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Ref.No.MAIT/PY/2571

October 27, 2022

Shri T V Somanathan, IAS
Secretary - Expenditure
Ministry of Finance

Subject: - Request for amends in Circular No.F 6/18/2019-PPD dated July 3, 2020 and to allow sellers to get penal interest due to delays by buyers in making payments

Respected Sir,

Greetings from MAIT!

This bears reference to the issue of delayed payments by the buyers to the sellers at GeM. As you are aware that this issue had been raised by industry in the past and thereafter, a **circular No.F 6/18/2019-PPD dated 3rd July 2020 was issued by your Ministry which emphasizes prompt payments to suppliers including MSMEs and Charging of Interest on payment delays.**

However, we have been informed by some of the industry members that there are still delays in payments which impacts industry especially MSMEs considering the limited working capital at disposal.

Moreover, since the circular doesn't allow the penal interest to be given to seller and is kept for the education of buyers/sellers, etc. as currently provisioned in the circular; **the seller is not compensated for the delays in payments by the buyers.**

We are writing this letter for making amends to this circular and allowing the penal interest to be given to sellers which shall help the industry especially MSME who is constrained with limited working capital.

We sincerely believe that the request would find merit and the needful be done at your end.

With regards,

Col. AA Jafri, Retd.
Acting Director General, MAIT

CC: Shri Bidyut Bihari Swain, IAS, Secretary, Ministry of MSME

No.F 6/18/2019-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

512, Lok Nayak Bhawan,
New Delhi Dated the 3rd July 2020

OFFICE MEMORANDUM

Subject: Prompt payment to suppliers including MSMEs: Charging of interest on delayed payments in Government e-Marketplace (GeM)

Reference : This Department O M. No F.6/18/2019-PPD dated 23.01.2020.

Government has been repeatedly emphasizing the need for prompt payment to vendors specially the MSME vendors. The intent of the Government in this regard has been articulated under the Aatmanirbhar Bharat pronouncements. For procurements made under rule 149 of GFRs 2017, buyers are mandated to make payments within 10 calendar days after generation (including auto generation) of Consignee Receipt and Acceptance Certificate (CRAC) in the GeM.

2. In order to promote greater discipline and timeliness in payment to vendors, it is decided that whenever a CRAC is auto generated or issued by a buyer and payment is not made 10 days thereafter, the buyer organization will be required to pay penal interest @ 1% per month for the delayed payment beyond the prescribed timeline till the date of such payment. The charge of interest shall be prorated for the period of delay. [For example, if CRAC is generated on the 1st day of a month and payment is made by the buyer organization on the 20th day of the month, interest for 10 days will be charged. The penal interest will be 10/30 multiplied by 1% i.e. 0.33%]. Month may be taken as 30 days in all cases.

3. The amount collected in this regard shall be deposited in an account maintained by GeM. This interest will not be paid to the vendor and will be kept by GeM in a separate account which will be used only for the education of sellers/buyers etc., or other purposes related to GeM or public procurement with the prior approval of Department of Expenditure. This shall not cover any other interest payable to vendors under any law or contractual obligations, which will be over and above the interest as charged above.

4. The above conditions will be applicable for all procurements made from 1st October, 2020.

5. This issues with the approval of Finance Minister.


(Kotluru Narayana Reddy)

Deputy Secretary to the Govt. of India
Tel No 24621305 Email: kn reddy@gov.in

To,

All the Secretaries and Financial Advisers to Government of India

Copy to:

1. CGA, CGDA, FC/Railway Board - For information and necessary action
2. Secretary, Department of Public Enterprises with a request to consider issuing appropriate instructions to Public Sector Undertakings in this regard