AN INSIGHT INTO MICRO, SMALL AND MEDIUM ENTERPRISES

Micro, Small & Medium enterprises are the backbone of growing Indian economy. From some time, this term has come into lime light because government has issued various Rules, Directives and also enacted law for promotion, development and enhancing competitiveness of MSMEs. In this article, we will be covering following points:-

1. An introduction to MSMEs
2. Statutory provisions related to MSMEs
3. Registration Process
4. MSME procurement Policy
5. Payment Securities
6. Growth of MSMEs in India
7. Important Links

1. An introduction of MSMEs:-

The ministry of Micro, Small & medium Enterprises is the apex body for formulation and administration of rules, regulations and laws relating to micro, small & medium enterprises in India. The government has launched various schemes viz. Udyog Aadhar Memorandum, Loan up to 1 Cr. through online portal, TReDS, Credit Linked Capital Subsidy Scheme, Grievance Monitoring System etc. for promotion, development and safety of MSMEs.

2. Statutory Provisions related to MSMEs:-

MSMEs are governed by Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act, 2006) which came into force w.e.f. 02.10.2006. Salient provisions of this act are follows:-

a) **Classification of MSMEs (Sec. 7) -** Classification of MSMEs have been done based on investment in Plant & Machinery.

Classification	Manufacturing Sector (Inv. in P&M)	Service Sector (Inv. in Equipment)
Micro Enterprises	Upto Rs.25 Lakhs	Upto Rs. 10 Lakhs
Small Enterprises	More than 25 Lakh but less than 5 Crore	More than 10 Lakhs but less than 2 Crore
Medium Enterprises	More than 5 Crore but less than 10 Crore	More than 2 Crore but less than 5 Crore

Note : As per Gazette Notification No. 1722(E) date 05.10.2006, while calculating investment in Plant & Machinery, the original price thereof, irrespective of whether the plant and machinery are new or second hand, shall be taken into account. But expenses eg. cost of installation, power generation set, R&D equipment and pollution control equipment, fire fighting equipment etc. shall not be included in determining investment in Plant & Machinery.

b) **Registration Process (Sec. – 8) -** The registration process for MSMEs is quite simple and self explanatory. For registration, visit www.udyogaadhaar.gov.in , fill the form and registration is complete. After registration, further information may be furnished in MSME data bank at www.msmedatabank.in.

c) **Payment Security (Sec. – 15, 16) –** It has been clearly spelled in the act that the buyer has to make payment to MSME seller for the goods/services within the time period mentioned in the written agreement which, in no case, shall exceed 45 days from date of acceptance or date of deemed acceptance.

   If the buyer fails to pay within the prescribed time limit, then, notwithstanding anything contained in any agreement between buyer and seller or in any law for the time being in force, he has to pay compound interest with monthly rest at three time of bank rate (Currently @**19.50%**) on the due amount to the seller.

d) **Disclosure requirement in annual statements (Sec. – 22) –** If buyer is required to get his accounts audited under any law for the time being in force, he shall furnish additional information in annual accounts related to amounts pending for payment to MSME suppliers along with interest thereon.

   As per Gazette Notification No. 5622(E) dated 02.11.2018, all companies, who have MSE creditors and whose payment is due exceeding 45 days, have to submit half yearly return in form MSME-I to MCA stating amount of payment due and reasons for the delay.

3. Registration Process:-

The entire Registration process for MSME have been made very simple and self declaration basis. Applicant should visit www.udyogaadhaar.gov.in and following information should be kept ready before filing of registration e-form:-

i. Mobile No. & valid E-Mail ID of applicant
ii. Aadhar Number & PAN number
iii. Office Address
iv. Bank Account Details of applicant
v. Investment in Plant & Machinery

above information will be helpful in easy filling of online e-form and after submission of form, UAM certificate will be generated. There is no need to send hardcopy of documents to any authority.

UAM certificate is valid for life time until revoked by authorities. Updation in UAM certificate can also be done very easily using the link https://udyogaadhaar.gov.in/UA/UA_entrepreneurlogin.aspx.

4. MSME Procurement Policy:-

The government has issued vide Gazette Notification No. 581(E) dated 23.03.2012 "Public Procurement Policy for Micro and Small Enterprises (MSEs) order, 2012" which came into force w.e.f. 01.04.2012. Salient features of this policy are as follows:-

I. This policy is applicable for Central Government Ministries, Departments and PSUs.
II. It is mandatory for these institutions to procure minimum of 25 % of their annual value of goods or services from Micro and Small Enterprises. (Limit extended from 20% to 25% vide Gazette Notification No. 5670(E) dated 9.11.2018)
III. Out of this 25%, 4% procurement shall be from MSEs owned by SC or ST entrepreneurs.
IV. Out of this 25%, 3% procurement shall be from MSEs owned by Women. (Added vide Gazette Notification No. 5670(E) dated 9.11.2018)

V. In the tender process, if price quoted by Micro and Small Enterprises is within price band of L1 + 15 % and L1 price is from someone other than a MSE, then also MSEs should be allowed to supply upto 20% of total tendered price by bringing down their price to L1 price.

VI. Central Ministries, Departments & PSUs shall take necessary steps to develop micro and small vendors by organizing Vendor development Programmes or Buyer-Seller Meets etc.

VII. 358 items have been reserved which must be procured only from MSEs. eg. Air/Room Coolers, Bags of all types, Barbed Wire, Battery Charger, Battery Eliminator, Blotting Paper, Bolts and Nuts, Boot Polish, Boots and Shoes of all types including canvas shoes, Brass Wire, Brooms, Brushes, Buckets, Button, Castor Oil, Cotton Ropes, Dust Bins, Electric Soldering Iron, Fire Extinguishers (Wall Type) Lockers, Lubricators etc.

5. Payment Securities:-

A. As per Section 15 of MSMED Act, 2006, Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the **appointed day**.

Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the **day of acceptance** or **the day of deemed acceptance**.

Where,

'T**he day of acceptance**' means –

(*a*) The day of the actual delivery of goods or the rendering of services; or

(*b*) where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier;

'**The day of deemed acceptance**' means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;

'Appointed day' means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.

B. As per Section 16 of MSMED Act, 2006, Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.

C. In case of any dispute related to payment, any party related to dispute, may make a reference to Micro and Small Enterprises Facilitation Council. The council need to decide every reference within 90 days from the date of reference.

6. Growth of MSMEs in India:-

MSME sector has emerged as a highly vibrant and dynamic sector of Indian economy. It contributes significantly in the economic and social development of country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost. MSME sector is growing with a great pace. The information can be obtained from Fourth All India MSME Census 2006-07 and NSS 73rd Round 2015-16. A comparative view is as under:-

Figures in Lakhs

Parameter	NSS 73rd Round 2015-16	Fourth All India Census of MSMEs, 2006-07	Annual Compound Growth Rate (%)
No. Of MSMEs (Total)	633.88	361.76	6.43
Manufacturing	196.65	115.00	6.14
Service	437.23	246.76	6.56
Employment (Total)	1109.89	805.24	3.63
Manufacturing	360.42	320.03	1.33
Service	749.47	485.21	4.95

7. Important Links:-

Some important links related to MSMEs are as follows:-

a) www.msme.gov.in : Official website by Ministry of MSME
b) www.samadhaan.msme.gov.in : MSME samadhaan portal
c) www.sambandh.msme.gov.in : Information related to procurements from MSMEs
d) www.sampark.msme.gov.in : Connecting recruiters and jobseekers
e) www.kviconline.gov.in : PM's Employment Generation Programme
f) www.my.msme.gov.in : All information related to MSMEs at one point
g) www.udyogaadhaar.gov.in : For Udyog Aadhaar registration
h) www.msmedatabank.in : Databank related to MSMEs
i) www.igms.msme.gov.in : Internet Grievance Monitoring System for MSMEs

THANKS

FURTHER SUGGESTIONS IN THIS ARTICLE ARE WELCOMED