

Specific Legal Provisions Related to MSME Sector

9

This Module Includes:

- 9.1 Definition of MSME**
- 9.2 Rights available to MSME, Measures for promotion of MSME under MSMED Act, 2006**

Specific Legal Provisions Related to MSME Sector

SLOB Mapped against the Module

To obtain an overview of special provisions relating to MSME sector.

Module Learning Objectives:

After studying this module, the students will be able to -

- ✦ Understanding the provisions of MSME Act;
- ✦ If the student's works for an MSME, shall know the facilities available to MSMEs;
- ✦ The special recognition and liability towards MSMEs by other companies.

Definition of MSME

9.1

Micro, Small and Medium Enterprises (MSME) sector has now emerged as a highly dynamic sector Apart from providing large employment at comparatively lower capital cost than large industries but also help in industrialization by ordinary people. thereby, reducing regional imbalances, assuring more equitable distribution. MSMEs support large industries as ancillary units.

The primary responsibility of the promotion and development of MSMEs is of the State Governments. However, the Central Government supplements the efforts of State Governments through various initiatives. The role of the Ministry of MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment, and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario

Most of our textile and handicraft sector is run by artisans, small traders, daily wage earners. They form the basics of rural industrialisation. Khadi and Village Industries (KVI) are two national heritages of India.

The Micro; Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. The Act also provides for a statutory consultative mechanism with a wide range of advisory functions. Establishment of specific funds for the promotion, enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.

With 3.6 cr. units, 8 cr. employees, MSME sector is the Second largest employer in India, after agriculture. It contributes to 45% of industrial production, 40% of exports, and constitutes of 37% of GDP and 31% services

Definition of MSME

Revised Classification applicable w.e.f 1st July 2020

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than ₹1 crore and Annual Turnover; not more than ₹5 crores	Investment in Plant and Machinery or Equipment: Not more than ₹10 crores and Annual Turnover; not more than ₹50 crores	Investment in Plant and Machinery or Equipment: Not more than ₹50 crores and Annual Turnover; not more than ₹250 crores

Notes: calculation of investment in plant and machinery or equipment will be linked to ITR of the previous year, otherwise through self declaration. Here asset of tangible nature shall be a part of plant and machinery, other than land and furniture and fittings.

While calculation of turnover, exports shall be excluded and information shall be linked to Income Tax and GST returns.

In course of doing business, if a MSME unit goes to next category or is out of preview, it shall continue to avail non-tax benefit which it was originally entitled to for the next 3 years of coming to the next category (notification by MSME Dept.-1/11/2013)

Rights available to MSME, Measures for Promotion of MSME under MSMED Act, 2006

9.2

Section 9 of the Act empowers to CG issue notification, guideline, formulate schemes for promotion and development of MSME units with regard to following issues:

- i) Enhancing competitiveness
- ii) Development of employee skill
- iii) Management issues
- iv) Technical upgradation
- v) Marketing assistance
- vi) Infrastructure facility
- vii) Cluster development
- viii) Strengthening backward and forward linkage
- ix) Section 10 further ensures that smooth credit facility shall be available to MSMEs.

Extension of non –tax benefit

9.2.1. Separate Ministry

The Ministry of Micro, Small and Medium Enterprises, a branch of the Government of India, is the highest executive body for the formulation of policies and administration of rules, regulations and laws relating to micro, small and medium enterprises in India.

The Ministry of Small Scale Industries and Agro and Rural Industries was created in October 1999. In September 2001, the ministry was split into the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries. In May 200 they were merged into a single ministry. This Ministry now designs policies and promotes/facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and help them to scale up.

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the Ministry and Central Govt. nodal agencies are to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities.

9.2.2. Salient provisions of the Micro, Small and Medium Enterprises Development Act, 2006

This Act is to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto.

Few important definitions

- (a) “Advisory Committee” means the committee constituted by the Central Government under sub-section (2) of section 7;
- (b) “appointed day” means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.
- (c) “the day of acceptance” means,- (i) the day of the actual delivery of goods or the rendering of services; or (ii) where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier;
- (d) “the day of deemed acceptance” means, where no objection is made in writing by the buyer regarding acceptance of goods or services within 15 days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;
- (e) “Board” means the National Board for Micro, Small and Medium Enterprises established under section 3;
- (f) “buyer” means whoever buys any goods or receives any services from a supplier for consideration;
- (g) “enterprise” means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in 65 of 1951. providing or rendering of any service or services;
- (h) “supplier” means a micro or small enterprise, which has filed a memorandum with the authority referred to in sub-section (1) of section 8 and includes,-

9.2.3. National Board for Micro, Small and Medium Enterprises

The Central Government has established, a Board known as the National Board for Micro, Small and Medium Enterprises with head office at Delhi. The Board shall consist of the following members, namely:-

- (a) the Minister in charge of the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be the ex-officio Chairperson of the Board;
- (b) the Minister of State or a Deputy Minister, if any, in the Ministry having administrative control of the micro, small and medium enterprises who shall be ex officio Vice-Chairperson of the Board;
- (c) six Ministers of the State Governments having administrative control of the departments of small scale industries or, as the case may be, micro, small and medium enterprises, to be appointed by the Central Government to represent such regions of the country as may be notified by the Central Government in this behalf, ex officio;
- (d) three Members of Parliament of whom two shall be elected by the House of the People and one by the Council of States;

- (e) the Administrator of a Union territory to be appointed by the Central Government, ex officio;
- (j) the Secretary to the Government of India in charge of the Ministry or Department of The Central Government having administrative control of the micro, small and medium enterprises, ex officio;
- (g) four Secretaries to the Government of India, to represent the Ministries of the Central Government dealing with commerce and industry, finance, food processing industries, labour and planning to be appointed by the Central Government, ex officio;
- (h) the Chairman of the Board of Directors of the National Bank, ex-officio;
- (i) the Chairman and managing director of the Board of Directors of the Small Industries Bank, ex-officio;
- (j) the Chairman, Indian Banks Association, ex officio;
- (k) one officer of the Reserve Bank, not below the rank of an Executive Director, to be appointed by the Central Government to represent the Reserve Bank;
- (l) twenty persons to represent the associations of micro, small and medium enterprises, including not less than 3 persons representing associations of women's enterprises and not less than three persons representing associations of micro enterprises, to be appointed by the Central Government;
- (m) three persons of eminence, one each from the fields of economics, industry and science and technology, not less than one of whom shall be a woman, to be appointed by the Central Government;
- (n) two representatives of Central Trade Union Organisations, to be appointed by the Central Government; and
- (o) one officer not below the rank of Joint Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises to be appointed by the Central Government, who shall be the Member-Secretary of the Board, ex officio.

The term of office of the members of the Board, other than ex officio members of the Board, the manner of filling vacancies, and the procedure to be followed in the discharge of their functions by the members of the Board, shall be such as may be prescribed: Provided that the term of office of an ex officio member of the Board shall continue so long as he holds the office by virtue of which he is such a member.

The Board shall meet at least once in every three months in a year. The Board may associate with itself, any person or persons whose assistance or advice.

Functions of the Board

The Board shall, subject to the general directions of the Central Government, perform all or any of the following functions, namely:--

- (a) examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programmes of the Central Government in regard to facilitating the promotion and development and enhancing the competitiveness of such enterprises and the impact thereof on such enterprises;
- (b) make recommendations on matters referred above or on any other matter referred to it by the Central Government which, in the opinion of that Government, is necessary or expedient for facilitating the promotion and development and enhancing the competitiveness of the micro, small and medium enterprises; and
- (c) advise the Central Government on the use of the Fund

9.2.4. Memorandum of micro, small and medium enterprise

- (1) Any person who intends to establish,--
 - (a) a micro or small enterprise, may, at his discretion; or
 - (b) a medium enterprise engaged in providing or rendering of services may, at his discretion; or
 - (c) a medium enterprise engaged in the manufacture or production of goods pertaining to any industry, shall file the memorandum of micro, small or, as the case may be, of medium enterprise with such authority as may be specified by the State Government.

However, any person who, before the commencement of this Act, established--

- (i) a small scale industry and obtained a registration certificate, may, at his discretion; and
- (ii) an industry engaged in the manufacture or production of goods pertaining to any industry having investment in plant and machinery of more than ₹1 crore but not exceeding ₹10 crore filed an Industrial Entrepreneur's Memorandum, shall within 180 days from the commencement of this Act, file the memorandum, in accordance with the provisions of this Act.

9.2.5. Reference to Micro and small Enterprises Facilitation Council

- (1) Any party to a dispute may, with regard to any amount due under section 17, make a reference to the Micro and Small Enterprises Facilitation Council.
- (2) On receipt of a reference the Council shall either itself conduct conciliation in the matter or seek the assistance of any institution or centre providing alternate dispute resolution services by making a reference to such an institution or centre, for conducting conciliation
- (3) Where the conciliation initiated as above) is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration.
- (4) the Micro and Small Enterprises Facilitation Council or the centre providing alternate dispute resolution services shall have jurisdiction to act as an Arbitrator or Conciliator under this section in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.
- (5) Every reference made under this section shall be decided within a period of 90 days from the date of making such a reference.

9.2.6. Advisory Committee

The Central Government shall, by notification, constitute an Advisory Committee consisting of the following members, namely:-

- (a) the Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the small and medium enterprises who shall be the Chairperson, ex-officio;
- (b) not more than five officers of the Central Government possessing necessary expertise in matters relating to micro, small and medium enterprises, members, ex-officio;
- (c) not more than three representatives of the State Governments, members, ex officio; and
- (d) one representative each of the associations of micro, small and medium enterprises, members, ex officio.
- (e) The Member-Secretary of the Board shall also be the ex officio Member-Secretary of the Advisory Committee.
- (f) The Central Government shall, prior to classifying any class or classes of enterprises under sub-section (1),

obtain the recommendations of the Advisory Committee.

- (g) The Advisory Committee shall examine the matters referred to it by the Board in connection with any subject referred to in section 5 and furnish its recommendations to the Board.

9.2.7. Measures for promotion, development and enhancement of competitiveness of micro, small and medium enterprises

The Central Government may, from time to time, notification, such programmes, guidelines or instructions for the purposes of:

- (i) facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises;
- (ii) development of skill in the employees, management and entrepreneurs,
- (iii) provisioning for technological upgradation;
- (iv) marketing assistance or infrastructure facilities and cluster development of such enterprises with a view to strengthening backward and forward linkages,
- (v) devise policies and practices in respect of credit to the micro, small and medium enterprises;
- (vi) Procurement preference policy.
- (vii) Grants by Central Government its administration and etc.

9.2.8. Dedicated funds for the sector

- (i) There shall be constituted, by notification, one or more Funds to be called by such name as may be specified in the notification and there shall be credited thereto any grants made by the Central Government under section The Central Government may, credit to the Fund or Funds by way of grants for the purposes of this Act, such sums of money as that Government may consider necessary to provide.
- (ii) The Central Government shall administer Funds in such manner as may be prescribed.
- (iii) The Fund or Funds shall be utilised exclusively for the MSME sector.
- (iv) The Central Government shall be responsible for the coordination and ensuring timely utilisation and release of sums in accordance with such criteria as may be prescribed.

9.2.9. Delayed payments to micro and small enterprises

To MSME units shall exceed 45 days from the date of acceptance or the day of deemed acceptance., failing which the buyer shall be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, 'as the case may be; from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.

Where any buyer is required to get his annual accounts audited under any law for the time being in force, such buyer shall furnish the following additional information in his annual statement of accounts, namely:- (1) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year; Interest not to be allowed as deduction from income.

9.2.10. MSME facilitation centres by State Government

- (i) The State Government shall, by notification, establish one or more Micro and Small Enterprises Facilitation Councils, at such places, exercising such jurisdiction.

- (ii) The Micro and Small Enterprise Facilitation Council shall consist of not less than three but not more than five members to be appointed from amongst the following categories, namely:-
 - (a) Director of Industries, or any other officer not below the rank of such Director.
 - (b) One or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and
 - (c) One or more representatives of banks and financial institutions lending to micro or small enterprises; or
 - (d) one or more persons having special knowledge in the field of industry, finance, law, trade or commerce.

Overriding effect Scheme for closure of business of micro, small and medium enterprises. Appointment of officers and other employees. Penalty for contravention of section 8 or section 22 or section 26. Jurisdiction of courts. Power to make rules. 10

9.2.11. Designated officers in Central/state Governments.

- (1) The Central Government or the State Government may appoint such officers with such designations and such other employees as it thinks fit for the purposes of this Act and may entrust to them such of the powers and functions under this Act as it may deem fit.
- (2) The Central Government may, by notification, make rules to carry out the provisions of this Act.

The State Government may, by notification, make rules to carry out the provisions of this Act.

9.2.12. Various schemes by Central Govt.

The schemes/ programmes undertaken by the Ministry and its organizations seek to facilitate/provide:

- i) flow of credit from financial institutions/banks;
- ii) technology upgradation and modernization;
- iii) infrastructural facilities;
- iv) modern testing facilities and quality certification;
- v) access to modern management practices;
- vi) entrepreneurship development and skill upgradation ;
- vii) support for product development, design intervention and packaging;
- viii) welfare of artisans and workers;
- ix) assistance for better access to domestic and export markets etc.

The Government of India introduces several schemes for the benefit of these MSMEs. However, often the MSME business owners are not aware of these schemes and thus lose out on benefiting from them.

These Government schemes for MSMEs have several advantages that business owners can benefit from. Some of the benefits of the Government schemes are as follows:

- (i) The Government schemes provide a sense of security to the entrepreneurs
- (ii) Some schemes provide financial security to businesses and individuals
- (iii) Certain schemes provide technological support and guidance to individuals
- (iv) Overall, Government schemes help individuals and entrepreneurs improve their livelihood

But often businesses lose out on taking advantage of these schemes designed for them owing to a lack of information regarding the various Government schemes.

Single window registration process

The champions control room under the ministry and development institute/ DICs shall facilitate single point registration.

Framework for revival and rehabilitation of MSME

Respective banks, which has extended loan to MSME may revive the re-payment schedule of loan based on certain criteria. Banks shall form Committee which will look into each such MSME and suggest corrective action. The Restricting shall be monitoring by the debt restricting cell of the particular bank (notified on 27/5/2015 by MSME Dept.)

Delay in payment to MSME

The MSME – Samadhan (Delayed Payment Monitoring System) is a portal created by the Office of DC(MSME), Ministry of Micro, Small and Medium Enterprises (MSME) where Micro and Small Enterprises (MSEs) can file their applications online regarding delayed payments.

The portal also has a dashboard giving information about the pending amount of MSEs with individual CPSEs/ Central Ministries, State Governments, etc. The CEO of PSEs and the Secretary of the concerned Ministries will be able to monitor the cases of delayed payment and issue necessary instructions to resolve such issues.

The Ministry of MSME has taken the initiative for filing online applications by the supplier MSME unit against the buyer of goods/services before the concerned MSEFC of his/her State/UT. These will be viewed by the MSEFC Council for their actions. These will also be visible to Concerned Central Ministries, Departments, CPSEs, State Government, etc for pro-active actions .This scheme and the portal are helpful for MSMEs to register an online complaint if payment is not received from the buyer or supplier.

All companies who get supplies of goods or services and the payment is due for 45 days or more from the date of acceptance of goods/services shall submit a half-yearly to MCA (notification by MSME Dept. date 2/11/2018)

Procurement Preference Policy

Section 11 of the Act provides that Central Govt./State Govt. shall issue preference policy notification for preference to be given to MSME in public procurement. Detailed notification was issued on 23/3/2012 by MSME Dept. The notification details the extent and method of processing from MSME units. The policy provides for reservation of certain items to be from MSME only, price preference, preference to women entrepreneurs, on programmes to MSMEs, special renter development etc.

Establishment of Fund

The CG has under the powers used in section 12 have established a fund called MSME Fund to be utilised exclusively for means specified in Act. to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the MSMED Act Establishment of specific funds for the promotion, development and enhancing the competitiveness of these enterprises, notification of schemes/ programs for this purpose, progressive credit policies, and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments.

Establishment of MSME Facilitation Centre

Has established under 18 to facilitate MSME units and has to power to settle disputes between MSME and other

party, section, SG can also establish such facilitation council. MSMEs have the right to place their grievances to the council.

Role of National Small Industries Corporation Limited (NSIC)

NSIC, established in 1955, main function of the Corporation is to promote, aid and foster the growth of micro and small enterprises in the country, generally on commercial basis. It provides a variety of support services to micro and small enterprises in different areas like raw material procurement; product marketing; credit rating; acquisition of technologies; adoption of modern management practices, etc.

NSIC implements its various programmes and projects throughout the country through its 9 Zonal Offices, 39 Branch Offices, 12 Sub Offices, 5 Technical Services Centres, 3 Technical Services Extension Centres, 2 Software Technology Parks, 23 NSIC-Business Development Extension Offices and 1 Foreign Office.

Digital MSME Scheme

The Digital MSME is a Government scheme for MSME that was launched for promoting Information and Communication Technology (ICT) in the MSME Sector by adopting ICT tools and applications in the production and business process of MSMEs. The services that will be available for MSMEs through various service providers include-

- ERP
- Accounting
- Manufacturing Design
- Regulatory compliance including GST

The Digital MSME Scheme is aimed at creating awareness, supporting developments and e-platforms, thereby creating literacy, training and promoting digital marketing in MSME sectors.

ECLGS or Emergency Credit Line Guarantee Scheme

The ECLGS or the Emergency Credit Line Guarantee Scheme was launched by the Government of India as a special scheme, considering the COVID-19 crisis. The Scheme aims to provide 100% guarantee coverage to banks and NBFCs to enable them to extend emergency credit facilities to business enterprises / MSMEs in view of COVID-19 to meet their additional term loan or additional working capital requirements.

Recently, the Government extended the ECLGS to 31st March 2022 with the purpose to provide relief to MSMEs.

100% guarantee coverage for the additional funds sanctioned under the Emergency Credit Line Scheme. The interest rate charged is capped at 9.25% for banks and 14% for NBFCs. A maximum tenure of 4 years from the date of disbursement is stipulated under the Scheme. The moratorium period on the principal amount is 12 months.

Secured Business Loan For MSME – SIDBI

SIDBI is a primary financial institution that promotes, develops and finances Micro, Small and Medium Enterprises (MSME) through various schemes.

One such scheme is Secured Business Loan or SBL which was developed to provide faster dispensation of credit to MSMEs, especially those in the manufacturing segment and service sector. The maximum quantum of open term loan under the SBL Scheme will be up to Rs.10 crore for the eligible MSME units. With maximum repayment tenure is 10 years, which includes the moratorium period. The Scheme also provides foreign currency assistance for the creation of tangible assets subject to natural hedges and other terms and conditions.

PMEGP Scheme

The Prime Minister Employment Generation Programme or PMPGP is a credit-linked subsidy scheme introduced by the Government of India. The aim of introducing the Scheme is to promote the generation of employment opportunities through the establishment of micro-enterprises in rural as well as urban areas.

Reservation policies for the manufacturing and production sector

According to the Industries (Development and Regulation) Act, 1951, the items manufactured in the SSI (Small scale industry) sector have been given statutory reservation in government procurement. The Policy has two objectives

- (i) To assure production of consumer goods is increased in the small scale sector.
- (ii) To enhance employment opportunities through setting up small-scale industries in remote areas.
- (iii) Easy licensing and approvals.

Those enterprises which produce the Certificate of MSME Registration while making applications for licenses, approvals, and registrations on any field for their business from the respective authorities then, they are given priority and the process has been more simplified for them.

Special consideration on international trade fairs

Under the International Cooperation Scheme, to provide financial assistance by reimbursement to the State/Central Government organizations, industries/enterprises Associations and registered societies/trusts and organizations associated with MSME for commissioning of MSME business delegations to other countries for exploring new areas of technology infusion/ up-gradation, facilitating of joint ventures, improving market for MSMEs products and foreign collaborations.

Training

The National Institute for Entrepreneurship and Small Business Development is the premier organization of the Ministry of Skill Development and Entrepreneurship, engaged in training, consultancy, research, etc. in order to promote entrepreneurship and Skill Development. The major activities of the Institute include Training of Trainers, Management Development Programmes, Entrepreneurship-cum-Skill Development Programmes, Entrepreneurship Development Programmes and Cluster Intervention. The major activities of the Institute include Training of Trainers, Management Development Programmes, Entrepreneurship-cum-Skill Development Programmes, Entrepreneurship Development Programmes and Cluster Intervention.

Recent announcement by Govt. as relief to MSME sector

The Finance ministry of the Govt. has announced few financial relief package in the last budget. Some important issues are mentioned below.

- (i) Three lakh crore Emergency Working Capital Facility for Businesses, including MSMEs:
- (ii) With an objective to provide relief to the business, additional working capital finance of 20% of the outstanding credit (as on February 29, 2020), in the form of a Term Loan at a concessional rate of interest.
- (iii) ₹20,000 crores Subordinate Debt for Stressed MSMEs: Provision made for ₹20,000 crores subordinated debt for 2,00,000 MSMEs which are NPA or are stressed. The government will support them with ₹4,000 crores to Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).
- (iv) Banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15% of his existing stake in the unit subject to a maximum of ₹75 lakhs; ₹50,000 crores equity infusion through MSME Fund of Funds (FoF): Govt will set up an FoF with a corpus of ₹10,000 crores that will provide equity funding support for MSMEs. The FoF shall be operated through a Mother and a few Daughter funds. It is expected that with leverage of 1:4 at the level of daughter funds, the FoF will be able to mobilize equity of about ₹50,000 crores.

EXERCISE**Multiple Choice Questions (MCQs)**

1. NSIC stands for:
 - a) National Social Institute Corporation
 - b) National Small Institute Corporation
 - c) National Scheme for Industries and companies
 - d) National Small Industries Corporation.
2. IF a unit has investment in plant an equipment of ₹55 crore and turnover of ₹300 crore. It will be classified as:
 - a) micro
 - b) small
 - c) medium
 - d) none of the above
3. While calculating the value of assets for ascertaining the classification, the value of the following is excluded.
 - a) land
 - b) furniture and fittings
 - c) none of the above
 - d) both of the (a) and (b)
4. While calculating the value of assets for ascertaining the classification, the value of the following is excluded.
 - a) any sales
 - b) domestic sales
 - c) exports
 - d) none of the above

State True or False

1. The apex policymaking body for MSME is Ministry of Industry and Commerce.
2. The basis of categorization of MSME is investment in plant and machinery and turnover.
3. An entrepreneur shall require a license from The Central Govt. to start an MSME.
4. Delayed payments to MSME unit by any company is supposed to be reported in the annual report of the companies.
5. Banks are expected to provide subordinate loans to MSME 15% more than the existing loan limits.

Fill in the blanks

1. The threshold limit of micro enterprise isof plant and machinery.
2. If payment to any MSME unit is delayed bydays, the buyer has to pay interest.
3. NSIC stands for.....
4. Govt. has recently earmarkedfor subordinate debt for stressed MSMEs.
5. SIDBI stands for.....
6. Under the new policy of the Govt., banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to% of his existing stake in the unit.
7. PMEGP scheme relates to.....
8. The ECLGS stands for
9. Under the Secured Business Loan Scheme the maximum quantum of open term loan will be up to ₹.....

Short Essay Type Questions

1. Discuss the method of calculation of value of plant and machinery.
2. Discuss functions of the National Board for Micro, Small and medium Enterprises.

Essay Type Questions

1. Discuss few majors taken to promote MSME sector units.
2. Explain the classification of micro, small and medium industry. What the basis of classification and how the figures are adjusted.
3. Discuss the contribution of MSMS sector in Indian economy.

Case Study (Solved)

1. Balaram is school drop out but took over his father's business after his sudden death. The business, a proprietorship firm, is manufacturing and selling rubber spares and is located at remote place in the District of West Bengal. Turnover of business was ₹342 crore. Though not audited or evaluated, the investment in plant and machinery is around ₹93 lakhs. The business is not registered with DIC but with GST. He pays income tax.

He wants to expand his business and wants to know:

- (i) What category of industry the business is falling?
- (ii) Is registration compulsory?
- (iii) Where to register?
- (iv) What are the benefits of registration?

Solution:

- (i) The business falls under micro enterprise as defined under MSME Act and Rules. Since the investment in Plant and Machinery or Equipment:

Not more than ₹1 crore and Annual Turnover; not more than ₹5 crore.

- (ii) Registration is not compulsory but lot of benefits are not available to unregistered parties.
- (iii) Registration has to be taken in the office District Industries Centre(DIC)
- (iv) Registered units shall get the benefit of loan, loan repayment moratorium, tax holiday, price preference by Govt. organizations etc.

Answer

Multiple Choice Questions (MCQs)

1	2	3	4
d	d	d	c

State True or False

1	2	3	4	5
F	T	F	T	T

Fill in the blanks

1	₹1 crore	2	45
3	National Small Industries Corporation	4	₹ 20,000 crores
5	Small Industries Development bank.	6	15
7	Employment	8	Emergency Credit Line Guarantee Scheme
9	₹10 crore		