

THE MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) SECTOR



Corporate Office:

Suite 6, Meridien Apartment, Veera Desai Road,
Andheri (w) Mumbai-400058, Maharashtra

Phone 022-26765506/65721420 Fax 022-26765579

Email Id - admin@mbcindia.com,

meridienbusinessconsultants@gmail.com

Web: www.mbcindia.com

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21. Environment Laws
22. Carriage/Transport sector Laws
23. Industry Specific Laws- Electricity/ Telecom/Infrastructure etc.
24. Carbon Credit
25. XBRL Consultancy and Solutions
26. Food Processing
27. Real Estate

INDEX

Introduction

Importance of MSME Sector in India

Development and Administration of MSMEs

Organization Structure of the Office of Development Commissioner

Major Issues concerning the MSME Sector

Task Force on MSMEs

The Working Group on MSMEs Growth for 12th Five-Year Plan

Applicability of Various Laws to MSMEs

The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED 2006)

Important Provisions of MSMED 2006

Programmes and Schemes for MSME Sector

Useful Websites

INTRODUCTION

Worldwide, the micro and small enterprises (MSEs) have been accepted as the engine of economic growth and for promoting equitable development. The MSEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.

Micro, small and medium enterprises are also referred to as Small and medium enterprises or SMEs, and small and medium-sized businesses or SMBs in some countries.

The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the World Trade Organization. The term small and medium-sized businesses or SMBs is predominantly used in the United States of America (USA).

In the European Union and USA , SMB's are companies whose headcount or turnover falls below certain limits. The business is classified as per the number of employees employed in the business.

In South Africa the term SMME for Small, Medium and Micro Enterprises is used. Elsewhere in Africa, they use MSME for Micro, Small and Medium Enterprises.

In India, the sector is generally referred to as the Micro, Small and Medium Enterprises (MSMEs). MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost.

IMPORTANCE OF MSME SECTOR IN INDIA

The development of the micro, small and medium enterprises (SME) sector is on the priority of Government Agenda. As per the Results-Framework Document (RFD) for Ministry of Micro, Small and Medium Enterprises (2012-2013), the Mission of the government is to - "Promote growth and development of globally competitive Micro, small and Medium Enterprises, including Khadi, Village and Coir industries, in cooperation with concerned Ministries / Departments, State Governments and other stakeholders by providing support to existing enterprises and encouraging creation of new enterprises. To endeavor to achieve a cumulative growth of 40%-50% in the number of registered enterprises by the

end of 12th Plan and enhance this sector's contribution to GDP from the present 8% to 10% by the end of 12th Plan.”

The role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well established. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts 45% of the manufacturing output and 40% of total exports of the country. The sector provides employment to about 69 million persons through 26 million enterprises throughout the country. Over 6000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion.

Over the years, the small scale sector in India has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro wave components, electro medical equipments, etc. The process of economic liberalization and market reforms has further exposed these enterprises to increasing levels of domestic and global competition.

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94% of MSMEs are unregistered, with a large number established in the informal or unorganized sector. The sector has a high growth potential and performs a critical role in the manufacturing and value chains. Micro, small and medium enterprises (MSME) sector is characterized by low investment requirement, operational flexibility and location wise mobility.

As per the quick estimates of 4th All-India Census of MSMEs, the number of enterprises is estimated to be about 26 million and these provide employment to an estimated 60 million persons. Of the 26 million MSMEs, only 1.5 million are in the registered segment while the remaining 24.5 million (94%) are in the unregistered segment.

The State-wise distribution of MSMEs show that more than 55% of these enterprises are in 6 States, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka. Further, about 7% of MSMEs are

owned by women and more than 94% of the MSMEs are proprietorships or partnerships.

MSMEs in the country manufacture over 6,000 products. Some of the major subsectors in terms of manufacturing output are food products (18.97%), textiles and readymade garments (14.05%), basic metal (8.81%), chemical and chemical products (7.55%), metal products (7.52%), machinery and equipments (6.35%), transport equipments (4.5%), rubber and plastic products (3.9%), furniture (2.62%), paper and paper products (2.03%) and leather and leather products (1.98%).

The importance and contribution of the SME sector to the economic growth and prosperity is well established. Towards this, Government's policy initiatives like enactment of the Micro Small and Medium Enterprises Development (MSMED) Act, 2006, pruning of reserved SSI list, advising Financial Institutions to increase their flow of credit to the SME sector, are all initiatives towards boosting entrepreneurship, investment and growth. Reservation of items for exclusive manufacture in MSME sector statutorily provided for in the Industries (Development and Regulation) Act, 1951, has been one of the important policy measures for promoting this sector.

DEVELOPMENT AND ADMINISTRATION OF MSMEs

The President under Notification dated 9th May 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries (Krishi Evam Gramin Udyog Mantralaya) and Ministry of Small Scale Industries (Laghu Udyog Mantralaya) have been merged into a single Ministry, namely, "MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (SUKSHMA LAGHU AUR MADHYAM UDYAM MANTRALAYA)".

The administration of the MSME sector falls under the jurisdiction of the Ministry of Micro, Small and Medium Enterprises (Sukshma Laghu Aur Madhyam Udyam Mantralaya), of the Government of India.

It designs and implements policies and programmes through its field organisations and attached offices for promotion and growth of MSME sector.

The Office of Development Commissioner (Micro, Small and Medium Enterprises) functions as the nodal Development Agency under the Ministry of

Micro, Small and Medium Enterprises (MSME). It is the apex body to advise, coordinate and formulate policies and programmes for the development and promotion of the MSME Sector. The office also maintains liaison with Central Ministries and other Central/State Government agencies/organisations financial institutions.

ORGANISATION STRUCTURE OF THE OFFICE OF DEVELOPMENT COMMISSIONER

The Office of Development Commissioner (Micro, Small and Medium Enterprises) functions as the nodal Development Agency under the Ministry of Micro, Small and Medium Enterprises (MSME).

Office of Development Commissioner (SSI) was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector. It has over 70 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. Office of the Development Commissioner (MSME) provides a wide spectrum of services to the Micro, Small and Medium Industrial sector. These include facilities for testing, toolmenting, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. Office of the Development Commissioner (MSME) provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the Central and the State Governments.

The office of the Development Commissioner (MSME) functioning within the Ministry of MSME is located at the following address:

Development Commissioner (Micro, Small and Medium Enterprises),
A-Wing, 7th Floor, Nirman Bhavan, New Delhi 110011

Phone : 91-11-23063800, 23063802, 23063803, 23063804, 23063805, 23063806

Fax: 91-11-23062315

Email: dc-msme@nic.in, dcmsme@dcmsme.gov.in

URL: www.laghu-udyog.com / www.smallindustryindia.com /
www.dcmsme.gov.in

The main services rendered by DC (MSME) office are:

- Advising the Government in policy formulation for the promotion and development of MSMEs.
- Providing techno-economic and managerial consultancy, common facilities and extension services to MSMEs.
- Providing facilities for technology upgradation, modernisation, quality improvement and infrastructure.
- Developing Human Resources through training and skill upgradation.
- Providing economic information services.
- Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organisations concerned with development of MSMEs.
- Evolving and coordinating Policies and Programmes for development of MSMEs as ancillaries to large industries.

The Ministry of Micro, Small and Medium Enterprises (M/o MSME) is the administrative Ministry in the Government of India for all matters relating to Micro, Small and Medium Enterprises. It designs and implements policies and programmes through its field organisations and attached offices for promotion and growth of MSME sector.

Institutional Network

The Development Commissioner (MSME) have a network of:

- 30 MSME-Development Institute (MSME-DI),
- 28 Br. MSME-Development Institute (Br. MSME-DI),
- 4 MSME-Testing Centres (MSME-TCs),
- 7 MSME-Testing Stations (MSME-TSs),
- 21 Autonomous bodies which include 10 Tool Rooms (TRs) and Tool Design Institutes (TDI)
- 4 MSME-Technology Development Center (MSME-TDC),
- 2 MSME-Technology Development Center-Footwear (MSME-TDC),
- 1 Electronics Service & Training Centre (ESTC),
- 1 Institute for Design of Electrical Measuring Instruments (IDEMI)
- 2 National Level Training Institutes, and
- 1 Departmental Training Institute and
- 1 Production Center.

There are 30 MSME-DIs (formerly SISIs) and 28 Branch MSME-DIs (formerly SISIs) set up in State capitals and other industrial cities all over the country.

MAJOR ISSUES CONCERNING THE MSME SECTOR

As per the Report of the Subgroup on Unorganized Sector (of the Working Group on MSMEs Growth during 12th Plan), although Indian MSMEs are a diverse and heterogeneous group, they face some common problems, which are briefly indicated below:

- Lack of availability of adequate and timely credit;
- High cost of credit;
- Collateral requirements;
- Limited access to equity capital;
- Problems in supply to government departments and agencies;
- Procurement of raw materials at a competitive cost;
- Problems of storage, designing, packaging and product display;
- Lack of access to global markets;
- Inadequate infrastructure facilities, including power, water, roads, etc.;
- Low technology levels and lack of access to modern technology;
- Lack of skilled manpower for manufacturing, services, marketing, etc.;
- Multiplicity of labour laws and complicated procedures associated with compliance of such laws;
- Absence of a suitable mechanism which enables the quick revival of viable sick enterprises and allows unviable entities to close down speedily; and
- Issues relating to taxation, both direct and indirect, and procedures thereof
- Lack of Social Security

A prominent drawback of the MSME sector is that a predominant number (94%) of the enterprises are in the unorganized sector. Due to this, there is lack of reliable and updated database and it hampers monitoring of development initiatives and formulation of appropriate schemes to meet the differential needs of the heterogeneous profile of the enterprises.

One of the major problems facing these enterprises is the access to equity and credit. Most of the time, the equity is coming from savings and loans from friends and relatives rather than through banking systems. Very often, the credit is coming from operations or domestic savings rather than established systems of cheap banking credit for working capital.

This sector also has poor paying capacity and therefore faces shortage of skilled manpower resulting in absence of managerial capabilities, marketing channels and brand building capacity.

TASK FORCE ON MICRO, SMALL AND MEDIUM ENTERPRISES

The representatives of 19 prominent MSME Associations met the Hon'ble Prime Minister on 26th August 2009 to highlight their concerns and issues regarding MSMEs. The Prime Minister announced the setting up of a Task Force to reflect on the issues raised by the associations and formulate an agenda for action within a period of three months after discussions with all stakeholders. Accordingly, a Task Force under the chairmanship of the Principal Secretary to Prime Minister was constituted to address the issues of the MSME sector.

The Task Force classified the common issues faced by the sector into 6 major thematic areas and constituted separate Sub-Groups for detailed examination. These thematic areas covered (i) credit, (ii) marketing, (iii) labour, (iv) rehabilitation and exit policy, (v) infrastructure, technology and skill development and (vi) taxation. A separate Sub-Group was constituted to look into the specific problems relating to the North-East and Jammu & Kashmir. Each Sub-Group examined the specific issues assigned to it over a series of meetings, held detailed deliberations with all the stakeholders, including MSME Associations, and submitted their Reports to the Task Force.

The Prime Minister's Task Force on Micro, Small and Medium Enterprises submitted its report in January, 2010.

THE WORKING GROUP ON MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) GROWTH FOR 12th FIVE-YEAR PLAN (2012-2017)

To identify issues preventing the growth of the sector, the Prime Minister set up a Task Force in 2009. Further, the Planning Commission constituted a Working Group on MSMEs Growth for the 12th Five Year Plan (2012-2017) under the Chairmanship of Secretary, (MSME) with 46 members representing various Ministries/ Offices of Government of India, representatives of selected State Governments and Industry Associations, NGOs etc. in May 2011. The Working Group submitted its Report on 13th January 2012.

The Working Group classifies the issues relating to growth of MSME sector under six important verticals viz. i) Credit & Finance, ii) Technology, iii) Infrastructure, iv) Marketing & Procurement, v) Skill Development & Training and vi) Institutional Structure, to provide theme based focus while devising any strategy for the sector.

The Working Group has made various recommendations to facilitate growth of MSME sector and separate recommendations for the Khadi & Village Industries

and Coir Sector also. Similarly, concerns of unorganized sector and special areas & groups have also been given due consideration while formulating any programme /scheme under above six major verticals.

Also, the Working Group has noted that the National Manufacturing Policy envisages increasing the sectoral share of Manufacturing in GDP to 25 % over the next decade and generating additional 100 million jobs in manufacturing sector through an annual average growth rate of 12-14 % in manufacturing sector. MSME sector being the major base of manufacturing sector in India, with its contribution of over 45% in the overall industrial output, the Working Group is of the view that the achievement of the NMP targeted growth of the manufacturing sector would necessitate substantial enhancement of the growth rate of MSME sector during the 12th Plan from the current growth rate of 12-13%. This would call for quantum jump in plan allocation for the sector during the 12th Plan to address major bottlenecks facing the sector.

Summary of Recommendations of Working Group to facilitate growth of MSME Sector:

1. Improving the availability of finance by way of facilitating access to bank credit, opening alternate routes for equity funding through angel funding, venture capital, private equity etc. as well as facilitating entry to capital markets through IPOs and specialized exchanges for SMEs.
2. Improving marketing and procurement facilities through preferential treatment for MSEs in public procurement, development of B2B portals and establishing cluster based marketing networks.
3. Improving the skill level of work force through harmonization of training programmes under the Ministry with the mission of the Prime Minister's National Council for Skill Development.
4. Improving infrastructure for the MSME sector by ensuring availability of work places, common facility centres and specialized growth centres for start ups.
5. Improving technology and innovation through continuation of National Manufacturing Competitiveness Programme (NMCP), facilitating technology transfer and creation of intellectual properties and wide spreading adoption of information and communication technologies
6. Facilitating entry of young/first generation entrepreneurs through entrepreneurial support, access to venture/equity funding, ensuring collateral

free credit, providing ready-to-move workplaces, enabling entrepreneur friendly policy environment and finally ensuring access to market.

7. Developing an institutional framework for handholding of the Micro & Small entrepreneurs to move up the value chain and facilitating global competitiveness of the small & medium enterprises.

8. Projecting Khadi as eco-friendly and heritage product and leveraging KVI sector to achieve 11% growth in khadi, 13% growth in V.I. production and 12% growth in the flagship scheme PMEGP.

9. Acquiring new dimensions for Coir Sector through diversification of products and market as also technological interventions to enhance quality and competitiveness so as to double the exports from present level of Rs.800 crore within 5 years.

The Working Group's Game Changers

While all the recommendations of the Working Group are considered to be important to facilitate growth of the MSME sector during the 12th Five Year Plan period, the Group specifically mentions the following Game Changers in the recommendations, implementation of which will be crucial for the ski-jumping of MSME Sector in the global market place:

Finance

- Operationalization of SME exchanges for enabling access to Equity Finance

Technology

- Scheme for acquisition and up-gradation of technology

Infrastructure

- Developing clusters of excellence
- Setting up of 100 Tool Rooms and PPDCs

Marketing

- Procurement policy for Goods/services from MSEs by the Government Depts. and Central PSUs.
- B2B International portal.
- Enabling global footprints of MSMEs
- Leveraging Defence Offset Policies in favour of MSMEs

Skill Development

- Revamped Skill Development & Capacity Building Programme.
- Encouraging young/ first generation entrepreneurs by upscaling PMEGP and other programmes.

Institutional Structure

- Strengthening of Institutions – MSME-DIs, EDIs and KVI Institutions
- Application of E-tools in promotional and regulatory matters for facilitating easy entry.
- Real time Statistical & Policy Analysis through strengthening of Database

APPLICABILITY OF VARIOUS LAWS TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Following categories of Laws amongst others are applicable to MSME sector

- o Fiscal Laws
- o Foreign Exchange Laws
- o Foreign Trade Laws
- o Labour & Industrial Laws
- o Environmental and Safety Laws
- o Laws applicable to various forms of Business organisation
- o Intellectual Property Laws
- o Competition Law
- o Banking & Financial Institutions Laws
- o Industry Specific Laws

A representative list of Acts applicable to Micro, Small Scale and Medium Industries:

I. Registration related Laws

Micro, Small and Medium Enterprises Development (MSMED) Act, 2006
Industrial Development Regulation Act, 1951

II. Labour related Laws

A few labour legislations which are applicable to enterprises are:

The Employees' State Insurance Act, 1948

The Employees' Provident Fund and Miscellaneous Provisions Act, 1952

The Mines Act, 1952

The Child Labour (Prohibition and Regulation) Act, 1986.

The Contract Labour (Regulation and Abolition) Act, 1970.
The Equal Remuneration Act, 1976.
The Industrial Disputes Act, 1947.
The Maternity Benefit Act, 1961
The Minimum Wages Act, 1948
The Payment of Bonus Act, 1965
The Payment of Gratuity Act, 1972
The Payment of Wages Act, 1936
The Employers' Liability Act, 1938
The Factories Act, 1948
The Plantation Labour Act, 1951
The Trade Unions Act, 1926
The Workmen's Compensation Act, 1923

III. Environment related Laws

A few environmental legislations which would be applicable are:

The Environment (Protection) Act, 1986
The Public Liability Insurance Act, 1991
The Biological Diversity Act, 2002
Water (Prevention and Control of Pollution) Act, 1974
Air (Prevention and Control of Pollution) Act, 1981
Forest Conservation Act 1980

IV. Tax related Laws

Income Tax Act, 1961
Central Excise and Salt Act, 1944
Central Sales Tax Act/State Sales Tax Act
Professional Tax
Service Tax

V. Laws related to contract and transfer of property and Local & Other Municipal Laws

Town Areas Act
Urban Land Development Act
Municipality Act/Municipal Corporation Act
Notified Areas Land Regulation and Land Use Act
Urban Land Ceiling and Regulation Act 1976
Transfer of Property Act, 1882
Indian Contract Act, 1872
Registration Act, 1908
Indian Stamp Act, 1899

Powers of Attorney Act, 1882
Land Acquisition Act 1894
Architects Act 1972

VI. Product & Process

Bureau of Indian Standards Act, 1986
Drugs and Cosmetics Act, 1940
Packaged Commodities Regulation Order, 1975
Pharmacy Act, 1948
Standards of Weight & Measures Act, 1976
Legal Metrology Act 2009
The Insecticides Act, 1968
The Prevention of Food Adulteration Act, 1954
The Trade Marks Act, 1999
The Geographical Indications of Goods (Registration and Protection) Act, 1999
The Designs Act, 2000
The Patents Act, 1970

VII. Competition Laws

The Consumer Protection Act, 1986
Monopolies And Restrictive Trade Practices Act, 1969
Competition Act, 2002

VIII. Laws relating to Formation of Business enterprises:

Companies Act, 1956
Indian Partnership Act, 1932
Cooperative Societies Act, 1912
Multi-State Co-operative Societies Act, 2002
Limited Liability Partnerships Act 2008
The Indian Trusts Act ,1882

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 (MSMED ACT 2006)

The MSMED Act, 2006 has the following basic objectives namely

- Facilitating the promotion and development of micro, small and medium scale enterprises (MSM enterprises);
- Enhancing the competitiveness of MSM enterprises;
- Concentrating on the related matters of MSM enterprises;
- Extending the scope of benefits from SSI undertaking and ancillary industries to MSM enterprises.

The importance and contribution of the SME sector to the economic growth and prosperity is well established. Their role in terms of employment creation, upholding the entrepreneurial spirit and innovation has been crucial in fostering competitiveness in the economy. Towards meeting the National developmental objective of a growth rate of over 8% on a sustained basis, it is imperative for the industrial sector to grow at a faster pace supported by a vibrant SME sector. Towards this, Government's policy initiatives like enactment of the Micro Small and Medium Enterprises Development Act, 2006, pruning of reserved SSI list, advising Financial Institutions to increase their flow of credit to the SME sector, are all initiatives towards boosting entrepreneurship, investment and growth.

The Micro, Small and Medium Enterprises Development Bill 2005, having been passed by both the houses of Parliament, received the assent of the President on 16th June 2006. It came on the Statute Book as the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) and came into force from 02nd October, 2006. The enactment of the Bill is the outcome of the demands from various SME associations in the country as also of several expert committees.

The Government of India appointed the Administrative Staff College of India (ASCI) to undertake a detailed study on the issues demanding a basic law for small industry. Earlier, the Abid Hussain Committee had recommended such a basic law. The ASCI came out with its report in January 2001, and which was subsequently discussed in detail at various levels. Subsequently, a National Focus Group was setup, in order to evaluate this detailed report, consisting of three volumes.

One of the primary objectives of the Act is to make provisions for ensuring timely and smooth flow of credit to SME's and minimize sickness amongst them.

IMPORTANT PROVISIONS OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

- It is mentioned that provisions of Section 29B of the Industrial (Development and Regulation) Act, 1951(IDRA Act) will be applicable to micro and small enterprises. Section 29B of the IDRA Act specifies that operation of the provisions of the IDRA Act are exempted, having regard to the smallness of the number of workers employed or to the amount invested in the industrial undertaking.
- Memorandum of micro, small and medium enterprises may be submitted by the relevant enterprises to the prescribed authority. Though this is a discretionary provision, penalty has been prescribed for non-compliance of this provision.
- Sec.15 of the Act ensures that the buyer of goods makes payment for the goods supplied to him immediately or before the date agreed upon between the buyer and supplier. In no case the agreed period should exceed forty five days from the day of acceptance of goods or deemed acceptance. Under this Act, supplier means a micro or small enterprise which has filed a memorandum with the concerned authorities.
- Sec.16 of the Act stipulates that in case the buyer fails to make payment to the supplier within the agreed period, then the buyer will be liable to pay compound interest at three times of the bank rate notified by the RBI from the date immediately following the date agreed upon. (Presently bank rate is 6%)
- The buyer should specify the unpaid amount with interest in his annual statement of accounts. Interest payable or interest paid under this Act should not be allowed as deduction for the purpose of computation of income under the Income Tax Act, 1961.
- Establishment of Micro and Small Enterprises Facilitation Council. This Council will 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.
- Penalty is prescribed for non filing of memorandum, non specification of unpaid amount with interest in the annual statement of accounts and failure to furnish the required information.

MAJOR BENEFITS UNDER MSMED ACT

- Protection against delayed payments by buyers of goods/services (Chapter V of the Act) and right to interest for delayed payments and time-bound settlement of payment-related disputes through conciliation

- and arbitration. This benefit shall be available only if the micro/small enterprise has filed memorandum u/s 8 of the act.
- Sec 9 of the Act deals with Central Governments's measures for promotion and development
 - Sec 10 - RBI's progressive credit policies for ensuring timely and smooth flow of credit. As per RBI's master circular, dated 2-7-2007 lending by banks to medium enterprises is not considered as "priority sector credit"
 - Sec 11 - Preference policies preference to micro enterprises in respect of goods and services procured by Government Departments/ aided institutions/ PSEs notified by Central/ State government.
 - Simplified exit scheme u/s 25 of the act. This scheme does not apply to companies.

CLASSIFICATION OF ENTERPRISES

Classification of enterprises is dealt with under Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

In accordance with the MSMED Act, MSME enterprises are classified in two:

1) Manufacturing enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and regulation) Act, 1951. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.) Service enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment

The present ceiling on investment to be classified as micro, small or medium enterprises is as under:

A. In case of enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, the classification is as follows:

- 1) a micro enterprise, where the investment in plant and machinery does not exceed twenty-five lakh rupees;
- 2) a small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or
- 3) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees.

B. In case of enterprises engaged in providing or rendering of services, the classification is as follows:

- 1) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;
- 2) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or
- 3) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

As per Ministry of small scale industries notification dated 5th October, 2006, the investment in Plant & Machinery to in respective limits is the original price, irrespective of whether the plant & machinery are new or second hand. In respect of imported machinery, the following is to be included in calculating the value:

- a) Import duty excluding miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port;
- b) Shipping charges;
- c) Customs clearance charges and
- d) Sales tax or value added tax.

Further, as per the said notification, the following are excluded while calculating the investment in plant & machinery:

- a) Equipments such as tools, jigs, dies, moulds and spare parts for maintenance and the cost of consumable stores;
- b) Installation expenditure for plant & machinery;
- c) Research & development equipment and pollution control equipment;
- d) Power generation set and extra transformer installed by the enterprise as per the regulations of the state electricity board;
- e) Bank charges and service charges paid to the national small industries corporation of the state small industries corporation;
- f) Procurement or installation of cables, wiring, bus bars, electrical control panels (not mounted on individual machines), oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant & machinery or for safety measures;
- g) Gas producer plants;
- h) Fire fighting equipment;

i) Transportation charges (excluding sales-tax or value added tax and excise duty) for indigenous machinery from the place of their manufacture to the site of the enterprise;

j) Charges paid for technical know-how for erection of plant & machinery and

k) Such storage tanks which store raw materials and finished products only and are not linked with the manufacturing process.

Further, investment in land, building, vehicles, furniture & fixtures, office equipments etc. shall not be considered in determining the threshold limits of plant & machinery or equipment as the case may be.

APPROVALS AND CLEARANCES

Approvals

Every SSI unit has to comply with various regulations in force. These include regulatory, taxation, environmental and certain product specific clearances.

Licensing Policy

The major impact of liberalisation and globalisation of economy, which started in India in July, 1991, was to do away with the Compulsory Licensing. As of now on FOUR industries are reserved for the Public Sector and only SIX industries fall under the compulsory licensing, as detailed below:

LIST OF INDUSTRIES RESERVED FOR THE PUBLIC SECTOR

- Arms and ammunition and allied items of defence equipment, Defence aircraft and warships.
- Atomic energy.
- The substances specified in the scheduled to the notification of the Government of India in the Department of Atomic Energy number S.O.212(E), dated the 15th March, 1995.
- Railway transport.

LIST OF INDUSTRIES FOR WHICH INDUSTRIAL LICENSING IS COMPULSORY

- Distillation and brewing of alcoholic drinks.

- Cigars and Cigarettes of tobacco and manufactured tobacco substitutes.
- Electronic Aerospace and Defence equipment: all types.
- Industrial explosives including detonating fuses, safely fuses, gun powder, nitrocellulose and matches.
- Hazardous chemicals.
- Drugs and Pharmaceuticals (according to modified Drug Policy issued in September, 1994).

In case of the small units which employ less than 50 workers with power or less than 100 workers without power are not required to obtain any license under Compulsory Licensing Provisions.

Exemption from Compulsory License for small scale units

Licensing in the Industries sector is governed by the licensing exemption notification issued by Govt. of India in July 25 1991 under the Industries (Development and Regulation) Act, 1951. In SSI, there are virtually no licensing restrictions. No industrial license is required except in case of 6 product groups included in compulsory licensing (these products groups mainly cover products that can only be made in large sector.)

But if a small-scale unit employs less than 50/100 workers with/without power then it would not require a license from the Govt. of India even for the 6 product groups covered in licensing under Schedule II of the notification.

Subject to this, an entrepreneur can set up a SSI unit anywhere in the country without any restriction. The units are, of course, subject to the locational/land use and zoning restrictions in force under the local laws.

Clearances

An entrepreneur has to obtain several clearances or permissions depending upon the nature of his unit and products manufactured.

- Product Specific Clearances
 - Environment & Pollution Related Clearances
 - Regulatory or Taxation Clearances
1. Registration under Sales Tax Act - Commercial Tax officer of area concerned
 2. Registration under Central Excise Act - Collector of Central Excise or his nominee for area
 3. Payment of Income Tax - ITO of the area concerned
 4. Registration of Partnership deed - Inspector General of area concerned
 5. Calibration of weights & measures - Weights and Measures Inspector of State
 6. Power Connection - Designated Officer of State Electricity Board
 7. Employee strength exceeding 10 with power connection or 20 without power - Chief Inspector of Factories

Environmental clearances procedure for small scale industries have been rationalised and simplified except in the case of 17 hazardous industries. Now a mere acknowledgment of the application by the State Environment Board would be sufficient.

Seventeen hazardous items are :

- Fertilizer (Nitrogen/Phosphate)
- Sugar
- Cement
- Fermentation and Distillery
- Aluminium
- Petro-chemicals
- Thermal power
- Oil refinery
- Sulphuric acid
- Tanneries
- Copper Smelter
- Zinc Smelter
- Iron and Steel
- Pulp and Paper
- Dye and Dye intermediaries
- Pesticides manufacturing and formulation
- Basic Drugs and Pharmaceuticals

Items reserved for Exclusive Manufacture by MSME Sector

The present policy of encouraging growth of micro and small scale industries is based on several promotional measures - one of these is reservation of products for exclusive manufacture in the small scale sector in areas where there is techno-economic justification for such an approach. Large/Medium units can, however, manufacture such reserved items provided they undertake to export 50% or more of their production.

The issue of reservation/dereservation of product is examined on a continual basis by an Advisory Committee on Reservation constituted under the I(D&R) Act 1951, which is presently headed by the Secretary (MSME) as Chairman. Other Members of the Committee are Secretary (Commerce), Secretary (IP&P),

Advisor (VSI) Planning Commission with Additional Secretary & DC(MSME) as Member Secretary.

LIST OF ITEMS RESERVED FOR EXCLUSIVE MANUFACTURE BY MICRO AND SMALL ENTERPRISE SECTOR (As on 30 July 2010)			
S.No.	S.No. (As per Gazette Notification)	Product Code	Name of the Product

		20-21	FOOD AND ALLIED INDUSTRIES
1.	3	202501	Pickles & chutneys
2.	7	205101	Bread
3.	11	21100102	Mustard Oil (except solvent extracted)
4.	13	21100104	Ground nut oil (except solvent extracted)
		27	WOOD AND WOOD PRODUCTS
5.	47	276001	Wooden furniture and fixtures
		28	PAPER PRODUCTS
6.	79	285002	Exercise books and registers
			OTHER CHEMICALS AND CHEMICAL PRODUCTS
7.	253	305301	Wax candles
8.	308	314201	Laundry soap
9.	313	317001	Safety matches
10.	314	318401	Fire works
11.	319	319902	Agarbatties
			GLASS AND CERAMICS
12.	335	321701	Glass bangles
		33-35	MECHANICAL ENGG. EXCLUDING TRANSPORT EQUIPMENT
13.	364	340101	Steel almirah
14.	394	341004	Rolling shutters
15.	402	34200602	Steel chairs-All types
16.	404	34200702	Steel tables-All other types
17.	409	342099	Steel furniture-All other types
18.	428	343302	Padlocks
19.	447A	345207	Stainless steel utensils
20.	474	345202	Domestic utensils-Aluminium

Important provisions under the Industries (Development and Regulation) Act, 1951 (IDRA Act)

The Industries (Development and Regulation) Act, 1951 provides the conceptual and legal framework for industrial development and industries in India. It is briefly known as the IDR Act. The act was enacted in 1951 and a number of amendments have been made in the Act. The licensing policy for industries is determined under this act.

Some important provisions under the IDRA 1951 are:

- Sec.2 of the IDRA Act speaks about the Union' control over the industries specified in the First Schedule. Based on this section, the Micro, Small and Medium Enterprises Development Act, 2006 has been enacted.
- Licence should be obtained from the Central Government for establishing any new industrial undertaking.
- Production or manufacture of new article by an industrial undertaking should be undertaken only after the existing licence has been duly amended.
- Central Government has the right to revoke the licence already granted if adequate steps are not taken to establish the new industrial undertaking.
- The Act empowers the Central Government to take over direct management or control of the industrial undertakings in cases where the industrial undertaking has failed to comply with the directions of the Central Government or if the industrial undertaking is being managed in a manner that is highly injurious to the scheduled industry or to public interest.
- The Central Government also has the power to manage or control the industrial undertakings owned by companies in liquidation if the central government is of the opinion that there are possibilities of running or restarting an industrial undertaking.

Industries mentioned under Schedule I of the Industries (Development and Regulation) Act, 1951 are given below. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will be applicable to this list of industries.

- Metallurgical industries
- Fuels
- Boilers and steam-generating plants
- Prime movers (other than electrical generators)

- Electrical equipment
- Telecommunications
- Transportation
- Industrial machinery
- Machine tools:
 - Agricultural machinery
 - Earth-moving machinery
- Miscellaneous mechanical and engineering industries
- Commercial, office and household equipment
- Medical and surgical appliances
- Industrial instruments
- Scientific instruments
- Mathematical, surveying and drawing instruments
- Fertilizers
- Chemicals (other than fertilizers)
- Photographic raw film and paper
- Dye-stuffs
- Drugs and pharmaceuticals
- Textiles (including those dyed, printed or otherwise processed)
- Paper and pulp including paper products
- Sugar
- Fermentation industries
- Food-processing industries
- Vegetable oils and vanaspati
- Soaps, cosmetics and toilet preparations
- Rubber goods
- Leather. Leather goods and pickers
- Glue and gelatin
- Glass
- Ceramics
- Cement and gypsum products
- Timber products
- Defence industries
- Miscellaneous industries

REGISTRATION UNDER THE MSMED ACT,2006

According to Sec 8(1) of the act, registration of micro or small enterprise (both manufacturing and rendering of services) or a medium enterprise engaged in providing or rendering of services is optional.

At discretion -

- (a) any person who intends to establish
- (b) A micro or small enterprise
- (c) A medium enterprise for services or
- (d) A prior SSI with registration certificate

Compulsory -

- (a) Any person who intends to establish a manufacturing medium enterprise in industry specified in the First Schedule to IDRA, 1951
- (b) A prior manufacturing industry specified in the First Schedule to IDRA, 1951 having investment in plant and machinery or more than one crore rupees but not exceeding ten crore rupees with IEM

Procedure of Filing of Entrepreneurs Memorandum and other matters, incidental thereto is as follows:

1. Form of the Entrepreneurs Memorandum can be downloaded from the internet, the address of which can be obtained from Directorate dealing with Micro, Small & Medium Enterprises of the State Governments/ UTs. or the hard copies of the same can be obtained from the District Industries Centres. This form can also be downloaded from the SIDO website i.e. www.laghu-udiyog.com or www.smallindustryindia.com
2. Any person who intends to establish a micro or small enterprise, 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 shall file the Memorandum of Micro, Small or as the case may be, of Medium Enterprise with District Industries Centre of its area.
3. The District Industries Centre shall fill all the codes in the form of the Memorandum and issue an acknowledgement after allotting an EM number, date of issue and category of the unit within five days of the receipt of the form of Memorandum by post or same day, if the form of Memorandum is submitted in person as well as online.
4. Before issuing the acknowledgement, the District Industries Centres shall make sure that the form is complete in all respect and particularly the form is signed and is accompanied with an undertaking, which is a part of the form of Entrepreneurs Memorandum.

5. The District Industries Centre shall maintain record of all the Entrepreneurs Memorandum so filed in respect of micro and small enterprises and medium enterprises engaged in providing and rendering services. District Industries Centres shall forward a copy of the Entrepreneurs Memorandum so filed with EM number allotted to the Small Industries Service Institutes of their State/Jurisdiction.

6. The District Industries Centre shall maintain record of all the Entrepreneurs Memorandum so filed in respect of medium enterprises engaged in production/manufacturing of products and forward one copy each of the Entrepreneurs Memorandum with EM number allotted to Small Industries Service Institutes of their State/Jurisdiction and to Joint Development Commissioner (MSME Pol.) in the Office of the Development Commissioner (Small Scale Industries).

7. The form of Memorandum is in two parts. Any person who intends to establish a micro, small or medium enterprise engaged in providing or rendering of services may file or those who want to establish medium enterprise engaged in the production or manufacture of products shall file Part 1 of the Entrepreneurs Memorandum to District Industries Centre.

8. Once the above enterprises start production or start providing or rendering services, they should file Part II of the Entrepreneurs Memorandum to District Industries Centre.

9. In case of non-filing of Part II of the Entrepreneurs Memorandum within two years of the filing of Part I, the Memorandum (Part I) filed by the entrepreneur will become invalid.

10. In case of change in the investment in plant and machinery or in equipment, the enterprises who have already filed Entrepreneurs Memorandum should inform the District Industries Centre of the same in writing within one month of the change in investment.

11. In case of change of products and that of services or addition in products or services, the enterprises who have already filed Entrepreneurs Memorandum should inform the District Industries Centre of the same in writing within one month of the change.

12. The District Industries Centre shall, in addition of keeping a record, in writing, shall also maintain records electronically on computer.

Benefits of Registering a Micro or Small Enterprise with the State Government:

- If a micro or small enterprise has filed a memorandum with DIC of its area, then it stands to gain as to timely payment in respect of supply of goods or rendering of services to any buyer.
- With the enactment of MSMED Act, 2006, the Interest on delayed payments to small scale and ancillary industrial undertakings act, 1993 is repealed w.e.f. 2/10/06.
- If the buyer has purchased goods or availed services from micro or small enterprise, which has filed a memorandum with the authority, then the buyer shall make the payment on or before the date agreed upon between him and the supplier in writing. If no agreement is there in writing, then within a period of 15 days from the day the goods are delivered or services are rendered.
- It further stipulates that even if the buyer and supplier is agreed in writing, such period shall not exceed 45 days from the day of delivery of goods or rendering of services. Any credit term from a micro or small enterprise stipulating payment terms beyond 45 days, shall be in violation of the MSMED Act, 2006.

Disadvantages of not filing the Memorandum

- No penalty is attracted. However, filing the memorandum is required to qualify as a 'supplier' for Chapter V purposes and non-filing will make the supplier ineligible to benefits under Chapter V relating to right to receive timely payment and right to receive interest under Sec 16 for delayed payment.
- Whoever intentionally contravenes or attempts to contravene or abets the contravention of any of the provisions contained in sub-section (1) of Sec8 shall be punishable (sec 28(1))
 - For First conviction : Fine < 1000
 - For Second or subsequent conviction : 1000 < Fine >10,000

DISCLOSURE REQUIREMENTS

The Act strengthens provisions relating to delayed payments to SME's by specifying a maximum credit period and higher penal interest if delayed beyond

that period. Further, Section 32 of the Act repeals the provisions of “Interest on Delayed payments to Small Scale and Ancillary Industrial Undertakings Act, 1993” that was applicable to some of the enterprises covered under this Act.

The Act requires certain additional information to be furnished in the Annual Accounts of enterprises, which are subjected to an audit under any law for the time being in force and who are buyers of goods or services from micro or small enterprises.

It is important to note that such disclosures are in addition to those required to be made under Schedule VI of the Companies Act, 1956 in respect of the total outstanding to small scale industrial undertaking and the names of such undertakings together with interest outstanding for more than 30 days.

The disclosure requirements in Section 22 requires any buyer, whose annual accounts audited under any law for the time being in force, to furnish the following additional information in his annual statement of accounts:

Item No.	Disclosures required under the Micro, Small & Medium Development Act, 2006
I	Delayed payments due as at the end of each accounting year on account of Principal - Rs. XXX and Interest due thereon - Rs. XXX
II	Total interest paid on all delayed payments during the year under the provisions of the Act - Rs. XXX
III	Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under this Act - Rs. XXX
IV	Interest accrued but not due- Rs, XXX (Represents interest accrued as at the end of the year but not due as interest is computed at monthly rests from the due date)
V	Total Interest Due but not paid - Rs. XXX (Represents all interest amounts remaining due together with that from prior year(s) until such date when the interest was actually paid to the small enterprises. Mainly to ascertain the amount of interest disallowable for income tax purposes)

PROGRAMMES AND SCHEMES FOR MSME SECTOR

1. Schemes implemented directly by the Ministry of MSME
2. Schemes implemented through National Small Industries Corporation (NSIC)

3. Schemes implemented through Khadi & Village Industries Commission (KVIC)
4. Schemes implemented through Coir Board
5. Schemes implemented by the Office of the DC(MSME)

Implemented directly by Ministry

- a. Scheme for International Cooperation
- b. Market Development Assistance on Production Scheme
- c. Scheme for Assistance to Training Institutions
- d. Scheme of Surveys, Studies and Policy Research
- e. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
- f. Rajiv Gandhi Udyami Mitra Yojana (RGUMY)

Implemented through NSIC

- Marketing Assistance Scheme
- Performance and Credit Rating Scheme

Implemented through KVIC

- Prime Minister's Employment Generation Programme (PMEGP)
- Rural Employment Generation Programme (REGP)
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
- Export Incentive Scheme
- Interest Subsidy Scheme

KHADI SCHEMES

- Insurance for Khadi Artisans
- Scheme for enhancing productivity & competitiveness of Khadi Industry & Artisans
- Workshed Scheme for Khadi Artisans an

SCHEMES UNDER SCIENCE & TECHNOLOGY

- Mahatma Gandhi Institute for Rural Industrailzation (MGIRI)
- S&T formats_for_aggreement
- R&D activities under KVIC-Technical Interfaces
- Scheme for "In House Test Laboratory" for Khadi and Village Industries.
- Scheme for implementation of "ISO 9001-2000".
- Scheme for "New R & D Projects".

Implemented through Coir Board

- Rejuvenation, Modernization and Technology Upgradation of the Coir Industry
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
- Skill Upgradation and Quality Improvement Scheme
- Science and Technology Scheme
- Export Market Promotion Scheme
- Domestic Market Promotion Scheme
- Trade and Industry Related Functional Support Services Scheme
- Welfare Measures scheme
- Sub-schemes:
 - External Market Development Assistance for the period 2007-08 to 2010-2012
 - Marketing Development Assistance Scheme (Domestic)
 - Personal Accident Insurance Scheme for Coir workers

Schemes implemented by the Office of the DC(MSME)

- National Manufacturing Competitiveness Programme (NMCP) Schemes Under XI Plan
- Micro & Small Enterprises Cluster Development Programme (MSE-CDP)
- Credit Linked Capital Subsidy Scheme for Technology Upgradation
- Credit Guarantee Scheme
- ISO 9000/ISO 14001 Certification Reimbursement Scheme
- Market Development Assistance Scheme for Micro/ Small manufacturing enterprises/ Small & Micro exporters (SSI-MDA)
- Mini Tool Rooms
- Assistance to Entrepreneurship Development Institutes
- Scheme of Micro Finance Programme
- Scheme of National Award

International Co-operation

Memorandum of Understandings (MOUs) entered by Ministry of Micro, Small and Medium Enterprises

Country	Partner Ministry/Organisation	Date signed
<u>Republic of Indonesia</u>	MOU between the Ministry of MSME of the Republic of India and Ministry for Cooperatives and Small and Medium Enterprises of the Republic of Indonesia	25/01/2011
<u>Republic of Mozambique</u>	Memorandum of Understanding on Cooperation in the field of Micro, Small and Medium Enterprises, Republic of India and and The Ministry of Industry and Commerce, Republic of Mozambique	30/09/2010
<u>Republic of Korea</u>	MOU between Ministry of MSME of the Republic of India and Small and Medium Business Administration of the Republic of Korea	18/06/2010
<u>Republic of Botswana</u>	MOU between the Government of the Republic of India and Government of the Republic of Botswana on Cooperation in the field of Small, Medium and Micro Enterprises	17/06/2010
<u>Arab Republic of Egypt</u>	Joint Action Plan on Cooperation in the field of Micro, Small and Medium Enterprises between the Ministry of Trade and Industry of Arab Republic of Egypt and the Ministry of Small, Medium and Micro Enterprises of the Republic of India	29/10/2009
<u>Cote d'Ivoire</u>	The Ministry of Small Scale Industries of India and Ministry of Industry and Promotion of Private Sector of Cote d'Ivoire	14/02/2007

<u>Government of Tunisia</u>	Cooperation agreement in the field of Small and Medium-Sized Enterprises between the Government of the Republic of Tunisia and the Government of the Republic of India	08/02/2007
<u>Government of Romania</u>	The Ministry of Small Scale Industries of India and The National Agency for Small and Medium-Sized Enterprises and Co-Operatives of Romania	23/10/2006
<u>Republic of Rwanda</u>	The Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives, Republic of Rwanda	30/08/2006
<u>United Mexican States</u>	The Secretariat of Economy of the United Mexican States	27/03/2006
<u>The Government of Republic of Uzbekistan</u>	The Government of Republic of Uzbekistan	05/04/2005
<u>Government of the Republic of Lesotho</u>	The Government of the Republic of Lesotho	10/09/2004
<u>Democratic Socialist Republic of Sri Lanka</u>	<u>Democratic Socialist Republic of Sri Lanka</u>	27/01/2004
<u>Democratic Republic of Algeria</u>	Ministry of Small and Medium Size Enterprises and Handicraft in the People's Democratic Republic of Algeria	10/10/2003
<u>Republic of Sudan</u>	Government of the Republic of Sudan	09/04/2000

International Cooperation Scheme

Technology infusion and/or upgradation of Indian micro, small and medium enterprises (MSMEs), their modernisation and promotion of their exports are the

principal objectives of assistance under the International Cooperation Scheme. The Scheme would cover the following activities:

(i) Deputation of MSME business delegations to other countries for exploring new areas of technology infusion/upgradation, facilitating joint ventures, improving market of MSMEs products, foreign collaborations, etc.

(ii) Participation by Indian MSMEs in international exhibitions, trade fairs and buyer-seller meets in foreign countries as well as in India, in which there is international participation.

(iii) Holding international conferences and seminars on topics and themes of interest to the MSME.

OPPORTUNITIES IN MSME SECTOR

1. Technology and Innovation

Entrepreneurship is driven by technology and innovation. Presently, the MSME sector is associated, in public perception, with low quality standards. It is envisioned that the MSME sector will be upgraded through modern and new technologies to achieve global quality standards. Niche markets will be identified and developed for MSME products, including khadi and coir products.

Technology will be the foremost factor for enhancing the global competitiveness of Indian MSME Sector. There will be tremendous opportunity in technology acquisition and support. There are emerging innovative sectors of bio-tech, nano-tech, defence, civil aviation, aero-space, homeland and internal security, items etc.

The Working Group on MSMEs Growth for 12th Five Year Plan identifies that the immediate challenge is development of appropriate technologies for various manufacturing processes which will lead to substantial reduction in cost of manufacturing by enhancing labour productivity, reducing material wastage and minimising energy consumption. Such technologies could be developed by close interaction of R&D institutions with industries and through innovative projects of techno-preneurs. Accordingly, a multi-tier support system may be required for inducing technology based competitiveness of the sector with the collaboration of government, industry clusters, industry associations and private R&D institutions.

2. Skilled Manpower

India has a large capital of human resources. There is tremendous opportunity in the MSME sector for skilled manpower. Skill development and training of existing workers and entrepreneurs is necessary for enhancing managerial capabilities, brand building capacity and developing new marketing channels.

The Working Group on MSMEs Growth for 12th Five Year Plan has recommended some actions in this regard viz:

- Up-scaling of training capacity of the Ministry of Micro, Small and Medium Enterprises, through public private partnership mode.
- Besides existing programmes for entry level/new entrepreneurs, training programmes also be conducted for skill up-gradation of Chief Executives/ Owners of the MSMEs with some element of subsidy from the government.
- Launching of web-based management information system to ensure quality of training programmes conducted and transparency in the process of selection-registration-administration of the trainees. The respective portal should also host the details of the training curricula, trainer/faculty and process of training.
- Setting up of a virtual SME University has also been recommended. The proposed University will standardise the training curricula, certify the trainers and certify the trainees on completion of the programme. Ultimately, the University will be a repository of the details of the persons trained under various programmes of the Ministry as well as other Ministries and function as a virtual Employment Exchange.

3. Credit and Finance Availability

Credit availability in the MSME sector is a major cause of concern. Apart from access to bank credit, alternate routes for equity funding through angel funding, venture capital, private equity etc. as well as facilitating entry to capital markets through Initial Public Offers (IPOs) and specialized exchanges for SMEs is on the cards.

The Working Group on MSMEs Growth for 12th Five Year Plan has proposed to set up a SME exchange. The SME Exchange may be operationalised soon and upscaled during the 12th Five Year Plan. The success of the MSME listings on the MSME Exchange would depend a lot on the final investors of the Exchange. The final investors comprise of (i) High - net worth individuals and corporate, (ii) Qualified institutional buyers (QIBs) like Venture Capital Funds, Private Equity

funds, etc and (iii) Banks. The Government proposes to attract these investors by appropriate regulatory framework and other incentives

4. Carbon Credits for MSMEs

Public awareness of the threat of climate change has risen sharply in the last couple of years and an increasing number of businesses, organizations and individuals are looking to minimize their impact on the climate. Reaping the benefits of the new instruments like carbon credit, environment and ecological balance have gained global significance. The MSME sector is required to be empowered to face the future challenges.

The MSMEs can implement technological improvement programmes to avail the benefits of carbon credits. However the MSMEs will need the help of professionals in the field of carbon credits and environmental issues and experts from Government sector to help them to get the benefit of carbon credit.

USEFUL WEBSITES

Ministry of Micro, Small and Medium Enterprises

<http://msme.gov.in/>

Development Commissioner, Ministry of Micro, Small and Medium Enterprises:

<http://dcmsme.gov.in/>

MSME Development Institute, Agra

<http://www.msmediagra.gov.in/default.asp>

Federation of Indian micro and small & medium enterprises:

<http://www.fisme.org.in/>

World Association for Small and Medium Enterprises

<http://www.wasmeinfo.org/>

National manufacturing competitiveness council

<http://www.nmcc.nic.in/>