



MSME : Growth Engine of India & its Udyam Registration

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I. INTRODUCTION

Micro Small and Medium Enterprises (MSMEs) play a major role in the development of Indian economy in terms of GDP, employment generation as also forex earnings.

The MSME sector, often considered the bulwark of the economy, with more than 60 million units are spread across the geographical area of the country.

MSMEs are major contributors in:

1. Employment generation, employing over 120 million in rural and urban area.
2. GDP of the country, about 30% in manufacturing and service sector. Recently Ministry of MSME proposed to increase this share to 50% by 2025 when Government is targeting to reach \$ 5 trillion economy.
3. Collectively MSMEs are playing a very large role in the development of the Indian economy. It promotes inclusive growth by providing employment opportunities to people belonging to weaker sections of the society and thus help in achieving balanced socio-economic growth.

2. RECENT DEVELOPMENTS

The Ministry of Micro, Small and Medium Enterprises issued a notification dated 26th June 2020 regarding revision of definition of Micro, Small and Medium Enterprises (MSMEs) and process of registration. Apart from the old criteria of categorization of MSMEs on the basis of investment in Plant and Machinery/Equipment, an additional criterion of turnover has been included. Moreover, the difference between manufacturing and services sector has been removed and now both are at the same level of treatment.

As a result of change in classification criteria w.e.f. 1st July 2020, an Enterprises is being classified as a Micro, Small or Medium Enterprises on the basis of the following criteria, namely:-



Now, Retail and wholesale trades are allowed to be registered on Udyam Registration Portal as MSMEs. However, benefits to Retail and Wholesale trade MSMEs are to be restricted to Priority Sector Lending only.

Key Features:

- i. A composite criterion of investment in Plant & Machinery or Equipment and Turnover, as detailed in the matrix above, shall apply for classification of an enterprise as micro, small or medium.
- ii. The criteria is applicable to enterprise for both manufacturing and services sector .
- iii. If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
- iv. All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

3. UDYAM REGISTRATION:

Based on composite criteria of classification of MSMEs, this Ministry has replaced the erstwhile process of filing of Udyog Aadhaar Memorandum, by 'Udyam' registration on a portal developed by this Ministry. Now the existing and prospective entrepreneurs may file their 'Udyam' Registration online on portal: <https://udyamregistration.gov.in>.

Udyam Registration is mandatory to avail benefits under most of the schemes of Ministry of MSME and availing credit from financial institutions as per RBI notification no. RBI/2020 2021/26 dated 21st August, 2020.

A. About

- I. Government has organized a system to facilitate the registration of MSMEs. 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.
- II. 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 the Portal and details about the enterprise can be accessed. There will be no need for renewal of registration. Registration Process is totally free of cost.

- III. Any person who intends to establish a micro, small or medium enterprise may file Udyam Registration online in the Udyam Registration portal, based on self-declaration with no requirement to upload documents, papers, certificates or proof.

B. Basic Features

- i. MSME registration process is fully online, paperless and based on self-declaration.
- ii. No documents or proof are required to be uploaded for registering an MSME, only Aadhaar Number will be enough.
- iii. PAN & GST linked details on investment and turnover of enterprises will be taken automatically from Government data bases.
- iv. Online system will be fully integrated with Income Tax and GSTN systems.
- v. PAN & GSTIN would be mandatory from 01.04.2021.
- vi. Erstwhile EM-II or UAM registration or any other registration issued by any authority under the Ministry of MSME, will have to re-register under Udyam Registration.
- vii. 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.

Ministry of MSME has issued a notification on 5th March 2021 for certain amendments in the earlier notification dated 26 June 2020 amendments made are as follows:

- I. The exemption from the requirement of having GSTIN shall be as per the provisions of the Central Goods and Services Tax Act, 2017.

In case of any proprietorship Enterprises not registered under any Act or rules of the Central Government or the State Government, the proprietor may use his or her PAN for registration of the enterprises in the portal.

C. DATA

As on 31.12.2020 a total number of 5,37,677 enterprises have registered under Manufacturing category whereas 8,65,058 enterprises registered under Service sector.

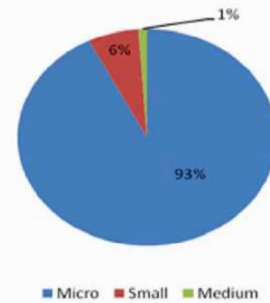
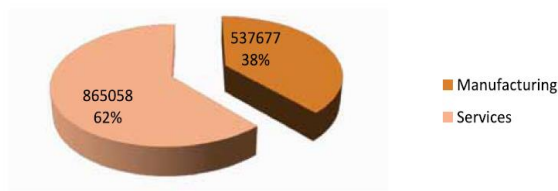
The Top 5 Industrial sectors of registrations are

– Food Products, Textile, Apparel, Fabricated Metal products and Machinery & equipments.

D. Share of Udyam Registrations- Manufacturing and Services

Micro MSMEs constitute the vast majority of the enterprises (93%) while the remaining are mostly the Small Enterprises(6%) with Medium Enterprises comprising a meager of 1% of the total of Udyam Registration.

Share of Udayam Registrations- Manufacturing and Services MSMEs Registered as on 31 Dec 2020



4. CONCLUSION

The full potential of the MSME sector is still untapped. To achieve high growth of Indian economy, this sector needs more attention of the Government. It is in this context that the Government of India is putting concerted efforts for holistic development of MSMEs in key areas like human capacity development, knowledge services, access to finance, technology, infrastructure, market access and ease of doing business. Government is driving a movement of “Made in India” and ‘Vocal for Local’ campaign and MSME sector is expected contribute a lot in this segment.

Reference:

1. Ministry of MSME
2. ICAI
3. ICSI

(About Author: Sumat Singhal is a professional Chartered Accountant, Company Secretary, Cost Accountant, MBA Executive, Certified Credit Professional , Diploma in Treasury Investment & Risk Management, apart from CAIIB & Commerce Graduate having interest in academics in the area of Banking, Project Finance, Fraud investigations and law related matters. He can be reached at Singhal.sumat@gmail.com)