

Specific Legal Provisions Related to MSME

MSME :- Micro, Small and Medium Enterprises

1. Primary Responsibility of Promotion and development of MSME = State Government
2. Governing Law =
Micro, Small and Medium Enterprises Development Act, 2006
3. Objectives of the Act =
 1. To address policy issues affecting MSME
 2. To address coverage and investment ceiling of the sector
 3. To facilitate their development
 4. To enhance their competitiveness

4. Definition of MSME

- Manufacturing Enterprises and Enterprises rendering service
- Having following limit of investment in Plant & Machinery and turnover

	<u>Investment in Plant & Mach.</u>	<u>Annual Turnover</u>
<u>Micro</u>	Max ₹ 1 crore	Max ₹ 5 crore
<u>Small</u>	Max ₹ 10 crore	Max ₹ 50 crore
<u>Medium</u>	Max ₹ 50 crore	Max ₹ 250 crore

5. Important classifications:-

- P&M includes only tangible Assets
- P&M excludes intangibles, land, furniture and fittings.
- Turnover excludes Exports.
- If limits are crossed, even then Benefits will prevail for next 3 years.

6. Power of central Government to :-

- Issue notification
 - Issue guidelines
 - formulate schemes
- } for MSME on

1. Enhancing competitiveness
2. Development of Employee skill
3. Management Issue
4. Technical Upgradation
5. Marketing Assistance
6. Infrastructure facility
7. Cluster development
8. Strengthening Backward and Forward Linkage
9. Availability of smooth credit.

7. Separate Ministry :-

Ministry of MSME, Government of India.

8. National Board for MSME

- set up by Central Government
- Head office at New Delhi
- Members are as follows :-

- 1) MSME minister as chairperson
- 2) MSME minister of state as VC.
- 3) 6 MSME ministers of state Govt.
- 4) 2 Lok Sabha members
- 5) 1 Rajya Sabha Member
- 6) Administrator of a UT.
- 7) MSME Secretary
- 8) Commerce and Industry Secretary
- 9) Finance Secretary
- 10) Food Processing Industries Secretary
- 11) Labour and Planning Secretary
- 12) Chairman of BOD of National Bank
- 13) Chairman of SIDBI
- 14) Chairman of Indian Bank Association

- 15) One officer of RBI, min. ED Rank
- 16) 20 persons to represent association of MSME including :-
 - 3 from women associations
 - 3 from micro associations.
- 17) 3 Persons of Eminence, one each from Economics, industry and Science & Tech, out of whom min 1 woman mandatory.
- 18) 2 representatives of Central Trade Union Organisation
- 19) 1 officer of MSME Ministry as Secretary.

→ Board shall meet at least once in every 3 months.

→ Functions of Board:-

- 1) Examine relevant factors impacting MSME
- 2) Make recommendations
- 3) Advise Central Government on use of Funds.

9. Memorandum of MSME

- 1) Its a kind of Information Memorandum
- 2) To be filed with ministry before setting up.
- 3) To be filed in 180 Days by already set up units after commencement of Act.

10. Reference to Micro and Small Enterprises Facilitation Council

- 1) Any Party to dispute may refer
- 2) Council may itself conduct conciliation or take help of other Alternate Dispute Resolution Mechanism
- 3) If conciliation goes unsuccessful, Council shall go for arbitration.
- 4) Maximum time limit to decide matter is 90 Days.

11. Advisory Committee

- set up by Central Government
- Advisory Committee shall have following members:—

1. Secretary, MSME as chairperson.
2. Max. 5 officers of CG expertise in MSME
3. Max. 3 representatives of SG
4. One Representative of association of MSME
5. Secretary of Board

12. Dedicated funds for the sector

- shall be created by Central Govt.
- shall be administered by Central Govt.
- shall be used exclusively ~~by~~ for MSME.

13. Delayed Payments to Micro and Small Enterprises

1. Payments max in 45 days
2. EMBE interest 3 times of Bank Rate
3. Person liable for audit will disclose Pending Principal and intt separately

in annual accounts

4. Interest not to be allowed as deduction.

14. MSME facilitation centres by state Government

1. Centres to be called Councils.
2. May be one or more than one.
3. Shall have Min. 3 Max 5 members
4. Following People are members :-
 - 1) Director, Industries
 - 2) One or more office bearers of MSME association
 - 3) One or more representatives of Bank & FI giving loan to MSME
 - 4) one or more persons having special knowledge of Industry, Finance, Law, Trade or Commerce.

15. Designated officers :

To be appointed by Central Govt / State Govt.

16. Government scheme advantages :-

- 1) Provides sense of security to Entrepreneurs
- 2) Provides financial security to business & individual
- 3) Provides technological support & guidance
- 4) Overall Govt schemes help improve livelihood.

17. Various Government schemes

1. Single Window Registration Process through champions control room
2. Revival and Rehabilitation
Revival of Repayment schedule by Banks.
3. Delay in Payment
Through Samadhan website. This is a Delayed Payment Monitoring System.
Half Yearly return also goes by companies for pending payments to MCA.

4. Procurement Preference Policy

Govt will give preference to MSME in public procurement.

5. Establishment of Fund

MSME Fund for loan and guarantees.

6. MSME Facilitation Centres

For procedures, disputes and grievances.

7. Role of National Small Industries Corporation Ltd (NSIC)

To promote, aid and foster growth of micro and small enterprises in country on commercial basis. It provides following support:-

- Raw material procurement
- Product marketing
- Credit Rating
- Acquisition of Technologies
- Adoption of modern management practices.

8. Digital MSME Scheme

- ERP
 - Accounting
 - Manufacturing Design
 - Regulatory compliance
- } Using Information & Communication Technology.

9. ECLGS Emergency Credit Line Guarantee Scheme

- Launched during COVID-19
- Covers 100% credit Guarantee
- Max interest rate :-
 - 9.25% for Banks
 - 14% for NBFC
- Moratorium on principal amount of 12 months.
- Loan Period : Max 4 years.

10. Secured Business Loan by SIDBI

- upto ₹ 10 crore
- Max 10 years

11. PMEGP Scheme

- Prime Minister Employment Guarantee Programme.
- Credit linked subsidy scheme to set up units.
- To promote generation of Employment opportunities through establishment of micro enterprises.

12. Reservation Policies for manufacturing and production sector

- Reservation means procurement reservation

13. Special consideration on international trade fairs

- International Cooperation Scheme.
- To commission MSME delegations to other countries

14. Training

→ By National Institute for Entrepreneurship and Small Business Development.

→ It conducts following activities:-

- 1) Training of Trainers
- 2) Management Development Program
- 3) Entrepreneurship Skill Dev. Program
- 4) Entrepreneurship Dev. Program
- 5) Cluster Intervention

15. Recent Announcements

- 3 Lakh crore Emergency Working Capital Facility.
- Additional WC Finance of 20% of O/S credit as on 31.3.2020 in the form of Term loan with concessional interest.
- ₹ 20,000 crores sub-ordinate debt for stressed MSME.
- Funds of Funds of ~~₹ 10,000~~ ₹ 10,000 cr. through Mother Daughter Funds.
- Equity Infusion of ₹ 50,000 cr.
- Debt to Promoters upto 15% of stake. 13