

Micro, Small and Medium Enterprises

Lesson 5

KEY CONCEPTS

■ MSME ■ MSME Memorandum ■ Udyam Registration ■ MSME Schemes ■ NSIC Registration

Learning Objectives

To understand:

- The functions of National Board for Micro, Small and Medium Enterprises
- The classification of enterprises
- The process of Udyam Registration
- Various schemes for MSMEs
- The composition of Micro and Small Enterprises Facilitation Council

Lesson Outline

- Introduction
- The Micro, Small and Medium Enterprises Development Act, 2006 – Important Definitions
- Establishment of National Board for Micro, Small and Medium Enterprises
- Classification of Enterprises
- Memorandum of MSME
- Udyam Registration Process
- NSIC Registration
- MSME Schemes
- Composition of Micro and Small Enterprises Facilitation Council
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings
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REGULATORY FRAMEWORK

- Micro, Small and Medium Enterprises Development Act, 2006
- MSME Rules
- MSME Notifications and Circulars

INTRODUCTION

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is specified. The Act was notified 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. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and 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.

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

The Micro, Small and Medium Enterprises Development Act, 2006 came into force on 02nd October, 2006. The definitions are provided under section 2 of MSMED Act, 2006.

Important Definitions

Some of the important definitions as provided in the Act is mentioned below:

Advisory Committee:

Section 2 (a) states that Advisory Committee means the committee constituted by the Central Government under sub-section (2) of section 7.

Appointed Day:

Section 2(b) of the Act defines the term appointed day as to mean 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.

Board:

“Board” means the National Board for Micro, Small and Medium Enterprises established under section 3.

Enterprise:

Section 2(e) of the Act defines the term Enterprise as 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 (IDRA) or engaged in providing or rendering of any service or services.

Medium Enterprise:

The term Medium Enterprise has been defined under Section 2(g) of the Act as to mean an enterprise classified as such under sub-clause (iii) of clause (a) or sub-clause (iii) of clause (b) of Sub-section (1) of Section 7. Section 7 deals with the classification of enterprises.

Micro Enterprise:

Micro Enterprise under Section 2(h) has been defined to mean an enterprise classified as such under sub-clause (i) of clause (a) or sub-clause (i) of clause (b) of Sub-section (1) of Section 7.

Small Enterprise:

Small Enterprise under Section 2(m) of the Act means an enterprise classified as such under sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b) of Sub-section (1) of Section 7.

Supplier:

The term supplier defined under Section 2(n) of the Act 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,—

- (i) the National Small Industries Corporation, being a company, registered under the Companies Act, 1956;
- (ii) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956;
- (iii) any company, co-operative society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro or small enterprises and rendering services which are provided by such enterprises.

Establishment of National Board for Micro, Small and Medium Enterprises

The Central Government shall establish a board under section 3 of MSMED Act, 2006 known as National Board for Micro, Small and Medium Enterprises. Its head office shall be in New Delhi.

Constitution of Board: The board shall consists of following members:

- (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 or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be ex officio Vice-Chairperson of the Board, and where there is no such Minister of State or Deputy Minister, such person as may be appointed by the Central Government to be the Vice-Chairperson of the Board;
- (c) 6 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) 3 Members of Parliament of whom 2 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;
- (f) 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) 4 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) 1 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) 20 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 3 persons representing associations of micro enterprises, to be appointed by the Central Government;
- (m) 3 persons of eminence, one each from the fields of economics, industry and science and technology, not less than 1 of whom shall be a woman, to be appointed by the Central Government;
- (n) 2 representatives of Central Trade Union Organizations, to be appointed by the Central Government; and
- (o) 1 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 Board shall meet at least once in every three months in a year.

Functions of the Board: Section 5 of MSMED Act, 2006 states about the main functions of the board which are as follows:

- 1) To 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.
- 2) To make recommendations on matters relating to promotion and development of micro, small and medium enterprises 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.
- 3) To advise the Central Government on the use of the Fund or Funds constituted under section 12 of MSMED Act, 2006.

Classification of Enterprises

The Government vide notification no. S.O. 2119 dated 26.06.2020 has notified the composite criteria of classification of MSMEs based on investment in plant and machinery or equipment and turnover of the enterprises by simplifying the Udyam Registration process for MSMEs by making it fully online, digital, and paperless and based on self-declaration. No documents or proof are required to be uploaded for registering as a Micro, Small and Medium Enterprise. Aadhaar and PAN are required for registration. PAN, GSTIN linked details on investment and turnover of enterprises are taken automatically from relevant Government databases.

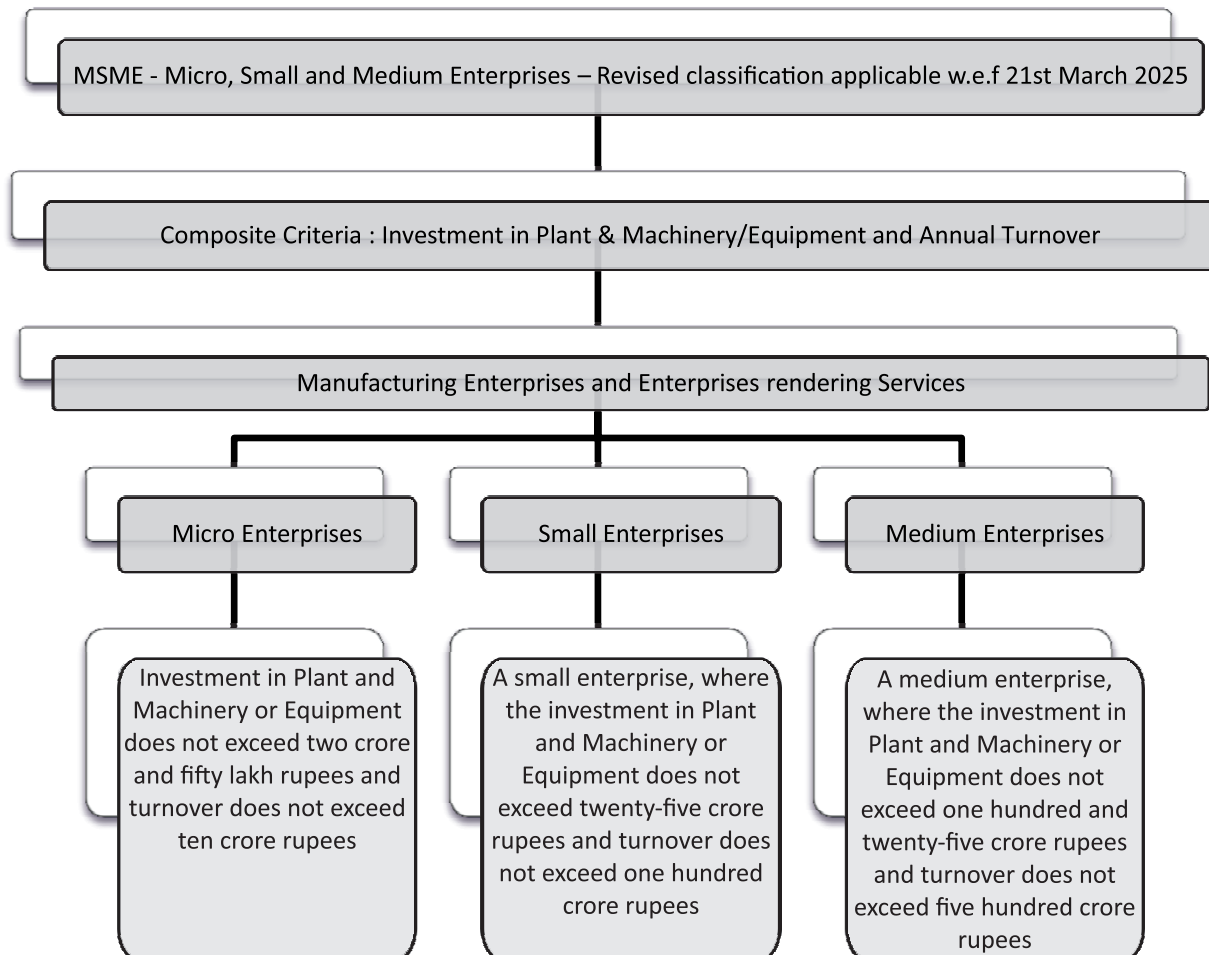
The turnover with respect to exports is not counted in the limits of the turnover for any category of MSMEs. The criteria become applicable to all States/UTs with effect from 01.07.2020. Promotion and development of enterprises is a State subject. The Central Government supplements the efforts of the State/UT Governments through various schemes, programmes and policy initiatives for promotion, development and enhancing the competitiveness of MSMEs in the country uniformly including tier 2 and tier 3 cities.

Ministry of Micro, Small and Medium Enterprises vide Notification No. S.O. 1364(E) dated 21st March, 2025

Revision of Definition of MSMEs

- A micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed two crore and fifty lakh rupees and turnover does not exceed ten crore rupees
- A small enterprise, where the investment in Plant and Machinery or Equipment does not exceed twenty-five crore rupees and turnover does not exceed one hundred crore rupees
- A medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed one hundred and twenty-five crore rupees and turnover does not exceed five hundred crore rupees.

MSME includes all establishment engaged either in manufacturing or rendering services but it does not include those enterprise which are engaged only in trading activities.



Memorandum of MSME

Any person who intends to establish a micro or small enterprise, may, at his discretion, or a medium enterprise engaged in providing or rendering of services may, at his discretion; or a medium enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the IDRA, is required to 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 or the Central Government (Section 8).

Measures for Promotion and Development

The Central Government may, from time to time, for the purposes of facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, particularly of the micro and small enterprises, by way of development of skill in the employees, management and entrepreneurs, provisioning for technological upgradation, marketing assistance or infrastructure facilities and cluster development of such enterprises with a view to strengthening backward and forward linkages, specify, by notification, such programmes, guidelines or instructions, as it may deem fit. (Section 9)

Registration Process

- (1) The form for registration shall be as provided in the Udyam Registration portal.
- (2) There will be no fee for filing Udyam Registration.
- (3) Aadhaar number shall be required for Udyam Registration.
- (4) The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).

It may be noted that according to Rule 5 of the Aadhaar Authentication for Good Governance (Social Welfare, Innovation, Knowledge) Rules, 2020 the Ministry of Micro, Small and Medium Enterprises, having been authorised by the Central Government, hereby notifies that Aadhaar authentication of enterprises shall be performed, on voluntary basis, using Yes/No authentication facility, during the process of registration of owners of informal micro enterprises on its digital platform, to facilitate access for availing of priority sector lending.

- (5) In case of a Company or a Limited Liability Partnership or a Co-operative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.
- (6) In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.
- (7) No enterprise shall file more than one Udyam Registration: Provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.
- (8) Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable to such penalty as specified under section 27 of the Act.

It may be Noted that:

- An enterprise for the purpose of this process will be known as Udyam and its Registration Process will be known as 'Udyam Registration'.
- A permanent registration number will be given after registration.
- After completion of the process of registration, a certificate will be issued online.

- This certificate will have a dynamic QR Code from which the web page on our Portal and details about the enterprise can be accessed.
- There will be no need for renewal of Registration. No enterprise shall file more than one Udyam Registration. However, any number of activities including manufacturing or service or both may be specified or added in one Registration.

Provision applicable for Udyam Assist Certificate issued through Udyam Assist Platform (UAP): With reference to the launch and implementation of Formalization Project of the Ministry of MSME and SIDBI for bringing the Informal Micro Enterprises (IMEs) into the formal ambit, it is to be noted that the certificate issued on the Udyam Assist Platform (UAP) would be treated at par with Udyam Registration Certificate for IMEs for availing of the benefits of Priority Sector Lending (PSL).

BENEFITS OF TAKING UDYAM REGISTRATION

- It will be a permanent registration and basic identification number for an enterprise.
- MSME Registration is paperless and based on self-declaration.
- There will be no need for renewal of Registration.
- Any number of activities including manufacturing or service or both may be specified or added in one Registration.
- The Udyam Registration may also help MSMEs in availing the benefits of Schemes of Ministry of MSMEs such as Credit Guarantee Scheme, Public Procurement Policy, additional edge in Government Tenders & Protection against delayed payments etc.
- Becomes eligible for priority sector lending from Banks.

NSIC REGISTRATION

NSIC enlists Micro & Small Enterprises (MSEs) under Single Point Registration scheme (SPRS) for participation in Government Purchases. The units enlisted under Single Point Registration Scheme of NSIC are eligible to get the benefits under Public Procurement Policy for Micro & Small Enterprises (MSEs) Order 2012 as notified by the Government of India, Ministry of Micro Small & Medium Enterprises, New Delhi vide Gazette Notification dated 23.03.2012 and amendment vide order no. S.O. 5670(E) dated 9th November 2018. The enlistment under SPRS is completely online.

Both manufacturing and service provider enterprises having MSME or Udyog Aadhaar registration are eligible for obtaining NSIC registration. To obtain registration, enterprises having MSME or Udyog Aadhaar registration can apply online or by submitting an application at one of the NSIC offices. On submission of the application, the NSIC forwards the application to a zonal branch or sub-branch office nearest to the applicant for completing technical inspection of the unit and forwarding of recommendation for NSIC registration. On receiving the inspection report, NSIC grants registration to the MSME unit.

Benefits extended to MSEs having valid registration:

1. Issue of the Tender Sets free of cost.
2. Exemption from payment of Earnest Money Deposit (EMD).
3. In tender participating MSEs quoting price within price band of L1+15 per cent shall also be allowed to supply a portion upto 25% of requirement by bringing down their price to L1 Price, where L1 is non MSEs.
4. Consortia facility for Tender Marketing.

Every Central Ministries/Departments/PSUs shall set an annual goal of minimum 25% of the total annual purchases of the products or services produced or rendered by MSEs. Out of annual requirement of 25% procurement from MSEs, 4% is earmarked for units owned by Schedule Caste /Schedule Tribes and 3% is earmarked for the units owned by Women entrepreneurs. SPRS registered units are integral part of the supply chain to Government

MSME SCHEMES

MSMEs are amongst the strongest drivers of economic development, innovation and employment. Constant efforts are being made towards up-liftment of MSMEs under “Self Reliant India” through various schemes of MSMEs. Following are the major MSME schemes implemented by the Government of India:

A. Prime Minister’s Employment Generation Programme (PMEGP)

The scheme aims to provide financial assistance to set up self-employment ventures and generate sustainable employment opportunities in rural as well as urban areas. And to generate sustainable and continuous employment opportunities to rural and unemployed youth as well as prospective traditional artisans and thereby halt occupational migration. The scheme is applicable to all individuals above the age of 18 years. The scheme is designed in such a way that the own contribution of the beneficiary is 10% of the project cost in case of general category and 5% of the project cost in case of special category (SC/ST/OBC/PH/Women/Ex Servicemen/ NER) Beneficiaries. If the application for loan is approved, then the banks sanction and release the balance amount of 90 to 95 percent of the total project cost suitably for setting up of the units by the beneficiaries.

B. 2nd Loan For Up-Gradation Of The Existing PMEGP/Mudra Units

The scheme caters to the need of the entrepreneurs for bringing new technology/ automation so as to modernize the existing unit. With an objective to assist existing units for expansion and upgradation, the scheme provides financial assistance to successful/well performing units. The scheme is applicable to all the existing well performing PMEGP/MUDRA units.

C. Credit Guarantee Scheme For Micro & Small Enterprises (CGTMSE)

The main objective of this scheme is to encourage the first generation entrepreneurs to venture into self-employment opportunities by facilitating credit guarantee support for collateral free / third-party guarantee-free loans to the Micro and Small enterprises (MSEs), especially in the absence of collateral. The scheme is applicable to all the existing entrepreneurs and aspiring entrepreneurs.

D. Micro & Small Enterprises Cluster Development Programme (MSE-CDP) Scheme

This scheme is formulated to support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills & quality, market access, etc and to create/upgrade infrastructural facilities in the new/ existing Industrial Areas/Clusters of MSEs. Its main objective is:

- To set up Common Facility Centers (for testing, training, raw material depot, effluent treatment, complementing production processes, etc).
- Promotion of green & sustainable manufacturing technology for the clusters.

The scheme is applicable to the existing entrepreneurs (in form of a SPV). The key benefits of the scheme is Creation of Common Facility Centers including Plug & Play Facilities and Support for Infrastructure Development Projects including Flatted Factory Complexes.

E. Scheme Of Fund For Regeneration Of Traditional Industries (SFURTI)

The main objective of SFURTI is to organize traditional industries and artisans into collectives by increasing production and value addition to make products competitive and to promote traditional sectors and increase income of artisans providing sustainable employment. The scheme is applicable to existing artisans from traditional industries, Cluster of Artisans in sectors such as Handicraft, Textile, Agro-Processing, Bamboo, Honey, Coir, Khadi etc. The scheme aims toward assistance and support to traditional industry artisans and to provide them sustainable employment through Hard Intervention in setting up physical infrastructure with CFCs, raw material banks, latest machineries. Soft Intervention in skill development, market promotion initiatives, etc. in clusters is also induced through this scheme. SFURTI provides financial assistance of up to 90% (95% in NER, J&K and Hill Areas) of Hard Intervention cost and entire cost of Soft Intervention.

F. Entrepreneurship And Skill Development Programme (ESDP) Scheme

ESDP scheme aims at promoting new enterprises, capacity building of existing MSMEs and inculcating entrepreneurial culture in the country. It is applicable to all the aspiring and existing entrepreneurs. It facilitates entrepreneurship/ self-employment awareness and motivation to different sections of the society including SC/ ST/ Women, differently abled, Ex-servicemen and BPL persons as career options. Entrepreneurship & Skill Training in Agro Based Products, Hosiery, Food & Fruit Processing Industries, Carpet Weaving, Mechanical Engineering Workshop/ Machine Shop, Heat Treatment, Electroplating, Basic/Advance Welding/ Fabrication/ Sheet metal work, Basic/ Advance Carpentry, Glass & Ceramics etc. is the main target of the scheme. The scheme make provision for management capacity building Training to existing entrepreneurs and their supervisory staff in Industrial Management, Human Resource Management, Marketing Management, Export Management/Documentation & Procedures, Materials Management, Financial/Working Capital Management, Information Technology, Digital Marketing, Quality Management/QMS/ISO 9000/EMS, WTO, IPR, Supply Chain Management, Retail Management, Logistics Management etc. The scheme widens the base of entrepreneurship by development, achievement, motivation and entrepreneurial skill to the different sections of the society.

G. Assistance To Training Institutions (ATI) Scheme

The scheme targets to create and strengthen infrastructure and assistance for entrepreneurship and skill development training programmes. Providing proper support for infrastructure and capacity building of training institutions of Ministry of MSME and existing State level EDIs. The scheme also aims in supporting the skill development programmes by training institutions of the Ministry of MSME.

H. Coir Vikas Yojana - Umbrella Scheme (Skill Upgradation and Mahila Coir Yojana)

The main objective of this scheme is to impart training in processing of coir and value addition to potential workers, coir artisans/entrepreneurs through field training centers and training institution of Coir Board. The scheme aims to provide self-employment opportunities to rural artisans including women artisans in regions processing coconut husk. It is applicable to all the aspiring and existing entrepreneurs. The main benefits of the scheme are:

- Training to personnel in the cadres of supervisors/ instructors/artisans in coir industry.
- EDPs/Workshops/Seminars/Awareness programmes on development of coir industry.
- Conducting Exposure tours to the rural artisans for familiarizing with the newly incorporated technologies in the coir sector.

I. Procurement And Marketing Support (PMS) Scheme

The scheme aims to promote new market access initiatives like organizing / participation in National / International Trade Fairs / Exhibitions / MSME Expo, etc. held across the country and to create awareness and educate the

MSMEs about the importance / methods/ process of packaging in marketing, latest packaging technology, import-export policy and procedure, GeM portal, MSME Conclave, latest developments in international / national trade and other subjects / topics relevant for market access developments.

J. International Cooperation (IC) Scheme

The scheme aims to Capacity build MSMEs for entering export market by facilitating their participation in international exhibitions/fairs/conferences/seminar/ buyer-seller meets abroad as well as providing them with actionable market-intelligence and reimbursement of various costs involved in export of goods and services. The Scheme provides opportunities to MSMEs to continuously update themselves to meet the challenges emerging out of changes in technology, changes in demand, emergence of new markets, etc.

K. National SC-ST Hub Scheme

The main objective of this scheme is to provide professional support to Scheduled Caste and Scheduled Tribe Entrepreneurs to fulfill the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012, adopt applicable business practices and leverage the Stand-Up India initiatives. The scheme is applicable to aspiring and Existing SC/ST Entrepreneurs.

L. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)

The main objective of this scheme is to set up a network of Livelihood Business Incubation centers predominantly in the rural and underserved areas, to promote innovation and accelerate entrepreneurship by empowering the beneficiaries in creation of formal micro-enterprises and imparting skill development programs for creating wage/self-employment opportunities in the agro rural sector. The scheme is applicable to any agency/ institution of Government of India/ State government or existing training centers under Ministries/Departments of Government of India/State Government, Industry Associations, Academic Institutions and any not-for-profit private institutions with experience in successfully executing incubation and/or skill development programs may be eligible to set up an LBI.

M. Khadi Gramodyog Vikas Yojana – Umbrella Scheme

The schemes aim to increase productivity and wages of Khadi Artisans and secure livelihood and improve Infrastructure for Khadi Production. It aids in increased Khadi Production, Sales and Employment. It helps in development of Village Industries and increase number of rural artisans. It revives the traditional and inherent skills of rural artisans.

The Scheme applicable for:

Khadi Institutions (KIs) registered with KVIC or State Khadi and Village Industries Boards(KVIBs) and Khadi artisans. The beneficiaries may be identified by KVIC, NGOs /KIs/VIs/KVIB's/ DIC's/FPOs etc. Age Group: 18-55 Years. Having valid Aadhar Card or any other Identity Card issued by Government. One person from one family is eligible for the assistance under KGVY. Persons who have availed benefits from other Govt. Schemes for the same/similar purpose is not eligible. Preference shall be given to the people belonging to SCs/STs/Women/ Unemployed Youth /BPL category etc

PROMOTION OF MSMEs IN - NER & SIKKIM

The scheme envisaged for providing financial support mainly for augmenting Infrastructure development for enhancing the productivity, sustainability, competitiveness and growth by addressing common issues such as improvement of technology, skills & quality, market access etc. of Micro, Small and Medium Enterprises (MSMEs). It helps in creation of common facilities to supplement manufacturing, testing, packaging, R&D, product and process innovations and training for natural resources such as fruits, spices, agri, forestry, sericulture and

bamboo etc. available in NER and Sikkim. It is applicable to State Government or any State Govt. organization engaged in promotion of MSMEs.

PM VISHWAKARMA – ENABLING ARTISANS & CRAFTSPEOPLE TO SCALE-UP THEIR ENTERPRISES

The scheme recognises artisans and craftspeople through PM Vishwakarma certificate and ID card. A Basic Training of 5-7 days and Advanced Training of 15 days or more, with a stipend of Rs. 500 per day and transport allowance of Rs 1,000 is being provided and a toolkit incentive of up to Rs. 15,000 through e-vouchers. Credit Support in form of Collateral free 'Enterprise Development Loans' of upto Rs. 3 lakh in two tranches of Rs. 1 lakh and Rs. 2 lakh with tenures of 18 months and 30 months, respectively, at a concessional rate of interest fixed at 5%, with Government of India subvention to the extent of 8%.

The Scheme covers artisans and craftspeople engaged in 18 trades.viz.(i) Carpenter (Suthar/Badhai); (ii) Boat Maker; (iii) Armourer; (iv) Metalsmith/Metal Caster (Lohar); (v) Hammer and Tool Kit Maker; (vi) Locksmith; (vii) Goldsmith (Sonar); (viii) Potter (Kumhaar); (ix) Sculptor (Moortikar, stone carver), Stone breaker; (x) Cobbler (Charmakar)/ Shoemsmith/Footwear artisan; (xi) Mason (Rajmistri); (xii) Basket/ Mat/Broom Maker/Coir Weaver; (xiii) Doll & Toy Maker (Traditional); (xiv) Barber (Naai); (xv) Garland maker (Malakaar); (xvi) Washerman (Dhobi); (xvii) Tailor (Darzi); and (xviii) Fishing Net Maker.

TOOL ROOMS AND TECHNICAL INSTITUTIONS

The Scheme improves access of MSMEs to tooling facilities for enhancement of their efficiency and providing industry ready manpower by conducting training programme. It focuses on process and product development in relevant sector and also Consultancy and job works in relevant sector.

Industrial Units (focusing on MSME sector) can apply for this scheme. The intake eligibility for the training programmes from school dropout to M. tech level.

MSME CHAMPIONS SCHEME

MSME Champions scheme has been formulated through Standing Finance Committee (SFC) by merging all 6 components of erstwhile Technology Upgradation Scheme (TUS) for a period of 5 years i.e. 2021-22 to 2025-26. It is a holistic approach to unify, synergize and converge various schemes and interventions with a single purpose. The end objective is to pick up clusters and enterprises and modernize their processes, reduce wastages, sharpen business competitiveness and facilitate their National and Global reach and excellence. There are 3 components under the new MSME Champions scheme, the details of which are as below:

1) MSME-Sustainable (ZED) 2) 3) MSME-Competitive (Lean) 4) Digital MSME Yet to be launched. MSME-Innovative (for Incubation, IPR, Design) (The Digital MSME will be interlinked with all the other components of the MSME Champions Scheme.)

MSME SUSTAINABLE (ZED) CERTIFICATION

MSME Sustainable (ZED) Certification is an extensive drive to create awareness amongst MSMEs about Zero Defect Zero Effect (ZED) practices and motivate and incentivize them for ZED Certification while also encouraging them to become MSME Champions. Through the journey of ZED Certification, MSMEs can reduce wastages substantially, increase productivity, enhance environmental consciousness, save energy, optimally use natural resources, expand their markets, etc. MSMEs will also be motivated to adopt best practices in work culture, standardization of products, processes and systems etc. in order to enhance their global competitiveness and sustainability. The ZED Certification aims at enhancing the competitiveness of an MSME by assessment, modification through guidance, handholding, managerial and technological intervention – not just certification.

MSME - INNOVATIVE (INCUBATION, IPR AND DESIGN)

MSME Innovative is a holistic approach to unify, synergize and converge 3 sub- schemes and interventions with a single purpose. MSME Innovative is a new concept for MSMEs with a combination of innovation in incubation, design intervention and by protecting IPR in a single mode approach to create awareness amongst MSMEs about India's innovation and motivate them to become MSME

Champions. This will act as a hub for innovation activities facilitating and guiding development of ideas into viable business proposition that can benefit society directly and can be marketed successfully.

MSME COMPETITIVE (LEAN) SCHEME

Ministry of Micro, Small & Medium Enterprises, Government of India, aims to implement the MSME Competitive (Lean) Scheme for MSMEs with an objective to enhance their productivity, efficiency, and competitiveness by reduction of wastages in processes, inventory management, space management, energy consumption, etc.

RAISING AND ACCELERATING MSME PERFORMANCE (RAMP)

RAMP is a World Bank supported Central Sector Scheme aimed at improving access of MSMEs to market, finance and technology upgradation by enhancing the outreach of existing MoMSME schemes. The programme also aims at strengthening institutions at the Central and State level, and enhancing Centre- State collaboration.

N. Self reliant India (SRI) Fund

This scheme is yet to be launched. India has embarked upon the path of self-reliant economic growth for achieving its aspiration of becoming an economic superpower. Towards this end, one of the initiatives taken by the Government of India is the launch of the Self Reliant India (SRI) Fund. The Fund structure is designed in a manner that it will leverage the strength of the private sector in providing growth capital to viable MSMEs having a definite growth plan.

SRI Fund will contribute towards achieving India's \$5 trillion GDP target by creating a vibrant MSME ecosystem, and making an Aatmanirbhar Bharat.

O. MSME Sambandh

MSME Sambandh Portal is launched as the Public Procurement Portal, whose main objective is to monitor the implementation of the Public Procurement from MSEs by Central Public Sector Enterprises. The Public Procurement Policy for Micro and Small Enterprises (MSME) order 2012 has mandated every Central Ministry/ Department/PSU shall set an annual goal for procurement from the MSE sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 25 per cent of the total annual purchases from the products or services produced or rendered by MSEs. Out of 25% target of annual procurement 4% is exclusively reserved for MSEs owned by SC/ST and 3% for MSEs owned by Women entrepreneurs.

REFERENCE TO MICRO AND SMALL ENTERPRISES FACILITATION COUNCIL

Under section 18 of the Act, any party to a dispute may, with regard to any amount due to him make a reference to the Micro and Small Enterprises Facilitation Council. On receipt of such 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.

Where the conciliation initiated is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer it to any institution or centre

Section 20 of the Act states that the State Government shall, by notification, establish one or more Micro and Small Enterprises Facilitation Councils, at such places, exercising such jurisdiction and for such areas, as may be specified in the notification.

providing alternate dispute resolution services for such arbitration. 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 in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.

Every reference made under this section shall be decided within a period of 90 days from the date of making such a reference.

Section 19 of the MSMED Act, 2006 states that no application for setting aside any decree, award or other order made either by the Council itself or by any institution or centre providing alternate dispute resolution services to which a reference is made by the Council, shall be entertained by any court unless the appellant (not being a supplier) has deposited with it 75% of the amount in terms of the decree, award or, as the case may be.

Whereas pending disposal of the application to set aside the decree, award or order, the court shall order that such percentage of the amount deposited shall be paid to the supplier, as it considers reasonable under the circumstances of the case, subject to such conditions as it deems necessary to impose.

Composition of Micro and Small Enterprises Facilitation Council

The Micro and Small Enterprise Facilitation Council shall consist of not less than 3 but not more than 5 members to be appointed from amongst the following categories, namely:

- (i) Director of Industries, by whatever name called, or any other officer not below the rank of such Director, in the Department of the State Government having administrative control of the small scale industries or, as the case may be, micro, small and medium enterprises; and
- (ii) one or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and
- (iii) one or more representatives of banks and financial institutions lending to micro or small enterprises; or
- (iv) one or more persons having special knowledge in the field of industry, finance, law, trade or commerce.

CASE LAWS

In the case of *M/s India Glycols Limited and Another vs. Micro and Small Enterprises Facilitation Respondents Council, Medchal - Malkajiri and Others*, Civil Appeal No 7491 of 2023 (Arising out of SLP (C) No 9899 of 2023), the Apex Court in its order dated November 6, 2023 inter alia observed that in terms of Section 19, an application for setting aside an award of the Facilitation Council cannot be entertained by any court unless the appellant has deposited seventy-five per cent of the amount in terms of the award. In view of the provisions of Section 18(4), where the Facilitation Council proceeds to arbitrate upon a dispute, the provisions of the Act of 1996 are to apply to the dispute as if it is in pursuance of an arbitration agreement under sub-section (1) of Section 7 of that Act. Hence, the remedy which is provided under Section 34 of the Act of 1996 would govern an award of the Facilitation Council. However, there is a super added condition which is imposed by Section 19 of MSMED Act 2006 to the effect that an application for setting aside an award can be entertained only upon the appellant depositing with the Council seventy-five per cent of the amount in terms of the award. Section 19 has been introduced as a measure of security for enterprises for whom a special provision is made in the MSMED Act by Parliament. In view of the provisions of Section 18(4), the appellant had a remedy under Section 34 of the Act of 1996 to challenge the award which it failed to pursue.

In the judgment of Supreme Court in *Gujarat State Civil Supplies Corporation Limited vs Mahakali Foods Private Limited (Unit 2) and Another* (2023) 6 SCC 401, a two-Judge Bench of the Court has observed, in the course of drawing its conclusions, that: “The proceedings before the Facilitation Council/institute/centre acting as an arbitrator/Arbitral Tribunal under Section 18(3) of the MSMED Act 2006 would be governed by the Arbitration Act, 1996.”

LESSON ROUND-UP

- The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is specified. The Act was notified to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector.
- The Central Government shall establish a board under section 3 of MSMED Act, 2006 known as National Board for Micro, Small and Medium Enterprises. The main functions of the board is to 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.
- Central Government vide Notification S.O. 1702(E) dated 1st June 2020 notifies the criteria for classification of Micro, Small and Medium Enterprises.
- The Udyam Registration may help MSMEs in availing the benefits of Schemes of Ministry of MSMEs such as Credit Guarantee Scheme, Public Procurement Policy, additional edge in Government Tenders & Protection against delayed payments etc.
- Under section 18 of the Act, any party to a dispute may, with regard to any amount due to him make a reference to the Micro and Small Enterprises Facilitation Council.

GLOSSARY

Micro Enterprises: A micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed Rs.1 crore and Turnover does not exceed Rs. 5 crore.

Small Enterprises: A small enterprise, where the investment in Plant and Machinery or Equipment does not exceed Rs.10 crore and Turnover does not exceed Rs. 50 crore.

Medium Enterprises: A medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed Rs.50 crore and Turnover does not exceed Rs. 250 crore.

TEST YOURSELF

(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation)

1. ABC Pvt. Ltd., is engaged in manufacture of textiles. The Company has investment of Rs. 5 Crore and Turnover of Rs. 25 Crore. The Company wants to know their category as per definition of MSME. Will your answer differ, if ABC Pvt. Ltd. is in service sector with the aforesaid limits of investment and turnover?
2. Discuss in brief the various Government schemes for MSME?
3. State the process of UDYAM Registration.
4. Write a short note on:
 - i. MSME Memorandum
 - ii. Micro and Small Enterprises Facilitation Council.

