

दिनेश राय ए.एस.

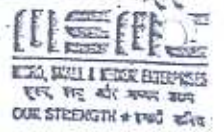
सचिव, भारत सरकार

DINESH RAI I.A.S.

Secretary to the Government of India



Annexure II



सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय  
उद्योग भवन, नई दिल्ली - 110011

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES  
UDYOG BHAWAN, NEW DELHI - 110011

Tel.: 91-11-23062107 Fax: 91-11-23063045

D.O. No. 4(5)/2008-MSME (Policy)(pt.)

20<sup>th</sup> February 2009

As you are aware, the global economic crisis has been affecting the industrial sector of the country in general and the micro and small enterprises (MSEs) in particular. One of the consequences of the crisis for the MSEs has been that their liquidity position has been very adversely hit. Many of these MSEs have been providing their goods and services to the large enterprises both in the private and the public sector. It has been repeatedly represented that the payments due to the MSEs from these enterprises are being unduly delayed, with the result that the very survival of some of the MSEs is becoming difficult.

Keeping in view this problem, the first economic stimulus package announced by the Government on 7<sup>th</sup> December 2008, inter-alia, provided for an advisory to Central and State PSUs to ensure prompt payment of bills of MSEs. After this, the Hon'ble Minister for Heavy Industries & Public Enterprises in the Government of India, vide his D.O. letter No. DPE/13(24)/08-Fin. 402-F, dated 29<sup>th</sup> December 2008 (copy enclosed), has written to the Chief Ministers to issue suitable instructions to the State Public Sector Enterprises and Electricity Boards to make prompt payment of bills of MSMEs so that their liquidity position can be improved. Similar instructions have been issued to the Central Public Sector Enterprises.

I would also like to draw your attention to Section 15 of the Micro, Small & Medium Enterprises Development Act, 2006, under which a maximum of forty five days has been provided for payment to be made by the buyer of any goods or services procured from micro and small enterprises. Section 16 of this Act provides for penal interest payments by the buyer on the outstanding payments to MSEs. Section 18 of the same Act provides for reference being made to Micro and Small Enterprises Facilitation Councils (established by the State) for any disputes relating to non-payment of dues in the manner stipulated under the Act. Most of the State Governments have already set up these Facilitation Councils, but more publicity is perhaps required for them to emerge as effective institutions for the redressal of MSE grievances on account of delayed payments.

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I am writing to you to kindly reiterate instructions to State Government Departments and Public Sector Entities to adhere to timely payments to MSEs, as already requested through communications from the Government of India and as also contained in the Micro, Small & Medium Enterprises Development Act, 2006. I would also appreciate if you could review the observance of these norms and the functioning/effectiveness of the Facilitation Councils. You would kindly recall that this issue also came up when the Cabinet Secretary met the Chief Secretaries in New Delhi on 31.1.2009.

Enclosure: as above

Yours sincerely,



(Dinesh Rai)