

FM asks corporates to clear dues to MSMEs in 45 days

FE BUREAU

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FINANCE MINISTER NIRMALA

Sitharaman on Friday asked corporate India to settle dues of micro, small and medium enterprises (MSME) within 45 days of receiving the supplies to ease the liquidity woes of small vendors.

Long delays in the settlement of dues by the central government departments/PSUs, state governments, state PSUs and private sector firms have undermined the MSME's ability to sustain their business cycles.

The MSME Act, 2006 specifies a 45-day credit period for the recipient of any goods or services to pay the MSME supplier. For any delayed payment, the rate of interest would be three times the bank rate notified by the Reserve Bank of India. However, MSMEs usually don't take recourse to the clause for fear of losing business.

The minister on Friday also acknowledged that the Centre, state governments and state-owned enterprises have large outstanding dues to the MSME sector. Sitharaman said that in her meeting with big businesses two days ago, she had appealed to them to ensure that the dues of smaller businesses are cleared in time.

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—NIRMALA SITHARAMAN
FINANCE MINISTER

the Registrar of Companies which make mention of outstanding dues. The private sector should also be ahead in this issue," Sitharaman said at an event organised by Laghu Udyog Bharati, an RSS-affiliate devoted to small businesses, in Mumbai.

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The central government would also be taking steps to resolve the issue by ensuring that departments and central

public sector enterprises make the payments to small businesses in 90 days, she said, appealing to the state governments and their PSUs also to clear the dues in time.

In a similar drive between June 1 2020 and October 31, 2021, the government ministries, departments and central public sector enterprises had paid dues of over ₹75,472 crore to the MSME vendors.

Sitharaman also highlighted the government schemes like TREDIS (trade receivables discounting system) platform and also the Samadhan portal to ease MSME difficulties.

Under TreDS, banks could release 90% of these firms' receivables based on receipts of purchases from their clientele among CPSE/state-run undertakings.

The MSME sector is the backbone of the Indian economy, contributing nearly 30% of the gross domestic product and 49% of the country's exports. It is also the largest employer, next only to agriculture in the country. Over 60 million such units employed about 110 million people in 2016, as per an NSSO report.

MSME units have borne the brunt of the pandemic. The expansion of the Goods and Services Tax (GST) and a policy thrust to formalisation also have adversely affected a section of MSME.

The government launched the Emergency Credit Line Guarantee Scheme in May

2020 as part of the pandemic relief package and have taken several other steps to improve the credit flows to these units.