

Delayed Payments to Micro and Small Enterprises under Micro, Small and Medium Enterprise Development (MSMED) Act, 2006

Related Provision

The Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 contains provisions of Delayed Payment to Micro and Small Enterprise (MSEs). (Section 15-24). State Governments to establish Micro and Small Enterprise Facilitation Council (MSEFC) for settlement of disputes on getting references/filing on Delayed payments. (Section 20 and 21)

Nature of assistance

MSEFC of the State after examining the case filed by MSE unit will issue directions to the buyer unit for payment of due amount along with interest as per the provisions under the MSMED Act 2006.

Who can apply

Any Micro or small enterprise having valid EM Part –II /UAM can apply.

Salient Features

- The buyer is liable to pay compound interest with the monthly rests to the supplier on the amount at the three times of the bank rate notified by RBI in case he does not make payment to the supplier for his supplies of goods or services within 45 days of the acceptance of the goods/service rendered. (Section 16)
- State Governments to notify (i) Authority for filing Entrepreneur Memorandum (ii) Rules of MSEFC and (iii) Constitution of MSEFC.
- All States/UTs have notified Authority for Filing Entrepreneur's Memorandum, 33 States/UTs (i.e. except Arunachal Pradesh, Assam and Manipur) have Notified rules of MSEFC and all the 36 States/UTs have constituted MSEFCs, as per provisions laid down under MSMED Act 2006.
- Every reference made to MSEFC shall be decided within a period of ninety days from the date of making such a reference as per provisions laid in the Act.
- If the Appellant (not being the supplier) wants to file an appeal, no application for setting aside any decree or award by the MSEFC shall be entertained by any court unless the appellant (not being supplier) has deposited with it, the 75% of the award amount. (Section 19)

Implementation

The provisions under the Act are implemented by MSEFC chaired by Director of Industries of the State /UT having administrative control of the MSE units. State Government/UTs are requested to ensure that the MSE Facilitation Council hold meetings regularly and delayed payment cases are decided by the Councils within a period of 90 days as stipulated in the MSMED Act, 2006.

Ease of filing application under MSEFC – An Initiative from Office of DC(MSME), M/o MSME

Office of DC(MSME) has taken an initiative for filing online application by the supplier MSE unit against the buyer of goods/services before the concerned MSEFC of his/her State/UT. The portal has been developed at "MyMSME". At present, the applicant MSE unit submits an application in writing to the MSEFC of his/her State/UT. The applicant sometimes is not aware of the details to be submitted before MSEFC and this also sometimes adds to the delay. Once the portal is operationalized, the supplier MSE unit can submit online application which will be viewed by the concerned MSEFC.