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Classification of Enterprises

The Central Government has classified enterprises into **Micro**, **Small** and **Medium** Enterprises based on two parameters :

- (i) Investment in Plant & Machinery or Equipment
- (ii) Annual Turnover (Export Turnover not included)

(1) A **Micro** Enterprises, where investment in plant & machinery or equipment does not exceed ₹ 2.5 crore and Turnover does not exceed ₹ 10 crore.

(2) A **Small** Enterprises, where investment in plant & machinery or equipment does not exceed ₹ 25 crore and Turnover does not exceed ₹ 100 crore.

(3) A **Medium** Enterprises, where investment in plant & machinery or equipment does not exceed ₹ 125 crore and Turnover does not exceed ₹ 500 crore.

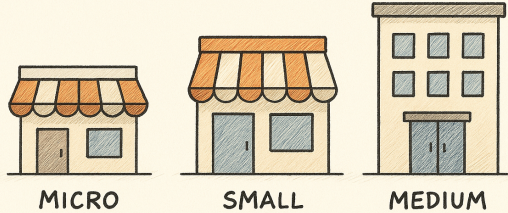
MSME only includes manufacturing or service establishment, do not include enterprises involved only in Trading activities.

There is no difference between manufacturing and service sector during classification as MSME.

Revised MSME Thresholds (w.e.f. April 1, 2025)

Parameter	Micro	Small	Medium
Investment Limit	₹2.5 crore	₹25 crore	₹125 crore
Turnover Limit	₹10 crore	₹100 crore	₹500 crore

Micro, Small and Medium Enterprises



What do you mean by MSME?

MSME means **Micro**, **Small** & **Medium** businesses operating in various sectors of Indian economy.

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Role / Significance of MSME

1. Vibrant and Dynamic Sector
 - known for being flexible, adaptive to economic needs.
2. Employment generation at Low Cost
 - Provide employment to larger group at lower capital.
3. Rural and Backward Area Development
 - Reduce regional imbalance, ensure equitable income.
4. Support to large Industries
 - MSME acts as ancillary units to large industries.
5. Statutory recognised
 - entities are recognised under MSMED Act 2006.

MSMED Act, 2006

The **Micro, Small and Medium Enterprises Development (MSMED) Act, 2006** governs all MSMEs operating in India. Came on 2nd October 2006.

Investment	Turnover	Classification
2 Cr	8 Cr	Micro
1-8 Cr	12 Cr	Small
5 Cr	4 Cr	Small
20 Cr	80 Cr	Small
40 Cr	120 Cr	Medium
10 Cr	150 Cr	Medium
3-6 Cr	75 Cr	Small
8-9 Cr	140 Cr	Small
2 Cr	[50 Expt Tlo]	Micro
	[85 Cr Expt Tlo]	
100 Cr	400 Cr	Medium
17 Cr	600 Cr	NOT a MSME
130 Cr	8 Cr	NOT a MSME

Memorandum of MSME

Memorandum is a formal document (Application Document) that contains the detail about establishment and operation of MSME.

Filing memorandum is official way for enterprise to register with designated authorities.

Imp Registration Process for MSME (UDYAM Registration)

(1) Submit an Online Registration form at UDYAM Registration Portal.

(2) There will be no fees for filing application.

(3) Aadhar Number shall be required for registration.

In case of

- Proprietorship Concern = Proprietor
- Partnership firm = Managing partner
- HUF = Karta
- Company / LLP / Co-op society / Trust = Authorised signatory.

(4) A PAN card shall be requisite for registration.

(5) Only One UDYAM Registration per enterprise, however multiple activities can be added.

(6) No other documents to be attached, details of investment and turnover are fetched automatically from government databases.

(7) Penalty for intentional misrepresentation or suppression of facts.

Important points about Registration

1. Registered enterprise will be known as Udyam and process of registration is UDYAM Registration.
2. A Unique Registration Number is assigned (issued) upon registration.
3. Online Certificate to be issued with dynamic (changing) QR code linking to enterprise details.
4. Once registered, there is NO need for Renewal.

Benefits of UDYAM Registration

- (1) It serves as lifetime registration and identification number for enterprises.
- (2) Simplified registration process, based on self-declaration.
- (3) Multiple activities under one registration.
- (4) Access to many government schemes.
- (5) Access to Priority sector loans from banks.

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National Small Industries Corporation (NSIC) Registration

NSIC is a single point registration scheme for Micro and Small (MSE) enterprises to participate in government purchases.

Enterprises that have MSME registration (earlier known as Udyog Aadhar) are eligible for NSIC registration.

Once registered, MSEs can obtain benefit under Public Procurement Policy for MSE's.

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Benefits extended to MSE's with NSIC Registration

- Can obtain tender bid for free of cost
- Exempted from paying Earnest Money Deposit (EMD)
- Consortia (group) for tender marketing to enhance reach.
- Price Matching Advantage upto 115% of L1 (lowest bid)
- 25% procurement target from MSE for every ministry.
 - ↳ 4% for SC/ST, and
 - ↳ 3% for women entrepreneurs.

MSME Schemes Implemented by Government of India

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(1) Prime Minister's Employment Generation Programme (PMEGP)

- Provides financial assistance to set up self-employment ventures and generate employment in rural & urban area.
- Individuals above 18 years of age.
- 10% own contribution for general (5% for other categories and women entrepreneurs)
- Remaining 90-95% project cost by bank sanction (loan)

(2) 2nd loan for upgradation of existing PMEGP

- Assistance to entrepreneurs in modernizing existing unit through new technology
- Applicable to successful PMEGP units.
- Financial help for expansion and upgradation.

Imp (3) Credit Guarantee Scheme for Micro & Small Enterprises [CGTMESE]

- Encourages first generation entrepreneurs by facilitating credit guarantee support for collateral free loan (loans without any property as security)
- Collateral free / third party guarantee free loan

Imp (4) Micro & Small Enterprises Cluster Development Programme [MSE-CDP]

- Support sustainability and growth by addressing common issues like technology, skills, quality, etc.
- Creation or upgradation of infrastructure in new / existing clusters of MSE
- Focus on promoting green technology (eco friendly)
- Creation of Common facility center, Plug & Play facilities (Ready to use)
- Around 70% cost is borne by govt.

(5) Scheme of fund for Regeneration of Traditional Industries [SFURTI]

- Target groups - Artisans involved in Handicrafts, Textiles, Bamboo, Honey, Coir, Khadi, etc.
- Organise traditional industries and artisans into collective group to enhance production.
- Financial assistance upto 90% of Hard Intervention cost (Infrastructure, P&M, Build. Work Sheds) and 100% of soft intervention cost. (Skill, design, Packaging improve)

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(6) Entrepreneurship and Skill Development Programme [ESDP]

- Provide management training in industries such as Agro product, food processing, welding, Carpentry & digital marketing.
- Promote new enterprises and build capacity of existing MSME by inculcating entrepreneurial culture.
- Target: Aspiring and existing entrepreneur with focus on SC, ST, women entrepreneur.

(7) Assistance to Training Institution

(8) Coir Vikas Yojna

(9) Procurement and Marketing Support Scheme

(10) International Cooperation

(11) National SC/ST Hub scheme

(12) ASPIRE

(13) Credit guarantee for Subordinate Debt for stressed MSME

(14) Self Reliant India fund

(15) MSME Sambandh

- Monitor implementation of public procurement policy for MSE.
- Ensure 25% purchase from MSE, 4% from SC/ST, 3% women
- Tracking through Public procurement portal

Reference to Micro and Small Enterprises Facilitation Council [MSEFC]

As per Section 18, any party to dispute

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with regard to amount due to them

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may make a reference (request) to MSEFC.

On receipt of such reference, Council shall either

- Conduct Conciliation (optional) on its own, OR
- Seek assistance from any institution providing ADR (Alternative Dispute Resolution) services.

If Conciliation process is not successful, Council shall

take dispute for arbitration, either

- itself, OR
- Refer to any other ADR institution.

Complete process should be completed within 90 days.

Section 19 - Application for setting aside any decree, awards or order

No application to set aside any decree or award

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shall be entertained by any court

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Unless, appellant deposit 75% of the amount involved.

While application is pending, Court may order portion of amount be paid to supplier as it deems reasonable.

Composition of MSDFC Council - Refer Pg 90

Establishment of board for MSME [Section 3]

CG to establish a MSME Board, headquartered at New Delhi

Composition of Board

1. Chairperson - MSME minister
2. Vice chairperson - Minister of State
3. 6 State MSME Minister
4. 3 Member of parliament
5. 1 Union Territory Administrator
6. 4 Central Secretaries (Commerce, Industry, Finance, Planning)
7. Heads of National Bank, SIDBI, Bank Association
8. 1 RBI officer
9. 3 expert
10. 2 member from central Trade Union

Functions of Board [Section 4]

1. Examine factors affecting promotion and development of MSME.
2. Review govt. policy and programmes
3. Recommend measures for promotion and development of MSME.
4. Advise central govt on use of funds for MSME.