OPINION

Small businesses don't need more loans. They need faster payments

Delayed invoices from large buyers hurt MSMEs more than high interest rates do. The 45-day payment rule was a start; enforcement must follow.

By Vikram Mehta · 26 August 2025 · 2 min read



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In 60 seconds

1. Many small suppliers wait months to be paid by large companies.
2. Since April 2024, buyers must pay micro and small suppliers within 45 days to claim the expense for tax.
3. Enforcement remains weak, especially for large buyers and public sector firms.
4. Invoice platforms such as TReDS can help suppliers get paid sooner.

Ask any small manufacturer what keeps them up at night, and the answer is rarely the interest rate on their bank loan. It is the payment that was due 60 days ago and still has not arrived.

The real squeeze

Micro, small and medium enterprises (MSMEs) employ crores of Indians and supply parts and services to large companies. But they often have little bargaining power. Big buyers can delay payments for months, effectively using their suppliers' money as interest-free credit. The small firm, meanwhile, still has to pay wages, rent and raw material bills on time, often by borrowing at high rates.

The 45-day rule

The government tried to tackle this. Since 1 April 2024, under Section 43B(h) of the Income Tax Act, a business can deduct a payment to a micro or small supplier as an expense only if it pays within the agreed period, capped at 45 days. Otherwise, it can claim the deduction only in the year it actually pays.

> *A loan scheme treats the symptom. Paying suppliers on time cures the disease.*

Why it is not enough

Enforcement remains weak. The rule carries no direct penalty beyond a tax disallowance, and some large companies and public sector units still pay late. Some buyers have even avoided registered small suppliers to escape the rule.

What would work

- Public disclosure of how long large companies take to pay suppliers, so that late payers face reputational pressure.
- Government departments leading by example, since they are among the biggest late payers.
- Wider use of TReDS, the platforms where suppliers can sell approved invoices to financiers and get paid quickly.

Cheaper loans help. Faster payments help more.

The views expressed are the author's own.