The 45-Day MSME Payment Rule and What Company Data Can—and Cannot—Show

The MSME payment rule created a stronger legal and tax consequence for delayed payment. Company-level collection-period data can test whether smaller-company outcomes moved differently after the change, but it cannot measure invoice-level statutory compliance or prove causation.

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Executive finding

In GGA's analysed panel of **6,132 Indian companies** with usable data across the comparison period, the turnover-proxy group for smaller suppliers recorded a modest improvement in collection period while larger-company groups deteriorated. The result is **consistent with** a small relative effect after the rule; it does not prove that the rule caused the difference.

The analysis uses annual financial-statement collection periods. It does not observe individual invoices, written payment agreements, Udyam status supplied to each buyer, actual due dates or whether a particular payment breached section 15 of the MSMED Act.

What the law says

Section 15 of the MSMED Act sets payment timelines for supplies by eligible micro and small enterprises: the agreed period cannot exceed 45 days, and where there is no written agreement the statutory period is shorter. Section 16 provides for compound interest at three times the RBI Bank Rate, compounded monthly, subject to the Act.

The income-tax rule disallows deduction for an amount payable to an eligible micro or small enterprise when payment is made beyond the section 15 time limit, with deduction generally available in the year of payment. It does **not** mean that every amount merely outstanding on 31 March is automatically disallowed; invoice dates, due dates, eligibility and actual payment timing matter.

What was measured

Collection period was calculated as average opening and closing trade receivables divided by annual sales, multiplied by 365. Each company's year ended March 2023 was compared with the mean of the years ended March 2024 and March 2025. Values outside 1 to 730 days were treated as unusable.

The population comprised 6,132 companies from GGA's trade-credit research universe after stated sector, ownership and data-quality exclusions.

Companies were grouped using average pre-period turnover. This is a research proxy only. Statutory MSME classification also depends on investment and registration, and the thresholds changed from 1 April 2025. The study therefore does not identify which individual suppliers were legally protected.

How to read the 45-day comparison

Where the article reports that 71.2% of the proxy group recorded collection periods above 45 days, that means exactly that: their annual company-level collection-period metric exceeded 45 days. It does not mean that 71.2% of invoices breached the statute or that 71.2% of legally eligible suppliers were paid late.

Similarly, a collection period below 15 days cannot establish that every invoice met the statutory period. Portfolio mix, credit notes, seasonal sales, advance receipts and the annual-account calculation can affect the ratio.

Why a legal right may not change operating behaviour quickly

A payment rule still depends on identification, data and daily execution. Buyers need accurate supplier classification and invoice-level due dates. Suppliers need to communicate their status and maintain complete, payment-ready files. Commercial dependence can also make a supplier reluctant to escalate interest or a statutory remedy.

GGA's mandate experience indicates that some suppliers do not consistently provide MSME information to buyers. That is an operating observation, not a measured finding from the 6,132-company dataset. Whether legal protection applies is a case-specific question; the statute should not be reduced to the claim that a missing number means the clock never starts.

What buyers should do

- Maintain verified supplier classification and registration evidence.
- Record invoice receipt, contractual due date and section 15 deadline separately.
- Resolve mismatches and disputes before the statutory clock is exhausted.
- Forecast year-end exposures before March rather than treating them as a filing-season clean-up.
- Calculate any cash-tax timing effect using the company's actual tax position, surcharge, cess and later-year deduction—not a generic permanent tax cost.

Evidence boundary

The study is observational. Other economic and company-specific changes occurred during the period, and the analysis does not control for all of them. It is evidence of differing collection-period movement between turnover groups, not proof of statutory compliance or causal impact.

Source financial data were obtained from a commercial corporate-financial database compiled from company filings. Accord Fintech and ACE Equity did not review or endorse GGA's

interpretation. Exact extracts, transformations and statistical tests remain controlled in GGA's research evidence register.

Frequently asked questions

Does the 45-day rule apply to every MSME?

The delayed-payment protection discussed here applies to eligible micro and small suppliers subject to the MSMED Act and the facts of the supply. Medium-enterprise treatment differs.

Does every unpaid MSME invoice on 31 March create a tax disallowance?

No. Eligibility, the section 15 deadline and actual payment timing must be tested for each amount.

Does the GGA study measure invoice-level compliance?

No. It uses company-level annual collection periods and turnover-based research groups. It cannot establish whether an individual invoice breached the statute.

Related GGA services and research

- Revenue Assurance
- Invoice Lifecycle Management
- TReDS and Financial Asset Recovery
- GGA Research

Methodology, sources and boundary

This article combines GGA operating experience with the statutory or policy materials identified in the text. Engagement observations are aggregated and anonymised and should not be interpreted as an industry recovery probability. Public law, policy terms and procedures can change; the current instrument and case facts govern.

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