

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

RAJYA SABHA
UNSTARRED QUESTION NO. 2334
TO BE ANSWERED ON 16.12.2024

DELAYED PAYMENTS OF MICRO AND SMALL ENTERPRISES

2334. SHRI PRAMOD TIWARI:

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

- (a) the extent to which the steps taken by Government to deal with cases of delayed payments of Micro and Small Enterprises has led to mitigating the crisis being faced by the sector; and
- (b) the manner in which bad loans of Micro, Small and Medium Enterprises (MSMEs) Sector is proposed to be dealt with?

ANSWER

MINISTER OF STATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(SUSHRI SHOBHA KARANDLAJE)

(a): The Government of India has taken a number of steps and initiatives to ensure timely payment settlements for Micro and Small Enterprises (MSEs) by buyers across the country. Some of them are as follows:

- i. Under the provisions of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, Micro & Small Enterprises Facilitation Councils (MSEFCs) have been set up in States/UTs to deal with cases of delayed payments of Micro and Small Enterprises (MSEs).
- ii. Ministry of MSME launched SAMADHAAN Portal on 30.10.2017 (<http://samadhaan.msme.gov.in/MyMSME/MSEFC/MSEFCWelcomer.aspx>) for monitoring of outstanding dues to MSEs from the buyers of goods and services.
- iii. The Ministry of MSME created a special sub-portal within SAMADHAAN Portal on 14.06.2020, after the Aatma Nirbhar Bharat announcements, for reporting the dues and monthly payments by Central Ministries/Department/Public Sector Enterprises to MSMEs.
- iv. The Ministry of MSME has requested States/UTs to set up more number of MSEFCs for quicker disposal of cases related to delayed payments. So far, 159 MSEFCs have been set up pan-India. In some of the States, more than one MSEFC have been set up.
- v. As per the Notification S.O. 5622(E) dated 02.11.2018 of Ministry of Micro, Small and Medium Enterprises, companies which get supplies of goods or services from MSEs and whose payment to MSEs exceeds 45 days from the date of acceptance or the date of deemed acceptance of the goods or services, also need to submit a half yearly return to the Ministry of Corporate Affairs stating the amount of payments due and the reasons of the delay.

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vi. To enhance access to credit for MSMEs through digital platforms and other innovative mechanisms for facilitating MSMEs, Trade Receivables Discounting System (TReDS), an electronic platform, facilitates the discounting of trade receivables of MSMEs through multiple financiers. To unlock their working capital by converting their trade receivables into cash, the Government of India, through notification dated 07.11.2024, reduced the turnover threshold of buyers for mandatory onboarding on the TReDS platform from Rs. 500 crore to Rs. 250 crore. Notification S.O 4845 (E) to this effect has been issued by the Ministry of MSME on 07.11.2024.

(b): As informed by Reserve Bank of India (RBI), in order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs, RBI vide Circular dated March 17, 2016 has put in place a framework for revival and rehabilitation (FRR) of MSME units having loan limits upto Rs. 25 Crore. As per the FRR Guidelines, banks shall identify incipient stress in the MSME accounts by creating three sub categories under the Special Mention Account and on the basis of the early warning signals, the branch maintaining the account shall consider forwarding the stressed accounts with aggregate loan limits above Rs.10 lakh to a committee, whereas accounts with loans below Rs. 10 lakhs shall be examined at branch level for corrective action plan (CAP). The resolutions under CAP may include rectification, restructuring and recovery. Further, restructuring of loan accounts with exposure exceeding Rs. 25 crores shall be governed by the 'Prudential Framework for Resolution of Stressed Assets' dated June 07, 2019, a principle-based framework which provides a transparent mechanism for banks to address stressed borrowers and implement resolution plans.
