

**GOVERNMENT OF INDIA  
MICRO, SMALL AND MEDIUM ENTERPRISES  
LOK SABHA**

UNSTARRED QUESTION NO:64  
ANSWERED ON:22.11.2012  
DELAYED PAYMENT TO MSMES  
Shanavas Shri M. I.

**Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:**

- (a) whether the problem of delay in payments made to the Micro, Small and Medium Enterprises (MSMEs) in the country by large companies have been noticed by the Government;
- (b) if so, the details thereof;
- (c) whether the said scenario has led to the crises in MSMEs sector;
- (d) if so, the details thereof; and
- (e) the steps taken by the Government in this regard to safeguard the interest of MSMEs?

**Answer**

MINISTER OF STATE (INDEPENDENT CHARGE) FORMICRO, SMALL AND MEDIUM ENTERPRISES (SHRI K.H. MUNIYAPPA)

(a)&(b):Yes, Madam. The Ministry of MSME has received reports of delayed payments to micro and small enterprises.

(c)&(d):The delay in payments by the buyers against the supplies made by micro and small enterprises result in sickness. Thus, it adversely affects the development and growth of the micro and small enterprise sector in the country.

(e):Keeping in view the above problem and its impact on the socio-economic environment of our country, "The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993" (as amended in 1998) was promulgated by the Government. Later on, it was subsumed under the "Micro, Small, Medium Enterprises Development(MSMED) Act, 2006" with modifications such as :

# Period of payment to MSEs by the buyers reduced to forty five days

# Rate of interest on outstanding amount increased to three times the prevailing bank rate of Reserve Bank of India compounded with monthly rest.

#Provision for inclusion of one or more representatives of MSE Associations in the Facilitation Council

# MSE Facilitation Council may utilize services of any Institution or Centre for conciliation and alternate dispute resolution services

# Reference made to the Council to be decided within ninety days from the date of reference

# Declaration of payment outstanding to MSE supplier mandatory for buyers in their annual statement of accounts.

# Interest (paid or payable to supplier) disallowed for deduction for income tax purposes