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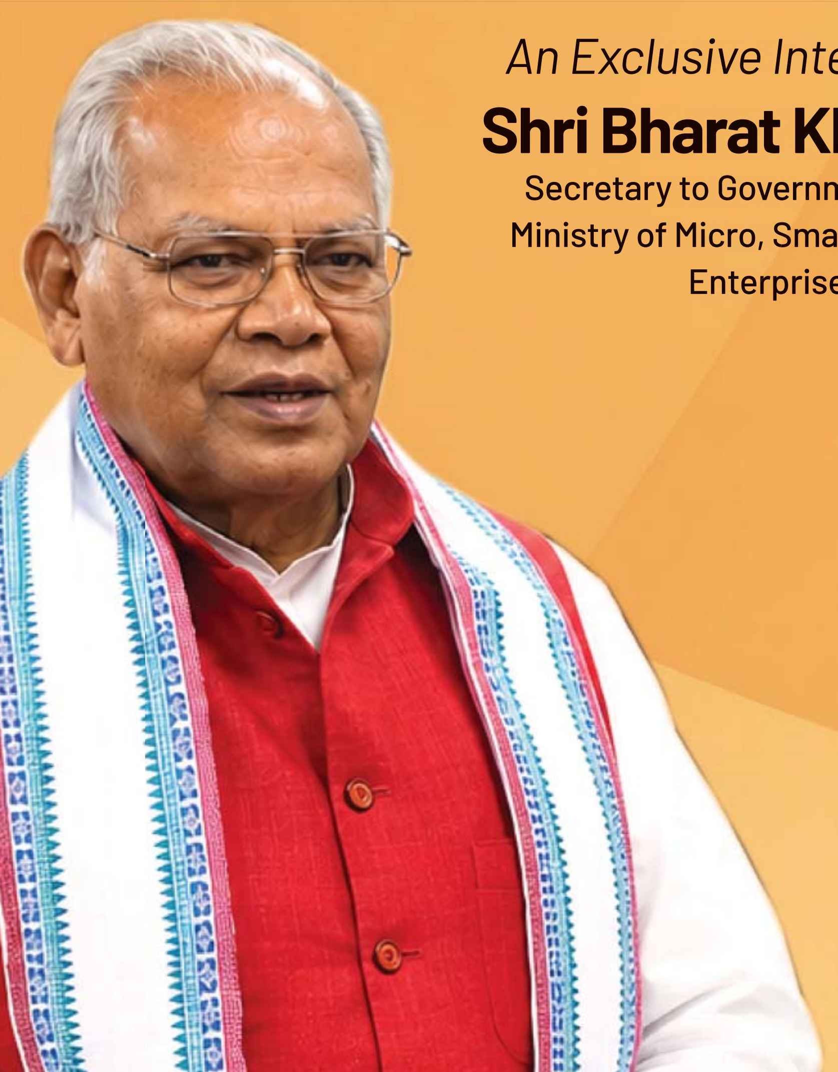
MICRO, SMALL & MEDIUM ENTERPRISES

Cover Story

FROM DELAY TO RECOVERY: THE NEW MSME RULEBOOK



An Exclusive Interview with

Shri Bharat Khera, IAS

Secretary to Government of India,
Ministry of Micro, Small and Medium Enterprises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From The Editor

A New Rulebook for India's MSMEs

India's MSME story has changed dramatically. Enterprises that once operated largely outside the formal system are increasingly registered, digitally connected and visible within the economy. But one question still matters most: has doing business actually become easier for them?

That is why the MSMED Amendment 2026 deserves close attention. Its focus on delayed payments, TReDS, faster dispute resolution and stronger recovery mechanisms could make it a landmark reform—provided implementation matches intent. For a small business, a delayed invoice is not merely a receivable; it can disrupt wages, working capital, production and growth.

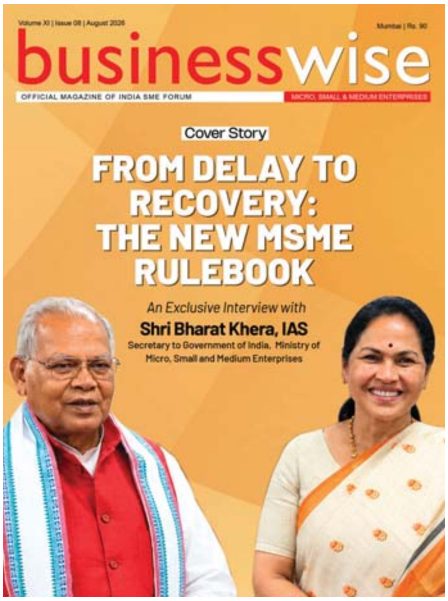
Our Special Interaction with Shri Bharat Khera, IAS, Secretary, Ministry of Micro, Small and Medium Enterprises, therefore comes at an important moment. The real test of this reform will ultimately be implementation.

This issue of BusinessWise also looks at the next stage of MSME transformation. From Sourcing to Smart Buying asks whether digital procurement can improve transparency, efficiency and competitiveness. From Informal to Digital tracks how UPI and transaction histories are creating new forms of trust and economic identity. Formalised, Not Frictionless, examines the hurdles that still remain after registration, while Fixing Stress, Not Distress argues for an FRR 2.0 framework that supports viable enterprises before stress becomes failure.

The message running through this issue is simple: formalisation was the beginning, not the destination. Whether an entrepreneur sitting hundreds of kilometres from a State capital can experience the difference not in legislation, but in his or her bank account.

The next generation of MSME reform must ensure that enterprises can operate, transact, recover dues, access finance and grow with far less friction.

Sushma Morthania



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MSME Ministry and DPIIT Sign MoU to Scale Up and Export India's GI Products via ODOP, ONDC and GeM

In August 2026, the Ministry of MSME and the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, signed a Memorandum of Understanding (MoU) at Vanijya Bhawan, New Delhi, to strengthen the commercialisation of India's Geographical Indication (GI) products and expand their access to global markets. The MoU was signed by Md. Salik Parwaiz, Director, Ministry of MSME, and Karan Thapar, Director, IPR Division, DPIIT. DPIIT handles GI registration and legal protection under the 1999 GI Act, while the MSME Ministry supports the growth of MSMEs, traditional industries and artisans; together they aim to turn local GI crafts into scalable, export-ready enterprises. The MoU creates a joint framework for quality standardisation, market penetration and better livelihoods for indigenous artisans, weavers and producers, while strengthening the One District One Product (ODOP) ecosystem. Key actions include integrating ODOP into both ministries' programmes, onboarding GI collectives and authorised users onto ONDC and GeM under a "Bharat GI" banner, and co-sponsoring GI pavilions at national and international trade fairs and buyer-seller meets. The collaboration aligns DPIIT's IP protection role with MSME's enterprise-development mandate to build capacity, enable digital sales and expand market access for GI producer groups. It is expected to help GI products reach premium domestic and global markets and support the Aatmanirbhar Bharat and Vocal for Local vision.

MoRD-PCI MoU to Empower Women Entrepreneurs

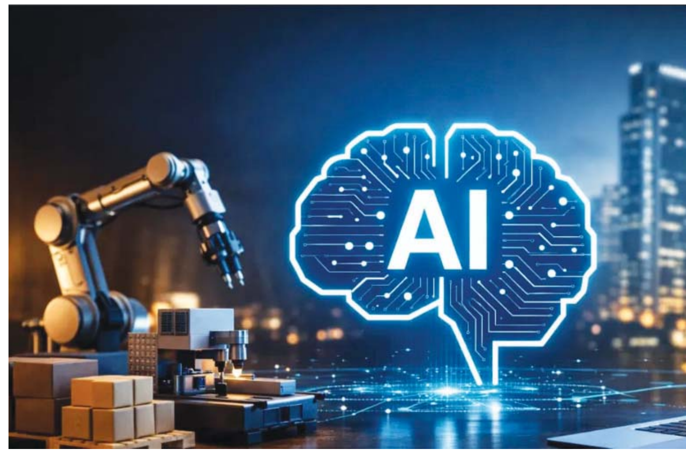
The Ministry of Rural Development and Project Concern International (PCI) India have signed a three-year MoU (2026-2029) to help women-led and Self-Help Group enterprises access government procurement markets. A new National Resource Cell will guide enterprises on GeM onboarding, tender participation and quality compliance, starting with Assam, Bihar, Jharkhand, Karnataka, Maharashtra, Rajasthan and Uttar Pradesh. For MSME owners, especially women entrepreneurs and SHG-based micro-enterprises, this opens a clear pathway to sell directly to government buyers through training, documentation support and market linkages, turning small rural businesses into steady, scalable, procurement-ready enterprises.

Sellers Face New E-Commerce Fees

Amazon and Flipkart have revised seller fee and penalty structures ahead of the festive season, raising concerns among small businesses about rising costs. From August, Amazon's cancellation fees for Easy Ship and Self Ship sellers are now charged as a percentage of order value, ranging from 2% to 10%, plus GST. Closing fees will also rise by Rs 1–3 per item from September 7, citing higher fuel and logistics costs. Flipkart's new three-tier penalty structure charges Rs 30–90 per shipment for missed or cancelled dispatches, though new sellers get a three-month exemption.

IndiaAI Mission to Boost MSME Productivity

The Government is promoting AI and digital technology adoption among MSMEs through the IndiaAI Mission, approved with an outlay of Rs. 10,371.92 crore. The Mission works across seven areas, including AI computing power, startup financing, skilling and safe AI development, aiming to make AI benefits accessible to all, including small businesses. Digital adoption levels are also tracked through regular evaluation studies. For MSME owners, this signals growing government support to access affordable AI tools, upgrade skills, and boost productivity and competitiveness through digital technology, rather than being left behind in the digital shift.



PM Vishwakarma Trains 24 Lakh Artisans

The PM Vishwakarma scheme, covering 18 traditional trades like carpenters, potters, tailors and goldsmiths, has trained over 24.29 lakh artisans in basic skills since its launch. An IIM Mumbai evaluation of 11,591 beneficiaries found that 93% saw moderate to significant income growth after training. Beneficiaries get modern toolkits, credit support, digital incentives and marketing help through trade fairs and e-commerce platforms. They are also onboarded onto the Udyam Assist Platform for access to priority sector lending. So far, over 1,500 awareness camps, 82 trade fairs and 37 state-level exhibitions have been held nationwide.

India-Rwanda Strengthen Trade Ties

India and Rwanda held their first-ever Joint Trade Committee meeting, a two-day session in New Delhi, to boost bilateral trade and investment. India currently exports drug formulations, two- and three-wheelers, machinery and steel products to Rwanda, while importing spices, essential oils, copper and precious stones. India is Rwanda's largest pharmaceutical supplier, covering about 24.5% of its imports, and its second-largest foreign investor. Both sides identified new opportunities in textiles, marine products, plastics, toys, agro-processing and critical minerals like tin and tungsten, along with plans to boost cooperation in standards, skilling and technology.

India, Uzbekistan Push to Double Trade

The Union Minister Piyush Goyal has called for doubling India-Uzbekistan bilateral trade, currently around USD 1.5 billion, over the next three years. Speaking at the India-Uzbekistan Business Forum, he invited businesses from both countries to co-invest, co-manufacture and co-innovate, especially in textiles, pharmaceuticals, agriculture, food processing, IT, digital infrastructure, engineering and automotive components. The recently signed Bilateral Investment Treaty is expected to boost investor confidence. Goyal also called for removing trade barriers, mutual recognition of standards, and integrated customs systems to help businesses on both sides trade more easily and build long-term partnerships.

SIDBI, ECLGS 5.0 Widen MSME Credit Access

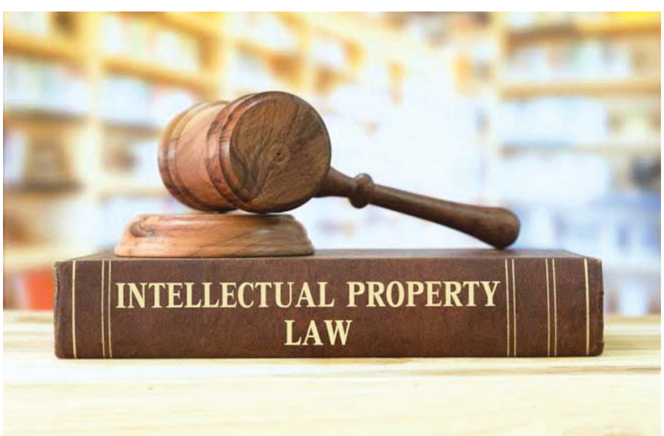
SIDBI has ramped up support for MSME financing, opening 71 new branches since April 2024 and growing its direct credit portfolio to Rs. 51,687 crore, up 36.8% from the previous year. Its refinance support to lending institutions has also grown to Rs. 4,50,571 crore. New initiatives like co-lending with NBFCs and Regional Rural Banks, the Prayaas Scheme for micro-entrepreneurs, and the GST Sahay app aim to widen credit access, especially for smaller and underserved businesses. Additionally, the government's new ECLGS 5.0 scheme offers MSMEs extra credit of up to 20% of their peak working capital, with 100% guarantee coverage - part of a larger Rs. 2,55,000 crore credit push for MSMEs, non-MSMEs and airlines. For MSME owners, this means easier access to formal credit, especially for small and first-time borrowers, and a stronger safety net during working capital crunches.

New E-Commerce Export Framework for MSMEs

The Government has notified a new inventory-based Cross-border E-Commerce Export Framework, allowing e-commerce companies, including foreign-funded ones, to stock Indian goods solely for exports through a registered Exporter-on-Record (EOR). Goods can only be procured against confirmed overseas orders, and Indian sellers must be paid within seven days, regardless of buyer payment status, with export benefits like Duty Drawback and RoDTEP shared as per goods' value. This lets small manufacturers focus on production while e-commerce platforms manage international distribution, fulfilment and compliance.

GI Summit Boosts Handloom Heritage

The GI & Beyond 2.0 Summit in New Delhi brought together policymakers, exporters, weavers and GI stakeholders to promote India's GI-tagged handloom and handicraft products. New GI certificates were presented for products including Ladakh Pashmina Textile, Jharkhand Tussar Silk Saree, Munda Jewellery and Bareilly Terracotta. A key launch was the Digital Handloom Atlas, a platform connecting artisans and GI-tagged products with domestic and global markets. The Summit displayed over 100 GI-registered products and included sessions on GI registration, market promotion, and using AI to strengthen the GI ecosystem, alongside the Handloom Export Promotion Council's 60th anniversary celebrations.



IP Agent Exams Announced for 2027

The Office of the Controller General of Patents, Designs and Trade Marks has announced tentative dates for the Trade Marks Agent Examination and Patent Agent Examination 2027, to be held on a weekend across 15 centres nationwide, including Delhi, Mumbai, Bengaluru, Chennai and Kolkata. Both exams have three stages: an objective paper, a descriptive paper and a viva voce, and candidates need 60% overall to qualify. Qualified agents help inventors and businesses file patents, register trademarks, conduct clearance searches and protect brand identities, playing a key role as India's innovation and IP ecosystem continues to grow.

GeM Completes a Decade of Procurement

GeM has completed a decade of operations, facilitating a cumulative Gross Merchandise Value of over Rs. 20 lakh crore through more than 3.78 crore orders. Registered MSEs on the platform have grown from 2,424 to 12.25 lakh, fulfilling orders worth over Rs. 9.07 lakh crore - nearly 46% of total GMV. Over 2.24 lakh women-led MSEs have secured orders worth more than Rs. 99,147 crore. GeM has also cut transaction charges, exempting orders up to Rs. 10 lakh from fees, so 97% of orders now attract none. For MSME owners, GeM offers a low-cost, transparent platform to access large government buyers, with reduced fees and simplified onboarding.

DGFT Extends Trade Platform to Startups

DGFT has expanded its "Source from India" feature on the Trade Connect ePlatform to include DPIIT-recognised startups. Eligible startups can now create digital microsites, identified with a unique Start-up Badge, to help international buyers discover them directly. Notably, startups with an active Import Export Code, even if they haven't yet met standard export performance criteria, can also create profiles, subject to verification. This move gives early-stage and innovation-driven enterprises official government-backed visibility on a global buyer discovery platform, helping them find international buyers and build export relationships without needing prior export track records.

BRICS Trade Meet Backs MSME Credit Access

The 16th BRICS Trade Ministers' Meeting, held over two days in Jaipur under India's Chairship, brought together trade ministers from Brazil, China, Russia, South Africa, UAE and other member countries. A major outcome was the Jaipur Consensus, which proposes studying a BRICS Invoice Discounting Mechanism and adopts new Guiding Principles for Credit Assessment for Export-Oriented MSMEs, judging businesses by cash flow rather than collateral. This responds to a global trade finance gap of about USD 2.5 trillion affecting smaller businesses. For MSME owners eyeing exports, this signals easier future access to trade finance and credit, without needing heavy assets to qualify.

DPIIT Signs Five MoUs to Support Startups

DPIIT has signed five MoUs to strengthen support for DPIIT-recognised startups. Cashfree Payments will provide digital payment infrastructure, KYC and fraud-prevention support; Darwin Dynamics will promote entrepreneurship in Tier II, Tier III and rural regions; Vultr India will offer cloud credits and technical training; Cars24 will support mobility and AI-focused innovation; and the Council for Startup India will help startups access investment, mentorship and global markets. Together, these partnerships aim to give startups, especially women entrepreneurs and first-generation founders, better access to funding, technology, skilling and international expansion opportunities, strengthening India's innovation-led growth journey.

DGFT Eases Export Compliance

DGFT has removed the requirement of submitting physical duty payment challans while applying for Export Obligation Discharge Certificates under the Advance Authorisation and EPCG Schemes. For voluntary duty payments made on or after 1 August 2026, payment details will now be verified digitally through an integration between DGFT and Customs systems, with authenticated records visible to both exporters and regional authorities. This is expected to speed up processing, cut paperwork and reduce follow-ups. For MSME exporters, especially those handling closure formalities in-house, this means less documentation burden, faster authorisation closures and a smoother, more transparent compliance process.

India-Japan Ties Deepen on Semiconductors, AI and Investment

Commerce Minister Piyush Goyal has intensified India-Japan economic engagement, chairing a semiconductor and AI roundtable in Tokyo with around 21 leading Japanese firms including Tokyo Electron, Fujifilm and NEC. He flagged India's semiconductor demand, projected to hit USD 150 billion by 2032, supported by USD 10 billion under Semicon India 1.0 and USD 15 billion more under Semicon India 2.0. In talks with Japan's Trade Minister, Goyal pushed for faster review of the India-Japan Comprehensive Economic Partnership Agreement and progress on Japan's planned JPY 10 trillion investment in India over the next decade, spanning AI, semiconductors, critical minerals and batteries. Separately, at a dinner for a Japanese delegation in New Delhi, Goyal reiterated this investment push, noting bilateral trade of about USD 27.5 billion in FY 2025-26 and over 1,400 Japanese companies - including Toyota, Suzuki and Sony - already operating in India. He also promoted Uttar Pradesh, home to 9 million-plus MSMEs, as a strong investment destination given its industrial clusters, connectivity and skilled workforce.

India-SACU Trade Deal Talks Begin

India and the Southern African Customs Union (SACU) have signed Terms of Reference to begin negotiations for a Preferential Trade Agreement — India's first such move with the African region. The proposed deal will cover eight chapters, including market access, rules of origin, customs procedures and dispute settlement, with strong complementarities identified in pharmaceuticals, engineering goods, automobiles, textiles and agri-processing. Separately, India and Namibia, a SACU member, held their fourth Joint Trade Committee session, where bilateral trade grew to USD 592.94 million in 2025-26, led by a 124% rise in engineering exports. Both sides also explored cooperation in critical minerals, gems, digital payments and MSMEs. For Indian exporters, especially in pharma and engineering, these developments open fresh opportunities across southern African markets.

NABL Launches Mobile Food Lab Accreditation

NABL has launched India's first accreditation scheme for Mobile Food Testing Laboratories, aimed at bringing reliable, quality-assured food testing closer to communities beyond conventional lab settings. Announced at the 'Gunvatta Samanvaya' event, the initiative was accompanied by a Multilateral MoU Exchange among regulatory bodies and commodity boards to reduce duplication in assessments and promote mutual recognition. This is expected to strengthen food safety surveillance, speed up regulatory interventions and improve access to testing facilities, especially for smaller food businesses that may otherwise struggle to reach accredited labs, helping them meet quality standards more easily and efficiently.

DPIIT Partners PhonePe, Shell for Startups

The Department for Promotion of Industry and Internal Trade (DPIIT) has signed MoUs with PhonePe and Shell India to strengthen support for DPIIT-recognised startups. PhonePe will offer transaction credits, access to the Indus AppStore, dedicated onboarding support and masterclasses on fintech, sales and business scaling. Shell India will focus on energy and climate-tech startups, providing mentorship, investor connections and participation in the Shell E4 Smart Energy Track, along with sector reports and case studies. Together, these partnerships aim to give startups better access to digital infrastructure, industry expertise, market linkages and funding opportunities, helping them scale sustainably and contribute to India's innovation-led and clean energy growth.

New Incubators for Rural Women Entrepreneurs

The Ministry of Rural Development's Empowered Committee approved four new business incubator proposals for women-led rural enterprises in Bihar, Jammu & Kashmir, Uttar Pradesh and Gujarat, partnering with IIT Patna, IIM Jammu, IIM Lucknow and IIT Gandhinagar. Together, these will support over 600 high-potential Self-Help Group enterprises through mentoring, financial planning and market access. Building on 14 existing incubator programmes already supporting around 2,100 rural enterprises, the initiative focuses on sectors like food processing, textiles, manufacturing and digital businesses. For small rural women-led ventures, this offers a structured path to grow from small-scale operations into stronger, formal, higher-revenue enterprises with better access to finance.

Traders' Welfare Board Holds 100th Meeting

The National Traders' Welfare Board held its 100th weekly Virtual Conference Interaction Meeting, a platform launched in mid-2024 to engage directly with retail traders across the country. Held every Monday, these sessions have helped share information on government schemes, allowed traders to raise grievances and suggestions, and enabled recurring issues to be flagged to relevant ministries for resolution. The platform has connected small, medium and large traders nationwide on a common forum. For MSME traders, this offers a simple, direct channel to voice concerns, stay updated on policies, and ensure their issues reach the government through an established, ongoing dialogue mechanism.

Parishrama Adalat Recovers ₹8.29 Crore of Delayed Payments for MSEs

The 'Parishrama Adalat' conciliation conclave in Hyderabad resolved 65 delayed-payment cases worth Rs. 8.29 crore for micro and small enterprises. Organised by the Telangana Government with the Ministry of MSME, the event used the Online Dispute Resolution platform along with MSE Facilitation Councils to bring buyers and sellers together. Entrepreneurs shared real outcomes, from Hyderabad Ammonia & Chemicals recovering Rs. 54 lakh to Sree Solutions settling dues after a two-year wait. Over 800 cases have been filed in Telangana through ODR so far, with around 85 resolved. For MSE owners, this shows a practical route to recover stuck payments and protect cash flow without lengthy legal battles.

CTTC Bhubaneswar Trains 8,000+ Engineers

The Central Tool Room & Training Centre (CTTC) Bhubaneswar, under the Ministry of MSME, conducted a four-week Summer Internship Programme, training 8,083 engineering students from 22 states and 26 international students from Sudan and Yemen. Courses spanned 39 domains, including Mechanical, Electronics, AI-ML, IoT and Additive Manufacturing, with the highest interest in AI (1,748 students), PLC Programming and AutoCAD. Students came from IITs, NITs and top engineering colleges nationwide. CTTC Bhubaneswar, known for supporting MSMEs in tool design and manufacturing, has also supplied precision components for ISRO's Chandrayaan-3 and Aditya-L1 missions, reflecting its role in bridging classroom learning with real industrial and technical expertise.

PM-SETU Conclave Boosts ITI Skills

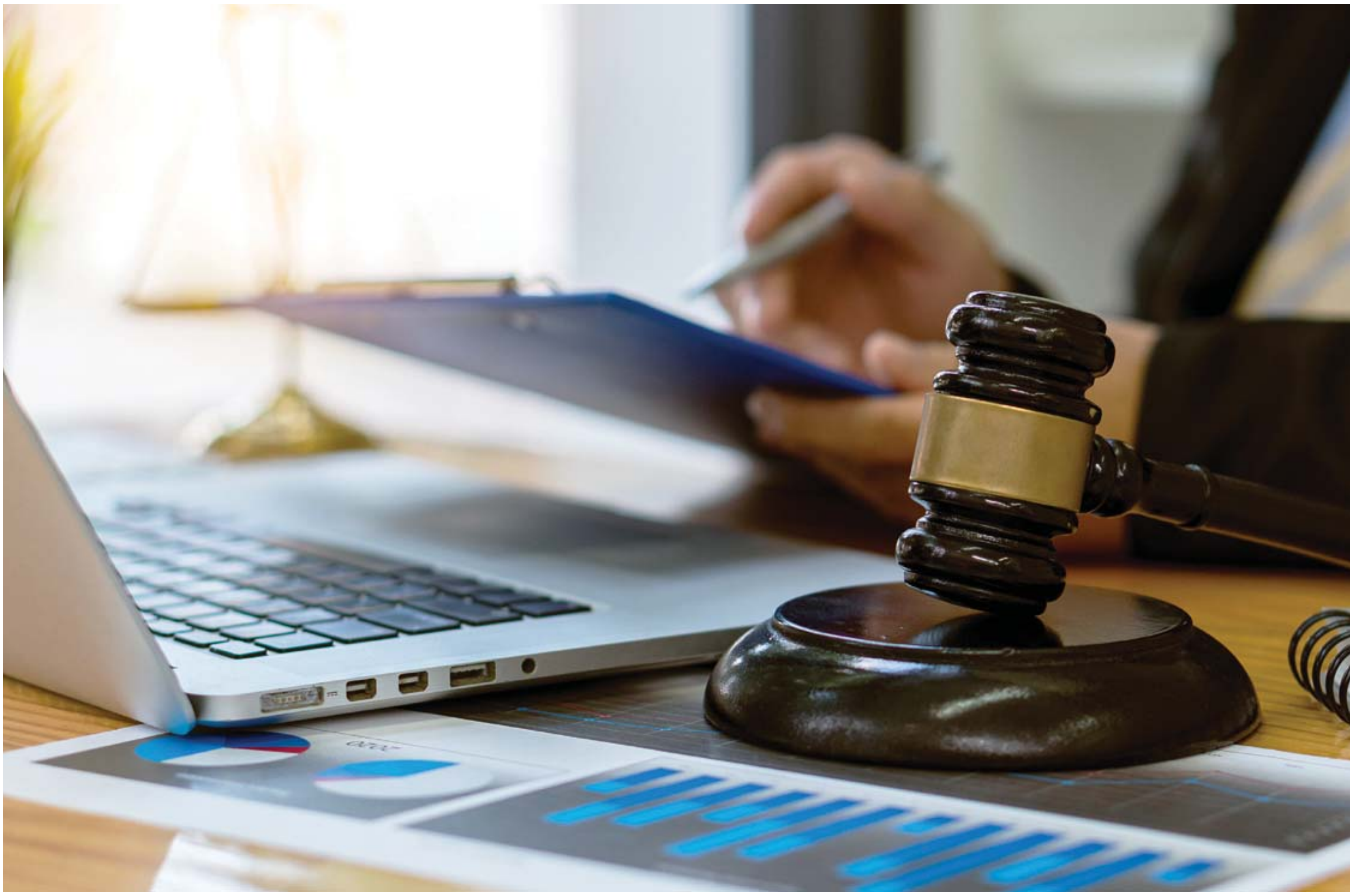
MSDE and the Uttar Pradesh Government organised the PM-SETU Industry Conclave in Lucknow to strengthen industry participation in transforming ITIs into modern skilling centres. Under the scheme, cluster projects with one Hub ITI and four Spoke ITIs can draw investments of up to Rs. 241 crore, funded 50% by the Centre, 33% by states and 17% by industry partners, with Anchor Industry Partners holding 51% ownership. Approved proposals already represent over Rs. 1,500 crore in industry investment across seven clusters in five states. Focus areas include aerospace, electronics, precision engineering and drone technologies, aiming to align vocational training directly with real industry and employment needs.

MSDE holds India-Japan meeting to boost skill training and job opportunities between the two countries

The Ministry of Skill Development and Entrepreneurship (MSDE) held a meeting in New Delhi with Indian and Japanese officials, companies and training agencies to boost skill training and job opportunities between India and Japan. Participants included representatives from Indian ministries, State governments, Japanese government bodies, and firms like Toyota Kirloskar, Zenken and Sompo Care. The talks focused on putting into action the India-Japan Human Resource Exchange Plan by giving youth job-ready skills, Japanese language training, cultural orientation, recognised skill tests and better links with employers. A major decision was to prepare a clear roadmap that explains the new Employment for Skill Development Programme (ESDP) and how it will work with existing programmes like TITP and SSW. This roadmap will lay out short-, medium- and long-term steps, assign responsibilities to Ministries, States, training centres and industry, and track progress with clear targets. Though not aimed directly at MSMEs, the move can help small businesses by creating a larger pool of skilled workers and opening more chances for Indian companies to join supply chains with Japanese firms.

NSIC to Triple Raw Material Aid

The Ministry of MSME plans to triple raw material assistance through the National Small Industries Corporation (NSIC), aiming to reach 9 lakh tonnes annually by FY30, up from the current 3 lakh tonnes. NSIC aggregates demand for various raw materials to secure lower prices, cutting commodity costs by 3-5% and easing supply-chain pressures. In FY26, NSIC distributed 3,64,374 tonnes of raw material worth Rs. 3,089 crore and provided credit worth Rs. 7,841 crore to 2,440 businesses. A survey by the India SME Forum found 55% of MSMEs faced price volatility or a lack of transparency in procurement, while 68.7% wanted digital raw material procurement options going forward.



From Delay to Recovery: The New MSME Rulebook

How the MSMED (Amendment) Bill 2026 reshapes payment protection, TReDS, dispute resolution and recovery

The MSME law has changed. Now comes the real test: will the new rules turn delayed payments into faster payments? The article looks at how the 2026 amendment could reshape the journey from invoice to payment through TReDS, faster dispute resolution and stronger recovery mechanisms.

The law has passed. The real test starts now.

On 3 August 2026, the Rajya Sabha passed the Micro, Small, and Medium Enterprises Development (Amendment) Bill, 2026. The Lok Sabha followed on 7 August. Presidential assent and Gazette publication came in August, completing the legislative journey of the most consequential targeted update to India's MSME law since the 2006 Act.

The amendment is built around a simple economic problem: a small enterprise can be profitable on paper and still fail because its customer pays too late. Its answer is not one new subsidy. It is a connected system linking registration, public procurement, invoice finance, online dispute resolution, recovery, and enforcement.

But the amendment has an important legal qualification. Section 1(2) provides that its provisions will come into force on the date or dates appointed by the Central Government in the Official Gazette, and different provisions may commence on different dates. Therefore, as of 2 September 2026, the accurate position is that the amendment has been enacted and published, while its practical operation depends on commencement notifications, rules and institutional implementation. Businesses must verify those instruments before treating every new deadline or platform obligation as live.

MSME classification ceilings expanded before the 2026 amendment

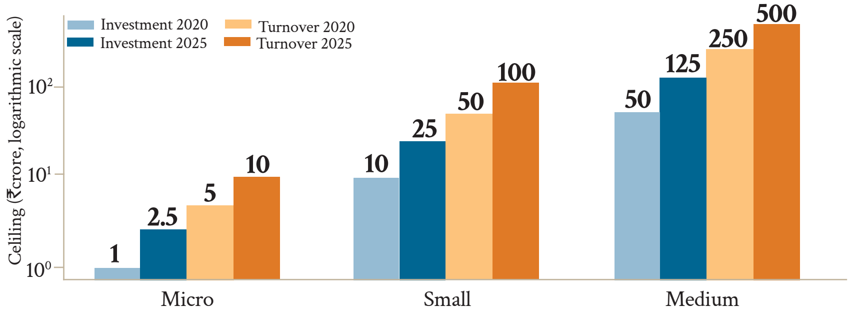


Figure 1. The 2025 classification expansion preceded the 2026 statutory amendment. Source: S.O. 2119(E), 26 June 2020 and S.O. 1364(E), 21 March 2025.

The distinction between enactment and commencement is the opening fact of this story. It is also a preview of the amendment's larger challenge: Parliament has supplied a modern legal skeleton, but Central and State Governments, MSEFCs, CPSEs, TReDS operators, financiers, and courts must now give it operational muscle.

The most important point is what the Act does not do. It does not itself write a new set of rupee thresholds. Unless a later notification supersedes it, the last verified classification notification remains S.O. 1364(E), effective from 1 April 2025: micro at ₹2.5 crore investment and ₹10 crore turnover; small at ₹25 crore and ₹100 crore; medium at ₹125 crore and ₹500 crore.

The August decision in one frame

What the amendment does	Why it matters	What still depends on implementation
Keeps investment and turnover as the classification basis and leaves limits to notification	Allows the MSME envelope to change without another primary Act	A later notification is needed for any new numerical limits.
Makes digital registration free and voluntary	Lowers the formal-entry burden and removes the former category-specific filing compulsion	Registration forms, state platforms, and benefit-linkage rules
Requires CPSEs to route covered MSME procurement invoices through RBI-authorized TReDS	Turns TReDS from an optional finance channel into public-procurement payment infrastructure	Prescribed form, manner, data exchange, and compliance monitoring
Creates 90-day mediation, 30-day arbitration-referral, and 90-day award clocks	Replaces one broad speed promise with stage-specific deadlines	Council capacity, notice service, mediators, digital systems, and rules
Adds land-revenue recovery and IBC-recognisable debt language	Makes an award or settlement more useful after it is obtained	State notifications, asset-location coordination, and recovery practice
Retains the 75% pre-deposit and adds release of at least 50% after six months' pendency	Protects supplier liquidity during a prolonged court challenge	Judicial practice on security, adjustment, and restitution
Adds disclosure and graded penalties	Makes public-buyer compliance more visible and repeat breaches more expensive	Adjudication procedure, forms, appeals, and enforcement consistency

Why the amendment came at the right time

The timing is not accidental. The MSME framework had become a collection of partially connected reforms. The 2006 Act supplied the core payment rights. Udyog Aadhaar simplified identity. Udyam connected identity to tax and GST data. TReDS created an invoice-finance market. Section 43B(h) made delayed payment a buyer-side tax issue. The Mediation Act, 2023 modernized section 18. The ODR portal added a digital front end. The 2026 amendment brings these strands closer together.The economic pressure is straightforward. MSMEs sell to large private buyers, public enterprises and government-linked institutions, but their bargaining power is limited. A buyer may have access to bank credit, while the supplier finances the buyer through unpaid invoices. For the micro and small supplier, every additional month of receivable ageing raises the chance of wage stress, inventory disruption and expensive informal borrowing.

The legal system already recognised the problem. Section 15 of the 2006 Act set a maximum 45-day period where a written agreement existed, tied to acceptance or deemed acceptance. Section 16 imposed compound interest at three times the RBI bank rate. Section 18 created the MSE Facilitation Council route. Section 19 required a non-supplier challenging a council award to deposit 75% of the amount. Sections 22 and 23 made unpaid dues visible in audited accounts and denied tax deduction for statutory interest.

The problem was not the absence of rights. It was the distance between invoice, proof, forum, award, and cash. A supplier could win the legal argument and still wait through council pendency, arbitration, court challenges, and recovery. The 2026 amendment is aimed at reducing that distance.

Three developments made reform especially timely.

First, the definition of MSME had expanded sharply. The 2020 composite test removed the manufacturing-services divide and added turnover to investment. The 2025 notification doubled turnover ceilings and multiplied investment ceilings by 2.5. More growing firms could remain inside the MSME category, but more firms also needed a system capable of handling their larger invoices and more complex buyer relationships.

India's MSMEs are at the heart of our journey towards a Viksit Bharat, driving employment, innovation, entrepreneurship, and inclusive growth. The MSME Development (Amendment) Bill, 2026, marks an important step in making the MSME ecosystem more responsive, competitive, and future-ready. Gujarat has always placed ease of doing business at the centre of its development strategy. Our vision is clear; Enable every MSME to grow from an enterprise into an engine of opportunity, innovation, and global competitiveness.

- Shri Harsh Sanghavi,
Deputy Chief Minister,
Government of Gujarat

India has spent two decades building the pieces. The new law is the attempt to make them operate as one system.

Second, tax policy had joined the payment debate. Section 43B(h), inserted by the Finance Act, 2023, and applicable from 1 April 2024, generally delays deduction for sums payable to micro and small enterprises beyond the MSMED section 15 timeline until actual payment. A delayed invoice is now simultaneously a supplier-liquidity problem, a buyer-compliance problem, and a tax-closing problem.

Third, the payment and dispute infrastructure had become digital enough for Parliament to act on it. RBI's 2023 TReDS circular widened participation to insurers and more eligible financiers, permitted a possible secondary market, and allowed NACH settlement for all Factoring Units. The ministry announced an end-to-end ODR portal for delayed-payment grievances in June 2025. The 2026 amendment is therefore not introducing digitalisation into an analogue law; it is trying to make an existing digital transition legally coherent.

What the 2026 amendment changes

1. **Classification becomes more adaptable, not automatically more generous**

   The amended section 7 retains the two-part basis of investment in plant and machinery or equipment and turnover. The Central Government may prescribe the limits by notification. The treatment of pollution control, research and development, and industrial safety costs remains relevant, as does section 29B of the Industries (Development and Regulation) Act, 1951.

This matters because classification policy has become a moving economic instrument. A threshold that is appropriate for a start-up economy may be too low for a technology-intensive or export-oriented enterprise a few years later. Delegated limits can respond faster than a new act.

The trade-off is accountability and predictability. An entrepreneur planning an investment needs to know whether crossing a threshold will remove access to credit guarantees, procurement benefits, or payment remedies. The 2026 Act improves flexibility, but it also increases the importance of timely, transparent, and consultative notifications. The law's framework is new; the 2025 rupee limits are not automatically replaced.

2. **Registration becomes legally voluntary but economically central**

The substituted section 8 provides for a national digital platform for free and voluntary filing of the MSME registration memorandum. States may notify their own digital platforms, and state benefits may be extended to an enterprise registered on the national platform.

The immediate gain is reduced legal friction. The former category-specific mandatory filing position for medium manufacturing enterprises disappears. The law moves from "file because the statute commands it" toward "file because recognition unlocks the ecosystem."

The problem was not the absence of rights. It was the distance between invoice, proof, forum, award, and cash.

That is a sensible direction for informal and microenterprises, but it creates a paradox. Voluntary registration may still be practically necessary for public procurement, bank products, government schemes, TReDS access, and proof in a delayed-payment case. The amendment also links section 18 jurisdiction to the supplier's official address "as per the registration made under section 8," while the historical supplier definition links protection to a filed memorandum. The Ministry should clarify whether an otherwise qualifying but unregistered MSE can invoke section 18, whether registration after supply is sufficient, and how assisted informal-enterprise recognition fits the statutory language.

3. **CPSE procurement moves onto TReDS**

New section 15A requires every Central Public Sector Enterprise to

An MSME cannot grow on orders alone; it grows when those orders translate into timely cash flows, working capital and the confidence to invest again. The strengthening of India's MSME payment framework is therefore an important step towards building a more resilient and competitive enterprise economy. For Andhra Pradesh, the priority is to ensure that our entrepreneurs have not only access to markets and finance, but also the institutional support and timely resolution mechanisms they need to sustain and scale their businesses. A predictable payment environment can turn enterprise growth into employment, innovation and wider economic opportunity.

- Dr. N. Yuvraj, IAS
Secretary - Industries & Commerce
Government of Andhra Pradesh

route settlement of invoices arising from procurement of goods or services from MSMEs through an RBI-authorised TReDS platform, in the prescribed form and manner.

This changes the role of TReDS. Previously, it was primarily an optional market for discounting accepted receivables. After the amendment, for covered public buyers, it becomes part of the settlement process itself. The Central Government may extend the requirement to other authorities and entities; State Governments may extend it to State PSEs and other notified bodies.

Why does that matter? Because an invoice on a recognised platform has a status, a timestamp, and a visible journey. The MSME may seek early finance, while the buyer faces a clearer reconciliation and disclosure trail. The platform can reduce the information gap between a supplier waiting for money and a buyer claiming that an invoice is somewhere in an internal approval chain.

The benefit is not automatic. A TReDS record cannot finance an invoice that the buyer does not accept, and it cannot resolve a genuine quality dispute. The rules must specify how supplier status is identified, how disputes are flagged, how non-financed factoring units are settled, how platforms exchange data, and what happens when a CPSE fails to route an invoice.

The amendment sets three procedural deadlines:		
Stage	**Deadline**	**Starting point**
Mediation	90 days	Date fixed for first appearance
Referral to arbitration after failed mediation	30 days	Date mediation terminates
Arbitral award	90 days	Completion of pleadings

Figure 1. The 2025 classification expansion preceded the 2026 statutory amendment. Source: S.O. 2119(E), 26 June 2020 and S.O. 1364(E), 21 March 2025.

The section covers procurement from micro, small, and medium enterprises. That is a significant distinction. A medium enterprise may be within the TReDS public-procurement rail even though the statutory delayed-payment remedy under sections 15–23 remains principally an MSE protection.

4. Section 18 gets three clocks instead of one broad promise

The Central Government may establish online mediation and arbitration through audio-video and other electronic means. The explanation includes video conferencing, electronic filing, communications, and recording of evidence.

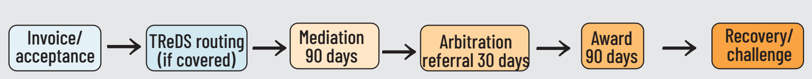
This is a better design than simply saying that a reference should be decided within 90 days from filing. It recognises that mediation, arbitration referral, and award are distinct procedural events. For a supplier, the benefit is a more legible path and fewer opportunities for a file to disappear between stages. The risk is that the clock may measure only the middle of the process. If the first appearance is not promptly set, the 90-day mediation period has not meaningfully begun. If the notice is defective, the matter may be returned to the beginning. If councils lack mediators, law members, registry staff, or digital case managers, a statutory deadline may become an aspiration rather than a service standard.

The 2026 amendment is aimed at reducing that distance.

Capacity is the decisive issue. States will need additional councils, trained mediators, e-filing systems, document protocols, language access, video-hearing facilities, and reliable notice service. They should publish the time from filing to first appearance, not merely the time from first appearance to mediation closure. A credible ODR system must measure the entire journey.

5. Recovery moves closer to the administrative state

New section 18A allows a mediated settlement agreement or arbitral award made by the council, a mediation service provider, or an ADR institution to be recovered as an arrear of land revenue through the District Collector, Deputy Commissioner, or another notified state authority where the buyer's assets are located. It also treats the amount as a valid and legally enforceable debt capable of recognition under the Insolvency and Bankruptcy Code, 2016.

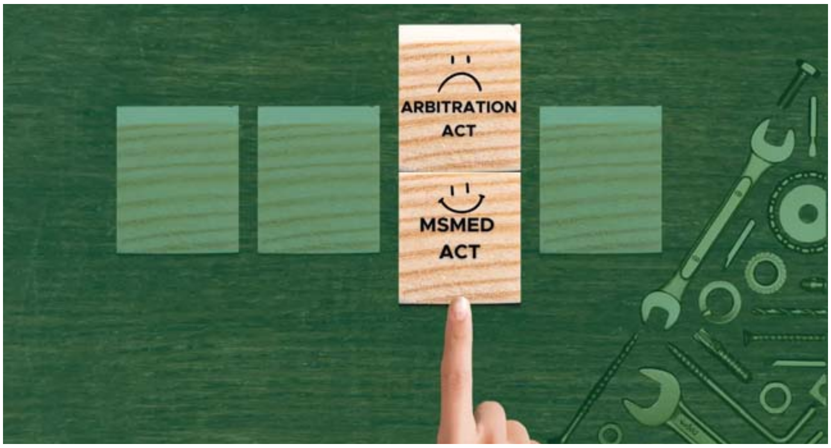


The 2026 amendment creates a clocked workflow, commencement notifications, rules and institutional capacity determine when each step is usable

This addresses the gap between winning and collecting. A small supplier should not have to begin an entirely new commercial recovery campaign after obtaining a settlement or award. The IBC language also makes the debt more visible if the buyer enters insolvency proceedings.

The provision will work only if state authorities receive clear notifications, standardised award records, and a method to coordinate where the buyer's assets are spread across states. Recovery is not solved by changing the label on the award. It requires officers who can act, asset information they can trust, and a process that does not send the supplier back into another administrative maze.

6. **Section 19 protects cash during a court challenge**
The 75% pre-deposit rule remains and is extended to challenges against mediated settlement agreements. A non-supplier applicant must deposit 75% before



the court entertains the challenge. The deposit is not, however, an automatic final payment to the supplier. The amended section 19 creates a staged release mechanism:

For example, on a ₹1 crore award, the buyer must deposit ₹75 lakh. If the challenge remains pending beyond six months, at least ₹50 lakh must be paid to the supplier. The balance, normally up to ₹25 lakh if only the statutory minimum has been released, remains under the court's control until the challenge is decided. If the award is upheld, the unpaid balance is released or adjusted in the supplier's favour; if the award is reduced or set aside, the court may order the appropriate refund or restitution.

The policy judgment is clear: a challenge should not become a device for freezing the supplier's cash indefinitely. The judicial challenge is equally clear: courts must manage restitution and adjustment if an award is later reduced or set aside. The rules and case law will need to address security, interest, and recovery of amounts released before finality.

Stage	Treatment of the amount	Practical meaning
Filing the challenge	The buyer or other non-supplier applicant deposits 75% of the award or mediated settlement amount with the court.	The deposit is a condition for the court to entertain the challenge.
During the challenge	The court may order payment of such a percentage of the deposit as it considers reasonable to the supplier.	The supplier may receive money before final disposal, but the amount is controlled by the court.
After six months' pendency	The court must order payment of at least 50% of the award amount to the supplier from the deposited sum.	The six-month rule guarantees a minimum release of half the award; it does not automatically release the entire 75% deposit.
Final disposal of the challenge	The court determines the treatment of the balance, including any adjustment, further payment, refund, or restitution.	The remaining deposit is not automatically recoverable on the sixth month; it is governed by the final court order.

7. **MSEFCs are expected to become larger, faster, and more professionally composed**
The amended section 20 directs each state to establish an adequate number of MSEFCs in addition to existing councils. Section 21 retains a three-to-five-member range and specifies a core composition: a chairperson who is an officer not below Joint Director rank, one or more representatives of micro or small industry associations, and at least one member from law. The original framework allowed representatives of the Director of Industries, industry associations, banks and financial institutions, and persons with special knowledge of industry, finance, law, trade, or commerce. The new composition is administratively cleaner, but it

does not make a bank or finance representative mandatory. That may simplify appointments while removing a useful credit-side perspective from disputes whose central issue is working capital.

The difference between a council that exists and a council that works will be visible in pendency, not in government notifications. States need case-management staff, registries, hearing calendars, mediation panels, law members, and recovery links. The 2026 timelines will expose capacity gaps quickly.

8. Disclosure and penalties create a buyer-side compliance layer

New section 22A requires CPSEs and other centrally notified entities to disclose details of MSME invoices routed and settled through TReDS. State PSEs and state-notified entities face corresponding requirements.

Disclosure is important because routing without measurement can become a procedural ritual. The eventual rules should require more than invoice counts. They should show aging, rejected invoices, disputes, settlement dates, discounted and non-discounted invoices, and outstanding amounts. This would let boards, auditors, ministries, and suppliers see whether the platform is actually reducing delay.

The penalty system moves toward graded civil enforcement. Wilful false information in registration or failure to comply with an information request attracts a first-instance warning, followed by a penalty of ₹1,000 to ₹50,000 for a second or subsequent instance. Buyer failure under section 22 attracts a first-instance warning, a second-contravention penalty of ₹10,000 to ₹50,000, and a third or later fine of ₹50,000 to ₹1 lakh.

Minimum penalties rise by 10% of the minimum amount after every three years from commencement, as notified by the Central Government.

The design is sensible: a first mistake is not treated like deliberate repetition, but repeated non-compliance cannot remain costless.

The Development Commissioner, the Additional Secretary, and the administrative head of the Office of the Development Commissioner (MSME) under the Ministry of Micro, Small & Medium Enterprises become the adjudicating officers for penalties under section 27. The affected person must receive an opportunity of hearing, and an appeal may be filed before the secretary administratively controlling MSME matters, generally within 30 days. The appeal is to be disposed of within 60 days, and unpaid penalties can be recovered as arrears of land revenue.

It repealed the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993, while preserving earlier actions.

The Act replaced the older "small-scale industry" vocabulary with a statutory micro/small/medium structure. Its original section 7 used investment as the classification basis and separated manufacturing from services.

The key legal innovation was Chapter V. Section 15 capped agreed payment time at 45 days and used a 15-day objection framework for acceptance. Section 16 imposed compound interest at three times the RBI bank rate. Section 18 created the MSE Facilitation Council route; section 19 required a 75% pre-deposit from a non-supplier challenging a council award; sections 22 and 23 dealt with disclosure and tax treatment; and section 24 gave the payment provisions an overriding effect.

__Why it mattered:__ The 2006 Act recognised that delayed payment was not merely a contractual disagreement. It was a financing problem capable of destroying a small enterprise. The statute therefore made delay expensive, visible and subject to a specialised dispute route.

Category	Manufacturing: plant and machinery	Services: equipment
Micro	Up to ₹25 lakh	Up to ₹10 lakh
Small	Above ₹25 lakh to ₹5 crore	Above ₹10 lakh to ₹2 crore
Medium	Above ₹5 crore to ₹10 crore	Above ₹2 crore to ₹5 crore

How the law reached this point—complete instrument chronology, 2006–2026

The 2026 amendment is best understood not as a sudden rewrite but as the latest layer in a sequence of acts, gazette notifications, procurement orders, RBI directions, tax amendments, and digital reforms. The original Act supplied the legal architecture; later instruments repeatedly adjusted the size of the enterprise, the meaning of registration, the activities covered, the buyer's payment obligations, and the route from invoice to recovery.

2006: the statutory foundation

The Micro, Small, and Medium Enterprises Development Act, 2006, Act No. 27 of 2006, received assent on 16 June 2006 and came into force on 2 October 2006 under the commencement notification.

An invoice on a recognised platform has a status, a timestamp, and a visible journey.

A challenge should not become a device for freezing the supplier's cash indefinitely.

2012: public procurement becomes a market-access instrument.

The Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012, notified as S.O. 581(E) dated 23 March 2012, was issued under the MSMED framework. It became effective from 1 April 2012 and mandatory from 1 April 2015. It set a 20% annual procurement target from MSEs for Central Ministries, Departments, and CPSEs and provided purchase preference and facilitation measures.

Why it mattered: *Delayed-payment protection helps only after a business receives an order. The 2012 Order addressed the other side of the problem, market access, by creating a public-procurement channel for MSEs. It also gave the Central Government a measurable procurement obligation rather than leaving MSE participation to goodwill.*

2013: another delegated classification checkpoint

The Ministry's S.O. 3322(E), dated 1 November 2013, was an intermediate classification notification later expressly superseded by the 2020 Udyam notification. The 2013 instrument is important because it shows that the numerical boundaries were being adjusted through delegated notification rather than repeated amendment of the parent Act. Its exact thresholds should be read from the original Gazette instrument together with its effective date and sector wording; the 2020 supersession notice confirms its legal place in the chain.

Why it mattered: *The delegated-notification method allowed the government to respond more quickly to inflation and changing enterprise economics, but it also created a fragmented legal record in which businesses had to track several successive instruments.*

2014–2015: TReDS and Udyog Aadhaar begin the digital shift.

The RBI's 2014 TReDS framework, identified in the regulatory record as RBI/2014-15/338, created the basic electronic platform model for financing trade receivables. An accepted receivable could be represented as a factoring unit and offered to financiers, allowing an MSME seller to convert part of its receivable into cash before the buyer's due date.

On 18 September 2015, the Ministry notified the Udyog Aadhaar

Memorandum through S.O. 2576(E). The official design was a single-page, online and mobile-friendly filing based on self-certification, without document upload at filing or a fee; the Ministry also stated that more than one Udyog Aadhaar could be filed.

The Ministry simultaneously notified a Framework for Revival and Rehabilitation of MSMEs on 29 May 2015 under section 9. It sought to identify incipient stress before an account became an NPA and gave the entrepreneur a role in a committee involving creditors, state representatives, and experts.

Why it mattered: *These were two sides of the same modernisation. TReDS attacked the receivables problem through finance; Udyog Aadhaar attacked the identity problem through a portable digital record. The revival framework added an early-warning response before financial distress hardened into default.*

2017: UAM is refined, and the activity boundary becomes explicit.

The UAM framework was revised in 2017 through S.O. 85(E) dated 10 January 2017 and S.O. 2052(E) dated 30 June 2017, alongside activity and NIC-code memoranda recorded in the Development Commissioner's archive. The revisions clarified Aadhaar/PAN relationships for proprietorships, partnerships, companies, LLPs, cooperative societies, societies, and trusts and developed online amendment, OTP authentication, verification, and cancellation mechanisms.

The related activity memoranda treated the MSME boundary as an administrative list rather than a timeless economic definition. They addressed exclusions and exceptions involving areas such as forestry and logging, fishing and aquaculture, wholesale and retail trade, household activities, and extraterritorial organisations. Retail and wholesale trade were subsequently admitted for the limited purpose of priority sector lending, not automatically for every MSME scheme or statutory remedy.

A TReDS record cannot finance an invoice that the buyer does not accept, and it cannot resolve a genuine quality dispute.

Why it mattered: *Registration became easier, but the industry list became more consequential. A business could be economically small yet fall outside a particular benefit because the relevant policy used a specific NIC code, purpose limitation, or registration condition.*

2018: procurement target rises, and large buyers are placed on TReDS.

Two 2018 notifications materially changed the buyer side.

S.O. 5621(E), dated 2 November 2018, issued under section 9, required all companies registered under the Companies Act, 2013, with turnover above ₹500 crore and all CPSEs to onboard onto TReDS. The Registrar of Companies was made responsible for monitoring covered companies in each state, while the Department of Public Enterprises monitored CPSEs.

S.O. 5670(E), dated 9 November 2018, amended the 2012 Public Procurement Policy. The amended policy raised the annual Central procurement target from MSEs to 25%, including a 4% sub-target for SC/ST-owned MSEs and a 3% sub-target for women-owned MSEs. It also included tender-fee and earnest-money exemptions, the L1+15% purchase-preference mechanism, and exclusive procurement of 358 items from MSEs, as described in the ministry's official review.

Why it mattered: *S.O. 5621(E) treated TReDS as a large-buyer obligation, not merely an MSME financing option. S.O. 5670(E) combined demand creation with inclusion targets. Together, the orders recognised that MSMEs need both a fair chance to win orders and a credible route to get paid.*

2020: Udyam replaces UAM, and classification becomes composite.

The Ministry first issued S.O. 1702(E) dated 1 June 2020, setting the new investment-plus-turnover criteria effective from 1 July 2020. On 26 June 2020, it issued the more comprehensive S.O. 2119(E), which superseded the earlier 2006, 2013, and 2017 classification notifications and specified both classification and Udyam filing procedures.

The manufacturing-services divide disappeared. An enterprise moved upward if it crossed the ceiling in either investment or turnover; moving downward generally required falling below both. Units associated with the same PAN were aggregated. Investment was connected to ITR data, turnover to income tax and GST data, export turnover was excluded, and one Udyam registration could contain multiple activities.

Udyam made registration free, online, and self-certified. Aadhaar, PAN, and GSTIN requirements varied by entity. Existing EM-II and UAM enterprises were required to migrate. DICs and Champions Control Rooms were designated as facilitation and grievance windows.

Why it mattered: *The enterprise stopped being only a certificate or local file. Udyam created a data-linked identity that could support classification, schemes, lending, and procurement. It also made data mismatches a new source of friction.*

2021: procurement compliance is simplified, and trade is admitted for PSL.

The Ministry's S.O. 3237(E), dated 11 August 2021, reduced the compliance burden in relation to the Public Procurement Policy for MSEs Order, 2012, as recorded in the Ministry's official year-end review. Separately, RBI Notification RBI/2021-2022/67, FIDD.MSME & NFS.BC.No.13/06.02.31/2021-22, dated 7 July 2021, recorded the Ministry's Office Memorandum No. 5/2(2)/2021-E/P&G/Policy dated 2 July 2021. It brought retail and wholesale trade into the MSME category for the limited purpose of Priority Sector Lending and allowed Udyam registration under NIC divisions 45, 46, and 47; existing UAM holders in those codes could migrate or file afresh.

Why it mattered: *The 2021 measures illustrate a recurring feature of MSME policy: inclusion is often purpose-specific. Admission to a lending category does not automatically confer every procurement, tax, or delayed-payment benefit.*

2022: registration validity and upward graduation are both managed.

Two 2022 measures mattered. S.O. 278(E), dated 19 January 2022, extended the validity of Udyog Aadhaar Memoranda up to 31 March 2022, helping bridge the migration period between UAM and Udyam. Later, S.O. 4926(E), dated 18 October 2022, provided transition protection where an enterprise moved upward because investment, turnover, or both exceeded its category ceiling. It allowed retention of non-tax benefits available to the earlier category for three years from the date of upward reclassification.

Why it mattered: *Without a transition period, a growing enterprise could lose benefits immediately after crossing a limit, creating a "glass ceiling" against scale. S.O. 4926(E) softened that cliff and recognised that growth should not trigger an overnight loss of support.*

2023–2024: tax, mediation, and receivables infrastructure converge.

The Finance Act, 2023, Act No. 8 of 2023, inserted section 43B(h) into the Income-tax Act. For sums payable to micro or small enterprises beyond the MSMED section 15 time limit, deduction is generally deferred until actual payment, subject to the statutory conditions. The provision applies from 1 April 2024, covering Assessment Year 2024–25 onwards.

The Mediation Act, 2023, Act No. 32 of 2023, amended section 18 through its Seventh Schedule. The statutory language moved from conciliation to mediation, permitted the council to conduct mediation or refer it to a mediation service provider, and preserved the move to arbitration when mediation failed.

The RBI's 2023 TReDS circular expanded participation to insurers and a wider group of financiers, permitted a possible secondary market for Factoring Units, enabled NACH settlement of all Factoring Units, and allowed anonymous display of bids. RBI reported that, on average, 17% of Factoring Units uploaded on TReDS were not discounted or financed.

Why it mattered: *The payment problem moved into the buyer's tax close, the dispute system moved toward modern mediation, and the financing system became more capable of handling receivables that were uploaded but not necessarily discounted. The reforms began to connect accounting, law, and liquidity.*

2025: classification expands, and ODR gets a formal launch.

S.O. 1364(E), dated 21 March 2025 and effective from 1 April 2025, amended the 2020 classification notification.

The investment ceilings rose 2.5 times and turnover ceilings doubled. The aim was to allow enterprises to invest, modernise and scale without losing MSME status too early.

Category	Investment limit from 2025	Turnover limit from 2025
Micro	₹2.5 crore	₹10 crore
Small	₹25 crore	₹100 crore
Medium	₹125 crore	₹500 crore

The 2026 Act is the first stage in which the registration record, the public invoice, the financing platform, the dispute clock, and the recovery authority are designed to interact.

In June 2025, the Ministry announced an end-to-end Online Dispute Resolution portal for delayed-payment grievances of MSE sellers. The portal added a digital front end; it did not, by itself, eliminate the need for lawful notice, evidence, mediation, arbitration or enforcement.

Why it mattered: *The 2025 reforms widened the enterprise envelope just before Parliament strengthened the machinery around it. More firms could remain MSMEs, but a larger and more complex population needed better payment data, financing rails and dispute capacity.*

2026: the statutory system is connected.

The Micro, Small and Medium Enterprises Development (Amendment) Act, 2026, Act No. 16 of 2026, passed the Rajya Sabha on 3 August and the Lok Sabha on 7 August, received assent in August, and was published in the Gazette. Its commencement clause requires Central Government notification and permits different dates for different provisions.

The amendment inserts or revises the following principal mechanisms:

Provision	2026 instrument-level change	Practical purpose
Section 7	Investment and turnover remain the core criteria; limits stay notification-driven.	Keeps classification adaptable without rewriting the Act each time
Section 8	Free and voluntary national digital registration; state platforms permitted	Reduces entry friction while preserving a formal identity gateway
Section 15A	CPSEs must route covered MSME invoice settlement through RBI-authorised TReDS	Makes public-buyer payment traceable and potentially financeable
Section 18	90-day mediation, 30-day arbitration referral, and 90-day award clocks; online ADR may be established	Converts a broad speed promise into a staged workflow
Section 18A	Settlement/award recovery as arrears of land revenue; debt recognised for IBC purposes	Shortens the distance between award and collection
Section 19	75% deposit retained; release to supplier, including at least 50% after six months' pendency	Prevents litigation from freezing supplier liquidity
Sections 20–21	More MSEFCs and a defined core composition	Addresses institutional capacity and legal expertise
Section 22A	CPSE and notified-entity disclosure of TReDS-routed and settled invoices	Makes public-buyer compliance auditable
Section 27 and related provisions	Warnings, graded civil penalties, adjudication, and appeal; minimum penalties escalate by 10% every three years as notified.	Decriminalises first mistakes while increasing the cost of repetition

Why it mattered: *The 2026 Act is the first stage in which the registration record, the public invoice, the financing platform, the dispute clock, and the recovery authority are designed to interact. Its success will depend on whether the delegated rules make those systems interoperable and whether states build enough capacity to operate them.*

The sequence is therefore clear. 2006 created the right; 2012 created public demand; 2015 and 2020 digitised identity and receivables; 2018 put large buyers onto the rails; 2022 softened graduation; 2023–25 connected tax, mediation, and finance; and 2026 attempts to turn the pieces into a payment system.

What the change means across the enterprise spectrum

The amendment is most useful when its effects are read through the cash cycle rather than through separate stakeholder labels.

A **micro enterprise** gains a cheaper doorway into formal recognition. A free and voluntary digital system can help an informal business obtain a record that banks, public buyers, and schemes can understand. But the smallest firm is also the most vulnerable to digital exclusion, mismatched Aadhaar/PAN/GST data, and the cost of documenting acceptance. Assisted registration, local facilitation, and multilingual access will determine whether "voluntary" becomes genuinely accessible rather than merely formally available.

A **small enterprise** receives the strongest combined benefit. It can remain inside the enlarged 2025 classification envelope, use TReDS where procurement is covered, invoke the MSEFC route, benefit from the 75% deposit shield, and seek earlier release during a prolonged court challenge. Section 43B(h) also gives it leverage with buyers, because delay can affect the buyer's tax deduction. Its practical discipline must be equally strong: purchase order, delivery proof, acceptance date, written objection, Udyam record, GST/ITR data, and TReDS status should form one evidence file.

A **medium enterprise** benefits from scale recognition and from the Section 15A TReDS language for covered public procurement. It should not assume, however, that being an MSME automatically makes it an MSE for every delayed-payment right. The amendment makes the distinction more visible: classification, TReDS access, and section 18 protection are related but not identical concepts.

An **exporter** benefits from the exclusion of export turnover from classification turnover and from larger investment and turnover ceilings.

The difference between a council that exists and a council that works will be visible in pendency, not in government notifications.

That gives an expanding exporter more room before graduation. It does not turn TReDS into an international receivables remedy. Foreign-buyer risk still requires export credit, insurance, factoring, and contractual enforcement.

For a **CPSE and its finance function**, the amendment changes internal behaviour. Supplier-status verification, purchase-order coding, acceptance-date capture, dispute logging, TReDS routing, payment approval, section 43B(h) tax review, and section 22A disclosure must be integrated. A CPSE that treats TReDS as a portal operator's task will likely create reconciliation failures; one that treats it as an accounts-payable control can improve both supplier liquidity and its own audit trail.

For **banks, factors, insurers, and other financiers**, mandatory routing can increase standardised receivables and improve buyer data. It does not remove credit risk. The invoice must be genuine, accepted, and sufficiently free of dilution or dispute. Competition may lower financing costs, but only if TReDS volume becomes financeable rather than merely uploaded volume.

For **states**, the amendment is an administrative test. They must establish adequate councils, digital systems, law-member capacity, mediators, recovery coordination, and disclosure arrangements. The country may therefore experience one Central Act through very different state-level outcomes. The meaningful indicators will be time to first appearance, mediation completion, arbitration referral, award issuance, pendency beyond six months, recovery time, and money actually released.

Can the 2026 model meet its deadlines?

This is where the article must move beyond statutory description. The answer is yes, **but not by legislation alone.** The 90-day mediation deadline is plausible for a well-managed, low-complexity dispute with prompt notice and complete documents. It is much harder for a dispute involving multiple purchase orders, quality objections, cross-state parties, language barriers, or a buyer that does not participate. The law needs a strong triage system: straightforward admitted-liability cases should move quickly, while complex disputes should be identified early rather than allowed to consume the same administrative lane.

The 30-day arbitration-referral period is more controllable because it is triggered by termination of mediation. But it requires the council or ADR institution to maintain a disciplined case register. The 90-day award target after pleadings is also measurable only if pleadings close clearly and adjournments are controlled.

The most important reform may therefore be invisible in the Act: **case management**. Councils need a digital docket, standard notices, electronic service, document checklists, status codes, automated reminders, trained registrars, and publicly reported aging. They need to record the date of filing, first appearance, mediation start, mediation termination, arbitration referral, pleadings completion, award, and recovery separately.

ODR can help by reducing geography and paper. It cannot solve identity, notice, evidence, or participation. A micro entrepreneur with no lawyer must be able to upload an invoice, understand a buyer's objection, attend a hearing in a local language and receive an enforceable order. If not, the portal will merely digitise exclusion.

Recovery requires similar realism. Land-revenue recovery can be faster than a fresh civil proceeding, but only when the state authority is clearly designated and the buyer's assets are traceable. IBC recognition is useful, but it is not a guarantee of full recovery. In insolvency, the supplier remains subject to the priorities and economics of the Code.

The 2026 amendment is therefore best understood as a service-level law in waiting. Its deadlines can become real if implementation reports the entire chain rather than only the final award count.

The legal and policy questions are still open.

The first is the commencement question. Which provisions commence first? When do the TReDS routing and disclosure duties begin? When can a supplier invoke the new recovery process? When does the penalty escalator start? These questions require Gazette notifications and rules.

The second is the registration question. If filing is voluntary, what happens to a qualifying MSE that has not registered but seeks section 18 protection? How will the official address be established? How will Udyam Assist or other informal-enterprise channels fit the statutory supplier definition?

The third is the data question. How will CPSEs know which vendors are covered? How will a disputed invoice be distinguished from an unpaid accepted invoice? Will TReDS, Udyam, GST, and accounts-payable systems share enough data to prevent false rejections?

The fourth is the capacity question. How many councils will each state establish? How many law members and mediators will be available? Will the Ministry publish pendency and recovery dashboards using common definitions?

The fifth is the fairness question. How will courts handle payment released after six months if an award is later changed? What security will be required? How will a buyer recover an amount already paid to a supplier that has used it to meet wages, taxes, and working-capital needs?

These are not arguments against the amendment. They are the conditions for making it work.

The verdict: from a delayed-payment law to a payment system

The 2006 Act established the principle that a smaller supplier should not be forced to finance a larger buyer indefinitely. The reforms that followed made the principle more usable. Udyog Aadhaar simplified identity. Udyam built a tax-linked digital record. TReDS created a receivables-finance market. Section 43B(h) added buyer-side tax pressure. Mediation and ODR supplied a modern dispute pathway.

> **The answer is yes, but not by legislation alone.**

The 2026 amendment brings those pieces into a more deliberate system. It keeps the 45-day ceiling, three-times-bank-rate interest, and 75% pre-deposit. It adds public-sector TReDS routing, online ADR authority, three procedural clocks, land-revenue recovery, IBC debt recognition, more councils, TReDS disclosure, and graded penalties.

Its likely benefits are clear. Micro enterprises get a less intimidating formal doorway. Small enterprises get a stronger liquidity and recovery architecture. Medium enterprises get a broader scale and public-procurement finance channel, though not automatically the same MSE delayed-payment protection. CPSEs receive a structured payment rail and a new compliance burden. Financiers receive the possibility of better receivables data. States become responsible for the institutional quality of the result.

The amendment does not solve delayed payments merely because it has been passed. It succeeds only if the invoice can move through a visible chain: registration, acceptance, routing, finance, mediation, arbitration, award, and recovery. That is why its arrival is timely. India has spent two decades building the pieces. The new law is the attempt to make them operate as one system.

The final measure will not be the number of registrations, portals, or councils. It will be the number of days between a small enterprise delivering its goods and the money finally reaching its bank account. bwise

An Exclusive Interview with

Shri Bharat Khera, IAS

Secretary to Government of India,
Ministry of Micro, Small and Medium Enterprises

In an exclusive interaction with *Businesswise*, Shri Bharat Khera, Secretary, Ministry of MSME, outlined the government's priorities for taking India's MSME sector towards its next phase of growth. The conversation focused on the shift from formalisation to scale, productivity and global competitiveness, covering key areas such as finance, delayed payments, TReDS, public procurement, technology and market access. Khera also highlighted the emerging role of *AI, green technologies and cluster-based development*, while emphasising greater opportunities for women entrepreneurs, young enterprises and businesses in Tier 2 and Tier 3 cities. At its core, the discussion explored how policy and ecosystem reforms can help Indian MSMEs scale, innovate, access capital and technology, and integrate more deeply with domestic and global value chains.

Amendment Bill Views

Why the Act Needed an Overhaul

Shri Bharat Khera, Secretary, Ministry of SME, said the decision to amend the MSMED Act was driven by the significant changes that had taken place in the economic, technological and business environment since the original legislation was introduced in 2006.

Over the past two decades, the MSME ecosystem has changed considerably, making it necessary to move beyond piecemeal amendments and undertake a more comprehensive review of the legislation. The MSMED Act, 2026, therefore seeks to address several aspects of the framework governing MSMEs, including enterprise classification, registration, delayed payments, dispute resolution and ease of doing business.

Khera said the revised framework provides statutory backing to the classification of enterprises based on the twin criteria of investment and turnover. While this criterion had been introduced earlier through a notification, its inclusion in the legislation gives it a stronger statutory foundation. The limits have also been revised, with turnover thresholds doubled and investment thresholds increased 2.5 times. An enterprise with turnover of up to ₹500 crore and investment of up to ₹125 crore can now fall within the MSME framework, subject to the applicable category thresholds.

The amendment also strengthens the Udyam registration framework. Registration remains free, voluntary and online, providing enterprises with a relatively simple route into the formal MSME ecosystem.

For Khera, these changes are also linked to the broader objective of making it easier for enterprises to operate and grow. The amendment replaces certain criminal offences with graded penalties, reducing the potential compliance burden on businesses and reflecting the government's wider focus on ease of doing business.

Making Timely Payments the Norm

Delayed payments have remained one of the most persistent challenges for India's micro and small enterprises. Khera said the issue has to be viewed primarily through the lens of liquidity. For a small business, a payment delayed by months can affect its ability to purchase raw materials, finance production and take up its next order.

The amended Act seeks to strengthen the payment and dispute-resolution architecture, particularly through greater use of the TReDS platform. With TReDS now receiving statutory backing, invoice discounting can help MSMEs unlock payments that might otherwise remain stuck for extended periods.

The Act also provides a more time-bound framework for mediation and arbitration. Khera said there was a need to ensure that MSME sellers do not have to wait for years to resolve payment disputes. The framework further strengthens the enforcement of arbitral awards. Where an award remains pending in appeal for more than six months, a mechanism has been provided for 50% of the amount to be released through the courts. There is also provision for recovery of arbitral award amounts as arrears of land revenue.

Cash-flow-based lending would perhaps make it much simpler and easier for them to access credit.

Khera believes these measures can unlock a significant amount of capital that is currently tied up in delayed payments. For micro and small enterprises in particular, improving the predictability of cash flows could have a direct impact on their ability to sustain operations and grow.

From Formalisation to Scale

While the amended Act provides a stronger legal framework, Khera said the government's larger priority for the coming years would be to help India's MSMEs move from formalisation to scale.

The Ministry's focus over the past few years has been on bringing enterprises into the formal ecosystem. This has resulted in a substantial expansion in registrations, with nearly 9.2 crore enterprises now registered on the Udyam portal, compared with around 1.65 crore four to five years ago.

The next challenge is to ensure that formalisation translates into growth. Khera said he would like to see a significant number of enterprises graduate from micro to small and from small to medium by 2030. For him, the number of enterprises on a database is only one part of the story. The larger measure of success will be whether these businesses become more productive, improve their quality, increase their exports and become cost-competitive enough to participate in global value chains.

Access to finance, technology and new markets will be central to this transition. Formalisation, he said, creates the foundation by bringing enterprises into the wider economic ecosystem, but the real objective is to help them use that access to build stronger and higher-value businesses.

Bridging the Finance Gap

Among the challenges that continue to weigh on MSMEs, access to finance remains particularly important. Khera said that while the government has taken several steps to improve credit availability and support equity infusion for high-growth enterprises, there is still considerable ground to cover.

Credit outstanding to the MSME sector has risen from around ₹10 lakh crore in 2014 to approximately ₹38 lakh crore today, representing nearly a four-fold increase over 12 years. Yet the sector's credit gap remains significant.

Khera sees cash-flow-based lending as one of the ways to address this challenge. Traditional lending has generally relied on collateral, financial statements and past credit history. This can make it difficult for a viable enterprise to obtain finance when it lacks substantial collateral or an established borrowing record.

The growing availability of digital business information provides an opportunity to change this. Banks can increasingly access GST filings, UPI transactions and e-commerce activity, giving them a broader picture of a business's actual financial flows. Khera believes that greater use of such information and technology-enabled assessment could make lending more responsive to the needs of MSMEs.

Credit guarantees will continue to play a role as well. Khera pointed to the Credit Guarantee Scheme and the decline in NPAs in the MSME segment, which have helped improve banks' confidence in extending credit to smaller enterprises.

From Government Procurement to Global Markets

Government procurement has become an important route for MSMEs to access markets and establish a track record. While the policy target requires 25% of government procurement to come from MSMEs, Khera noted that government entities achieved nearly 49% procurement from the sector during 2025–26.

The focus now, however, is not simply on meeting procurement targets. Timely payments and easier access to procurement opportunities are becoming equally important. The integration of GeM with TReDS allows invoices generated through government procurement to be discounted, helping suppliers improve their liquidity. Timely payments are also being monitored more closely on the platform.

Khera sees public procurement as a starting point for an enterprise rather than its final destination. Government orders can provide an MSME with the opportunity to build capabilities and establish credibility, but enterprises ultimately need to expand into private and international markets.

This becomes particularly important as India seeks to broaden the export contribution of its MSMEs. While the sector accounts for almost half of the country's exports, a significant share comes from a relatively limited number of enterprises. The next step is to enable a much larger number of MSMEs to participate directly in international trade.

For enterprises in Tier 2 and Tier 3 cities, this means improving access to overseas customers, e-commerce platforms and export logistics, while also ensuring that testing and certification facilities are available closer to the clusters where they operate. Khera said the government's Export Promotion Mission and other initiatives would help address some of these barriers.

Ultimately, however, quality will determine whether enterprises can sustain their position in global markets. MSMEs will need to consistently meet international standards if they are to become part of global supply chains.

Technology, AI and the Power of Clusters

Technology will increasingly determine how effectively MSMEs compete and scale. Khera pointed to the Ministry's Technology Centres as an important channel for making advanced technologies and technical capabilities accessible to smaller enterprises.

He sees artificial intelligence as an especially significant opportunity. Larger companies have traditionally had an advantage because they could invest in extensive sales teams, market research and dedicated resources for identifying customers and entering new markets. MSMEs often lacked those resources.

AI has the potential to narrow that gap. It can give smaller enterprises access to market intelligence, customer insights and operational tools without requiring the same level of financial investment. Khera believes this can make AI a democratising force and create a more level playing field between large companies and MSMEs.

The government, he said, has a facilitative role to play by demonstrating practical AI use cases and helping enterprises understand how the technology can be applied to their businesses.

The cluster-based approach provides another way of making technology and infrastructure more accessible. Businesses operating in the same geographical or product cluster often face similar problems—whether relating to testing, certification, machinery, skills, technology or market access. Shared infrastructure can allow these challenges to be addressed collectively.

The Ministry has already established around 250 clusters through its Cluster Development Programme, providing facilities for testing and certification, skilling and tool-room services, while also helping enterprises explore markets together. Khera said the approach would remain an important part of MSME policy. The Budget announcement to revive 200 legacy clusters would provide another opportunity to strengthen this ecosystem.

Making the Green Transition Work for MSMEs

The shift towards greener production is also becoming increasingly relevant as large companies and international buyers place greater emphasis on energy efficiency, sustainability and environmental standards.

Khera said green technologies should not necessarily be viewed as an additional cost or another layer of compliance. In many cases, improving energy efficiency and reducing waste can make production processes more efficient and lower operating costs.

Through initiatives such as GIFT and SPICE under the RAMP programme, the Ministry is encouraging MSMEs to adopt circular-economy practices and sustainable technologies. Support is also being provided for technology upgradation, including the adoption of identified technologies that can improve productivity and energy efficiency.

For MSMEs looking to participate in global supply chains, such improvements could increasingly become a business advantage rather than simply a regulatory requirement.

Women, Youth and a New Employment Model

Khera also pointed to the changing composition of India's entrepreneurial ecosystem. Around 40% of enterprises registered on the Udyam portal are women-led enterprises, while a growing number of young people are entering entrepreneurship at an early age.

For both groups, access to credit, technology and markets remains critical. The Tejaswini scheme is supporting women entrepreneurs, while the MSME Champions Scheme is providing greater emphasis on innovation among young enterprises.

The rise of young entrepreneurs also reflects a broader change in how employment is viewed. Khera said that while students traditionally looked towards campus placements or jobs in the government and private sectors, more young people are now considering entrepreneurship as a career in itself. Many are taking innovative ideas and turning them into commercial enterprises. In the process, they are moving from being employment seekers to employment creators. Khera sees this as an important shift, particularly for an economy where employment generation remains a central priority.

Creating an Enabling Business Environment

The ability of MSMEs to grow will also depend on the quality of the business environment in which they operate. Khera noted that entrepreneurs interact with both the Central and state governments, with several practical aspects of running a business, including power, land, local approvals, consent requirements and change of land use, falling within the jurisdiction of state governments.

He said states are becoming increasingly responsive to the need to simplify these processes. Several have introduced one-stop portals for government services and removed compliances that previously created bottlenecks.

AI would certainly be a game changer going forward.

The Centre's task force on reducing compliance burden has also been working to encourage such reforms. Khera sees greater competition among states to improve their business environment as a positive development, particularly if it makes it easier not only to start an enterprise but also to grow one.

A Resilient Sector with a Larger Ambition

Despite the progress made, Khera identified access to finance as the issue he continues to hear most frequently from MSME entrepreneurs. The government has expanded credit availability and introduced mechanisms to support enterprises, but he believes the remaining credit gap will require sustained attention.

What gives him confidence, however, is the resilience of the MSME sector itself. Indian enterprises have faced successive disruptions, from the COVID-19 pandemic and geopolitical tensions to tariffs and the West Asia crisis, yet have continued to adapt.

For Khera, that resilience is one of the sector's greatest strengths. The ambition for 2030 is therefore not simply to have more enterprises registered, but to have more businesses that have grown in scale, improved productivity, adopted technology, created employment and entered wider markets.

The larger goal is to turn India's enormous MSME base into a stronger network of globally competitive enterprises, businesses capable of meeting international standards, accessing capital and technology, and becoming an integral part of India's domestic and global value chains. bwise

FROM SOURCING TO SMART BUYING: ARE MSMEs READY TO BUY DIGITAL?

What if the real story of India's MSMEs isn't how they sell, but how they buy? Behind every product, every order and every growing business is a procurement decision and for small businesses, getting that decision right can be anything but simple. Volatile prices, unreliable suppliers, credit constraints and the enduring need for trust continue to shape how MSMEs source what they need. Now, as digital procurement promises to change the way businesses buy, a more important question is emerging: what will it take for MSMEs to truly trust and embrace the digital marketplace?

For a small business, a sale is usually the part everyone sees. A customer places an order, a product goes out, a payment comes in and the business moves on to the next order. What happens before that sale is less visible.

A manufacturer has to find the right raw material, check whether the quality is consistent, negotiate a price and make sure the material arrives when it is needed. A food processor may have to source ingredients and packaging while keeping a close eye on changing prices. An auto component maker may need a particular grade of material or a machine part that cannot simply be picked off an online catalogue. A services business may have a very different set of requirements altogether. And in many cases, the business has to pay for these things before it has been paid for what it has already sold.

Buying, in other words, can be just as important to keeping a business running as selling. Yet much of India's digital business

India has a strong policy framework for MSME participation in public procurement, but implementation and reform remain critical. Expanding QCBS, revising procurement thresholds, strengthening advances and credit guarantees, and introducing sector-specific relaxations can further improve access. Continued consultation with industry will be essential to building a more transparent and inclusive procurement ecosystem.

- Shri Ateesh Kumar Singh,
Additional Secretary,
DPIIT

story has understandably focused on the selling side: helping businesses reach customers online, receive instant digital payments, file taxes more easily and participate in wider markets. The question of how a small business sources what it needs to operate has received much less attention. That is beginning to change.

A 2026 India SME Forum survey of 27,045 MSMEs across manufacturing, services and trading sectors offers a useful look at what happens on this less visible side of business. The findings show that buying remains a very practical, sometimes frustrating exercise for many enterprises. Unpredictable prices are the biggest problem reported by businesses,

I congratulate the India SME Forum for bringing out the India MSME Digital Procurement Report. Strengthening procurement is essential to improving productivity, reducing costs, and enabling MSME growth. With NSIC supporting demand aggregation and government procurement from MSMEs showing strong progress, the next step is to build a collaborative digital ecosystem that enables MSMEs to source efficiently through trusted channels.

- Shri Keshvendra Kumar (IAS)
Joint Secretary,
Ministry of MSME

while finding dependable suppliers, managing several vendors and dealing with payment and credit constraints also remain significant challenges.

But numbers only tell part of the story. The way a business buys depends heavily on what it makes or sells, how much it buys, how quickly it needs supplies and, perhaps most importantly, how much it trusts the person on the other side of the transaction. That is where the story becomes more interesting.

Buying is still a relationship business

For many small businesses, procurement does not begin with opening an app and

India has made remarkable progress in digitising identity, payments, public services, and government procurement, yet MSME procurement remains largely untapped. Millions of small businesses still procure at a disadvantage, affecting their competitiveness and profitability. Digital procurement can change this by providing access to trusted suppliers, transparent pricing, reliable logistics, and financing. Democratizing procurement is about giving every MSME the purchasing power and market access needed to compete and grow.

- Mr. Vinod Kumar,
President,
India SME Forum

searching for a product. It begins with a phone call, a known supplier, a visit to a market or an introduction from someone in the same industry. That is particularly true when the purchase is important to the business.

Buying a box of printer paper is relatively straightforward. Buying several tonnes of raw material, a specialised machine or a component that will eventually go into another product is different. The buyer needs to know whether the material will meet the required specification, whether it will arrive on time and whether the supplier will respond if something goes wrong. Those relationships have often been built over years.

One of the MSMEs interviewed for this story, a biotech manufacturing startup, described how this plays out in practice:

“Our first preference for sourcing is referrals from our existing network. We then verify these referrals ourselves before making a purchase.

Our second preference is wholesale markets such as Sadar Bazaar, Khari Baoli, Tilak Bazaar, Nai Sarak, Naya Bans Road and Chawri Bazaar in the Chandni Chowk area. These markets help us not only get better prices, but also understand the supply chain more deeply and build additional supplier referrals.

We use the internet to identify potential vendors and locate suppliers, but e-commerce platforms are mainly used for items that are not readily available in the Delhi-NCR region. This is how sourcing currently works for us as a biotech manufacturing startup.”

Another business owner we spoke to made a similar point about why offline relationships persist even as digital options expand:

“Trust also becomes much more important when it comes to big-ticket purchases. Ordering standard products online is easy, but for customised machinery or core raw materials, digital platforms still cannot fully guarantee quality or reliable after-sales support. When there is significant money at stake, business owners often prefer offline suppliers whom they can inspect in person and hold directly accountable.”

The India SME Forum survey reflects the same tension. Standardised products that are bought frequently, such as office supplies, packaging materials, software and maintenance consumables, are already more suited to online purchasing. Core raw materials, specialised machinery and customised or high-value purchases remain much more dependent on offline relationships, where technical discussions, customisation and negotiation matter. This explains why simply putting more products online does not automatically mean that businesses will start buying everything online. The product may be available. The real question is whether the buyer trusts the transaction.

The price on the screen is only one part of the calculation

Price is naturally important to any business, particularly a small one where margins can be tight. But the problem is often not simply that prices are high. It is that prices can be difficult to predict.

In the India SME Forum survey, 55.7% of respondents identified price volatility and a lack of transparency around price changes as a procurement challenge. Managing multiple suppliers was reported by 37.6%, while 33.4% pointed to the absence of a single dependable vendor. Payment and credit constraints were also reported by 35.6% of respondents.

For an entrepreneur, these issues are connected. Suppose a business receives an order that looks profitable when it is accepted. By the time the raw material has to be purchased, its price may have changed. The business may have to buy from another supplier, pay more than expected or accept a smaller margin. If the customer has not yet paid, the owner may also have to find the money to fund the purchase in the meantime. This is where procurement becomes a cash-flow issue rather than simply a purchasing issue.

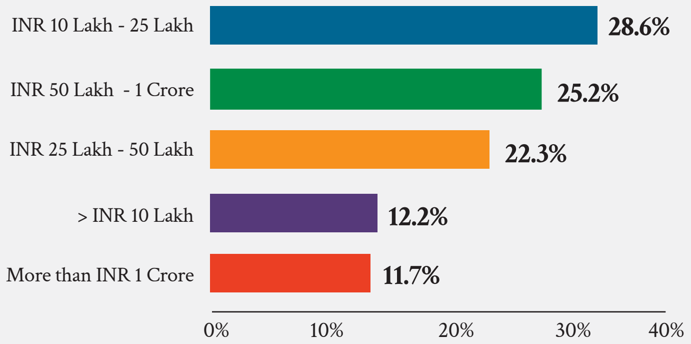
One of the business owners we spoke to put the problem in more everyday terms:

“Buying raw materials or machinery means your money can be tied up for weeks, sometimes months, before it turns into actual sales. B2C payments have become fast and frictionless, but B2B platforms are still lagging when it comes to embedded financing. Without flexible credit built into the checkout process, most small businesses still end up relying on traditional credit lines from local suppliers.

Price volatility is another major concern. Sudden swings in raw material prices can quickly affect margins. Digital platforms can show prices, but they do not necessarily protect buyers from these spikes. Platforms need to offer more than just product listings features such as dynamic bulk pricing or assured delivery timelines could make a real difference.”

The survey shows just how significant procurement spending is for the businesses covered. More than three-

Monthly Procurement Spend of MSMEs



Over three-fourths of surveyed MSMEs report monthly procurement spending between INR 10 Lakh and INR 1 crore, driven by strong pruchasing activity.

fourths of surveyed MSMEs reported monthly procurement spending between ₹10 lakh and ₹1 crore. Nearly two-thirds, or 66.7%, reported monthly turnover in the same ₹10 lakh-to-₹1 crore range. For a small enterprise, a delay in getting money can therefore have consequences far beyond one unpaid invoice. It can affect the next purchase, the next production cycle and the ability to accept another order.

This is also why payment terms are becoming part of the digital procurement conversation. Almost half of the surveyed MSMEs, 49.9%, said flexible payment options such as credit and pay-later facilities were very important in procurement decisions. Another 18.4% considered them somewhat important. For a business owner, that can make a difference between being able to place an order today and having to wait until an earlier customer payment arrives.

What works for one industry may not work for another

There is a temptation to talk about MSMEs as if they all buy in the same way. They do not.

A textile unit may be closely concerned with the quality, colour, consistency and availability of fabric or yarn. A food processor may have a different set of concerns around ingredients, packaging and timely delivery. An auto component manufacturer may need materials or machinery that meet precise technical specifications. A service provider could spend more on technology, office requirements or specialised services. Even two businesses operating in the same industry can have very different procurement habits.

That matters because digital procurement is sometimes discussed as though there is a single switch that businesses need to turn on. In reality, adoption is likely to happen differently across categories, as one business owner we spoke to explained:

"Procurement needs are also very different across industries. A high-tech manufacturer may prioritise strict quality compliance and technical checks, while a volume-driven factory may be more focused on the lowest unit cost and better payment terms. Procurement platforms need to recognise these industry-specific realities rather than offering one generic catalogue for everyone."

The survey provides a useful illustration. Telecom, data and digital services are among the most frequently procured categories through digital channels. Businesses are also increasingly purchasing packaging materials, technology solutions, office supplies and industrial products online. The more difficult transition is happening further upstream, closer to the heart of production. Among products that MSMEs are not currently procuring online but would like to, raw materials lead at 68.7%, followed by machinery and equipment at 61.3%. Tools and industrial supplies stand at 56.4%, while packaging materials are at 52.8%.

That is an important shift in expectation. Businesses are clearly comfortable using digital channels for some routine purchases. They now want those channels to become useful for purchases that have a much bigger impact on their actual operations. But that will require a different kind of online experience.

"There are a lot of elements to selling online. You have to know how to list a product, how to price a product, and how to put an ad for a product. People who grab this and hustle through these processes have built businesses out of it."

- Mr. Irshan Ahmed Siddiqui,
Head of Seller & Selection Growth,
Flipkart

"There are a lot of elements to selling online. You have to know how to list a product, how to price a product, and how to put an ad for a product. People who grab this and hustle through these processes have built businesses out of it."

- Mr. Mitranjan Bhaduri,
Director,
Amazon Business

"When MSMEs buy, they don't get the kind of bulk discounts that a large enterprise gets. That was the first feature that we enabled on Amazon Business. How can MSMEs get quantity discounts?"

- Mr. Surya Shankar,
Associate Director,
Moglix

A machine is harder to buy than a carton of paper

For routine products, an online catalogue can work very well. A buyer can see the product, compare prices, place an order and track delivery. A machine may require a conversation.

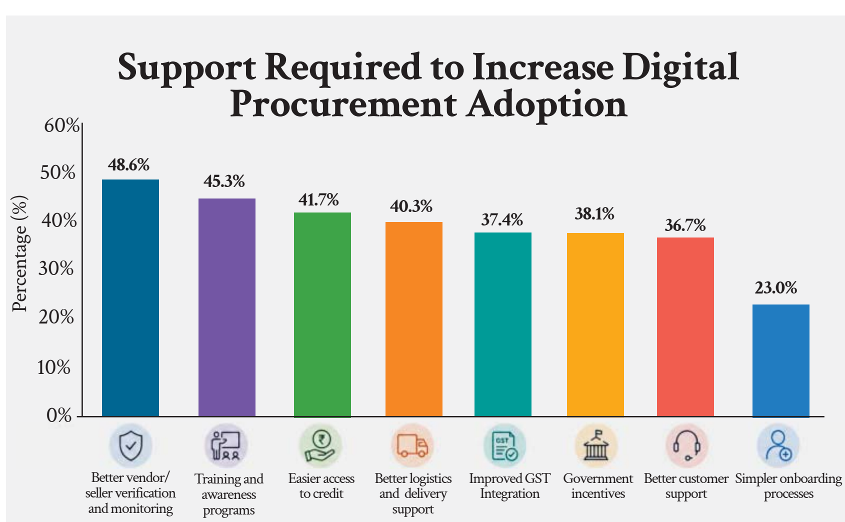
The buyer may need to explain what the machine is being used for, ask whether it can handle a particular workload, discuss installation or servicing and negotiate the final price. A raw material may require samples or quality checks before a large order is placed. This is one reason the current procurement landscape is likely to remain a mix of online and offline buying for some time.

The India SME Forum report describes this as a hybrid procurement model: businesses use digital platforms where they are convenient, but continue to depend on traditional supplier relationships where trust, customisation and reliability are particularly important. That sounds less dramatic than a complete move to online procurement, but it probably reflects how businesses actually work.

An owner may discover a supplier online, speak to them over the phone, negotiate over WhatsApp, receive a quotation by email, make the payment digitally and still rely on a long-standing local contact to check the material when it arrives. The boundaries between "digital" and "offline" are not always as neat as they appear on paper. And for many entrepreneurs, that is perfectly practical.

Trust is the missing piece

If there is one issue running through the procurement story, it is trust. A business owner can accept some inconvenience when buying something



GeM has transformed public procurement by bringing different government entities onto a unified national platform. The next phase is about making the platform even more accessible and useful for micro and small enterprises through better technology, new functionalities and stronger integration with the digital ecosystem.

- Shri Anurag Awasthi,
Chief Manager- Social Inclusion, GeM

inexpensive. The calculation changes when a purchase can affect an entire production cycle. Will the supplier actually deliver what was ordered? Is the product genuine? Is the quality the same as what was shown online? Will the invoice be correct? What happens if the material arrives damaged? Who will answer the phone if there is a problem?

These questions help explain why supplier verification matters so much. In the survey, better vendor and seller verification was the most commonly identified support needed to increase digital procurement adoption, cited by 48.6% of respondents. Training and awareness followed at 45.3%, while 41.7% pointed to easier access to credit.

The message is fairly straightforward: businesses do not only need more digital choices. They need confidence in those choices. That concern is especially relevant for raw materials and machinery. A bad purchase in these categories can cost much more than the price of the item itself. Production can be delayed, an order can be missed and money can remain stuck in unusable inventory.

Businesses are already showing what they want

Despite these concerns, there is little evidence that MSMEs are rejecting digital procurement. In fact, the survey suggests the opposite. More than two-fifths of respondents have been using digital procurement platforms for more than two years, while another 24.4% said they intend to adopt them in the future.

The reasons businesses give for choosing digital platforms are also practical rather than futuristic. GST-compliant invoicing was cited by 45.0%, wider product choice by 43.3%, ease of ordering by 43.1% and faster delivery by 40.3%. One business owner interviewed for this story described the practical difference this has made:

"Technology and digitalisation have been a real game-changer for entrepreneurs. We now have access to trusted databases of suppliers, manufacturers and logistics providers across India and internationally. With AI, I can also cross-check reviews and compare products and services across different e-commerce platforms, which helps me make decisions much faster. What used to take days can now be done in minutes. A few clicks or a simple contact form can get the process moving, and that has significantly improved business efficiency."

In other words, businesses appear to be asking for fewer headaches. They want to find more suppliers without making dozens of calls. They want to compare prices more easily. They want proper invoices. They want goods to arrive when promised. And when something goes wrong, they want to know whom to contact. That is a fairly ordinary wish list. It is also a demanding one. A digital platform that can meet those expectations could become much more useful to a business than one that simply puts a large catalogue on a screen.

The next opportunity is bigger than online shopping

There is another interesting finding in the survey. When asked about services they would like to access digitally but do not currently procure online, financing came first at 58.4%, followed by logistics at 55.4%. Quality testing and certification came in at 49.4%, GST and taxation services at 46.3%, insurance at 44.5% and warehousing at 42.3%.

This suggests that business owners are thinking about procurement as part of a larger process. They do not necessarily want one website for finding a supplier, another for arranging finance, another for logistics and another for compliance. If these services can work together, purchasing could become much simpler. Consider a business that wants to buy a large quantity of raw material. Ideally, the owner should be able to identify credible suppliers, compare quotations, understand delivery costs, arrange payment and access financing if necessary without having to rebuild the entire process from scratch each time. That is still a work in progress in India.

Digital procurement is currently spread across general and specialised B2B marketplaces, industry-specific platforms, government procurement platforms and enterprise systems. The report notes that this fragmentation can create inefficiencies and points towards greater interoperability between marketplaces, finance, logistics and business systems. For an MSME, the benefit of better integration is not necessarily about having more technology. It is about spending less time chasing information.

The owner is still at the centre

There is another detail in the survey that is easy to overlook but says a lot about how small businesses actually function. In 80.8% of the surveyed enterprises, the workforce is below 50 employees. Procurement decisions are also heavily concentrated with the owner: business owners account for 64.5% of procurement decisions, followed by general managers at 11.6% and procurement or purchase managers at 7.2%.

For a large corporation, procurement can be a department with separate teams for sourcing, finance, compliance and logistics. For a small enterprise, the person deciding which supplier to use may also be the person speaking to customers, worrying about salaries, checking production and following up on payments. That changes what "good procurement" means. The best digital system for a small business is unlikely to be the one with the most complicated features. It is the one that makes an owner's working day a little easier and reduces the chance of an expensive mistake.

Procurement platforms need to recognise these industry-specific realities rather than offering one generic catalogue for everyone.

This also helps explain why ease of use remains important. Among the platforms respondents had used, Amazon Business and Moglix received an average rating of 9.5 out of 10 for ease of use and customer support, while Meesho followed with 9.0. These ratings are less about technology for technology's sake and more about the experience of getting something done.

What comes next will be decided by the difficult purchases

India has already built many of the digital rails that businesses use every day. Payments can happen instantly. Tax documents can be handled digitally. Government procurement has moved substantially towards online systems. The next challenge is making the actual business purchase easier.

The opportunity is particularly large because businesses themselves appear ready to move further. Four out of five enterprises surveyed expect digital platforms to play a major role in expanding their business over the next three years. When asked how procurement strategies may change over the next two years, 61.5% expected greater use of digital platforms, 49.7% expected greater use of AI tools and agents, and 43.5% expected greater supplier diversification. But the most important part of this transition may have little to do with the technology itself. A small manufacturer will continue to care about whether the raw material arrives on time. A food business will still want consistency. An auto component maker will still want the right specifications. A service provider will still want reliable vendors. The business owner will still want to know that money spent today will not become a problem tomorrow.

Digital procurement will succeed when it fits into those realities. For years, India's digital business push has helped MSMEs become better at reaching markets and collecting money from customers. The next chapter needs to pay equal attention to what happens before a product reaches the market. Because every sale begins with a purchase. And for millions of small businesses, making that first step more predictable, trustworthy and affordable could have a very real effect on how confidently they grow. bwise

Formalised, Not Frictionless

From registration and licensing to taxation, compliance, finance and local approvals — the everyday hurdles MSMEs still face while running a business

India's MSMEs are no longer just the backbone of the economy - they're becoming the centrepiece of it. This piece traces the real journey from incorporation to first invoice, showing how reforms like the new MSME Amendment Act, plug-and-play industrial parks, and simplified registrations are steadily closing the gap between policy promise and shop-floor reality.

There is an old saying that a chain is only as strong as its weakest link. In India's economic story, the MSME sector is neither weak nor a mere link; it is the spine itself. And yet, spines are strange things. They carry every ounce of the body's weight, hold everything else upright, and are usually the last part anyone examines when something goes wrong. India's micro, small and medium enterprises have quietly shouldered the nation's growth ambitions for decades, generating jobs, exports and output at a scale few sectors can match. But ask any small manufacturer in Coimbatore, Ludhiana or Kanpur whether doing business has actually become easier, and the answer rarely matches the optimism of a policy brief. Somewhere between the headline numbers and the shop floor, and somewhere between incubation and actual operation, a great deal gets lost in translation.

What follows is a fact-based picture, built on official government data through 2025-26, of where Ease of Doing Business genuinely stands for India's smallest enterprises today, from the moment an idea is incubated to the day a founder finally ships a product, and where the road, quite literally, runs out.

The Weight of Numbers

Let us begin with scale, because scale is where MSMEs earn their bragging rights. Per the Economic Survey 2025-26, MSMEs account for 31.1 percent of GDP, 35.4 percent of manufacturing output, and 48.58 percent of exports; as of August 2026, 9.16 crore MSMEs are registered on the Udyam platform, employing more than 40 crore people. The MSME Development (Amendment) Bill, 2026, which was passed on 7 August 2026, making registration free and voluntary, mandating that Central Public Sector Enterprises settle MSME invoices through the Trade Receivables Discounting System, and prescribing fixed timelines for arbitration of payment disputes.

The latest annual independent estimate comes from the Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2025, released by the Ministry of Statistics and Programme Implementation (MoSPI) on 24 March 2026, covering January to December 2025. It estimates 7.92 crore unincorporated establishments, up from 7.34 crore in ASUSE 2023–24, representing a 7.97 per cent increase. The sector employed an estimated 12.81 crore workers in 2025, an increase of about 74.52 lakh workers over the previous annual survey period. The share of female-owned proprietary establishments also increased from 26.2 per cent in 2023–24 to 27.0 per cent in 2025, while average emoluments per hired worker rose by 3.88 per cent to ₹1,46,550. The picture has become even more current with MoSPI's release of the Quarterly Bulletin for January–March 2026. It estimated 9.16 crore unincorporated establishments and 15.17 crore workers during the quarter, representing year-on-year growth of 16.69 per cent and 15.51 per cent, respectively. These quarterly estimates should, however, be distinguished from the annual ASUSE 2025 estimates. MoSPI also released an urban, million-plus-city analysis of ASUSE 2025 on 29 June 2026, providing a more granular view of the unincorporated enterprise landscape in India's major cities. Taken together, the official data point to a large and expanding unincorporated enterprise base, rising employment and gradual improvements in women's enterprise ownership, earnings and digital adoption. The data also underline the continuing scale of India's unincorporated business economy, although ASUSE's coverage should not be treated as synonymous with the entire informal economy.

Export strength should, by rights, make MSMEs a trading powerhouse.

The Startup Journey: From Incubation to First Invoice

Policy briefs talk about "ease" in percentages and rankings. Founders experience it in forms. Consider a composite, illustrative journey, not any one real business, but a fair stitch-together of what a small manufacturing or food-processing founder in a Tier-2 Indian city actually goes through between having an idea and issuing their first invoice.

Incubation and naming. The idea is validated, perhaps at a state incubator or a DPIIT-recognised accelerator. Before a single product is made, the founder must reserve a company name, obtain Digital Signature Certificates and Director Identification Numbers for every promoter, and gather PAN, address proof, and identity documents for each director.

Incorporation. The SPICe+ form on the MCA portal now bundles several steps that used to be separate filings: incorporation itself, PAN and TAN allotment, EPFO and ESIC registration, professional tax registration in applicable states, and an optional GSTIN application, all in one go. This bundling is a genuine improvement:

* Economic Survey 2025-26, Ministry of Finance, GoI, MSME contribution to GDP, manufacturing output, and exports.
* ASUSE 2025 Press Note (MoSPI, National Statistical Office), covering January-December 2025
* PIB press release on ASUSE 2025 results
* ASUSE 2023-24 Press Note (MoSPI/PIB), for the prior-period comparison figures

five to six erstwhile applications compressed into one form. It also means a founder who applies for GST prematurely, before incorporation is complete, risks having to refile the entire application under the company's name.

Registering the identity. Once incorporated, the founder applies for Udyam registration to be formally recognised as an MSME, free and paperless, and the gateway to priority lending, subsidy schemes and buyer preference under government procurement. This is optional in the strictest sense, but in practice close to mandatory for anyone who wants access to credit guarantees or the GeM marketplace.

Tax and local licences. GST registration becomes mandatory once turnover crosses ₹40 lakh for goods or ₹20 lakh for services, and must be completed within 30 days of the threshold being breached; many B2B founders register voluntarily well before that, simply to be taken seriously by larger buyers. A Shops and Establishment licence, issued by the state, is typically required within 30 days of commencing business at any physical premises. A municipal trade licence usually follows, along with a fire NOC if the premises fall above a certain size or occupancy.

Sector-specific approvals. If the unit manufactures anything with emissions or effluent, a consent to establish and a consent to operate from the state pollution control board are required, often the single slowest approval in the entire chain. A food business needs an FSSAI licence. A business trading across borders needs an Import Export Code. A manufacturer selling into regulated categories may need BIS certification.

India's micro, small and medium enterprises have quietly shouldered the nation's growth ambitions for decades, generating jobs, exports and output at a scale few sectors can match.

Each of these sits with a different department, on a different timeline, governed by a different Act.

Certification for credibility. None of the above certifies quality to a buyer. For that, a founder chasing export orders or large domestic contracts typically pursues ISO 9001 or a product-specific BIS mark, a process involving documentation of internal processes, a facility audit, and, for export certifications, compliance with the importing country's standards as well. This is where many MSMEs quietly fall out of the race: certification costs and audit cycles are calibrated for firms with dedicated quality teams, not for a ten-person unit where the founder is also the production manager.

Employment compliance. The moment headcount crosses 20, EPF obligations kick in; at 10 employees, ESI applies, subject to wage thresholds. From this point on, monthly PF and ESI returns join monthly or quarterly GST returns and annual ROC filings as a standing administrative load, recurring rather than one-time, and easy to underestimate when a founder is busy actually running the business.

Individually, each of these steps has been simplified, digitised, or bundled over the past decade. Cumulatively, they are precisely why a 2025 compliance report by TeamLease RegTech found that a single manufacturing MSME in India must still navigate over 1,450 unique regulatory requirements and secure up to 77 separate approvals, licences and registrations just to begin operations, at an estimated annual compliance cost of roughly ₹13 to 17 lakh. Nearly 44 percent of these

* Union Minister Jitan Ram Manjhi, remarks at World Futures Forum, New Delhi, February 2026 (Udyam registration base and employment figures, Union Budget 2026-27)
* Reserve Bank of India Expert Committee on MSMEs (U.K. Sinha Committee), 2019, credit gap estimate. (Widely reported government/RBI committee finding; no single live URL retrieved in this session.)
* CGTMSE guarantee coverage and FY2024-25 disbursement figures; SIDBI MSME Outlook on Gross NPA ratio trend. (Figures carried over from the original article as provided; not independently re-verified via a new search in this session.)
* MSME Samadhaan portal pending-case figures (93,000 in Oct 2017 to approx. 44,000 currently). (Carried over from the original article; not independently re-verified via a new search in this session.)

requirements sit under labour law alone, and a worrying share carries the risk of imprisonment for even minor lapses. A large company absorbs this cost with a compliance department. A small one absorbs it with the founder's own time, or simply doesn't comply, and hopes not to be inspected.

Money Doesn't Grow on Trees

Nowhere does the gap between ambition and reality cut deeper than in access to finance, and rightly so, because for most MSMEs, credit is not a convenience; it is oxygen. The Reserve Bank of India's Expert Committee on MSMEs, constituted under U.K. Sinha in January 2019, estimated the sector's credit gap at a staggering ₹20 to 25 lakh crore. That gap has not vanished simply because new schemes were announced - if anything, the latest independent read suggests it has widened. A 2025 SIDBI report, prepared with Crisil Intelligence, now pegs the sector's addressable credit gap at ₹30 lakh crore, about 24 percent of total debt demand, with the shortfall running sharply higher for services-sector MSMEs (27 percent) and women-owned MSMEs (35 percent, against 20 percent for male-owned enterprises). The Union Budget 2026-27 responded with a ₹10,000 crore SME Growth Fund for risk capital, but Parliament's own Standing Committee on Industry, in its March 2026 report, found that only two of eight MSME-related announcements from the previous budget had actually been operationalised - a reminder that the gap is being chipped at slowly and unevenly, and, on the numbers, not yet closing.

To its credit, the government has not sat idle. The Credit Guarantee Scheme run by CGTMSE has facilitated guarantees worth ₹9.80 lakh crore since inception, covering 1.18 crore enterprises, with a record ₹3 lakh crore extended in FY 2024-25 alone. The Gross NPA ratio on MSME credit has fallen from 9.3 percent in March 2022 to 4.5 percent in March 2024, per SIDBI's MSME Outlook. Yet a sharper, more uncomfortable question remains: even where a credit guarantee exists, how much collateral do banks still quietly demand? Industry feedback suggests that, despite the availability of guarantee cover intended to reduce the need for collateral, some applicants continue to be asked to provide substantial asset security against their loans, indicating a gap between the intended design of the scheme and its implementation in some cases.

Udyam registration is free, paperless, and increasingly a gateway to credit, subsidies and legal protection; it is not red tape, it is armour.

Delayed payments compound the problem. Under Section 15 of the MSMED Act, reinforced by Section 43B(h) of the Income Tax Act, buyers must clear MSME dues within 45 days, or 15 days without a written agreement, failing which the payment is disallowed as a tax-deductible expense and attracts compound interest at three times the RBI's bank rate. Pending cases on the MSME Samadhaan portal have fallen from around 93,000 in October 2017 to about 44,000 today, real progress, but 44,000 unresolved cases is still 44,000 small businesses whose working capital sits stuck in someone else's ledger.

Parliament has just tightened this further. The MSME Development (Amendment) Bill, 2026, passed in July 2026, mandates that Central Public Sector Enterprises route all procurement invoices through the Trade Receivables Discounting System (TReDS), requires payment disputes to be mediated within 90 days, and obliges courts to release at least half of any disputed amount to the MSME while an appeal is pending.Industry body leaders, MSMEs, etc. welcomed the mandatory TReDS routing as a step that would ease liquidity and reduce working-capital pressure on MSMEs transitioning toward formal, scalable operations.

* MSME Development (Amendment) Bill, 2026, introduction and provisions:
* ANI, via aninews.in:
* Cabinet approval of BHAVYA (Bharat Audyogik Vikas Yojna), March 18, 2026
* India-Briefing overview of plug-and-play industrial parks, BHAVYA allocation, and India Industrial Land Bank (IILB) data as of December 2025
* Andhra Pradesh MSME Parks launch (38 parks, MSME Growth Summit 2026)
* APIIC Plug & Play Industrial Infrastructure Policy 4.0 (capital subsidy, exemptions)
* The Hans India, on AP's 175-park plan and green efficiency initiative

MSME Parks, Plug and Play: Land Without the Wait

Land, clusters and infrastructure form a quieter, less headline-grabbing challenge, but one that shapes an enterprise's fate just as decisively as credit does. The traditional route into Indian manufacturing, acquiring raw land, clearing title, securing zoning and conversion approvals, building internal roads and utilities, and only then installing machinery, has historically taken 18 to 36 months. For a small enterprise without a legal team, that timeline alone can be the difference between launching and folding.

This is precisely the gap plug-and-play infrastructure is meant to close. In March 2026, the Union Cabinet approved Bharat Audyogik Vikas Yojna (BHAVYA), allocating roughly ₹33,660 crore to develop 100 plug-and-play industrial parks of 100 to 1,000 acres each, with support of up to ₹1 crore per acre, aimed at unlocking manufacturing potential without forcing every unit to build its own power, water and effluent infrastructure from scratch. States have moved in parallel: Andhra Pradesh virtually launched 38 MSME parks in May 2026 under its MSME Growth Summit, part of a plan to build one MSME park in every one of its 175 assembly constituencies, offering plots on a design-build-lease model with a capital subsidy of up to ₹5 lakh per acre and exemptions on land-conversion and stamp-duty charges. Nationally, more than 4,500 industrial parks are now mapped on the India Industrial Land Bank, with roughly 135,000 hectares available as of December 2025.

The lesson underneath these numbers is a simple one: infrastructure built for large industries does not automatically trickle down to small industries; it has to be designed for them, with shared effluent treatment, leasable sheds, and utilities commissioned at the park level rather than the plot level. Where that design has happened, tenants report avoiding both the capital cost and the negotiation overhead of building their own. Where it hasn't, industrial land remains scarce, expensive, and mismatched with what small enterprises can realistically afford.

This is not evidence of reform being cosmetic. It is evidence that digitising a form and simplifying a form are two different achievements, and India has, so far, made far more progress on the first than the second.

Too Many Cooks in the Regulatory Kitchen

If finance is the sector's oxygen problem, regulation is its blood pressure problem, quietly persistent, often invisible until it causes a crisis. The government has not been asleep at the wheel here either. Under DPIIT's Regulatory Compliance Burden initiative, more than 47,000 compliance items have been eliminated or simplified over the past five years, according to a Ministry of Commerce release from February 2026. A parallel RCB+ exercise has addressed 4,846 of 6,262 identified compliance issues across 23 Acts commonly implemented by states, aimed at reducing inter-state regulatory duplication.

The National Single Window System, meant to be the single portal through

* TeamLease RegTech 2025 compliance report (1,450 requirements, 77 approvals, cost estimate).
* Tribune India, DPIIT business reforms action plan and B-READY assessment, RCB/RCB+/Jan Vishwas figures, February 10, 2026
* Business Standard, DPIIT compiling business-approvals list to improve NSWS, June 2025
* IMARC Engineering, NSWS coverage (30+ central departments) and environmental clearance timelines, 2026
* Vakilsearch, "How to Register a Startup in India 2026" (SPICe+, PAN/TAN bundling, GST sequencing)
* Ahlawat & Associates, "Starting a Business in India: Legal Guide for Founders 2026" (registrations by activity, licensing steps)

which every approval flows, now integrates more than 30 central government departments and connects with single-window portals across all major states, offering a "know your approvals" tool that generates a customised checklist based on sector, location and investment size. This is a genuinely good idea, and a half-built one. As of early 2026, DPIIT was still asking ministries to compile a complete list of every approval, renewal and registration a business needs, precisely because that master list doesn't fully exist yet even inside the government. Category A environmental clearances, meanwhile, continue to take six to 24 months from a complete application in most cases, a timeline no single-window portal currently touches.

The real question on the ground, then, is not whether reforms have happened; they plainly have. It is whether the single-window portal in a founder's own state actually delivers consolidated clearances end to end, or whether it works smoothly for some approvals (GST registration,

Bundling is a genuine improvement-five to six erstwhile applications compressed into one form.

say) while fire safety, pollution consent and labour registrations remain a maze of separate departments, separate inspectors and separate delays. Too many cooks, as the saying goes, spoil the broth, and in India's regulatory kitchen, there are still rather a lot of cooks.

The Certification Wall

Export strength should, by rights, make MSMEs a trading powerhouse, and on paper it does: the sector accounts for nearly half of India's exports. Yet everyday certification barriers keep many enterprises exporting indirectly, through intermediaries who absorb the margin, rather than reaching foreign buyers directly. An ISO 9001 process certification or a product-specific BIS mark is not simply a form to file; it typically requires documenting internal quality processes, undergoing a facility audit, and, for buyers in regulated export markets, separately meeting the importing country's own standards, CE marking, FDA registration, or equivalent. For a firm with a dedicated quality-assurance team, this is a manageable annual exercise. For a ten-person unit where the founder doubles as production manager and pricing negotiator, it is often the point where the export order gets quietly declined. Government support for trade-fair participation and certification cost-sharing exists on paper, but MSMEs frequently report that scheme assistance covers only a fraction of

* Khanna & Associates, "Complete Legal Checklist for Startup Founders in India 2026" (SPICe+ bundling detail, GST/Shops & Establishment thresholds, DPIIT recognition benefits)
* KMG & Co LLP, "Essential Compliance for Startups in India" (EPF at 20+ employees, ESI at 10+ employees thresholds)
* Startup India (DPIIT), "Legal and Regulatory Checklist for Startups in India"
* IncorpX, "DPIIT Startup Recognition 2026: Eligibility Guide" (Section 80-IAC tax exemption, fast-track winding up)
* Jitan Ram Manjhi, introducing the MSME Development (Amendment) Bill, 2026, Rajya Sabha

what it actually costs to certify and exhibit abroad, leaving smaller firms to either dig deep into their own pockets or simply stay home.

Where Ease of Doing Business Isn't Landing

Put the pieces together and a pattern emerges. Reform after reform has genuinely happened: SPICe+ bundling, Udyam simplification, TReDS mandates, RCB decriminalisation, plug-and-play parks, a rewritten MSMED Act. Yet EoDB, as experienced by a founder rather than as reported in a policy note, is not landing evenly:

- A credit guarantee designed to remove collateral requirements still coexists with banks quietly demanding full collateral anyway.
- A single-window portal that consolidates GST and central approvals still leaves fire NOCs, pollution consent, and several state labour registrations sitting outside it in most states.
- A compliance-reduction drive that has eliminated 47,000-plus requirements still leaves a manufacturing MSME facing roughly 1,450 requirements and 77 approvals.
- A plug-and-play park scheme that removes land-acquisition delay for tenants inside the park does nothing for the enterprise still waiting outside one.
- A certification and export-support ecosystem that exists on paper still prices out the smallest exporters in practice.

This is not evidence of reform being cosmetic. It is evidence that digitising a form and simplifying a form are two different achievements, and India has, so far, made far more progress on the first than the second.

What the Ministry and Industry Are Saying

Introducing the MSME Development (Amendment) Bill, 2026 in the Rajya Sabha, Union MSME Minister Jitan Ram Manjhi noted that "the business environment has changed significantly, and so have digital transactions," framing the amendment as an overdue update to a two-decade-old law rather than a cosmetic tweak. Industry has broadly welcomed the direction:

What the Government Can Do

- Make guarantees mean what they say. If a credit guarantee scheme exists precisely to remove collateral requirements, banks demanding full collateral anyway defeats its purpose. Tighter monitoring of actual lending behaviour under CGTMSE, not just disbursement targets, would close this gap.
- Finish what the single window started. Extending the NSWS to cover every state-level clearance (fire, pollution, labour, land use) under one digital roof, with real accountability for turnaround time, would do more for Ease of Doing Business than another scheme launch.
- Build infrastructure for small scale, not just large scale. BHAVYA and state MSME park programmes are the right template; scaling them so a founder outside a park isn't structurally disadvantaged is the next test.
- Subsidise certification, not just exhibition. A founder who can't afford an ISO or BIS audit cannot use a trade-fair stall either. Cost-sharing needs to start earlier in the export journey than it currently does.
- Simplify, don't just digitise. Genuine simplification, reducing the number of approvals, not just the paperwork behind each one, remains the harder, more necessary task.

Land, clusters and infrastructure form a quieter, less headline-grabbing challenge, but one that shapes an enterprise's fate just as decisively as credit does.

What MSME Owners Can Do

- Register, formally and fully. Udyam registration is free, paperless, and increasingly a gateway to credit, subsidies and legal protection; it is not red tape, it is armour.
- Use the tools already on the table. TReDS for invoice discounting, the MSME Samadhaan portal for delayed payments, and GeM, where a mandatory 25 percent of central government and CPSE procurement must come from MSMEs, are underused by many eligible enterprises simply out of unfamiliarity.
- Sequence the paperwork correctly. Incorporate first, then apply for GST and sector licences; registering GST against a pre-incorporation entity is one of the most common, and most avoidable, refiling headaches founders face.
- Invest in certification early, not last. Treating ISO or BIS certification as a pre-export cost rather than an afterthought avoids losing an order at the finish line.
- Keep books clean and compliance current. Consistent GST filing, timely Udyam updates, and organised documentation dramatically shorten loan approval times and reduce vulnerability to disputes down the line.

The Last Word

A backbone rarely gets to speak for itself; it simply does the work, silently, until something finally forces the conversation. The ASUSE 2025 numbers already tell us MSMEs are expanding, formalising and hiring faster than they were even two years ago. What remains is to act, in enough granular detail, on exactly which reforms (collateral norms, single-window delivery that actually reaches fire and pollution clearances, industrial land designed for small scale, and certification support pitched at a ten-person unit rather than a large exporter) would let that backbone finally stand a little straighter. Turning a founder's stack of 77 approvals into something closer to seven is not just good economics. It is, quite simply, keeping a promise the country has been making to its smallest businesses for a very long time. bwise

India Denmark MSME Cooperation

What can India learn from Denmark's approach to building innovative, globally competitive MSMEs? The India–Denmark MSME engagement brings together insights on technology, innovation, intellectual property and entrepreneurship and explores how these lessons could open new avenues for collaboration between businesses in both countries.

For India's MSMEs, competitiveness is increasingly about turning innovation into business value. Denmark offers a compelling example of how the right ecosystem can help smaller enterprises innovate, protect their ideas, adopt technology and take them to market.

The India–Denmark Joint Working Group (JWG) on MSMEs has been an ongoing institutional mechanism for cooperation between the two countries, facilitating dialogue and exchange on areas relevant to MSME development, including innovation, technology adoption, intellectual property, productivity, market access and technology commercialisation. Over the past few years, the JWG has provided a platform for both sides to share experiences, identify areas of mutual interest and explore ways to strengthen support for MSMEs.

The fourth meeting of the JWG on MSMEs was held in Denmark, providing the Indian delegation an opportunity to take these discussions beyond the meeting room and gain a closer understanding of Denmark's innovation and business-support ecosystem. The engagement also offered an opportunity to examine which elements of the Danish experience could be adapted to India's diverse MSME landscape.

A key learning from the engagement was the strategic role of intellectual property in supporting business growth and innovation. Discussions with the Danish Patent and Trademark Office (DKPTO) highlighted how patents, trademarks and other forms of IP can go beyond simply protecting an invention or brand.

The Danish experience also underlined the importance of creating an integrated innovation ecosystem, where government institutions, academia, industry, startups, technology organisations and business-

support institutions work together. For Indian MSMEs, this offers an important lesson: innovation does not depend only on the ability of an individual enterprise to develop a new product or technology, but also on whether the surrounding ecosystem helps enterprises access knowledge, technology, research capabilities, IP support, finance and markets.

The engagement brought together representatives of the Government of India and Danish institutions to exchange experiences on technology adoption, innovation, intellectual property, productivity, market access and technology commercialisation.

The India SME Forum (ISF) participated in the engagement, with Ms. Sushma Morthania, Director General, India SME Forum, joining the Ministry of MSME's official delegation. During the visit, she interacted with Ms. Maria Skou, Deputy Director General & COO, Danish Patent and Trademark Office (DKPTO); Mr. Mattias Dinnetz, Senior Advisor, International Cooperation, DKPTO; and Ms. Kirsten Skott Kjaer, Special Advisor, DKPTO, bringing the perspective of Indian enterprises and their practical challenges into the discussions.

For Indian MSMEs, the Danish experience offers several areas of

The India–Denmark partnership on MSMEs is gaining greater relevance as both countries look at ways to strengthen innovation, technology adoption and the competitiveness of smaller businesses.

reflection — from building greater awareness of IP and encouraging enterprises to treat intangible assets as business assets, to strengthening connections between research, technology development, IP protection and commercialisation. It also demonstrates the value of creating institutional pathways through which smaller businesses can access expertise and convert innovation into market opportunities.

The engagement was attended by H.E. Mr. Manish Prabhat, Ambassador of India to Denmark; Mr. Ashish Arya, Counsellor; Mr. Ashok Polur, Commercial & Marketing Officer; and Ms. Louise Boisen, Counsellor, Intellectual Property Rights, further strengthening the dialogue between the two countries.

Understanding Denmark's MSME Ecosystem

An important part of the visit was to examine how Denmark's innovation and business-support ecosystem works in practice. The Indian delegation visited Aarhus University's Innovation Hub – "Kitchen", where it learnt about the support provided to students, entrepreneurs and startups through mentoring, advisory services and fundraising assistance. The delegation also visited Agro Food Park, an agriculture and food-sector cluster that brings together businesses, entrepreneurs and knowledge institutions.

The programme also included a meeting with Denmark's Ministry of Business and Competitive Affairs to discuss the country's SME ecosystem, business development and support for innovation. These visits provided practical insights into how different institutions contribute to entrepreneurship, innovation and business development, offering examples that can inform India's own efforts to strengthen support for MSMEs.

The Growing Importance of Intellectual Property and Technology

Intellectual property (IP) was the core area of discussion during the India–Denmark engagement. The Danish Patent and Trademark Office (DKPTO) brought a specific focus on patents, trademarks and the role of IP in supporting innovation and businesses.

For MSMEs, IP can be relevant not only for protecting a product, design or brand, but also for building a business around innovation. Better awareness of IP can help enterprises protect their ideas, develop partnerships and explore opportunities to commercialise their products and technologies.

The existing cooperation between Indian institutions and Danish IP authorities, including work involving IP Facilitation Centres, provides a base for further exchange of knowledge and experience in this area.

The discussion on innovation also extended to technology development, design & prototyping, testing and industry support through the Danish Technological Institute (DTI). DTI works closely with Danish businesses to help develop and adopt new technologies and improve their products and processes. For Indian MSMEs, the DTI model demonstrates how technical expertise, testing facilities and industry-oriented research can be made accessible to businesses, supporting technology adoption and innovation.

What the Engagement Means for Indian MSMEs

India has a very different MSME landscape from Denmark in terms of scale, geography and diversity. Therefore, the objective cannot be to replicate the Danish model. The more useful approach is to identify practices that can be adapted to India's own institutional and business environment.

The Three areas stand out.

In conversation with Dr. Rajneesh, Additional Secretary & Development Commissioner, Ministry of Micro, Small and Medium Enterprises, and Mr. Simon Hauptmann, Joint Secretary – Business Development, Innovation, SMEs & Defence Industry, Ministry for Industry, Business and Financial Affairs, Denmark.

- First, stronger industry–academia linkages. Indian MSMEs often require technical expertise, product development support and access to specialised facilities but may not have the resources to build these capabilities internally. Greater interaction between MSMEs, universities and research institutions can help bridge this gap.

- Second, making clusters more innovation oriented. India has a large network of industrial and sectoral clusters. Strengthening their links with technology institutions, startups, universities and investors could help enterprises move beyond traditional production networks towards more productive and innovation-driven ecosystems.

For MSMEs, IP can be relevant not only for protecting a product, design or brand, but also for building a business around innovation.

- Third, making innovation commercially useful. Developing an idea is only the first step. Entrepreneurs also need mentoring, market validation, IP protection, finance and access to customers. Support systems that connect these stages can improve the chances of innovations becoming commercially successful businesses.

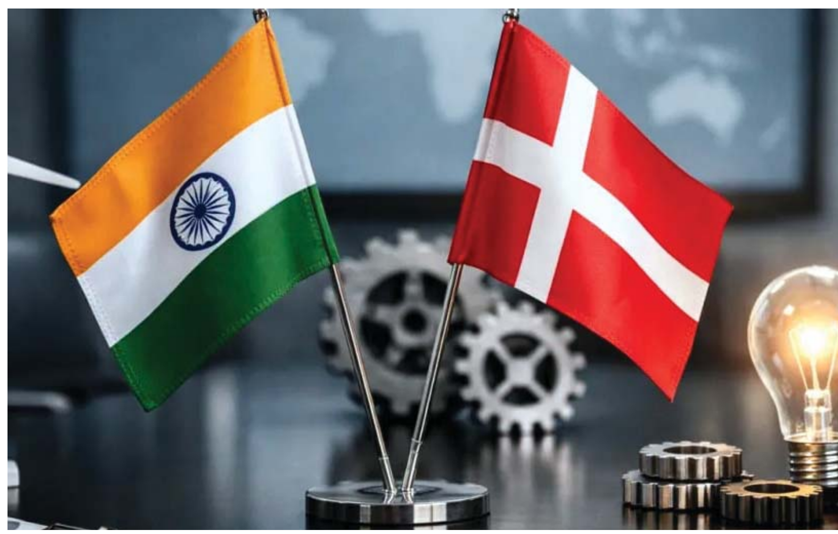
These areas are directly relevant to the priorities of Indian MSMEs that are looking to scale.

India SME Forum's Perspective

For the India SME Forum, the engagement provided an opportunity to bring the Indian MSME perspective into discussions on innovation, technology and enterprise development. It also highlighted the importance of translating international cooperation into practical opportunities for businesses.

ISF can support this process by connecting MSMEs, government institutions, knowledge organisations and international partners, while identifying areas of cooperation that address the needs of Indian enterprises.

Ultimately, stronger links between the two MSME ecosystems can help both countries learn from each other while creating new opportunities for innovation, collaboration, market access and sustainable enterprise growth.



The engagement opens further possibilities for collaboration with Denmark in innovation, technology, IP, entrepreneurship and market access.

Scope for Future Cooperation

The discussions in Denmark provide a useful foundation for taking India–Denmark MSME cooperation towards more practical and enterprise-level engagement. There is scope to explore innovation and technology partnerships, stronger industry–academia linkages, IP awareness and commercialisation, cluster-to-cluster cooperation, SME-to-SME collaboration, entrepreneurship and mentoring, knowledge exchange on MSME support systems, productivity and market access, and internationalisation opportunities for Indian MSMEs.

For India, Denmark offers useful experience in connecting entrepreneurship with universities, innovation institutions, clusters and intellectual property. At the same time, India's large and diverse MSME ecosystem presents significant opportunities for Danish institutions and businesses to explore technology partnerships, market linkages and collaboration with Indian enterprises.

The India–Denmark Joint Working Group provides an important platform for continuing this dialogue. The opportunity going forward is to build on the institutional discussions and create avenues for more direct interaction between MSMEs, industry bodies, universities, innovation institutions and other ecosystem stakeholders in both countries. Such engagement can help translate the exchange of experiences into practical opportunities for businesses.

It was proposed that an annual platform for exchange, networking and engagement between Indian and Danish SMEs be established to facilitate continued dialogue, collaboration and business-to-business connections.

For India SME Forum, participation in this engagement adds an important enterprise dimension to the bilateral relationship. ISF can contribute by bringing the practical concerns and requirements of Indian MSMEs into future discussions and by facilitating connections between Indian enterprises and relevant international partners. The broader objective should be to develop cooperation that delivers tangible value to businesses, whether through access to technology and knowledge, innovation and IP support, new partnerships, or opportunities to enter and expand in international markets.

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Fixing Stress Not Distress: The Case for FRR 2.0

What if a temporary cash-flow crisis could be addressed before it becomes a business failure? The article makes the case for FRR 2.0, focused on earlier intervention, viability-based assessment, faster decisions and giving deserving MSMEs a genuine chance to recover.

Shri Ateesh Kumar, Additional Secretary, DPIIT, suggested that the revision of the FRR framework aims to make the revival and rehabilitation process for stressed MSMEs more timely, flexible and effective. Key changes include introducing a Stress Review phase, a streamlined evaluation template, an extension of up to 150 days for developing corrective action or restructuring plans, a temporary stay on NPA classification during the review phase, and greater decision-making powers for local sanctioning authorities to enable faster resolution.

For an MSME, financial stress rarely begins with a complete collapse of the business. More often, it starts with something temporary: a large customer delays payment, input costs rise unexpectedly, orders fall for a few months, working capital gets stretched or an unforeseen disruption affects cash flows. A business that has been operating successfully for years can suddenly find itself struggling to meet its repayment obligations even though its underlying operations remain viable. The difficulty is that by the time such stress receives formal attention, the situation may have already worsened considerably.

The original FRR framework was drafted precisely to catch these early stumbles. In practice, however, procedural friction turned early warnings into autopsy reports. Protracted committee approvals and multi-stakeholder friction mean intervention regularly arrives after working capital is fully depleted, transforming a 30-day cash crunch into terminal insolvency.

For India's MSMEs, therefore, the conversation now needs to move beyond whether the existing framework should continue. What is needed is an FRR 2.0, one that is designed around early intervention, business viability and the actual repayment history of an enterprise.

A stressed MSME is not necessarily a failed MSME

If an enterprise has faithfully serviced a five-year term loan for 42 months, its creditworthiness isn't a theoretical variable, it is a proven fact. Yet, the moment a delayed receivable triggers a 60-day default, our credit framework treats the business as though its operational history never existed. FRR 2.0 must break this recency bias, evaluating a temporary cash-flow crunch through the lens of proven track record, not panic.

A more meaningful assessment would examine the original loan amount and tenure, the amount already repaid, the outstanding liability, the enterprise's repayment record, its current cash-flow position and the reasons behind the stress. It should also examine whether the underlying business continues to have customers, orders, assets and the capacity to generate sufficient cash

flows if the immediate constraint is addressed. Such an assessment can help distinguish an enterprise that is fundamentally unviable from one that has simply encountered a temporary disruption.

This distinction matters because the cost of treating both businesses in the same manner can be substantial. A viable MSME that is allowed to deteriorate may lose its suppliers, employees, customers and productive assets before any meaningful recovery process begins. A business that could have returned to regular repayment with timely intervention can consequently become a much more difficult recovery case.

FRR 2.0 should intervene before the crisis deepens

By the time an account hits SMA-2 status, cash reserves are usually exhausted. FRR 2.0 must shift the timeline forward, evaluating stress while the business still has working capital to save. The objective should not be to wait until an MSME has exhausted its working capital and accumulated serious financial difficulties before the system responds. Once an enterprise shows signs of stress, the concerned committee should be able to undertake a comprehensive review of its existing loan facility and overall business position and determine what kind of intervention is actually required.

That intervention should not automatically mean restructuring. Depending on the circumstances, the appropriate response could be rectification, additional financial support, restructuring or, where the business is genuinely unviable, recovery. The strength of the framework should lie precisely in its ability to differentiate between these situations rather than treating every stressed account through the same lens.

This would also allow lenders to take a more informed view of risk. An enterprise that has consistently serviced its obligations for several years and has a viable business model presents a different risk from one

Every viable MSME that survives financial stress preserves productive assets, employment, supplier relationships, customer networks, and accumulated business knowledge.

whose underlying operations have been deteriorating for a prolonged period. The repayment history provides information about the entrepreneur's financial discipline; the current cash flows provide information about the immediate problem; and the viability assessment provides an indication of whether the business can recover. Together, these factors offer a more complete basis for decision-making than current stress or collateral value alone.

This approach could also support a more flexible intervention window for micro and small enterprises. Instead of allowing a temporary disruption to move rapidly towards NPA classification, FRR 2.0 could provide greater time for corrective action, with revised SMA thresholds that distinguish temporary stress from sustained financial deterioration. The objective would not be to delay recognition of genuine distress, but to give viable enterprises a reasonable opportunity to restore repayment capacity.

Give viable businesses the opportunity to recover

For many MSMEs, the immediate requirement may not be a complete restructuring of their debt but simply enough liquidity to stabilise operations. A manufacturer with confirmed orders, for instance, may face a temporary working-capital shortage because payments from buyers have been delayed. Another enterprise may have a viable business but require additional funds to purchase inputs, restart production or bridge a temporary cash-flow gap.

FRR 2.0 could therefore provide for top-up working capital or term loans for demonstrably viable MSMEs, subject to the assessment and approval of the concerned committee. Such an arrangement would not mean providing additional credit indiscriminately to stressed borrowers. It would mean recognising that a temporary liquidity problem can sometimes be resolved through carefully assessed additional finance, allowing the enterprise to restore operations and resume regular repayments.

A dedicated Distressed MSME Fund could further support this mechanism by providing targeted risk-sharing support where a viable enterprise requires short-term liquidity but conventional lending has become difficult because of temporary stress. Such support would need to be linked to a clear viability assessment rather than being available automatically to every stressed borrower.

This is particularly important because forcing a viable business into a recovery process when it needs temporary liquidity can destroy value for everyone involved. The lender may ultimately recover less, workers may lose employment, suppliers may lose business and the enterprise's productive capacity may be permanently damaged. Early support, when justified by the fundamentals of the business, can instead preserve the value that already exists.

The process itself needs to become simpler

The effectiveness of any revival framework ultimately depends on how quickly an MSME can access it. A process that requires extensive paperwork, repeated interactions and lengthy coordination between institutions can lose its usefulness when the business is already under financial pressure.

FRR 2.0 should therefore incorporate a unified digital rehabilitation platform, allowing an MSME to submit its application, financial information and supporting documents through a common system and monitor the progress of its case through real-time status tracking. The platform could also provide a secure channel for communication between the enterprise, lender and designated committee, reducing uncertainty while creating greater accountability within the process.

Time-bound decision-making is equally important. The purpose of early intervention is defeated if a case remains under consideration while the enterprise's cash position continues to deteriorate. Banks and the concerned committees should therefore operate within clearly defined timelines for assessment and decision-making, with the MSME able to see where its case stands and what additional information, if any, is required.

FRR 2.0 must shift the timeline forward, evaluating stress while the business still has working capital to save.

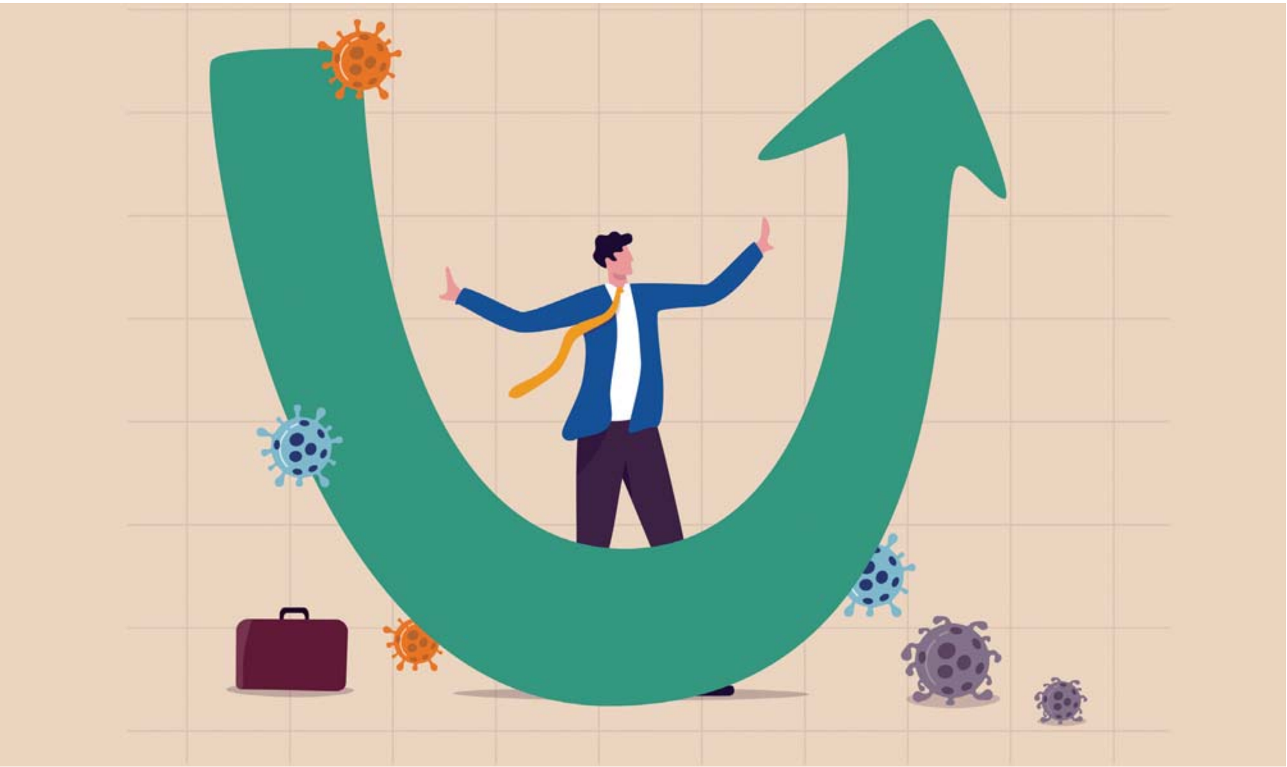
The framework should also establish a standardised process across financial institutions, including common documentation requirements, application formats and timelines. This would reduce the procedural differences that currently make it difficult for MSMEs to navigate financial distress and create greater transparency and accountability in the rehabilitation process.

Look beyond collateral

Fixing the timeline, however, matters little if lenders remain anchored to balance-sheet liquidation. Today, credit decisions start and end with collateral value. Collateral will continue to have a legitimate place in lending decisions, but it should not become the dominant measure of whether a business deserves an opportunity to recover.

For an MSME, the more important question is whether the enterprise can generate future cash flows and return to regular repayment. A business may have limited collateral but a strong repayment record, established customers, a viable product, and a temporary cash-flow problem. Conversely, the presence of substantial collateral does not necessarily mean that an enterprise's underlying business remains viable.

FRR 2.0 should therefore give greater weight to repayment history, amount already repaid, outstanding liability, current cash flows and underlying business viability, while retaining appropriate consideration of collateral and other credit-risk factors. Such an approach would allow lenders to assess the business as a continuing enterprise rather than simply as a stressed loan account.



Revival is also about protecting productive capacity

The case for a stronger revival mechanism extends beyond the interests of individual entrepreneurs. Every viable MSME that survives financial stress preserves productive assets, employment, supplier relationships, customer networks, and accumulated business knowledge. When such an enterprise fails unnecessarily, these assets and relationships can take years to rebuild, if they can be rebuilt at all.

There is also a clear interest for lenders in getting this right. An operating enterprise that has the capacity to recover can generate future cash flows and repay its obligations. Once the enterprise has closed, its customers have moved elsewhere and its assets have lost value, recovery can become considerably more difficult. Early revival, where justified, can therefore be viewed not as a concession to the borrower but as a more effective approach to protecting the lender's own financial interest.

For many MSMEs, the immediate requirement may not be a complete restructuring of their debt but simply enough liquidity to stabilise operations.

India needs an FRR 2.0

The original intent of the Framework for Revival and Rehabilitation remains relevant, but the experience of MSMEs suggests that the framework now needs to evolve. The issue is not whether financially unviable businesses should continue to receive support indefinitely; clearly, they should not. The issue is whether businesses that have demonstrated repayment capacity and continue to have a viable underlying operation should be given a realistic opportunity to recover when they encounter temporary financial stress.

FRR 2.0 should be built around that distinction. It should identify stress earlier, examine the complete repayment and financial history of the enterprise, assess viability rather than relying predominantly on collateral, provide appropriate options ranging from rectification to additional finance and restructuring, and ensure that decisions are taken within a defined timeframe.

For India's MSMEs, revival cannot remain a process that begins after a business has already reached the brink. It needs to become an early intervention mechanism that recognises the difference between a temporary setback and a failed business.

The objective should ultimately be simple: preserve a viable MSME's business and repayment capacity rather than allowing temporary financial stress to destroy an otherwise sustainable enterprise. That is the case for FRR 2.0. bwise

From Informal to Digital : The UPI Revolution

Ten years of UPI have changed more than how India pays. For millions of small businesses, the humble QR code has become a gateway to better cash flow, digital records and access to formal credit. The article explores this quiet transformation through real business experiences, while asking what challenges remain as UPI enters its next decade.

Ten years after it started quietly, UPI has become a powerful tool for millions of small businesses across India.

There is a small sound that many Indians now hear every day: a soft "ping." You hear it at a tea stall, a vegetable cart, or a small tailor's shop. A customer holds their phone near a square code, and in seconds, money moves from their account to the shop owner's account. No cash, no card machine - the shopkeeper does not even react anymore, because it happens so often.

Ten years ago, this scene did not exist. Most small shop owners took only cash, and many never even opened a bank account. If a customer forgot their wallet, the sale was simply lost. Shopkeepers had to keep loose change ready all day, and a trip to the bank meant closing the shop for hours. Today, that same shopkeeper can accept

UPI has done much more than simply digitise payments for India's small businesses. It has started creating a digital financial footprint for millions of MSMEs. Every transaction leaves behind a record of business activity giving greater visibility into cash flows, turnover and payment behaviour. For a small business, this visibility can be extremely valuable. Traditionally, limited financial records and a lack of formal credit history have made it difficult for many MSMEs to access formal finance. Digital transaction histories can help bridge that information gap and give financial institutions a better understanding of the businesses they serve. The next opportunity is to move beyond simply accepting digital payments and start building a recognised digital financial identity. As these transaction records become more meaningful, they can support greater formalisation and help MSMEs access a broader range of financial services and responsible credit. But this journey must be built on trust. Strong fraud prevention, data privacy, meaningful customer consent and responsible use of financial data will be essential. Digital footprints should empower businesses, not expose them to new risks.
The real impact of UPI, therefore, is not just that money moves faster. It is that India's small businesses are becoming more visible, more connected and better positioned to participate in the formal financial ecosystem.

- Mr. Swapnil Jambhale
Founder & CEO,
Paysonic Technologies Pvt. Ltd.

money instantly, keep track of every sale on a phone, and even get a loan without stepping into a bank at all. This small "ping" is part of one of the biggest changes in India's recent history - and it happened slowly, one shop and one payment at a time.

The same street, ten years apart, tells two very different stories. Ten years ago, a vegetable seller kept a tin box full of coins. A tea stall owner wrote down credit given to regular customers in a worn notebook. A tailor waited weeks for exact change. None of these shop owners had ever spoken to a bank loan officer. Today, the same vegetable seller has a small paper square taped to her cart. The same tea stall owner hears a soft "ping" dozens of times a day. The same tailor has built up months of digital proof of steady income - proof she recently used to get a loan for a new sewing machine. What changed is invisible, yet it touches everything: a quiet layer of digital trust now sits underneath these ordinary transactions.

A Small Start, A Big Result

The story starts on April 11, 2016. India's National Payments Corporation

of India, working with the Reserve Bank of India, launched a new payment system in Mumbai called UPI, short for Unified Payments Interface. At first, only 21 banks used it, and very few people noticed. There was no big launch event and no headline news.

At the time, India already had digital payment options, but each had its own problems. Bank transfers required long account numbers and branch codes. Mobile wallets often could not send money to a different wallet or bank easily. UPI's idea was simple: build one shared system, open to every bank, so money could move between any two people or businesses in seconds.

On August 25, 2016, UPI opened up for the whole country. More banks and phone apps joined, and people could send money using just a phone number, as easy as sending a text message. A few years later, when large parts of the country needed contact-free ways to pay, UPI was already there, and its use grew even faster than before.

Ten years later, the numbers are hard to believe. In the financial year 2025-26, people made more than 24,162 crore UPI payments, worth almost ₹314 lakh crore - close to 13,000 times more than when UPI started. Today, UPI handles almost half of all real-time digital payments made anywhere in the world. No other country has built something like this: fast, free for normal users, and working the same way across every bank and app.

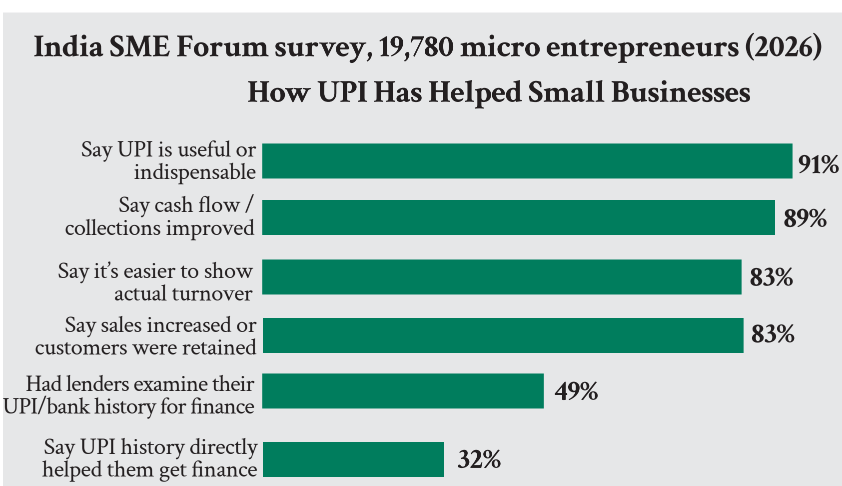
Other countries have taken notice. Officials and central banks from several nations have studied India's model, and UPI has started connecting with payment systems in a small number of other countries. For a system that began as a quiet domestic experiment, this kind of international attention says a great deal about how far it has come.

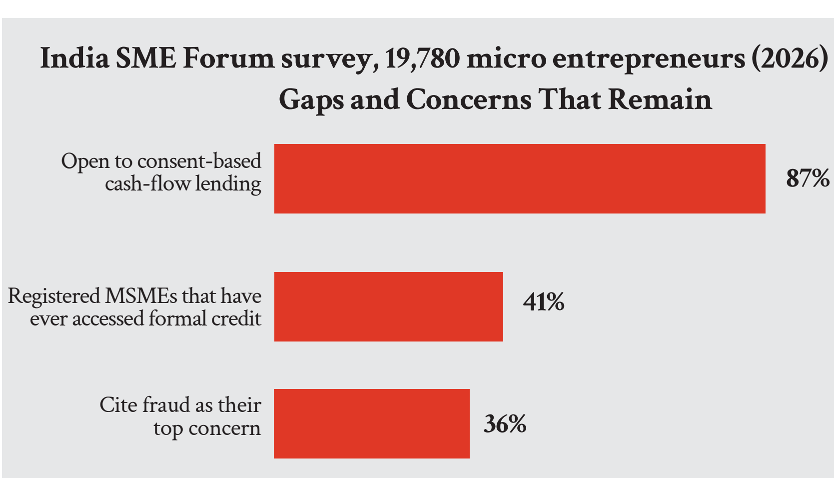
Small Businesses Get Noticed

These big numbers are impressive. But the real story is smaller and more personal - it is about India's 63 million small businesses, known as MSMEs (Micro, Small, and Medium Enterprises). These businesses add about 31% to India's total earnings and create nearly half of everything India sells abroad, giving jobs to crores of people.

Unlike large companies with hundreds of employees, most MSMEs are tiny - a single shop, a small workshop, or one person working from home. Yet together, they employ far more people than large companies do, in every district, town, and village. For years, though, banks could not see these businesses clearly. Most owners used only cash and kept no written records. So when they needed a loan to grow, banks had no way to check if they could repay it - not because banks did not want to help, but because they had no information to trust.

Imagine trying to prove you are trustworthy without any documents at all - no salary slip, no bank statement, no receipts. A shop owner might have run a successful business for fifteen years, trusted by an entire neighbourhood, and still be turned away by a bank simply because that success existed only in memory, not on paper. UPI was not built to fix this - it was built only to make payments easier. But because it was free, simple, and worked the same way everywhere, it reached places banks had never reached before.





The effect of UPI can now be seen in more than the number of transactions, and a fuller picture of that effect comes from the India SME Forum survey. A 2026 India SME Forum survey of 19,780 micro entrepreneurs found that 82.6% of respondents believed UPI had helped increase sales or prevent the loss of customers. The effect on daily business operations was even clearer: 89.3% said it had improved cash flow or collections, while 83% said digital payments had improved their ability to understand or demonstrate their turnover. Around 49% of survey respondents said a lender had examined their bank or UPI history to some extent while assessing them for finance, and 31.9% said their digital transaction history had directly helped them obtain finance. The same survey cites approximately 8.7 crore registered MSMEs as of December 2025, while only about 3.6 crore had ever accessed formal credit. It also found that 91.4% of participating micro entrepreneurs described UPI as useful or indispensable to their businesses, while 87.3% of respondents were either open or potentially open to consent-based cash-flow lending, though many of them attached conditions relating to data protection. On the other side, fraud was the largest concern, cited by 36.2% of respondents, with failed transactions, poor connectivity, possible merchant charges, account freezes, and difficulty obtaining help also identified as concerns.

These findings point to a larger change. A UPI payment is not only a completed sale; it is also a record of business activity. Repeated payments can show transaction frequency, average ticket size, continuity, seasonality, and revenue patterns. In this way, the QR code becomes the first step in a longer chain: QR code → payment → cash flow → data → financial identity → credit → growth.

For some businesses, this record-keeping benefit has been there from the very start. Sangeeta Mohapatra, founder-director of Eco-Consize Innovations, which runs the children's wear brand Doodledry, has used UPI and bank transfers since the business began. It lets customers book an order instantly, "with less hustle in their busy schedule," she says - and from the business side, an instant payment means an order can be confirmed and a delivery planned right away. Because money is credited immediately, she adds, "the books are clean and updated all the time."

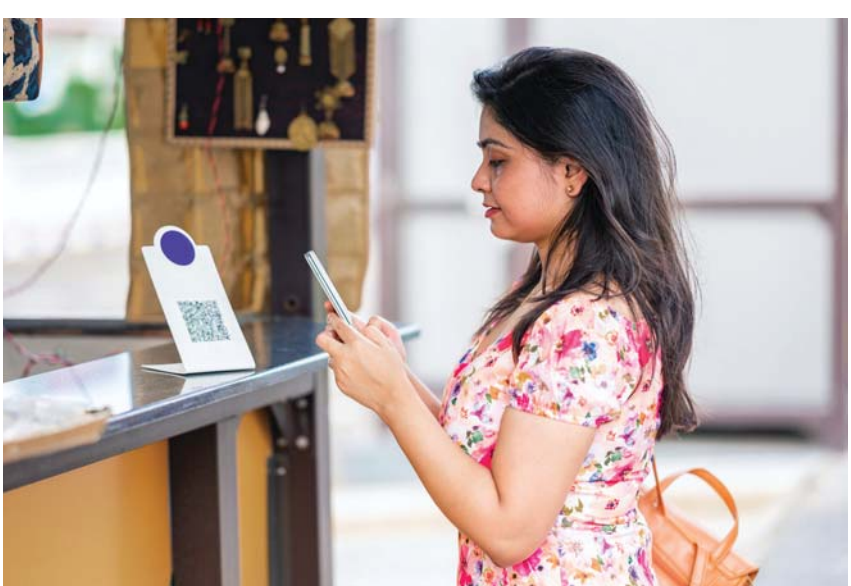
The credit connection is already beginning to appear. UPI history is not a credit score and should not be used on its own, but with the entrepreneur's consent, it can provide lenders with information that many small businesses previously lacked.

That shift in visibility has also translated into sales and cash flow for businesses well beyond street-side stalls. Pradeep Das, director of Add Metal Solutions, an engineering firm that supplies machinery and processing equipment for minerals and base metals, says his company used to collect payments against quotations, proforma invoices, and bank letters of credit. "We could get more sales from new customers without making personal visits, due to fast and secured UPI/ digital payment," he says, adding that collections and cash flow improved as the business grew. For him, the biggest gain is the convenience of paying and receiving payments securely at any time, and how widely UPI has been adopted across the business community.

One Small Code, One Big Change

The best example is the QR code - the small square you scan with your phone. India now has more than 670 million of these codes, stuck on tea stalls, auto-rickshaws, and vegetable carts. Before UPI, a shop wanting card payments needed an expensive, hard-to-get machine. Most tiny shops could never afford one. A QR code changes that: a shop only needs one printed piece of paper, often free, with no monthly fee and no complicated setup.

This matters even more for businesses that move around - a vegetable cart, a bicycle fruit seller, a street food stall



that sets up in a different spot every evening. None of these could ever have justified an expensive card machine, but a small printed square travels with the business wherever it goes. This is why UPI reached small towns and villages that banks had ignored for years - not out of neglect, but because it never made financial sense for banks to go there before.

Today, shopkeepers make up 63% of all UPI payments, and 86% of these are for less than ₹500 - small, everyday amounts, like a cup of tea or a haircut, that big banks never thought were worth their attention. Studies show most small shopkeepers now use UPI regularly, and many say their sales grew after they started accepting it - especially in villages and small towns, where digital payments help local shops compete and grow.

The experience of small vendors illustrates the change. A fruit seller in Mumbai described how UPI removed the daily problem of handling cash and giving change. A flower seller in Old Delhi said that customers who previously hesitated to buy when they lacked exact cash could now complete the purchase digitally. These are small transactions, but repeated many times, they can protect a meaningful share of a micro business's daily turnover.

The same pattern shows up at a different scale, too. Jeetu Melwani, managing partner of Sattvic Goa LLP, which supplies products to customers and businesses with most transactions under ₹50,000, is careful about what exactly changed for him. Before UPI, payments often came through NEFT transfers awaiting approval or cheques that took days to clear - an extra step between an order and dispatch. Now a customer's payment can be confirmed almost immediately, letting him move straight to processing and shipping. "UPI has made payments faster and more convenient, helping us confirm orders, dispatch goods sooner, and reduce the chances of payment-related delays," he says. His biggest takeaway isn't that UPI created more sales for his business - it's that faster, simpler collections made the business run better.

A New Way to Get a Loan

One of the biggest changes UPI brought is in how small businesses get loans. In the past, MSMEs found it very hard to get a loan - no property to offer as security, no paperwork to prove their

business was doing well. Because of this, small businesses missed out on loan money worth hundreds of billions of dollars.

Traditional bank lending has always relied on collateral - land, a building, or gold that a borrower promises to give up if they cannot repay. But most small business owners simply do not own property they can offer this way, leaving them to borrow from informal lenders who often charge very high interest.

From tin boxes to QR codes - how a simple payment idea slowly brought India's tea stalls, tailors, and vegetable carts into the formal economy.

The scale of the problem remains large. This gap shows why payment digitisation matters beyond convenience. If digital transactions can help lenders understand the cash flow of businesses with limited paperwork or collateral, they may help bring more viable enterprises into the formal credit system.

UPI fixed part of this problem almost by accident. Every UPI payment creates a digital record. Over time, these records can build into a clearer picture of how much a business earns, how often it receives payments, and how steady its income is. A single payment says very little. Hundreds can begin to show transaction frequency and average sales; thousands may reveal continuity, seasonality, and growth.

Today, banks and fintech companies are beginning to check this UPI history before giving a loan. A shopkeeper once refused for lack of documents can now get approved in a few days, using only her UPI history as proof. This new way of lending - based on cash flow instead of property - is now shaping new government loan programs for small businesses.

Opening Doors for the Overlooked

This new way of proving trustworthiness has mattered most for people who were furthest from the formal banking system to begin with. Women running home-based businesses - tailoring, tiffin services, handicrafts, or small beauty parlours - often had no property registered in their own name and no formal employment history. A digital trail of steady UPI payments gives these entrepreneurs something they rarely had before: independent, verifiable proof of their own work.

The same is true for young entrepreneurs starting their first venture and for workers in rural areas far from any bank branch. A farmer selling produce directly to customers, a young graduate starting a small business, or a first-generation shop owner can all build the same kind of digital track record - a fairer starting line than existed before, where consistency, not connections or inherited property, decides who gets access to credit.

Becoming Part of the System

There is another quiet change too. Every UPI payment is linked to a bank account, so it leaves behind a small digital trail. As small businesses accepted more UPI payments, many became part of India's formal economy - often without even trying. This matters a great deal: a business the system can "see" can apply for government help, sell products on official platforms, and get proper loans from real banks. Before UPI, this was almost impossible for many small owners working quietly outside the reach of the formal economy.

The system has also become embedded in everyday business operations. That dependence explains why payment failures, fraud, account freezes, and delayed grievance resolution are not merely inconveniences. For a small business, a payment problem can interrupt the day's sales and affect its ability to pay suppliers or replenish stock.

A Story Still Being Written

Of course, the story is not perfect yet. Running a payment system this big costs a lot of money for security, technology, and stopping fraud. India's central bank says someone will need to pay for this cost one day, though no final decision has been made yet. For now, normal customer payments stay free.

There are other challenges too. Many people in rural India still lack good phones or a steady internet connection, and power cuts and patchy network coverage remain real barriers in some parts of the country. Lending based only on UPI history is not perfect either - if lenders are not careful, some people may end up borrowing more than they can repay, simply because a steady stream of payments can look healthier than it really is.

Without property or paperwork, small business owners were often invisible to banks. Now, their UPI payment history can help them get loans.

The next phase also raises questions about data and lending. A digital payment trail can help demonstrate turnover, but it is not the same as a credit score and should not automatically determine loan eligibility. If lenders use transaction data without clear consent or affordability checks, entrepreneurs could face inappropriate loans, excessive repayments, or privacy risks.

There is also the question of what comes next. As more of daily life moves onto a phone screen, questions about privacy, data protection, and how payment information is used will only become more important. Building trust in a system this size needs constant care, not a one-time fix.

As India celebrates ten years of UPI, Prime Minister Narendra Modi called its launch a turning point in the country's digital journey. NPCI's leaders agree, calling this milestone a strong beginning, not the end of the story.

For India's small businesses, this feels true. Ten years ago, most small shop owners were invisible to banks and lenders. They worked hard every day, but no one outside their own street could easily see that work. Today, UPI has slowly moved these businesses from the outside of the economy toward the center of it - one QR code, one payment, and one loan at a time. It has helped the tea seller who no longer worries about loose change, the tailor who can show proof of steady income, and the small factory owner who got a loan to buy new machines.

None of this happened because someone set out, ten years ago, to transform India's small businesses. It happened because a simple idea meant only to move money faster turned out to be exactly what millions of overlooked entrepreneurs needed all along. Today, all they need to show that their business is real, growing, and worth trusting is a simple screen on their phone, and a small, familiar sound that has quietly become the background music of India's economy: a soft, everyday "ping." bwise

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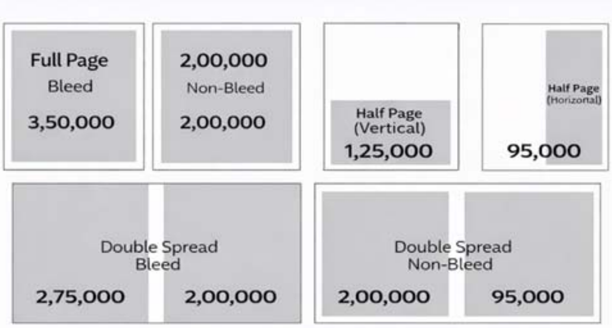

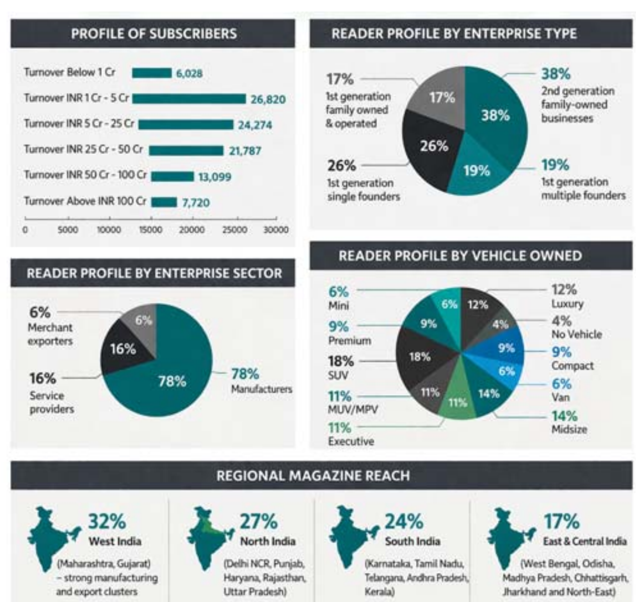

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