

MSME is an acronym for Micro, Small and Medium Enterprises. MSMEs are basically small-sized businesses defined in terms of their investment.

- 40% of India's gross industrial output is contributed by MSME.
- 45% of India's total export is from MSME.
- India's second largest Employer after Agriculture.



Undoubtedly the MSME sector is India's engine of growth. Considering the economic importance of this sector, Government of India has enabled a separate Act, *Micro, Small & Medium Enterprises Development Act, 2006 (MSMED)* on June 16, 2006, which was notified on October 2, 2006.

The paradigm shift that took place with the enactment of this Act is the inclusion of the service sector in the MSME definition. Under the provisions of this Act, MSMEs are classified under 2 classes:

Manufacturing Enterprises: Enterprises engaged in production / manufacture, processing / preservation of goods as stated in the first schedule to the *Industries (Development and Regulation) Act, 1951* or Enterprises employing Plant & Machinery in the value addition to the final product.

Investment in plant and machinery guidelines for MSME in manufacturing:

Enterprise Plant & Machinery Investment.

Micro.	Not over Rs.25 Lakhs.
Small.	Over Rs.25 Lakhs but not exceeding Rs.5 Crores.

Medium. Over Rs.5 Crores but not exceeding Rs.10 Crores.

Service Enterprises: Those enterprises rendering / providing services. Investment in equipment guidelines for MSME in Service Enterprises:

Enterprise Investment in Equipment.

Micro. Not over Rs.10 Lakhs.

Small. Over Rs.10 Lakhs but not exceeding Rs.2 Crores.

Medium. Over Rs.2 Crores but not exceeding Rs.5 Crores.

NOTE 1: Ministry of Small Scale Industries, vide its notification No. S.O 1722 (E) of October 5, 2006, states that the investment in the Plant & machinery is the original cost not including the investment in Land & Building and other items specified by the ministry in the notification.

NOTE 2: Investment in equipment is the original cost not including Land & Building, Furniture & Fittings, and other items not related directly to the services rendered or as may be notified by the MSMED Act,2006.

NOTE 3: Amendment of Section 7 of the MSMED Act approved by Union Cabinet as follows, to enhance ease of doing business.

Micro enterprises: Annual turnover less than or equal to Rs. 5 crore.

Small enterprises: Annual turnover more than Rs. 5 crore but does not exceed Rs. 75 crore.

Medium enterprises: Annual turnover more than Rs. 75 crore but does not exceed Rs. 250 crore.

Cabinet approves change in definition of Micro, Small and Medium Enterprises (MSMEs) from "investment in plant & machinery/ equipment" to "annual turnover"

Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended.

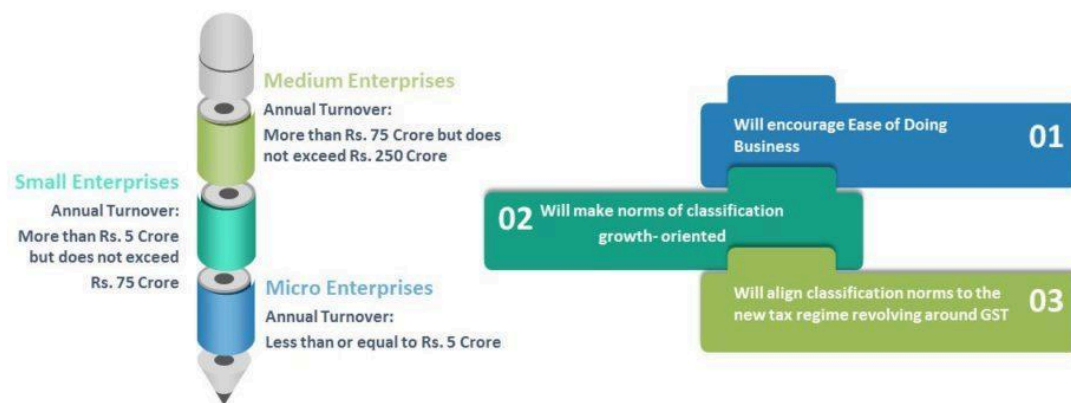


Photo - msme.gov.in

To support this backbone of our economy, Government of India has come out with various subsidies, schemes, and incentive programs under the ambit of MSMED Act, 2006. Though MSME registration is not mandatory, MSME registration is required to avail the benefits from the Central Government, state governments and financial institutions.

MSMEs can avail of easy loan sanctions, lower interest rates, power subsidy, tax holidays & subsidy, etc. But there are many more benefits available for MSMEs under The MSMED Act.

Advantages under The MSMED Act, 2006:

Loans: The Ministry of MSME and SIDBI jointly set up the "Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE)" for smooth flow of credit to this sector without any need for

collaterals and third party guarantees. The objective of the scheme is to allow an enterprise to secure a loan on the strength of the project viability and on the primary security of assets financed.

In case of any default, the scheme guarantees to make good the loss incurred by the Lender up to 85% of the outstanding amount.

Technology Up-gradation: Under the Government scheme "*Credit Linked capital Subsidy Scheme (CLCSS)*", 15% capital subsidy limited to a maximum of Rs.15 lakh is allowed to MSEs for technology up-gradation.

Cluster Development: Under the "*Micro and Small Enterprises-Cluster Development Programme (MSE-CDP)*" support is provided for:

- Soft Interventions: Counselling, General Awareness, Trust & Motivation Building, Market Development, Exposure Visits, Seminars, Workshops, and Training Programs on Technology, etc.
- Hard Interventions: Setting up of Common Facility Centres for Production, Processing, Design, Testing, etc. Creation & up-gradation of Infrastructural facilities in the Industrial Zones/Clusters.

Skill Development: The Government conducts various programs through its many organisations to promote Self and Wage employment. These programs instill in a participant the necessary skill set and information to help entrepreneurs to start on their own. The Programmes include, among others:

- 2-week Entrepreneurship Development Programme (EDP).
- 6-week Entrepreneurship Skill Development Programme (ESDP).
- 1-week management development Programme (MDP).
- 1 day Industrial Motivational Campaign (IMC).

Tool Rooms: The Ministry of MSME "Tool Rooms" are engaged in designing and producing knife-edge quality tools to provide a competitive edge to MSMEs. They also conduct training programs to help provide skilled manpower to Industries, with a placement record of more than 90%.

Manufacturing Competitiveness: Indian Government's nodal Programme "*The National Manufacturing Competitiveness Programme (NMCP)*" targets at promoting global competitiveness among Indian MSMEs. The program initiated the following schemes to meet its target:

- Lean Manufacturing Competitiveness Scheme.
- Promotion of Information & Communication Tools.
- Technology and Quality up-gradation Support.
- Design Clinics Scheme
- Quality Management Standards and Quality Technology Tools.
- Marketing Assistance.
- Mini "Tool Room" under "PPP" model.
- Building awareness on "Intellectual Property Rights".
- Support through "Incubators".
- Bar code under "Market Development Assistance" scheme.

Energy Efficiency: It is well-known fact that energy consumption is a major component in the cost structure of any manufacturing activity. Indian Government initiated the "*Technology and Quality Upgradation Support to Micro, Small and Medium Enterprises (TEQUP)*" program to encourage MSMEs to adopt energy efficient technologies.

Under this scheme, registered MSMEs are allowed a 25% capital subsidy subject to a maximum of Rs.10 lakhs.

Product Quality: One another important objective is also covered by the TEQUP scheme; that of product quality. The scheme assists MSMEs to obtain Product Quality Licenses from National & International bodies.

Under this scheme, Government subsidises 75% of the cost incurred in obtaining such certification to the maximum of Rs.1.50 lakh for national level and Rs.2 Lakh for international level certification.