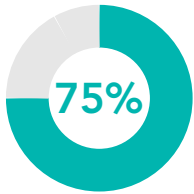
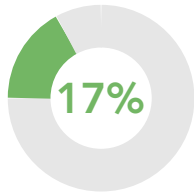


## Dun & Bradstreet India Data Updates

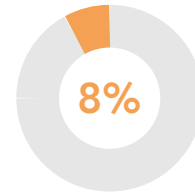
75% of checks by global customers on the Dun & Bradstreet India Data Cloud are for Indian MSMEs



**MSME**  
Turnover range upto 250 crore



**Large Enterprises**  
Turnover range INR 250 crores to INR 1000 crore



**Very Large Enterprises**  
Turnover range INR 1000 crore and above

While companies from 'USA' continue to make the most inquiries on Indian businesses, we have seen an increased interest by European and Asian companies since 2019.

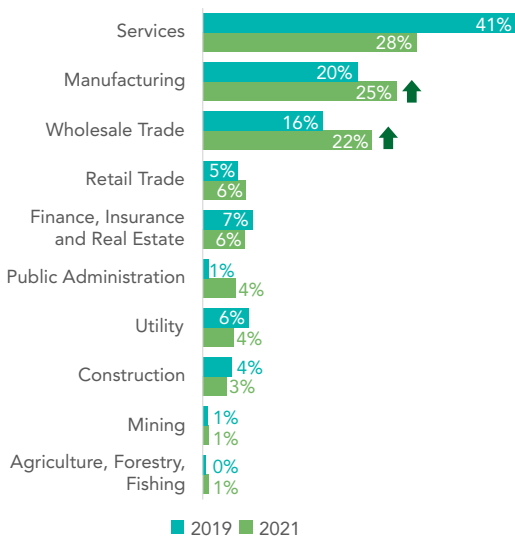


Region	2019	2021
US & Canada	89%	71%
Europe	9%	18% ↑
Asia	1%	10% ↑

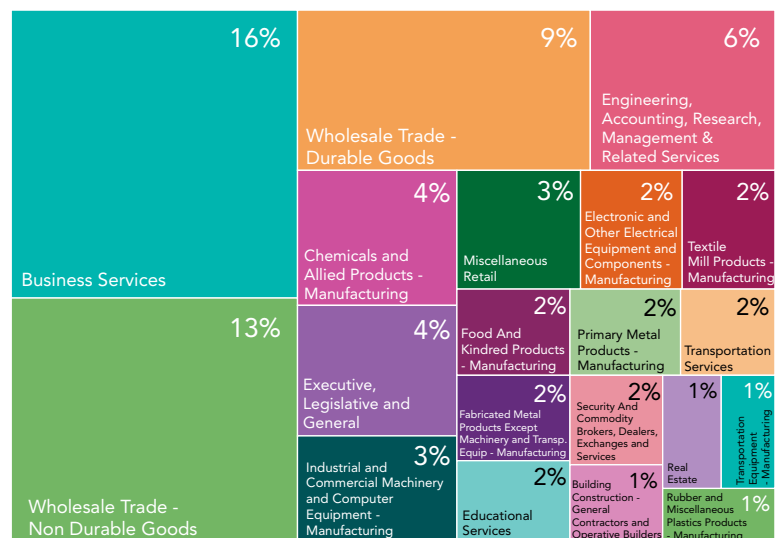
Top 20 Countries as per 2021 inquiries on Indian MSME businesses  
Source: Dun & Bradstreet

Services, manufacturing and wholesale trade drive more than 75% of the checks from global customers. Even though services sector continues to have the highest checks, we have seen increased interest from the manufacturing sector

### Category wise shift in inquiry between 2019 and 2021



### Sub-category wise industry segments in year 2021



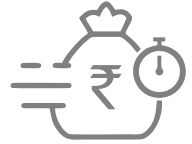
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# Delayed Payments to MSMEs – An Impediment to Growth

Even through global entities have been showing more interest in Indian MSMEs, the issue of delayed payments has become a barrier towards them scaling up



By Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet

Currently, for every Rs. 10 added to the economy's GDP, Micro, Small, and Medium Enterprises (MSMEs) contribute Rs. 3. The government intends to boost this amount to Rs. 5. This is only possible if micro enterprises expand into small firms, then into medium firms, etc. However, India has a very high proportion of micro enterprises and very few medium-sized firms, a phenomenon known as the missing middle that we have discussed in length in previous issues of this bulletin. Access to finance, including working capital, is one of the greatest obstacles to the expansion of microbusinesses. This issue is exacerbated by their suppliers' late payments. Our research suggests that delayed payments are pervasive, longstanding, and normalized, regardless of the definition. According to the MSMED Act 2006, the buyer is to make payment on or before 45 days. From the perspective of a MSME, a payment is considered delayed when buyers go beyond the 'credit terms' set between the two parties, which is not necessarily within 45 days. MSMEs are owed a whopping Rs. 10.7 trillion, equivalent to 5.9% of India's Gross Value Added. Adding to their woes, the design of the Goods and Services Tax (GST) is such that MSMEs will have to pay taxes even on this unrealized revenue.

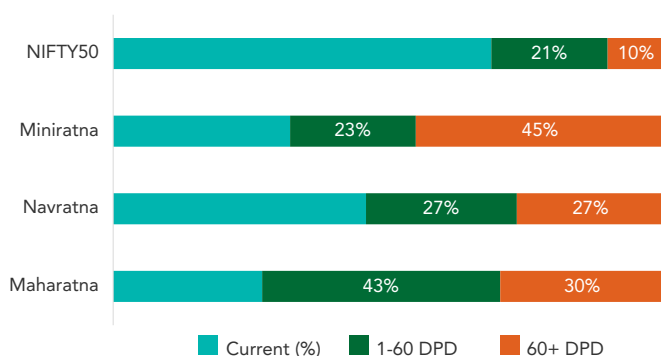
While delayed payments are pervasive across all industries, public administration, retail trade, finance, insurance, and real estate stand out. More than 1 in 5

rupees billed to these industries are paid late, according to data from Dun & Bradstreet's trade exchange portal. If we were to compare the performance of large companies on prompt payment, we find that the largest PSUs which include Maharatna and Navratna companies pay significantly late than Nifty 50 companies. This is a concern given the sheer size of their inter-linkages in the economy.

The problem of delayed payments is often due to a classic collective action problem known as Prisoner's Dilemma. By paying late, large companies could reap short-term benefits because of stronger cash flows or their ability to finance more short-term projects. However, large firms which try to maximise their utility at the cost of their suppliers diminish the capacity of the whole supply chain and end up in a suboptimal situation in the long run. The structure of most supply chains is such that the count of large companies account for only a small percentage while MSMEs account for a significant share. These large companies operate in a commercially rational manner: they would invest in their supply chain only when the benefits that accrue to them are positive or at least neutral. On the other hand, MSMEs operate in an environment that has poor access to working capital or higher costs of working capital. While this may sound like only the MSMEs are at a disadvantage, large companies get affected as well, given that the supply chain is interlinked. Optimisation of working capital can help MSMEs invest more in their business, be more productive, and supply goods or services at competitive prices to large companies. Dun & Bradstreet's research found that net sales of micro and small companies grew by 11% when their working capital days improved by 10%.

While MSMEs have legal recourse available to them in the event of delayed payments, most of them do not avail it as it stains their relationship with the buyer. The government needs to break the normalisation of delayed payments by building a public conversation on this topic while industry associations must get their members to embrace a culture of prompt payments to MSMEs.

## Delinquency - 2021 (% Amount)



Note: DPD – Days Past Due  
Source: Dun & Bradstreet

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