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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

RAJYA SABHA

The following Bill has been introduced in the Rajya Sabha on the 28th July 2026:—

BILL NO. LXXII OF 2026

A Bill further to amend the Micro, Small and Medium Enterprises Development Act, 2006.

BE it enacted by Parliament in the Seventy-seventh Year of the Republic of India as follows:—

1. (*1*) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2026. Short title and commencement.

(*2*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act, shall be construed as a reference to the coming into force of that provision.

Amendment of section 2.

2. In the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as the principal Act), in section 2,— 27 of 2006.

(*i*) after clause (*d*), the following clause shall be inserted, namely:—

'(*da*) "Development Commissioner" means the administrative head of the office of Development Commissioner of the Government of India in the Ministry of Micro, Small and Medium Enterprises;';

(*ii*) in clause (*g*), the words, brackets, figures and letters "sub-clause (*iii*) of clause (*a*) or sub-clause (*iii*) of clause (*b*) of" shall be omitted;

(*iii*) in clause (*h*), the words, brackets, figures and letters "sub-clause (*i*) of clause (*a*) or sub-clause (*i*) of clause (*b*) of" shall be omitted;

(*iv*) in clause (*j*), after the word "Gazette", the words 'and the expression "notify" shall be construed accordingly' shall be inserted;

(*v*) in clause (*m*), the words, brackets, figures and letters "sub-clause (*ii*) of clause (*a*) or sub-clause (*ii*) of clause (*b*) of" shall be omitted.

Amendment of section 3.

3. In section 3 of the principal Act, in sub-section (*3*), in clause (*o*), for the words "one officer not below the rank of Joint Secretary to the Government of India", the words "the Development Commissioner" shall be substituted.

Amendment of section 7.

4. In section 7 of the principal Act, for sub-section (*1*), the following sub-section shall be substituted, namely:—

"(*1*) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951, the Central Government may, by notification, classify the enterprises as micro, small and medium enterprises, having regard to the provisions of sub-sections (*4*) and (*5*), and subject to such limits as it may consider necessary as to both of the following criteria, namely:— 65 of 1951.

(*a*) investment in plant and machinery or equipment; and

(*b*) turnover.

Explanation 1.—For the removal of doubts, it is hereby clarified that in calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Explanation 2.—It is clarified that the provisions of section 29B of the Industries (Development and Regulation) Act, 1951 shall be applicable to the enterprises specified in this sub-section.". 65 of 1951.

Substitution of new section for section 8.

5. For section 8 of the principal Act, the following section shall be substituted, namely:—

Memorandum of micro, small and medium enterprises.

"8. (*1*) The Central Government shall notify a national digital platform for free and voluntary filing of memorandum for registration of micro, small and medium enterprises, to empower and enable them to avail the benefits from the Central Government under the provisions of this Act in such form and manner as may be prescribed by the Central Government.

(*2*) The State Government may notify a State digital platform for free and voluntary filing of memorandum for registration of micro, small and medium enterprises in the State, to avail the applicable benefits from the State Government in such form and manner as may be prescribed by the State Government.

Explanation.—For the purposes of this section, it is hereby clarified that the State Government may also provide to micro, small and medium enterprises registered under sub-section (*1*), applicable benefits under their Schemes.".

6. In section 14 of the principal Act, in sub-section (*2*), the words, brackets and figure "sub-section (*1*) of" shall be omitted. Amendment of section 14.

7. After section 15 of the principal Act, the following section shall be inserted, namely:— Insertion of new section 15A.

'15A. (*1*) Notwithstanding anything contained in this Act or any other law for the time being in force, every Central Public Sector Enterprise shall, in respect of procurement of goods or services from micro, small and medium enterprises, route the settlement of invoices through a Trade Receivables Discounting System platform, authorised by the Reserve Bank, in such form and manner as may be prescribed by the Central Government. Mandatory settlement of receivables through Trade Receivables Discounting System.

(*2*) The Central Government may, by notification, specify any other authority, body, or entity other than Central Public Sector Enterprise, in respect of procurement of goods or services from micro, small and medium enterprises, who shall thereafter route the settlement of invoices as provided for in sub-section (*1*), in such form and manner as may be prescribed by the Central Government.

(*3*) The State Government may, by notification, specify such State Public Sector Enterprise, any other authority, body, or entity, in respect of procurement of goods or services from micro, small and medium enterprises, who shall thereafter route the settlement of invoices as provided for in sub-section (*1*), in such form and manner as may be prescribed by the State Government.

Explanation.—For the purposes of this section, the expression "Trade Receivables Discounting System" means an electronic platform for facilitating the financing or discounting of trade receivables of micro, small and medium enterprises in accordance with the guidelines issued by the Reserve Bank from time to time.'.

8. In section 18 of the principal Act (as substituted by section 62 read with the Amendment of section 18.
32 of 2023. Seventh Schedule of the Mediation Act, 2023),—

(*a*) in sub-section (*3*), after the words and figures "the Mediation
32 of 2023. Act, 2023", the words, figures, brackets and letter "except the time-limit for completion of mediation provided under section 18 of that Act, and for the purposes of this Act, such time-limit shall be as per sub-section (*3A*)" shall be inserted;

(*b*) after sub-section (*3*), the following sub-section shall be inserted, namely:—

"(*3A*) The Micro and Small Enterprises Facilitation Council or mediation service provider, as the case may be, shall complete the mediation within a period of ninety days from the date fixed for first appearance.";

(*c*) in sub-section (*4*), after the words "the Council shall", the words "within a period of thirty days from the date of termination of mediation" shall be inserted;

(*d*) after sub-section (*4*), the following sub-section shall be inserted, namely:—

"(*4A*) Notwithstanding anything contained in any other law for the time being in force, the Micro and Small Enterprises Facilitation Council or any institution or centre providing alternative dispute resolution services, as the case may be, shall make the award within a period of ninety days from the date of completion of pleadings.";

(*e*) for sub-section (*5*), the following sub-sections shall be substituted, namely:—

'(*5*) Notwithstanding anything contained in any other law for the time being in force, the Micro and Small Enterprises Facilitation Council or mediation service provider or any institution or centre providing alternative dispute resolution services shall have jurisdiction to act as a mediator or arbitrator under this section in a dispute between the supplier, whose official address as per the registration made under section 8, is located within its jurisdiction and a buyer located anywhere in India.

(*6*) The Central Government may, by notification, establish an online mechanism for conducting online mediation or arbitration through audio-video and other electronic means, under this section.

(*7*) The procedure and manner of online mechanism referred to in sub-section (*6*) shall be such as may be prescribed by the Central Government.

Explanation.—For the purposes of this Act, the expression "audio-video and other electronic means" shall include use of any communication device for video conferencing, filing of pleadings, communication, recording of evidence, transmission of electronic communication, for the purposes of conduct of arbitral proceedings and any other matters incidental thereto.'.

Insertion of new section 18A.

9. After section 18 of the principal Act (as substituted by section 62 read with the Seventh Schedule of the Mediation Act, 2023), the following section shall be inserted, namely:— 32 of 2023.

Enforcement of mediated settlement agreements and arbitral awards.

"18A. (*1*) The mediated settlement agreement or arbitral award made by the Micro and Small Enterprises Facilitation Council itself or mediation service provider or any institution or centre providing alternative dispute resolution services to which a reference is made under section 18, may be recovered as an arrear of land revenue by the State Government through District Collector or Deputy Commissioner or any such authority notified by the State in this behalf, where the assets of the buyer is located.

(*2*) The amount determined by the mediated settlement agreement or arbitral award shall constitute a valid and legally enforceable debt and is liable to be recognised under the provisions of the Insolvency and Bankruptcy Code, 2016.". 31 of 2016.

Substitution of new section for section 19.

10. For section 19 of the principal Act, the following section shall be substituted, namely:—

Application for setting aside decree, award or mediated settlement agreement.

"19. (*1*) No application for setting aside any decree, award, other order or mediated settlement agreement made under section 18 shall be entertained by any court unless the applicant (not being a supplier) has mandatorily deposited with it seventy-five per cent. of the amount in terms of the award or the mediated settlement agreement, as the case may be.

(*2*) Pending disposal of the application to set aside the decree, award, other order or mediated settlement agreement, as the case may be, the court shall order that such percentage of the amount deposited shall be paid to the supplier, as it considers reasonable under the circumstances of the case:

Provided that if the application has been pending for more than six months, the court shall order to pay to the supplier a sum equivalent to at least fifty per cent. of the amount awarded from the amount deposited by the applicant.

(*3*) The application under sub-section (*1*) shall be filed within the jurisdiction of the court where official address of the supplier is located as referred to in section 8.".

Substitution of new section for section 20.

11. For section 20 of the principal Act, the following section shall be substituted, namely:—

Establishment of Micro and Small Enterprises Facilitation Council.

"20. (*1*) The State Government shall, by notification, establish adequate number of Micro and Small Enterprises Facilitation Council, in addition to the existing Council, at such places, exercising such jurisdiction, and for such areas, as may be specified in that notification.

(*2*) The Micro and Small Enterprises Facilitation Council shall meet on regular basis for timely resolution of references made under section 18, at such intervals and in accordance with such procedure as may be prescribed by the State Government.

(*3*) The State Government may provide adequate infrastructure and resources, including physical infrastructure, digital systems and trained manpower, as may be necessary for effective and timely disposal of references, to the Council established under this section.".

Substitution of new section for section 21.

12. For section 21 of the principal Act, the following section shall be substituted, namely:—

Composition of Micro and Small Enterprises Facilitation Council.

"21. (*1*) The Micro and Small Enterprises Facilitation Council shall consist of not less than three but not more than five members.

(*2*) Each Micro and Small Enterprises Facilitation Council constituted by the State Government shall include the following members, namely:—

(*a*) an officer not below the rank of Joint Director as the Chairperson of the Micro and Small Enterprises Facilitation Council; and

(*b*) one or more office-bearers or representatives of associations of micro or small industry or enterprises; and

(*c*) at least one member from the field of law.

(*3*) Subject to the provisions of sub- sections (*1*) and (*2*), the composition of the Micro and Small Enterprises Facilitation Council, the manner of filling vacancies of its members and the procedure to be followed in the discharge of their functions by the members shall be such, as may be prescribed by the State Government.".

Insertion of new section 22A.

13. After section 22 of the principal Act, the following section shall be inserted, namely:—

Reporting of compliance.

"22A. (*1*) Every Central Public Sector Enterprise or any other authority, body or entity, notified by the Central Government, shall disclose the details of invoices of micro, small and medium enterprises routed and settled through Trade Receivables Discounting System platform as referred to in sub-sections (*1*) and (*2*) of section 15A, in such form and manner as may be prescribed by the Central Government.

(*2*) Every State Public Sector Enterprise or any other authority, body, or entity, notified by the State Government, shall disclose the details of invoices of micro, small and medium enterprises routed and settled through Trade Receivables Discounting System platform as referred to in sub-section (*3*) of section 15A, in such form and manner as may be prescribed by the State Government.".

Substitution of new sections 27 and 27A for section 27.

14. For section 27 of the principal Act, the following sections shall be substituted, namely:—

Penalty for contravention of section 8 or section 22 or section 26.

"27. (*1*) Whoever wilfully furnishes false information in the memorandum of registration filed under section 8 or fails to comply with the provisions of sub-section (*2*) of section 26 shall be—

(*a*) warned at the first instance of non-compliance;

(*b*) liable to penalty which shall not be less than one thousand rupees but which may extend to fifty thousand rupees in case of second or subsequent instances of non-compliance.

(*2*) Where a buyer contravenes the provisions of section 22, he shall be—

(*a*) warned at the first instance of non-compliance;

(*b*) liable to penalty which shall not be less than ten thousand rupees but which may extend to fifty thousand rupees in case of second contravention;

(*c*) punishable with fine which shall not be less than fifty thousand rupees but which may extend to one lakh rupees in case of third or subsequent contravention.

(*3*) The penalties provided under this section shall be increased by ten per cent. of minimum amount of penalty provided therefor, after the expiry of every three years from the date of commencement of the Micro, Small and Medium Enterprises Development (Amendment) Act, 2026, as may be notified by the Central Government.

Adjudication of penalties.

27A. (*1*) For the purposes of adjudging the penalties under section 27, the Central Government shall appoint the Development Commissioner to be an adjudicating officer for holding an inquiry and imposing penalty in such manner as may be prescribed by the Central Government:

Provided that no such penalty shall be imposed without giving the person concerned a reasonable opportunity of being heard.

(*2*) Whoever is aggrieved by an order of the adjudicating officer under sub-section (*1*) may prefer an appeal to the Secretary to the Government of India in charge of the Ministry or Department of the Central Government having administrative control of micro, small and medium enterprises, within a period of thirty days from the date of receipt of such order in such form and manner as may be prescribed by the Central Government.

(*3*) An appeal may be admitted after the expiry of the period of thirty days if the appellant satisfies the appellate authority that he had sufficient cause for not preferring the appeal within that period.

(*4*) The appellate authority may, after giving the party to the appeal an opportunity of being heard, pass such order as it may think fit.

(*5*) An appeal under sub-section (*2*) shall be disposed of within a period of sixty days from the date of filing.

(*6*) If penalty imposed by the adjudicating officer under sub-section (*1*) or by an order of the appellate authority under sub-section (*4*), is not deposited, the amount shall be recovered as an arrear of land revenue.".

15. In section 29 of the principal Act, in sub-section (*2*),— Amendment of section 29.

(*i*) after clause (*b*), the following clause shall be inserted, namely:—

"(*ba*) the form and manner to file memorandum for registration of micro, small and medium enterprises under sub-section (*1*) of section 8;";

(*ii*) after clause (*d*), the following clauses shall be inserted, namely:—

"(*da*) the form and manner to route the settlement of invoices through Trade Receivables Discounting System platform under sub-sections (*1*) and (*2*) of section 15A;

(*db*) the procedure and manner of online mechanism under sub-section (*7*) of section 18;

(*dc*) the form and manner to disclose the details of invoices of micro, small and medium enterprises under sub-section (*1*) of section 22A;";

(*iii*) after clause (*e*), the following clauses shall be inserted, namely:—

"(*ea*) the manner of holding inquiry and imposing penalties under sub-section (*1*) of section 27A;

(*eb*) the form and manner of preferring appeal to the appellate authority against the order of adjudicating officer under sub-section (*2*) of section 27A;".

16. In section 30 of the principal Act, in sub-section (*2*), for clauses (*a*) and (*b*), the following clauses shall be substituted, namely :— Amendment of section 30.

"(*a*) the form and manner to file memorandum for registration of micro, small and medium enterprises under sub-section (*2*) of section 8;

(*b*) the form and manner to route the settlement of invoices through Trade Receivables Discounting System platform under sub-section (*3*) of section 15A;

(*c*) the intervals and procedure for meeting of the Micro and Small Enterprises Facilitation Council under sub-section (*2*) of section 20;

(*d*) the composition of the Micro and Small Enterprises Facilitation Council, the manner of filling vacancies of the members and the procedure to be followed in the discharge of their functions by the members of that Council under sub-section (*3*) of section 21;

(*e*) the form and manner to disclose the details of invoices of micro, small and medium enterprises under sub-section (*2*) of section 22A; and (*f*) any other matter which is to be, or may be, prescribed under this Act.".

Saving.

17. Notwithstanding anything contained in this Act, anything done or any action taken or any notification issued under the principal Act, shall in so far as it is consistent with the provisions of this Act, continue to be in force unless and until revoked, and shall have effect as if it had been done, taken or issued under the corresponding provision of the principal Act, as amended by this Act.

STATEMENT OF OBJECTS AND REASONS

The Micro, Small and Medium Enterprises Development Act, 2006 (the said Act) was enacted to provide for facilitating the promotion, development and enhancing the competitiveness of micro, small and medium enterprises. Micro, small and medium enterprises are the key drivers of economic growth, generate employment and foster innovation. They contribute significantly to our Gross Domestic Product, exports, and are the backbone of India's economy.

2. Over the years, the micro, small and medium enterprises landscape has undergone a change due to technological advancements, emergence of information technology enabled systems and changing legal landscape which require that the Act be amended to facilitate growth of micro, small and medium enterprises.

3. In view of the above, it is *inter alia* proposed to amend the said Act to—

(*a*) provide for notifying a national digital platform for free and voluntary registration of micro, small and medium enterprises;

(*b*) address the liquidity issues of micro, small and medium enterprises by mandating all Central Public Sector Enterprises to route the settlement of invoices through Trade Receivables Discounting System for procurement of goods and services from micro, small and medium enterprises. Provision has also been made empowering States to adopt similar provision for their Public Sector Enterprise;

(*c*) facilitate the State Governments to establish additional Micro and Small Enterprises Facilitation Council by rationalising their composition;

(*d*) prescribe timelines to ensure faster adjudication of delayed payment disputes of micro and small enterprises;

(*e*) provide recovery of the mediated settlement agreement or the arbitral award as arrear of land revenue;

(*f*) empower the courts to order for payment at least fifty per cent. of the awarded amount to the micro and small enterprises suppliers, if the application to set aside decree, award or order is pending for more than six months;

(*g*) decriminalise offences regarding contravention of certain provisions, replacing conviction-based fines with graded penalties by including warning at the first instance.

4. The proposed amendments shall incentivise the growth of the micro, small and medium enterprises, enable them to scale up and become champions of growth. This will augment Ease of Doing Business and promote compliance.

5. The Bill seeks to achieve the above objectives.

NEW DELHI; JITAN RAM MANJHI.

The 24*th July*, 2026.

FINANCIAL MEMORANDUM

The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2026, if enacted is not likely to involve any expenditure of recurring or non-recurring nature from and out of the Consolidated Fund of India.

P.C. MODY,
Secretary-General.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 15 of the Bill seeks to amend section 29 of the Micro, Small and Medium Enterprises Development Act, 2006, which empower the Central Government to make rules to carry out the provisions of the Bill. Sub-section (*2*) of the said section specifies the matters in respect of which rules may be made. These matters include—

(*i*) the form and manner to file memorandum for registration of micro, small and medium enterprises under sub-section (*1*) of section 8; (*ii*) the form and manner to route the settlement of invoices through Trade Receivables Discounting System platform under sub-sections (*1*) and (*2*) of section 15A; (*iii*) the procedure and manner of online mechanism under sub-section (*7*) of section 18; (*iv*) the form and manner to disclose the details of invoices of micro, small and medium enterprises under sub-section (*1*) of section 22A; (*v*) the manner of holding inquiry and imposing penalties under sub-section (*1*) of section 27A; (*vi*) the form and manner of preferring appeal to the appellate authority against the order of adjudicating officer under sub-section (*2*) of section 27A.

2. Clause 16 of the Bill seeks to amend section 30 of the Micro, Small and Medium Enterprises Development Act, 2006, which empower the State Government to make rules to carry out the provisions of the Bill. Sub-section (*2*) of the said section specifies the matters in respect of which rules may be made. These matters include—

(*i*) the form and manner to file memorandum for registration of micro, Small and medium enterprises under sub-section (*2*) of section 8; (*ii*) the form and manner to route the settlement of invoices through Trade Receivables Discounting System platform under sub-section (*3*) of section 15A; (*iii*) the intervals and procedure for meeting of the Micro and Small Enterprises Facilitation Council under sub-section (*2*) of section 20; (*iv*) the composition of the Micro and Small Enterprises Facilitation Council, the manner of filling vacancies of the members and the procedure to be followed in the discharge of their functions by the members of that Council under sub-section (*3*) of section 21; (*v*) the form and manner to disclose the details of invoices of micro, small and medium enterprises under sub-section (*2*) of section 22A.

3. The matters in respect of which the rules may be made are matters of procedure and administrative detail, and as such, it is not practical to provide for them in the proposed Bill itself. The delegation of legislative power is, therefore, of a normal character.

P.C. Mody,
Secretary-General.

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