

11. Micro, Small, Medium Enterprises

MSME Sector

Q.1 How are MSMEs are classified? Discuss the role/importance of MSMEs in India's Economic Development.

(A) Classification of MSMEs :- Small scale Industries is termed as Micro, small & medium Enterprises. The Micro, small and medium Enterprises Development (MSMED) Act - 2006 has classified enterprises as follows :-

<u>Investment in plant & Machinery ₹</u>		
	<u>Manufacturing Sector</u>	<u>Service Sector</u>
<u>MICRO</u>	Upto ₹ 25 lakh	Upto ₹ 10 lakh
<u>SMALL</u>	Above ₹ 25 lakh Upto ₹ 5 crores	Above ₹ 10 lakh Upto ₹ 2 crores
<u>MEDIUM</u>	Above ₹ 5 crores Upto ₹ 10 crores	Above ₹ 2 crores Upto ₹ 5 crores

In 2018, a New Classification was given based on Annual Turnover approved for MSMEs. The Turnover classification is same for Manufacturing and Service sector.

(B) Role / Significance of MSMEs :-

- Growth :- In 2006-07, The number of registered MSMEs were 361.74 lakh. According to MSMEs Annual Report - 2017-18, this sector contributed 28.77% of the total GDP.

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2) More Employment :- MSMEs are Generally known as Labour-Intensive Industries Therefore they have Capacity to create more employment.

(e.g)

Year -	Employment level
1994-1995 -	190 lakh
2006-07 -	312 lakh
2012-13 -	1061.52 lakh.
2015-16 -	11.1 Crores

(55% Jobs in Urban areas)

Thus above data shows that MSMEs provide more employment.

3) Capital Formation :- MSMEs Units helps in Capital Formation in the Country. By creating more employment, these units encourage Saving which can be converted into Investment for Productive Purposes. Even MSMEs Unit ~~own~~ Owners also reinvest their Profits in business.

4) More Efficiency with Less Capital :- MSMEs are known as Capital Light Industries because they produce more out put with less capital.

(e.g) Reports given by RBI and National Small Industries Corporation showed that MSMEs are working more efficiently with less capital.

5) Support Large Scale Industries :- MSMEs provide Raw material, Inputs, spare parts etc. to Large Scale Industries. On other side MSMEs use Capital goods like - Machinery produced by Large Scale Industries.

- 6) Contribution to Exports :- The MSMEs are contributing to India export earning through traditional and Non-traditional items.

(e.g) →

Year	Value of Export
2002-03	₹ 86000 Crores
2006-07	₹ 1,50,242 Crores

- 7) Quick-Yielding :- MSMEs have short-gestation period.

It means investment in small industries and production of goods and services can be quickly executed. Thus it brings quick-yielding to Indian economy.

- 8) Service Sector Development :- MSMEs are most important for service sector development.

(e.g) Banking sector, Transport sector, communication sector and other services get a boost due to expansion of MSMEs.

- 9) Use of Latent Resources :- Small industries can effectively use the latent resources which are remain idle in large scale industries.

(e.g) hoarded wealth, hidden resources, entrepreneurial skill etc. can be effectively used by MSMEs.

- 10) Import Light :- MSMEs are import light industries because they import less material and equipments. Low import will reduce the need for foreign exchange.

11. Equitable Distribution of National Income :- The MSMEs helps in equal distribution of national income because it create more employment & their ownership is widespread.

12) Regional Dispersal of Industries :- Large scale Industries are mostly setup in a few metropolitan centres like - Mumbai, Kolkata, Chennai, Ahmedabad etc. This create several Political & Social disorder. But MSMEs have maximum scope for production and employment in Rural areas. Even MSMEs can be started in small towns, semi-Urban areas. Thus MSMEs can help our country to reduce regional differences.

Q:2 Discuss Various Measures and Policies taken by the government for the development of MSMEs sector in India ?

* RECENT GOVERNMENT POLICIES AND MEASURES :-

Government of India has taken several measures to develop MSME sector. They are -

1. Ministry of Small Scale Industries and Agro and Rural Industries :- A Government of India created a New Ministry - Ministry of Small Scale Industries and Agro and Rural Industries to setup various MSMEs in rural areas.
In 2007, the ministry has been renamed - Ministry of Micro, Small and Medium Enterprises.

- 2) Small Industries Development Bank of India (SIDBI)
SIDBI was Set up for the growth and Development of MSMEs. SIDBI has been providing Re-finance to

state level finance corporations. It also assist to small industries by providing better credit facilities.

SIDBI has provided several funds for the Development of MSMEs. They are -

- a) SIDBI Venture Capital A/c.
- b) Credit Guarantee Fund Trust for MSMEs.
- c) SME Rating Agency of India Ltd (SME RA)
- d) India SME Asset Reconstruction Company (ISARC)
- e) Schemes for Reducing Energy Consumption & Clean Technology.

3) Credit Rating Subsidy :- To improve credit flow in MSMEs, Government motivate MSMEs players to get Rating from Credit Rating Agencies. The Rating will help MSMEs to get better credit facilities from lenders.

So the government has introduced a Subsidy Scheme, where a part of rating fees is reimbursed by NSIC - National Small Industrial Corporations

4) CGTMSE Scheme :- The Ministry of MSMEs and SIDBI started a Trust called - CGTMSE to provide Credit Guarantee Fund Scheme for Micro and Small Enterprises. At present, the credit facilities provided to MSEs are covered under this scheme are both - Term loans and working capital facility upto ₹ 200 lakh per borrowing unit.

CGTMSE → Credit Guarantee Fund Trust for Micro & Small Enterprises.

5) National Manufacturing Competitiveness Programme (NMCP)

NMCP was launched by Government of India to improve global competitiveness of MSMEs during 2007-08. It covers -

- i) Credit linked Capital Subsidy Schemes
- ii) ISO 9000/14001 reimbursement Schemes
- iii) ZED Maturity Model. (ZED means Zero Defects Zero Effects)
- iv) Schemes of NMCP

6) The Micro, Small and Medium Enterprises Development

Act, 2006 :- This Act aims at facilitating the promotion and development of Small and Medium enterprises. One of Primary Objective of this Act is to help smooth flow of credit to SMEs.

Following are some of benefits given to MSMEs registered Under MSMEs Development Act -

- a) Preference in Procuring government tenders
- b) Easy finance availability from banks.
- c) Stamp Duty Benefits.
- d) Concession in Electricity Bills
- e) Time Bound resolutions of Disputes
- f) Reimbursement of ISO Certification Expenses
- g) Protection against delay in payments from buyers. etc.

7) ASPIRE Scheme :- **A** Scheme for Promoting Innovation and Rural Entrepreneurship was launched in March - 2015. A Fund of ₹ 200 Crores is

Created for this Scheme.

Main Objectives of ASPIRE are —

- i) To Promote entrepreneurship culture in India.
- ii) To create New Jobs.
- iii) To Promote Innovation for Healthy Competition.
- iv) To Facilitate Innovative business.
- v) To Promote Economic Development at district level etc.

8) Udyog Aadhaar Memorandum (UAM) :-

To Promote Ease of Doing business for MSMEs, Govt. has notified the UAM. A One Page Simple Registration Form for Online filing of UAM has been introduced.

Main Features of UAM are :-

- i) Registration is Online and User-Friendly
- ii) UAM is Filed on SELF-Declaration basis
- iii) No documentation
- iv) No Fees for Filing.
- v) File more than One Udyog Aadhaar with Same Aadhaar No.

9) Measures in February 2018 :-

a) RBI has taken following measures —

- i) The Central Bank removed credit caps on MSMEs in service sector under Priority sector.
- ii) RBI announced various measures for MSMEs by implementing GST by giving additional 180 days to clear their dues with banks.

b) Finance Minister Arun Jaitley in his Budget 1st Feb-2018, lowered the Corporate Tax Rate to 25% with a Turn-over upto 50 crores.

8.
c) New classification for MSMEs approved by Union Cabinet —

Micro Enterprise → Turn over upto 5 crores.

Small Enterprise → Turn over between ₹ 5 crores to ₹ 75 crores

Medium Enterprise → Turn over between more than ₹ 75 crores to ₹ 250 crores.