Ministry of Micro,Small & Medium Enterprises

The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2026 passed by Parliament

The amendments in the MSMED Act to facilitate growth and development of MSME sector

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The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2026, was passed by the Lok Sabha on 7th August, 2026, subsequent to its passing by the Rajya Sabha on 3rd August, 2026. The Micro, Small and Medium Enterprises Development Act (MSMED Act) was notified in 2006 and has completed 20 years of its enactment. Over the years, the MSME landscape has witnessed rapid changes due to technological advancements, emergence of IT enabled systems and changing legal landscape, which required that the MSMED Act be amended to facilitate growth of MSMEs. The number of MSMEs registered on Udyam have increased from 1.65 crore as on 01.04.2023 to 9.16 crore now. MSME sector provides employment to over 40 crore people and is considered to be the backbone of Indian economy.

The amendments in the MSMED Act have been done to strengthen the legal framework governing the development of MSME sector, improving the ease of doing business, creating an enabling business environment through decriminalisation, providing institutional mechanisms for promotion of MSMEs and addressing delayed payment issues faced by the Micro and Small Enterprises.

The following are the salient features of the amendments done in the MSMED Act:

i. **To align the Act with changing MSME landscape:** MSME classification based on twin criterion of "Investment in plant/machinery" and "Turnover" has been incorporated in the Act. The Bill provides permanence to the Udyam Registration Portal as a Digital, free, and voluntary registration platform for MSMEs. The registration for MSMEs is voluntary.

ii. **To strengthen the mechanism for addressing Delayed Payments and provide for enforcement of arbitral awards for the MSEs:** The amendment provides for Online Dispute Resolution to ensure that MSEs are able to resolve their disputes in a timely and cost-effective manner. It mandates 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.

iii. **To ensure faster adjudication of delayed payments disputes**: The amendment introduces timelines to ensure faster adjudication of delayed payment disputes. Under the amended provisions, the MSEFCs or mediation service provider, as the case may be, is required to complete the mediation within a period of ninety days from the date fixed for first appearance. Thereafter, the MSEFCs are required to refer the matter for arbitration within a period of thirty days from the date of termination of mediation. Subsequently, the MSEFCs or any institution or centre providing alternative dispute resolution services, as the case may be, is required to make the award within a period of ninety days from the date of completion of pleadings.

iv. **To strengthen recoveries of dues:** Under the amended Act, any mediated settlement agreement or arbitral award made by the Facilitation Council, or through a mediation service provider or any alternative dispute resolution institution under Section 18, can be recovered as an 'arrear of land revenue' through the District Collector, Deputy Commissioner, or any notified authority in the jurisdiction where the buyer's assets are located.

v. **To facilitate faster payments to MSMEs:** All Central Public Sector Enterprises (CPSEs) to route the settlement of invoices through a Trade Receivables Discounting System Platform (TReDS) for procurement of goods and services from MSMEs. The amendment also provides an enabling mechanism for States to nudge their PSEs to avail invoice settlement through TReDS. It is pertinent to note that TReDS has emerged as an institutional platform to provide additional liquidity and ensuring timely payments to the MSMEs. The volume of invoice discounting on TReDS has increased from Rs. 40,000 crore in 2022-23 to Rs. 3.47 lakh crore in 2025-26. The compulsory routing of invoice settlements by CPSEs will further mitigate the payment issues of MSMEs.

vi. **To introduce flexibility and create enabling provisions for States to decide composition of Micro and Small Enterprises Facilitation Council (MSEFC) thereby forming more MSEFCs:** The composition of MSEFCs has been rationalized to enable State governments to establish multiple MSEFCs for faster disposal of disputes regarding payments due to MSEs. The amendment also empowers the State Governments to make rules for MSEFCs.

vii. **To enhance the Ease of Doing Business and bring trust-based regulations in the MSME ecosystem:** The amendment provides for decriminalisation and replaces conviction-based fines with graded civil penalties. Earlier, under the MSMED Act, non-filing of registration or non-supply of information was penalised with conviction and a fine. Now, under the amended provisions of the Act, the penal provisions have been decriminalised. In the instances of furnishing wrong information, a warning will be issued in the first instance, and a penalty will be levied in case of second and subsequent instances. The conviction and fine for non-disclosure of unpaid amounts with interest in annual accounts by buyers has been replaced with a warning on the first instance, a penalty for the second instance, and a fine for the third and subsequent instances. It promotes Ease of Doing Business and fosters a trust-based regulatory environment.

These amendments are in line with the Government's commitment to the vision of ***Viksit Bharat @2047***. A vibrant MSME sector is the key for achieving inclusive, sustainable and employment-intensive economic growth. The amendment of MSMED Act will boost formalisation of enterprises, provide pathway for scaling-up of MSMEs, enabling them to become Champions of growth. This will also augment Ease of Doing Business and promote compliance.

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