boosts agriculture and small businesses and helps in gaining financial stability. However, data privacy will be the need of the hour as it fetches the entire information of a borrower to avoid the risk of data breach, and it's the responsibility of the regulator to ensure data security through standardized protocols and encryption.

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