

# What is the Unified Lending Interface by the RBI? | Explained

How will the ULI enable friction-less credit to farmers? How will it make things easier for lenders?

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The Reserve Bank of India (RBI) seal. | Photo Credit: REUTERS

**The story so far:** The Reserve Bank of India (RBI), as part of its strategy to create digital public infrastructure in the country, has announced that a new technology platform called the Unified Lending Interface (ULI) would be introduced by the Reserve Bank Innovation Hub, Bengaluru which will enable friction-less credit to farmers and MSME borrowers to begin with.

## What is ULI?

ULI is a platform that facilitates the seamless flow of a customer's digitised financial and non-financial data from multiple data service providers to lenders, making credit underwriting seamless and customer journeys frictionless for a diverse range of borrowers, according to Rajesh Bansal, CEO, Reserve Bank Innovation Hub. This platform facilitates seamless and consent based flow of digital information, including even land records of various States. This will also bring down the time taken for credit appraisal, especially for smaller and rural borrowers without any credit history. The ULI architecture has common and standardised Application Programming Interfaces (APIs) designed for a 'plug and play' approach to ensure digital access to information from diverse sources. This will reduce the complexity of multiple technical integrations besides enabling borrowers to get the benefit of seamless delivery of credit and quicker turnaround time without requiring extensive and time-consuming documentation.

Lenders would gain access to customer data from various silos, including government databases (for example, land records) and satellite imagery through standardised APIs. And FinTechs can gain access to a variety of lenders on one platform and unlock opportunities to provide deeper customer insights.

## How will it work?

For first time loan seekers without any credit history or required documentation, availing a bank loan is near impossible. Now with ULI, digital credit information can be made available through a single platform which provides access to data providers and lenders to serve the needs of perspective borrowers.

While ULI facilitates access to data about the loan applicant's economic activities, it also allows financial sector players to access the data by connecting to the platform through a 'plug and play' model. Therefore, the loan applicants need not have to spend weeks to search and secure the documents. Instead the bank, the NBFC or the FinTech would fetch data about the applicant from sources available on the ULI platform.

For a dairy farmer seeking a loan, the lender can find data from the milk cooperative to know about cash flows; land ownership status from land records of States; and insights into his financial condition through farming patterns. So what was once a blind spot for the lender would turn into a visible customer to do business with. With the help of ULI, the lenders can immediately know the income of the loan applicant and credit eligibility.

Thus decision making would be automated and loans could be sanctioned and disbursed within minutes.

Tenant farmers who often find it difficult to access agricultural credit for inputs and raw materials as they do not have the land title to submit to the banks can also avail loans. By programming the end use for purchase of agricultural inputs, the ULI platform can give the required comfort to banks and thus establish the identity of a farmer not through his land holding but through the end use of funds being disbursed.

## How did it start?

The RBI had on August 10, 2023 announced the setting up of a Public Tech Platform for Frictionless Credit which is now branded as the ULI. The central bank was of the view that with rapid progress in digitalisation, data required for credit appraisal must be available at a single point for digital credit delivery.

To address this situation, a pilot project for the digitalisation of Kisan Credit Card (KCC) loans of less than ₹1.6 lakh began in September 2022. The initial results of the KCC pilot, which got underway in select districts of Madhya Pradesh, Tamil Nadu, Karnataka, U.P., Maharashtra, were encouraging. According to the RBI, the pilot enabled doorstep disbursement of loans in assisted or self-service mode without any paperwork.