

**THOUGHTS ON LAWS AND POLICIES RELATING TO MICRO, SMALL AND
MEDIUM ENTERPRISES (MSMEs) SECTOR**

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INTRODUCTION

Worldwide, the micro, small and medium enterprises have been accepted as the engine of economic growth and the foundation for promoting equitable development. These enterprises 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. According to the United Nations, MSMEs represent 90% of businesses, generate 60% to 70% of employment, and contribute 50% of global GDP. These enterprises are not just economic entities but the backbone of societies, fostering livelihoods and driving inclusive growth, especially among the working poor, women, youth, and vulnerable communities.

In India, the sector is referred to as 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. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. Recognizing the importance of MSME sector in India, the Government of India passed the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which came into force on 2nd October 2006. After the enactment of MSMED Act 2006, a

separate Ministry of Micro, Small and Medium Enterprises (M/o MSME) was formed on 9.5.2007 by the merger of erstwhile Ministry of Small Scale Industry (SSI) and Ministry of Agro & Rural Industries (ARI).

PERFORMANCE AND POTENTIAL OF MSME SECTOR IN INDIA

The micro small and medium enterprises (MSMEs) sector, with more than 6.33 crore enterprises, is one of the largest employment provider in the country. It fosters entrepreneurship and generates self-employment opportunities at comparatively lower capital cost, next only to agriculture and hence forms an important part of the Indian economy.

It is a highly heterogeneous sector and according to the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Program Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities which have been creating 11.10 crore jobs in the rural and the urban areas across the country. As per the Press Information Bureau, the share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP) in the year 2022-2023 was 30.1%, and its %age share of export of MSME related products in All India Export was 45.73% in the year 2023-2024. The total employment recorded on the MSME Udyam Registration Portal as on 10.10.2024 was 19.62 crore (excluding informal micro enterprises).

In case of new registrations as MSME, MSMEs in Service Sector comprise a larger proportion of registrations as compared to those MSMEs in Manufacturing Sector. And as per distribution, Micro MSMEs constitute the vast majority of the enterprises followed by the Small Enterprises and the Medium Enterprises of the total number of registrations. As per the Annual Report 2023-2024 of the Ministry of MSME, the State of Uttar Pradesh and West Bengal had the largest number of estimated MSMEs in the country with a share of 14% each, as per the NSS 73rd Round of the period 2015-16.

Few recent initiatives to support MSMEs via the Union Budget 2024-25 were:

- A credit guarantee scheme to allow MSMEs to purchase machinery and equipment without collateral or a third-party guarantee. MSMEs in manufacturing can access collateral free loans with up to INR 100 crore as guarantee.
- Mudra loan limit for the 'Tarun' category has been increased to ₹20 lakh (which was earlier Rs.10 lakh) for borrowers who have previously repaid loans under this category.
- The onboarding turnover threshold for buyers on the Trade Receivables Discounting System (TReDS) platform has been lowered from ₹500crore to ₹250crore.
- Mechanism to facilitate bank credit support to MSMEs under distress, thus maintaining their financial stability and the continuity of their operations.
- Over 100 National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited food testing labs would be set up with the aim of ensuring quality and safety of food products.
- Creation of e-commerce hubs that will encourage exports, through public-private partnerships, aimed at assisting MSMEs to reach international markets, increase their worldwide competitiveness and help them in entering the export market.
- 12 plug-and-play industrial parks to be developed under the National Industrial Corridor Development Programme in India (NICDP).

Various measures including ongoing schemes to ensure sufficient financial accessibility and seamless credit to Micro, Small and Medium Enterprises (MSMEs) include the following:

- Prime Minister's Employment Generation Programme (PMEGP) - a major credit-linked subsidy programme aimed at generating self-employment;
- Pradhan Mantri Mudra Yojna (PMMY) - for providing loans up to Rs. 10 lakh, to non-corporate, non-farm micro/small enterprises [limit for the 'Tarun' category under the scheme increased to ₹20 lakh for borrowers who have previously repaid loans under this category via Union Budget 2024]

- Credit Guarantee Scheme – to strengthen credit delivery system and to facilitate the flow of credit to the Micro and Small Enterprise sector without the hassles of collateral and third party guarantee;
- Collateral free loan up to a limit of Rs. 5 crore (w.e.f. 01.04.23) to MSEs with guarantee coverage up to 85 % for various categories of loan through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) under Credit Guarantee Scheme.
- The CGTMSE Scheme (Approved by CGTMSE Board on 9th September, 2024) will now include enhanced credit guarantees for women-owned MSME, with a guarantee coverage of 90%. The scheme also includes the provision for reducing the annual guarantee fee, making credit more accessible for women entrepreneurs.
- Self-Reliant India (SRI) Fund set up to infuse Rs. 50,000 crore as equity funding in those MSMEs which have the potential and viability to grow and become large units.
- Launch of Udyam Assist Platform on 11.01.2023 to bring Informal Micro Enterprises (IMEs) under the formal ambit of MSME for availing the benefits under Priority Sector Lending. The certificate issued on the Udyam Assist Platform to Informal Micro Enterprises shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending benefits
- Inclusion of Retail and Wholesale traders as MSMEs for the purpose of availing Priority Sector Lending benefits, w.e.f. 02.07. 2021;
- Non-tax benefits extended for 3 years in case of an upward change in status of MSMEs;
- Roll out of Raising and Accelerating MSME Performance (RAMP) programme with an outlay of Rs. 6,000 crore over 5 years.
- Trade Receivable Discounting System (TReDS) to facilitate the financing of trade receivables of MSMEs from corporate and other buyers including government

departments and public-sector undertakings (PSUs) through multiple financiers electronically

- PM Vishwakarma Scheme was announced in February, 2023 and launched in 17th September, 2023, as a Central Sector Scheme, fully funded by the Government of India, with an initial outlay of Rs. 13,000 crore for an initial period of five years i.e. during 2023-24 to 2027-28, with an aim of improving the quality as well as the reach of products and services of artisans and craftspeople and to ensure that they are integrated into the domestic and global value chains.
- “Raising and Accelerating MSME Performance (RAMP)” scheme which aims at strengthening Institutions and governance of MSME program at the Centre and States, and increasing MSME sector’s access to credit and market, increasing firm capabilities through technology upgradation, reducing incidence of delayed payments. TEAM (Trade Enablement and Marketing) Scheme for Marketing Support was launched by Ministry of MSME on 27th June, 2024, under the RAMP Programme to facilitate e-commerce engagement for MSME.
- All welfare and subsidy schemes brought under Direct Benefit Transfer (DBT) cell of the MoMSME, with the aim of improving delivery system.

Support and Outreach Programme for MSMEs announced on 2nd November, 2018 (and its status as on 30.08.2024) is as under:

- Launch of 59-minute loan portal to enable easy access to credit for MSMEs. In-principle approval of loans up to Rs. 1 crore through the portal. Portal link through GST portal.
- 2% interest subvention for all GST registered MSMEs, on incremental credit. [Note - The scheme was in operation till 31.03.2021]
- Increase in interest rebate from 3% to 5% for exporters who receive loans in the pre-shipment and post-shipment period. [Note - The Interest Equalization Scheme was extended up to 30.06.2024 vide RBI circular dated 22.02.2024]

- Companies with turnover of more than Rs.500 crores [lowered to ₹250crore via Union Budget 2024] to be brought on the Trade Receivables e-Discounting System (TReDS) to enable entrepreneurs to access credit based on upcoming receivables.
- All CPSUs to be onboarded on TReDS Platform.
- Central Public Sector Undertaking (CPSUs) units to make mandatory procurement of 25% instead of 20% from MSEs. [Note - Gazette Notification issued.]
- CPSUs to make mandatory procurement of 3% from Women Entrepreneurs out of 25% mandatory procurement.
- CPSUs to compulsorily be part of Public Procurement Portal GeM- Government e-Marketplace.
- 20 Hubs and 100 Spokes in the form of Tool Rooms for Technological Upgradation to be established across the country with a fund allotment of Rs. 6000crore. [Note – The scheme has been approved for implementation up to 2025-26]
- Clusters for Pharma MSMEs to be formed and supported with 70% Govt. of India assistance
- Only one annual return to be filed for 8 Labour laws and 10 Union regulations to simplify Government procedures.
- Computerized random allotment for visits to firms by Inspectors to simplify Government procedures.
- Environment Clearance and Consent to establish unit, under air pollution and water pollution laws, to be merged into a single consent. Return to be accepted on the basis of Self-Certification.

- Ordinance has been promulgated to enable entrepreneurs to correct the minor violations under the Companies Act through simple procedures rather than to approach Courts. [Note - Ordinance promulgated on 02.11.2018 by the Ministry of Corporate Affairs has now become Companies (Amendment) Act, 2019.]

With India's growing economy and the diversity of the MSME sector, the Government had set out two major initiatives to facilitate innovation and investment in India and serve as a pathway to progress for MSME sector.

Startup India, Standup India Initiative

To nurture innovation, boost economic growth and create employment opportunities, on 16th January, 2016, the Government of India launched the 'Start-up India' initiative. A start-up is a newly established small business. Vide the notification G.S.R. 127 (E) dated 19th February 2019 issued by DPIIT, the following is the eligibility criteria for an entity to be considered as a Start-up:

The entity should be incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India and-

- (i) an entity is considered as a Start-up up to ten years from the date of its incorporation/registration;
- (ii) the entity has an annual turnover not exceeding INR100 crore for any of the financial years since incorporation/registration;
- (iii) the Entity should not have been formed by splitting up or reconstructing an already existing business; and
- (iv) it should work towards development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth & employment. Earlier, the criteria for period was seven years and turnover was twenty-five crore rupees.

Recognition as a 'Start-up' by The Department for Promotion of Industry and Internal Trade (DPIIT), ensures a number of benefits to the business.

Make in India Initiative

'Make in India' initiative was launched by the Government of India on 25 September 2014 to encourage companies to manufacture their products in India and also increase their investment. As per the current policy, 100% Foreign Direct Investment (FDI) is permitted in most 25 sectors covered under this initiative.

The 'make in India' initiative looks to provide an opportunity to MSME sector to enhance their infrastructure by facilitating investment in this sector. The Foreign Direct Investment (FDI) in MSMEs is subject to the sectoral caps, entry routes and other relevant sectoral regulations.

DEVELOPMENT AND ADMINISTRATION OF MICRO, SMALL AND MEDIUM ENTERPRISES

The administration of the MSME sector falls under the Ministry of Micro, Small and Medium Enterprises of the Government of India.

The Ministry of MSME consists of Small & Medium Enterprises (SME) Division, Agro & Rural Industry (ARI) Division, Administration & Financial Institutions (AFI) Division, Integrated Finance Wing (IFW) and Data Analytics and Technical Co-ordination (DATC) Wing, besides the Office of the Development Commissioner (DC, MSME) as an attached office and other subordinate organizations.

A number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME. These include the Khadi and Village Industries Commission (KVIC), the Coir Board, National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural

Industrialization (MGIRI) etc. Implementation of policies, various programs and schemes for providing infrastructure and support services to MSME's is undertaken through these offices.

The Office of the Development Commissioner (O/o DC-MSME) is an attached office of the Ministry of MSME, headed by the Additional Secretary & Development Commissioner (AS&DC) MSME and is the apex body to advise, coordinate and formulate policies and programmes for the development and promotion of the MSME Sector in the country.

Khadi & Village Industries Commission (KVIC) established under the Khadi and Village Industries Commission Act, 1956 is a Statutory Organization under the aegis of the Ministry of MSME, engaged in promoting and developing Khadi and Village Industries for providing employment opportunities in the rural areas.

The Coir Board is a statutory body established under the Coir Board Industry Act, 1953 for promoting overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry.

The National Small Industries Corporation Ltd. (NSIC) is an ISO 9001-2015 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME). NSIC has been working to promote and foster the growth of micro, small and medium enterprises in the country.

National Institute for Micro, Small and Medium Enterprises (NIMSME) was originally set up as Central Industrial Extension Training Institute (CIETI) in 1960. The Institute was shifted to Hyderabad in 1962 as a registered society in the name of Small Industry Extension Training Institute (SIET). After the enactment of MSMED Act, 2006, the Institute was rechristened as National Institute for Micro, Small and Medium Enterprises.

The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under the Micro, Small and Medium Enterprises Development Act, 2006 and Rules made thereunder. It examines the factors affecting

promotion and development of MSME, reviews existing policies and programmes and make recommendations to the Government in formulating the policies and programmes for the growth of MSME.

LEGISLATIVE FRAMEWORK OF MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is the main legislation governing MSMEs. The Coir Industry Act, 1953 and the Khadi and Village Industries Commission Act, 1956 are the main legislations governing Coir MSMEs and Khadi MSMEs respectively. Various categories of laws are applicable to the MSME sector viz., Fiscal Laws; Foreign Exchange Laws; Foreign Trade Laws; Labour & Industrial Laws; Environmental and Safety Laws; Laws applicable to various forms of business organization; Intellectual Property Laws; Competition Law; Banking & Financial Institutions Laws; Industry Specific Laws etc.

Micro, Small and Medium Enterprises Development Act, 2006

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 come into force from 02nd October, 2006.

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.

The MSMED Act 2006 comprises of VI Chapters divided into 32 sections:

- Chapter I –Preliminary (sections 1 & 2)
- Chapter II – National Board for Micro, Small and Medium Enterprises (Sections 3 to 6)

- Chapter III – Classification of Enterprises, Advisory Committee and Memorandum of Micro, Small and Medium Enterprises (Sections 7 & 8)
- Chapter IV – Measures for Promotion, Development and Enhancement of Competitiveness of Micro, Small and Medium Enterprises (Sections 9 to 14)
- Chapter V- Delayed Payments to Micro and Small Enterprises (Sections 15 to 25)
- Chapter VI – Miscellaneous (Sections 26 to 32)

Some important Rules under the Act are:

- The National Board for Micro, Small and Medium Enterprises Rules 2006
- The Micro, Small and Medium Enterprises Development (Furnishing of Information) Rules 2016
- The Micro, Small and Medium Enterprises Fund Rules 2016

CLASSIFICATION OF ENTERPRISES AS MICRO, SMALL OR MEDIUM ENTERPRISE

In accordance with Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Central government may classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called into Micro, Small or Medium enterprises, on the basis of their investment in Plant and Machinery or Equipment and on basis of turnover.

An enterprise under section 2(e) of the MSMED Act 2006, means 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 or engaged in providing or rendering of any service or services.

Classification of Enterprises

Vide Ministry of Micro, Small and Medium Enterprises (MoMSME) Notification No. S.O.2119(E) dated 26th June 2020, An enterprise shall be classified as a micro, small or medium enterprise on the basis of the following criteria, namely: --

- (i) a micro enterprise, where the investment in plant and machinery or equipment does not exceed 1 crore rupees and turnover does not exceed 5 crore rupees;
- (ii) a small enterprise, where the investment in plant and machinery or equipment does not exceed 10 crore rupees and turnover does not exceed 50 crore rupees; and
- (iii) a medium enterprise, where the investment in plant and machinery or equipment does not exceed 50 crore rupees and turnover does not exceed 250 crore rupees.

Composite criteria for classification

- (1) A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
- (2) 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.
- (3) 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.

Calculation of Investment in plant and machinery or equipment

- (1) The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
- (2) In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.

(3) The expression —plant and machinery or equipment of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).

(4) The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.

(5) The cost of certain items shall be excluded from the calculation of the amount of investment in plant and machinery viz. the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Calculation of turnover

(1) Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.

(2) Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.

(3) The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

(4) The exemption from the requirement of having GSTIN shall be as per the provisions of the Central Goods and Services Tax Act, 2017

SETTING UP A MSME UNIT

The 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. It contributes significantly in the economic and social development of the country and

therefore the Government too grants various benefits to this sector by way of schemes and finances so as to enable more units to be set up in this sector.

Any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called may be classified as micro, small or medium enterprise on the basis of its investment in plant and machinery or equipment and on basis of turnover. Therefore, firstly the enterprise must start a business by choosing a type of business entity it wants to set up as. The different type of legal entities which can be chosen to conduct business are - Sole Proprietorship, One Person Company, Partnership Firm, Limited Liability Partnership, Private Limited Company and Public Limited Company. The choice of the business entity is dependent on various factors such as taxation, owner liability, compliance burden, and investment and funding and exit strategy.

The main steps involved in setting up a Micro, Small & Medium Enterprise are as below:

Project Selection

Conceptualizing the MSME with respect to selection of product to be manufactured/ service to be provided and process technology to be decided. The location of the project keeping in mind availability of raw material and locational advantages or disadvantages is of utmost importance.

Technology and Machinery

Technology and Machinery needs to be selected. One of the major deficiencies in the case of micro, small and medium enterprises is the prevalence of outdated production and management methods due to non-availability of funds, hindering the efficient operation of micro, small and medium-scale units. However, the Ministry of MSME provides facilities for technology up-gradation, modernization, quality improvement and infrastructure to MSMEs. To provide right stimulus to the growth of industry in the country – particularly to micro, small and medium enterprises, Ministry has established

Technology Centers across India. These were earlier known as Tool Rooms and Technology Development Centers.

Arranging Finance

No business can function without finance. MSME could require the following types of finance - Long and medium term loans; Short term or working capital requirements; Risk Capital; Seed Capital/ Marginal Money; Bridge loans etc. Financial assistance in India for MSME units is available from a variety of institutions. The important ones are:

- (i) Commercial/Regional Rural/Co-operative Banks.
- (ii) SIDBI: Small Industries Development Bank of India (refinance and direct lending)
- (iii) SFCs/SIDCs: State Financial Corporations (e.g. Delhi Financial Corporation)/State Industrial Development Corporations.

For loans from financial institutions and commercial banks a formal application needs to be made. The details of documentation that need to be provided with the loan application are indicated below:

- Documentation for Loan Application
- Balance Sheet and Profit Loss Statement for last three consecutive years of firms owned by promoters
- Income Tax Assessment Certificates of Partners/Directors
- Proof of Possession of Land/Building
- Architect's estimate for construction cost
- Partnership deed/Memorandum and Articles of Associations of Company
- Project Report
- Budgetary Quotations of Plant and Machinery

A sanction or rejection letter is issued by bank after its assessment of the application.

After receiving a sanction letter, applicants need to indicate in writing their acceptance of terms and conditions laid down by Financial Institutions/Banks.

Subsequently, loan is disbursed according to the phased implementation of the project. In today's environment there are other choices apart from commercial banks and Government owned financial institutions. These options include venture capital funds and non-government finance companies.

Udyam Registration

An MSME needs to follow the registration procedure as laid down by the Government, which is explained in detail later.

Approvals and 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

Furnishing Information related to Enterprise

For facilitating the promotion and development and enhancing the competitiveness of MSMEs, the Ministry of MSME vide Gazette Notification No. 750(E) dated 29.07.2016 had notified the MSME Development(Furnishing of information) Rules, 2016 under which all MSMEs are to furnish information relating to their enterprises online to the Central Government in the data bank maintained by it at www.msmedatabank.in. This data bank will enable the Ministry to streamline and monitor the schemes and pass on the benefits directly to MSMEs. It will also provide the real-time information about the status of MSMEs under various parameters. Data Bank is helpful to MSME units, who can now update their enterprise information as and when required without visiting any government office and also update information about their products/ services, which can be accessed by government departments to do procurement under Public Procurement Policy of Government of India.

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 MSMED Act 2006 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. The disclosure requirements in Section 22 of the Act requires any buyer, whose annual accounts are audited under any law for the time being in force, to furnish additional information in his annual statement of accounts.

REGISTRATION PROCEDURE OF MSME

Before the MSMED Act, 2006, there was a system of registration by small scale industrial units to the District Industries Centres (DICs). Subsequently, as per the provisions of the MSMED Act, 2006, MSMEs used to file Entrepreneurs Memorandum (Part-I) at District Industries Centres (DICs) before starting an enterprise. After commencement of production, the entrepreneur concerned used to file Entrepreneurs Memorandum(Part-II) /[EM-II]. In 2015, the MoMSME notified the Udyog Aadhaar Memorandum(UAM) based on self-declared information, vide gazette notification [SO No. 2576(E)] dated 18-09-2015 in order to promote ease of doing business for MSMEs.

Vide Ministry of Micro, Small and Medium Enterprises (MoMSME) Notification No. S.O.2119(E) dated 26th June 2020, a new form and procedure for filing the memorandum known as 'Udyam Registration' has been specified, which came into effect from 1st July, 2020.

Udyam Registration

- (1) 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.
- (2) On registration, an enterprise (referred to as “Udyam” in the Udyam Registration portal) will be assigned a permanent identity number to be known as “Udyam Registration Number”
- (3) An e-certificate, namely, “Udyam Registration Certificate” shall be issued on completion of the registration process. This certificate will have a dynamic QR Code.

Registration process

- (1) MSME registration process is fully online, paperless and based on self-declaration.
- (2) The form for registration shall be as provided in the Udyam Registration portal.
- (3) There will be no fee for filing Udyam Registration.
- (4) Aadhaar number shall be required for Udyam Registration.
- (5) 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).
- (6) In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.
- (7) 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.
- (8) 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.
- (9) 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 penalties.

(10) The online system is fully integrated with Income Tax and Goods and Services Tax Identification Number (GSTIN) systems, details on investment and turnover of enterprises are taken automatically from Government data bases. Exports are not taken as part of turnover calculation.

Registration of existing enterprises

- (1) All existing enterprises registered under EM–Part-II or UAM shall register again on the Udyam Registration portal on or after the 1st day of July, 2020.
- (2) All enterprises registered till 30th June, 2020, shall be re-classified in accordance with this notification.
- (3) The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31st day of June, 2022.
- (4) An enterprise registered with any other organisation under the Ministry of Micro, Small and Medium Enterprises shall register itself under Udyam Registration.

Update of information and transition period in classification

- (1) An enterprise having Udyam Registration Number shall update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and such other additional information as may be required, on self-declaration basis.
- (2) Failure to update the relevant information within the period specified in the online Udyam Registration portal will render the enterprise liable for suspension of its status.
- (3) Based on the information furnished or gathered from Government's sources including ITR or GST return, the classification of the enterprise will be updated.
- (4) In case of graduation (from a lower to a higher category) or reverse-graduation (sliding down to lower category) of an enterprise, a communication will be sent to the enterprise about the change in the status.
- (5) In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall

continue to avail of all non-tax benefits of the category (micro or small or medium) it was in before the re-classification, for a period of three years from the date of such upward change.

(6) In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.

Benefits of Registration

- (1) Registration is permanent registration and a basic identification number for an enterprise.
- (2) There will be no need for renewal of Registration.
- (3) MSME Registration is paperless and based on self- declaration.
- (4) Any number of activities including manufacturing or service or both may be specified or added in one Registration. Along with the Udyam Registration, Enterprises may register themselves on GeM (Government e-Market place, a portal for G to B) & SAMADHAAN portal (a portal to address issues relating to delay in payments) and simultaneously MSMEs themselves can also onboard on TReDS Platform,(the invoices of receivables are traded on this platform) through three available platforms
- (5) 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.
- (6) Becomes eligible for priority sector lending from Banks.

Extension of Non-tax benefits

Ministry of MSME, vide notification no. S.O. 4926 (E) dated 18.10.2022, has amended Notification No. S.O. No. 2119(E) dated 26.06.2020 to extend the non-tax benefits to MSMEs. The amendment provides that “In case of an upward change in terms of

investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all non-tax benefits of the category (micro or small or medium) it was in before the re-classification, for a period of three years from the date of such upward change."

Facilitation and grievance redressal of enterprises

(1) The Champions Control Rooms functioning in various institutions and offices of the Ministry of Micro, Small and Medium Enterprises including the Development Institutes (MSME-DI) shall act as Single Window Systems for facilitating the registration process and further handholding the micro, small and medium enterprises in all possible manner.

(2) The District Industries Centres (DICs) will also act as Single Window facilitation Systems in their Districts.

(3) Any person who is not able to file the Udyam Registration for any reason including for lack of Aadhaar number, may approach any of the above Single Window Systems for Udyam Registration purposes with his Aadhaar enrolment identity slip or copy of Aadhaar enrolment request or bank photo pass book or voter identity card or passport or driving licence and the Single Window Systems will facilitate the process including getting an Aadhaar number and thereafter in the further process of Udyam Registration.

(4) In case of any discrepancy or complaint, the General Manager of the District Industries Centre of the concerned District shall undertake an enquiry for verification of the details of Udyam Registration submitted by the enterprise and thereafter forward the matter with necessary remarks to the Director or Commissioner or Industry Secretary concerned of the State Government who after issuing a notice to the enterprise and after giving an opportunity to present its case and based on the findings, may amend the details or recommend to the Ministry of Micro, Small or Medium Enterprises, Government of India, for cancellation of the Udyam Registration Certificate.

Udyam Assist Platform (UAP)

A Memorandum of Understanding (MoU) was signed between the Ministry of MSME and Small Industries Development Bank of India (SIDBI) for operationalization of

Formalization Project for bringing Informal Micro Enterprises (IME) into the formal ambit and subsequently, an online Udyam Assist Platform (UAP) has been launched (<https://udyamassist.gov.in/>). The UAP facilitates online registration of informal micro enterprises through assist process for generation of Udyam Assist Certificate. The Government has notified that the certificate issued on the UAP to IME shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending (PSL) benefits. This has helped the registered IME to avail the benefits of PSL.

MSME AND DELAYED PAYMENTS

Chapter V (sections 15 to 25) of the MSMED Act 2006, relates to delayed payments to Micro and Small enterprises. These provisions can be summarized as under:

1. The buyer has to make payment to the supplier (MSME) on or before the date agreed upon between him and the supplier in writing or, in case of no agreement, before the appointed day. The period agreed upon between the supplier and the buyer shall not exceed forty-five days from the date of acceptance or the day of deemed acceptance.
2. In case the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed upon, at three times of the Bank Rate notified by Reserve Bank. Which day will be taken as “appointed day” has been defined in section 2(b) of the MSMED Act 2006 to mean the day following immediately after the expiry of the period of 15 days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.
3. For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the amount with interest as provided in (2) above
4. In case of dispute with regard to any amount due, a reference shall be made to the

Micro and Small Enterprises Facilitation Council, constituted by the respective State Government. Every reference made shall be decided within a period of ninety days from the date of making such a reference.

Requirement to specify unpaid amount with interest in the annual statement of accounts

Section 22 of the Micro, Small and Medium Enterprises Development Act 2006, lays down the ‘Requirement to specify unpaid amount with interest in the annual statement of accounts’.

Furthermore, Vide Notification G.S.R 679(E) dated 4th September 2015, the Ministry of Corporate Affairs has also specified that ‘total outstanding dues of micro enterprises and small enterprises’ will be a part of ‘Trade Payables’ under ‘Current Liabilities’ in the Balance Sheet. Accordingly, the above Notification inserted sub-para ‘FA’ after sub-para F in para 6 of Part I of Schedule III to the Companies Act 2013, under the heading “Notes: General Instructions for preparation of Balance Sheet”.

Therefore as per the MSMED Act and the above Notification, the following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:-

- (a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- (b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
- (c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
- (d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and
- (e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small

enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Under section 23 of the MSMED Act 2006, notwithstanding anything contained in the Income-tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of the MSMED Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction.

The Finance Act 2023 inserted clause (h) in Section 43B in the Income Tax Act 1961, and it becomes effective from April 1, 2024. Section 43B(h) stipulates that any amount due to a Micro & Small Enterprise which is not paid within the period prescribed under Section 15 of the MSMED Act 2006, will only be deductible in the fiscal year during which it is paid, regardless of the accounting method used. This amendment ensures timely payments to MSMEs by linking the deduction to actual payment dates.

Half yearly return

Vide M/o MSME Notification No S.O. 5622(E). dated 2nd November 2018, the Central Government has also directed that all companies who get supplies of goods or services from micro and small enterprises and whose payments to micro and small enterprise suppliers exceed forty-five days from the date of acceptance or the date of deemed acceptance of the goods or services as per the provisions of the Act, shall submit a half yearly return to the Ministry of Corporate Affairs stating the following:

- (a) The amount of payments due; and
- (b) The reasons of the delay

PUBLIC PROCUREMENT FROM MSME

To provide marketing support to Micro and Small Enterprises (MSEs), Ministry of MSME has notified the Public Procurement Policy for Micro and Small Enterprises

(MSEs) Order, 2012 under the MSMED Act, 2006 which is effective from 1st April, 2012 and has become mandatory with effect from 1st April, 2015. According to the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012, the reservation of percentage of specific items for procurement from Micro and Small Enterprises (MSEs) has been done to enable wider dispersal of enterprises in the country, particularly in rural areas. Therefore, 25% of the total purchase of the Central Government Ministries or Departments or Public Sector Undertakings shall be procured from MSEs. The Appendix to the Policy lists 358 items which have been reserved for exclusive purchase from MSEs.

India had launched "Support and Outreach Programme" for MSME sector on 2nd November, 2018, and had announced 12 key initiatives, which would help in the growth and expansion of MSMEs across the Country. One of the above mentioned announcements inter-alia pertained to Public Procurement Policy, making it mandatory for public sector companies to procure 25%, instead of 20% of their total purchases, from MSEs including a special provision of 3% procurement for women entrepreneurs. In pursuance of the said announcements, Public Procurement Policy for MSEs Order, 2012 was amended vide Gazette Notification No. S.O. 5670(E) dated 9th November, 2018. The amended Policy mandates 25% annual procurement from MSEs by Central Ministries/ Departments/ Central Public Sector Enterprises (CPSEs), which also includes 3% procurement from MSEs owned by women entrepreneurs.

An amendment in the 'Public Procurement Policy for MSEs Order, 2012' was notified vide Gazette Notification No. S.O. 5745(E) dated 08.12.2022 to "Consider the requests of the Central Ministries/Departments/PSUs for exemption, on a case to case basis, from procuring certain items from the reserved list for MSEs through open tendering".

The Ministry of MSME had launched "MSME-SAMBANDH Portal" on 8th December, 2017, which helps in monitoring the procurement by Central Government Ministries, Departments and CPSEs and enables them to share the list of required products/services from MSEs.

LENDING TO MSMEs

Detailed guidelines/instructions on lending to the Micro, Small and Medium enterprises sector are available in the Reserve Bank of India (RBI) Master Direction FIDD.MSME & NFS.12/ 06.02.31/2017-18 dated July 24, 2017 in Master Direction – Reserve Bank of India [Lending to Micro, Small & Medium Enterprises (MSME) Sector] - Directions, 2017. The Reserve Bank of India has, has issued these guidelines to banks relating to lending to the Micro, Small and Medium Enterprises. The provisions of these Directions shall apply to all Scheduled Commercial Banks (excluding Regional Rural Banks RRBs).

Applicability

Micro, Small and Medium Enterprises mean the enterprises as defined in the MSMED Act, 2006 and the amendments, if any, carried out therein by the Government of India from time to time. In terms of Gazette Notification S.O. 2119 (E) dated June 26, 2020, an enterprise shall be classified as a micro, small or medium enterprise on the basis of criteria of investment in plant and machinery or equipment and on basis of turnover. Such enterprises are required to register online on the Udyam Registration portal and obtain 'Udyam Registration Certificate'. For Priority sector lending (PSL) purposes banks shall be guided by the classification recorded in the Udyam Registration Certificate (URC). Retail and Wholesale trade are included as MSMEs for the limited purpose of priority sector lending and are allowed to be registered on Udyam Registration Portal. The certificate issued on Udyam Assist Portal (UAP) to Informal Micro Enterprises (IMEs) shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending benefits.

Priority Sector Lending to MSME

RBI has issued guidelines on Priority Sector Lending vide its circular no RBI/FIDD/2020- 21/72 Master Directions FIDD.CO.Plan.BC.5/ 04.09.01/ 2020 21 dated September 04, 2020. Accordingly, the eligible categories under priority sector are (i) Agriculture (ii) Micro, Small and Small and Medium Enterprises (iii) Export Credit (iv) Education (v) Housing (vi) Social Infrastructure (vii) Renewable Energy (viii) Others (ix)

Weaker sections. All bank loans to MSMEs conforming to the above guidelines qualify for classification under priority sector lending. Following are the provisions in this regard:

1. Factoring Transactions (not applicable to Regional Rural Banks (RRBs) and Urban Co-operative Banks (UCBs))

- ‘With Recourse’ Factoring transactions by banks which carry out the business of factoring departmentally wherever the ‘assignor’ is a Micro, Small or Medium Enterprise would be eligible for classification under MSME category on the reporting dates.
- The borrower’s bank shall obtain from the borrower, periodical certificates regarding factored receivables to avoid double financing/ counting. Further, the ‘factors’ must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned, taking responsibility to avoid double financing.
- Factoring transactions pertaining to MSMEs taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector.

2. Khadi and Village Industries Sector (KVI) - All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.

3. Other Finance to MSMEs:

- (i) Loans up to ₹50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Government of India that conform to the definition of MSME
- (ii) Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries. In respect of primary Urban Cooperative Banks (UCBs), the term “entities” shall not include institutions to which UCBs are not permitted to lend under the RBI guidelines / the legal framework governing their functioning.

- (iii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries (Not applicable for UCBs).
- (iv) Loans sanctioned by banks to Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFIs) and other MFIs (Societies, Trusts etc.) which are members of RBI recognized self-regulatory organization (SRO) for the sector for on-lending to MSME sector as per the specified conditions (not applicable to Regional Rural Banks (RRBs), Small Finance Banks (SFBs) and UCBs)
- (v) Loans to registered NBFCs (other than MFIs) for on-lending to Micro & Small Enterprises as per specified conditions (not applicable to RRBs, SFBs and UCBs)
- (vi) Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).
- (vii) Overdraft to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time, will qualify as achievement of the target for lending to Micro Enterprises.
- (viii) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

Targets / sub-targets for lending to MSME sector

1. Priority Sector Guidelines for MSME sector

Scheduled Commercial Banks shall adhere to the targets/sub-targets for lending to the MSME sector and related aspects as laid down in the Master Direction on Priority Sector Lending (PSL) – Targets and Classification dated September 4, 2020 as updated from time to time.

2. In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve:

- i) 20 per cent year-on-year growth in credit to micro and small enterprises,
- ii) 10 per cent annual growth in the number of micro enterprise accounts and
- iii) 60 per cent of total lending to MSE sector as of the corresponding quarter of the previous year to micro enterprises.

Common guidelines / instructions for lending to MSME sector

1. Collateral

Banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Banks are also advised to extend collateral-free loans up to Rs. 10 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.

Banks may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to Rs.25 lakh (with the approval of the appropriate authority).

Banks are advised to strongly encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, including making performance in this regard a criterion in the evaluation of their field staff.

2. Composite loan

A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

3. General Credit Card (GCC) Facility

Banks which are eligible to issue credit cards under the Master Direction -Credit Card and Debit card- Issuance and Conduct Directions, dated April 21, 2022 (as updated from time to time), may issue General Credit Cards to individuals/entities sanctioned working capital facilities for non-farm entrepreneurial activities which are eligible for classification under the priority sector guidelines. The terms and conditions of the credit facilities extended in the form of GCC shall be as per the Board approved policies of the banks, within the overall framework laid down by Reserve Bank. Guidelines on collateral free lending for micro and small units issued from time to time shall apply. Banks shall adhere to the instructions on reporting GCC data as issued by RBI from time to time.

4. Streamlining flow of credit to Micro and Small Enterprises (MSEs) for facilitating timely and adequate credit flow during their 'Life Cycle'

In order to provide timely financial support to Micro and Small enterprises facing financial difficulties during their 'Life Cycle', guidelines were issued to banks vide circular FIDD.MSME & NFS.BC.No.60/06.02.31/2015-16 dated August 27, 2015 on the captioned subject. In accordance with the guidelines, banks had to review and tune their lending policies to the MSE sector by incorporating therein the following provisions so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances:

- i) To extend standby credit facility in case of term loans
- ii) Additional working capital to meet with emergent needs of MSE units
- iii) Mid-term review of the regular working capital limits, where banks are convinced that changes in the demand pattern of MSE borrowers require increasing the existing credit limits of the MSMEs, every year based on the actual sales of the previous year.
- iv) Timeline for credit decisions for loans up to ₹25 lakh to units in the MSE borrowers shall not be more than 14 working days. For loans above the aforementioned limit, timelines shall be as per the Board approved sanction time norms. All credit related information pertaining to MSMEs including timelines for credit decisions, indicative document checklist etc., shall be displayed under a separate tab prominently on the bank's website.

5. Debt Restructuring Mechanism for MSMEs

- i) Banks are advised to follow the guidelines/instructions on debt restructuring pertaining to MSMEs contained in the 'Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' as updated from time to time.
- ii) All commercial banks are also advised in terms of RBI circular RPCD.SME& NFS. BC.No.102/06.04.01/2008-09 dated May 4, 2009 to do the following:
 - a) put in place loan policies governing extension of credit facilities, Restructuring/ Rehabilitation policy for revival of potentially viable sick units / enterprises (now read with guidelines on Framework for Revival and Rehabilitation of Micro, Small and

Medium Enterprises issued on March 17, 2016) and non- discretionary One Time Settlement scheme for recovery of non- performing loans for the MSE sector, with the approval of the Board of Directors and

- b) give wide publicity to the One-Time settlement scheme implemented by them, by placing it on the bank's website and through other possible modes of dissemination. They may allow reasonable time to the borrowers to submit the application and also make payment of the dues in order to extend the benefits of the scheme to eligible borrowers.
- c) implement recommendations with regard to timely and adequate flow of credit to the MSE sector.

6. Framework for Revival and Rehabilitation of MSMEs

The Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated 29th May, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises' to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs. After carrying out certain changes in the captioned Framework in consultation with the Government of India, Ministry of MSME so as to make it compatible with the existing regulatory guidelines on 'Income Recognition, Asset Classification and Provisioning pertaining to Advances' issued to banks by RBI, the guidelines on the captioned Framework along with operating instructions were issued to banks on March 17, 2016.

The revival and rehabilitation of MSME units having loan limits up to ₹25 crore would be undertaken under this Framework. The revised Framework supersedes RBI earlier Guidelines on Rehabilitation of Sick Micro and Small Enterprises issued vide circular RPCD.CO.MSME& NFS.BC.40/06.02.31/2012-2013 dated November 1, 2012, except those relating to Reliefs and Concessions for Rehabilitation of Potentially Viable Units and One Time Settlement, mentioned in the said circular.

The salient features of the Framework are as under:

- i) Before a loan account of an MSME turns into a Non-Performing Asset (NPA), banks or creditors should identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA) category as given in the Framework
- ii) Any MSME borrower may also voluntarily initiate proceedings under this Framework
- iii) Committee approach to be adopted for deciding corrective action plan
- iv) Timelines have been fixed for taking various decisions under the Framework

7. Structured Mechanism for monitoring the credit growth to the MSE sector

Banks shall put in place a structured mechanism to monitor the entire gamut of credit related issues pertaining to the MSE sector. Accordingly, banks shall implement the following:

- i) Credit Proposal Tracking System (CPTS): Banks shall put in place a CPTS/ equivalent tracking mechanism to facilitate central registration and a system of e-tracking of all MSME loan applications. This mechanism shall automatically generate an acknowledgement of the application, having a unique application serial number for both physical and online applications. Further, it shall also be ensured that the acknowledgement and status of the application is sent automatically to the applicants.
- ii) Indicative check list of documents: Banks shall furnish the MSME borrowers with an indicative checklist of documents required for processing the loan application at the time of applying for the loan.
- iii) Monitoring the loan application disposal process: Banks shall monitor the loan application disposal process and pendency beyond sanction time norms at appropriate levels on a quarterly basis. The position in this regard shall be displayed by banks on their websites in the format specified in (Annex I) within one month from the end of the preceding quarter.
- iv) Reasons for rejection of loan applications: Banks shall, within the Board approved sanction time norms, convey to the MSME borrowers in writing the main reason/reasons which, in the opinion of the bank after due consideration, have led to rejection of the loan applications.
- v) Comprehensive Performance MIS: Banks shall implement a system-driven comprehensive performance management information system (MIS) at branches and

supervisory levels (region, zone, head office). The Performance should be critically evaluated on a regular basis. The credit flow to the sector shall also be reviewed by the Board of the banks at periodic intervals.

FOREIGN DIRECT INVESTMENT IN MSME

Foreign Direct Investment (FDI) is an enabling policy, which is uniformly applicable in the country irrespective of scale and size of eligible investee entities. To promote FDI, the Government has put in place an investor-friendly policy, wherein most sector/activities including Micro, Small and Medium Enterprises (MSMEs) except certain strategically important sectors/activities are open for 100% FDI under the automatic route, subject to sectoral laws, regulations/rules, security conditions and state/local/laws/regulations.

Vide Notification No. 1/2023 dated 31st March 2023, the Ministry of Commerce and Industry, notified the Foreign Trade Policy 2023 which came into effect from 1st April 2023. The policy has taken various steps to enable MSME and give it impetus for reaching international markets.

E-COMMERCE EXPORTS & MSME

The Foreign Trade Policy(FTP) 2023 has a stated objective to enable cross-border E-Commerce for artisans, weavers, craftsmen and MSMEs, in coordination with stakeholder Departments.

Regulatory Requirements for exports:

- The export of goods is governed by the export policy notified by Director General of Foreign Trade (DGFT), from time to time.
- Exporters must be well aware of the export policy related to their products.
- Based on the Indian Tariff Classification (Harmonized System) [ITC(HS)] classification the regulatory requirements for export from India and requirements at buyers' country need to be confirmed.

- On the basis of the ITC(HS) classification, the Export Policy broadly classifies the goods as 'Free', 'Restricted' and 'Prohibited'.
 - i. Free - All goods can be exported freely if they are not mentioned specifically in the Export Policy (Schedule-II) of ITC(HS) 2022.
 - ii. Restricted - An Export Authorization is required to export restricted goods, and must be exported as per the procedures/conditions specified.
 - iii. Prohibited - These items cannot be exported at all.
- Certification Requirement is applicable on the exported products. For e.g. for pharma exports, certification is required from Central Drugs Standard Control Organisation (CDSCO) etc.
- The documentation required for undertaking E-Commerce Exports from India - Permanent Account Number (PAN), Bank Account & Authorized Dealer (AD) Code of the concerned bank branch, Goods & Services Tax (GST) Number, Importer-Exporter Code (IEC)
- Product-specific permissions and documentary requirements may vary for different products.

High potential export products which MSMEs should focus on:

- Textiles, handloom and apparel
- Leather & Leather goods
- Handicrafts and Home Décor
- Beauty and Personal care
- Semi-precious jewellery & accessories
- Automotive parts
- Ayush and Herbal products
- Spices and food products
- Tea and Coffee
- Engineering goods
- Religious artifacts

RBI Guidelines on Export of Goods and Services:

- It is obligatory on the part of the exporter to realise and repatriate the full value of goods to India within 9 months from the date of exports.
- For goods exported to a warehouse established outside India, the proceeds should be realised within 15 months from the date of shipment of goods.
- RBI also allows AD Category – I banks to extend the payment period from the export date up to 6 months at a time, regardless of the invoice value, as long as certain conditions are met.
- Regarding manner of receipt of export proceeds, MSME should see the Foreign Exchange Management (Manner of Receipt & Payment) Regulations, 2016, as in RBI Master Circulars (as amended from time to time).
- Processing of export related receipts through Online Payment Gateway Service Providers (OPGSPs) is available for export of goods of value not exceeding \$ 10,000.
- In case an exporter is not able to realize the outstanding export dues, the exporter may either self-write off or approach the AD bank concerned, who had handled the relevant shipping along with appropriate supporting documentary evidence.
- As per the RBI Master Circular, AD Category – I Banks may consider the applications received from exporters and grant permission for opening/ hiring warehouses abroad subject to certain conditions

PROGRAMMES AND SCHEMES FOR MSME SECTOR

The Ministry of MSME runs numerous schemes for MSMEs targeted at a) access to credit and financial assistances; b) infrastructure and capacity building; c) procurement and marketing support; d) access to technology; e) skill development and training; f) performance and promotion and g) international co-operation

Some of the Important MSMEs schemes are as follows:

1. Prime Minister's Employment Generation Programme (PMEGP)

Prime Minister's Employment Generation Programme (PMEGP) aims to provide financial assistance to set up self-employment ventures and generate sustainable employment opportunities in rural as well as urban areas. It provides credit linked subsidy for setting up new micro-enterprises in the non-farm sector. Under the Scheme, Margin Money (Subsidy) is provided to beneficiaries availing loan from banks for setting up new enterprises. The maximum project cost admissible for setting up of new project is Rs. 50 lakh in manufacturing sector and Rs. 20 lakh in Service Sector. Margin Money subsidy ranges from 15% to 35% of project cost. Subsidy of 25% and 35% of project cost is admissible for Special Categories, including SC, ST, OBC, Minorities, Women, Ex-Servicemen, Transgenders, Differently-abled, NER, Aspirational Districts, Hill and Border areas, and 15% and 25% of project cost for General Category applicants for urban and rural areas respectively. Units in Aspirational Districts and Transgenders have been included in the Special Category. Geo-tagging of the PMEGP units have been initiated for capturing the details of the products and services offered by the units and to create market linkages for them.

Existing well performing PMEGP/REGP/MUDRA units can avail of a 2nd loan for expansion and upgradation and for bringing new technology/ automation so as to modernize the existing unit.

2. Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE)

The Credit Guarantee for Micro and Small Enterprises (CGTMSE) was introduced in the year 2000 to facilitate credit access to MSEs in the country. Credit Guarantee Scheme (CGS) was launched so as to provide availability of bank credit without the hassles of collaterals / third party guarantees, and to operationalize the scheme, Government of India and Small Industries Development Bank of India (SIDBI) set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

Guarantees are provided for extending collateral free lending to Micro and Small Enterprises through banks and financial institutions (including NBFCs). The Scheme covers collateral free credit facility (term loan and/or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs.500lakh per borrowing unit. The guarantee cover provided under this scheme varies

from 75 % to 85% depending upon the quantum of loan and type of beneficiary. 50% coverage is for retail activity. A nominal amount towards an Annual Guarantee Fee for the credit facility sanctioned is charged on the outstanding loan amount. This scheme was revamped in the year 2023 and the following features have been added in the scheme w.e.f. 1st April, 2023:

- i. Enhancement of ceiling limit of Guarantee coverage from Rs.2 crore to Rs.5 crore;
- ii. The Annual Guarantee fees reduced from 0.75% to 0.37%; and
- iii. Increase in threshold limit from Rs.5 Lakh to Rs.10lakh for waiver of legal action.

There are 5 Credit Guarantee Schemes (CGS) being operated by CGTMSE, viz.

- CGS I – Credit Guarantee Scheme for Banks and Financial Institutions;
- CGS II – Credit Guarantee Scheme for NBFCs;
- CGSSD - Credit Guarantee Scheme for sub-ordinate debt;
- CGS-PMS - Credit Guarantee Scheme for PM Svanidhi; and
- CGSCL - Credit Guarantee Scheme for Co-Lending.

Out of this, CGSSD has come to an end on 31.3.2023 and no fresh guarantee is issued under this scheme.

3. Self-Reliant India (SRI) Fund

SRI Fund is aimed at providing growth capital to the deserving and eligible units of MSME Sector. The Fund aims to provide capital support to the Daughter Funds for onward provision to MSMEs as growth capital, through equity, quasi-equity and debt to achieve the following:

- a. Supporting faster growth of MSME businesses, thereby igniting the economy & creating several employment opportunities.
- b. Supporting enterprises which have the potential to graduate beyond the MSME bracket and become National/International champions.

c. Supporting MSMEs which will help make India self-reliant by producing relevant technologies, goods and services.

4. Micro and Small Enterprises Cluster Development Programme (MSE-CDP)

The Micro and Small Enterprises Cluster Development Programme (MSE-CDP) was launched in the year 2003. The objective of the scheme is to enhance the productivity and competitiveness of Micro and Small Enterprises (MSEs) by extending financial assistance as Government of India (GoI) grant for establishment of Common Facility Centers (CFCs) in the existing clusters and for establishment of new /upgradation of existing Industrial Areas / Estates / Flatted Factory Complex. MSE-CDP is a demand driven scheme and Central Sector Scheme.

i. Common Facility Centers (CFCs): The GoI grant will be restricted to 70% of project cost (Rs. 5.00 - 10.00 crore) and 60% of project cost (Rs. 10.00 - 30.00 crore). In case of NE & Hill States, Island territories, Aspirational Districts, LWE affected districts and clusters with more than 50% micro/village or women owned or SC/ST owned units, Government grant will be 80% of project cost (Rs. 5.00 - 10.00 crore) and 70% of project cost (Rs. 10.00 -30.00 crore). The CFC project with cost more than Rs. 30.00 crore can also be considered but the Government assistance would be calculated by taking into account the maximum eligible project cost of Rs.30.00 crore.

ii. Infrastructure Development: The Government grant will be restricted to 60% of project cost (Rs. 5.00 - 15.00 crore) for setting up of new Industrial Estate/ Flatted Factory Complex and Government grant will be 50% of project cost (Rs. 5.00 - 10.00 crore) for up-gradation of existing Industrial Estate / Flatted Factory Complex. In case of NE & Hill States, Island territories, Aspirational Districts, LWE affected districts and clusters with more than 50% micro/village or women owned or SC/ST owned units, GoI grant will be 70% of project cost (Rs. 5.00 - 15.00 crore) for setting up of new Industrial Estate/ Flatted Factory Complex and 60% of project cost (Rs. 5.00 - 10.00 crore) for up-gradation of existing Industrial Estate / Flatted Factory Complex. The ID project with cost more than Rs. 10.00 crore/15.00 crore can also be considered but the GoI assistance

would be calculated by taking into account the maximum eligible project cost of Rs. 10.00 crore/15.00 crore.

5. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The Scheme was launched in 2005-06 and revamped in 2014-15. The objectives of the scheme is to organize traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained employment, to enhance marketability of products of such clusters, to equip traditional artisans of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipment for artisans, to strengthen the cluster governance systems with the active participation of the stakeholders, and to build up innovative products, improved technologies, advanced processes, market intelligence and new models of public-private partnerships.

The scheme covers three types of interventions:

- i. Soft interventions – Activities to build general awareness, counseling, skill development and capacity building, exposure visits, market development initiatives, design and product development, etc.
- ii. Hard interventions – Creation of common facility centres, raw material banks, upgradation of production infrastructure, warehousing facility, tools and technological upgradation, etc.
- iii. Thematic interventions – Interventions on a cross-cutting basis for brand building, new media marketing, e-commerce initiatives, research and development, etc.

The financial assistance provided for any specific project shall be subject to a maximum of Rs. 5 (five) crore to support Soft, Hard and Thematic interventions. For Regular Cluster (upto 500 artisans), the per cluster budget limit is Rs. 2.50 crore and for Major Cluster (more than 500 artisans) the per cluster budget limit is Rs. 5.00 crore.

6. A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship' (ASPIRE)

A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE) aims to create employment opportunities in the agro-rural sector. ASPIRE scheme was approved for continuation from 2021-22 to 2025-26. The revised guidelines were issued on 28.01.2022. There are 2 components under ASPIRE:

- a. Livelihood Business Incubator (LBI): An entity set up for imparting skill development and incubation programs for promoting entrepreneurship and employment generation in agro-rural sector with special focus on rural and underserved areas.
- b. ASPIRE Fund of Funds (FoF): Managed by SIDBI, the FoF was created with a focus to invest through Alternate Investment Funds (AIFs), in early-stage start-ups in need of support and nurturing to succeed in developing technology and business enterprise in the areas of innovation, entrepreneurship, developing forward and backward linkages with multiple value chain of manufacturing and service delivery in the agro-based sector.

Earlier there was a 3rd component of ASPIRE i.e. 'Technology Business Incubator (TBI)'. Although, TBI component under the scheme has been discontinued due to convergence with the Incubation Scheme of M/o MSME. However, the TBIs approved till 31.03.2021 will be supported with the financial assistance for procurement of plant and machineries as per the previous guidelines applicable for TBI.

7. Entrepreneurship and Skill Development Programmes (ESDP)

The ultimate objective of the scheme is to promote new enterprises, build capacity of existing MSME and inculcate entrepreneurial culture in the country. In new a ESDP guideline which was approved on 25.3.2022, the program has five components viz.

- Entrepreneurship Awareness Programme (EAP) – Duration- One Day training program is conducted for Entrepreneurship/Self-employment awareness and motivation to different sections of the society
- Entrepreneurship cum Skill Development Programme (E-SDP)- Six weeks training programme is conducted for Entrepreneurship & Skill Training

- Advance E-SDP- One Week Advance ESDP programmes are conducted
- Management Development Programme (MDP) – One-week training programme for Management capacity building Training to Existing Entrepreneurs and their supervisory staff
- Advance MDP- One Week Advance MDP Training Programmes is conducted

8. Public Procurement Policy for Micro and Small Enterprises

The Ministry of MSME, Government of India notified the Public Procurement Policy for Micro and Small Enterprises (MSEs), Order, 2012, which mandates 25% annual procurement from MSEs by Central Ministries/Departments/Central Public Sector Enterprises (CPSEs), including 4% from MSEs owned by SC/ST and 3% from MSEs owned by Women entrepreneurs. A total of 358 items are reserved for exclusive procurement from MSEs.

9. Export Promotion

The Ministry of MSME has developed a dedicated support system for export promotion from MSME Sector by establishing 59 Export Facilitation Cells (EFCs) in its field institutions, namely, MSME-Development and Facilitation Offices, MSME Technology Centres and MSME Testing Centres.

10. MSME Champions

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) - launched on 28th April, 2022 - 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.

2. MSME-Competitive (Lean) - launched on 10th March, 2023 - MSME Competitive (Lean) Scheme is a scheme for enhancing the productivity, efficiency, and competitiveness of MSMEs through implementation of Lean Tools and Techniques like reduction in product cost, reduction of wastages in processes, optimization of space utilization, inventory management, energy consumption, etc.

3. MSME-Innovative (for Incubation, IPR, Design and Digital MSME) – launched on 10th March, 2022 - 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.

The The Digital MSME will be interlinked with all the other components of the MSME Champions Scheme.

11. Technology Centres

Technology Centres (also known as Tool Room & Technical Institutions) are concentrated on an integrated Development of the relevant sector of industries to help MSME. Total 18 MSME Tool Rooms & Technical institutions have been established PAN India serving in the relevant sectors. The Technology Centres are providing trained personnel, consultancy in tooling and upgradation of technologies/products in sectors like General Engineering, Foundry & Forging, Electronics, Electrical Measuring Instruments, Fragrance & Flavour, Glass, Sport Goods, and Footwear designing etc. besides conducting skill development training programs.

12. National SC-ST Hub (NSSH)

The scheme is aimed at promoting entrepreneurship amongst the Scheduled Caste (SC) and Scheduled Tribe (ST) and to provide professional support to SC/ST entrepreneurs to

fulfil the procurement obligations as laid down in the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012. The Hub has undertaken several initiatives to facilitate SC/ST entrepreneurs by providing professional support in their capacity building, market linkages, finance facilitation, tender bid participation, etc. through its various sub-schemes/interventions.

13. Promotion of MSMEs in NER and Sikkim Scheme

The scheme provides financial support to create or upgrade infrastructure and common facilities for MSME in the North Eastern Region (NER) and Sikkim, to supplement manufacturing, testing, packaging, R&D, product & process innovations and training for natural resources such as fruits, spices, agriculture, forestry, sericulture and bamboo, etc. The Scheme includes components viz., (i) Setting up of new and modernization of existing Mini Technology Centre, (ii) Development of new and existing Industrial Estates and (iii) Development of Tourism Sector.

14. Raising and Accelerating MSME Performance (RAMP) Scheme

Raising and Accelerating MSME Performance (RAMP) Scheme is a World Bank supported Central Sector Scheme aimed at improving access of MSME to market, finance and technology upgradation, innovation, digitization, green initiatives etc. by enhancing the outreach of existing schemes. The program also aims at strengthening institutions and governance at the Central and State level, improving Centre-State linkages and partnerships and enhancing Centre- State collaboration. The program implementation will be through the State Governments/Agencies.

Three sub-schemes were launched under RAMP viz., MSME Green Investment and Financing for Transformation Scheme (MSE GIFT Scheme), MSE Scheme for Promotion and Investment in Circular Economy (MSE SPICE Scheme) and MSE Scheme on Online Dispute Resolution for Delayed Payments.

15. International Co-operation Schemes

The scheme aims to build Capacity of 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.

The Scheme covers the following sub-components:

- Sub-Component-I: Market Development Assistance of MSMEs (MDA);
- Sub-Component-II: Capacity Building of First Time MSE Exporters (CBFTE);
- Sub-Component-III: Framework for International Market Intelligence Dissemination (IMID).

16. Khadi Gramodyog Vikas Yojana (KGVY) – Umbrella Scheme

As a part of rationalization exercise, the Government of India merged all the existing KVI schemes/sub-schemes/components and brought these under one umbrella scheme, namely, Khadi and Gramodyog Vikas Yojana (KGVY) in 2019 and accordingly, the guidelines of the Scheme were issued by the Ministry on 8th November, 2019, with the following three components:

a. Khadi Vikas Yojana - This sub-scheme offers end to end support in promoting Khadi Industry in the country, with the aim of increasing Khadi Production, sales, number of artisans and also employment opportunities. Under this, financial assistance is also provided for improving Infrastructure for Khadi Production. It consists schemes like Modified Market Development Assistance (MMDA), Interest Subsidy Eligibility Certificate (ISEC), Khadi Reforms Development Programme (KRDP), Workshed Scheme for Khadi Artisans, Strengthening infrastructure of existing weak Khadi

Institutions and Assistance for Marketing Infrastructure, Khadi (S&T) and Centre of Excellence (CoE) for Khadi.

b. Gramodyog Vikas Yojana - This sub-scheme focuses on promoting traditional skills of rural artisans, with the main aim of meeting the developmental needs of the Village Industry sector. GVY has the following components/ verticals from the activities under Village Industries: i. Wellness & Cosmetics Industry; ii. Handmade Paper, Leather & Plastic Industry; iii. Agro Based & Food Processing Industry; iv. Mineral Based Industry; v. Rural Engineering & New Technology Industry; vi. Service Industry

c. Khadi Grant – This is meant for meeting establishment expenses of KVIC Officers/ employees.

17. Coir Vikas Yojana – Umbrella Scheme

Coir Vikas Yojana (CVY) is an Umbrella Scheme being implemented by Coir Board for the Development of Coir Industry all over the country. Under this umbrella scheme, the Coir board is implementing the following sub-schemes/programs:

i. Science & technology - Modernization of Production Processes, Development of Machinery and Equipment, Product Development and Diversification, Development of Environment friendly technologies, Technology Transfer, Incubation, Testing and Service Facilities, are the components of this program.

ii. Skills upgradation & Mahila Coir Yojana - Development of skilled manpower in coir industry through appropriate training programs. Among the various skill development programs under Coir Vikas Yojana, the Scheme Mahila Coir Yojana (MCY) envisages provision for training only to women artisans. Mahila Coir Yojana is a women oriented, self-employment scheme being implemented by the Coir Board.

iii. Export Market Promotion - The activities include participation in international exhibitions, publicity, providing assistance under Export Market Development Assistance Scheme/International Co-operation Scheme etc.

iv. Entrepreneurship Development Programme (EDP) - The EDP are conducted for the benefits of entrepreneurs in Coir sector either directly by the Regional Offices or Sub Regional Offices or by engaging Professional agency, which has expertise in the field of coir activities.

- v. Regular Training Programs
- vi. Domestic Market Promotion
- vii. Trade and Industry Related Functional Support Services (TIRFSS)
- viii. Welfare Measures

18. PM Vishwakarma Scheme

PM Vishwakarma scheme was launched on 17th September, 2023 to provide end-to-end support to artisans and craftspeople who work with their hands and tools. These traditional artisans and craftspeople are referred to as "Vishwakarmas" and are engaged in occupations such as blacksmiths, goldsmiths, potters, carpenters, sculptors etc.

OPPORTUNITIES IN MSME SECTOR

The MSME sector is a dynamic and vibrant sector of the Indian economy. As the economy is growing, it is undergoing important structural changes which are making an impact on MSME sector too. This creates a requirement for a virtual assistance professional – a single person or an association of persons – who like an outsourced service provider, offers highly skilled assistance in the requirements of the micro, small or medium enterprise, just like the professional does for large organizations. Various areas can be tremendous opportunity areas in the MSME sector.

Technology and Innovation

Entrepreneurship is driven by technology and innovation. 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.

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.

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 Government too proposes to attract investors to the MSME sector by appropriate regulatory framework and other incentives.

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. However, the MSMEs will need the help of professionals in the field of carbon credits & environmental issues and experts from Government sector to help them to get the benefit of carbon credit.

Professional Opportunities in MSME Sector

MSMEs even though small in size, are an enterprise, and in being so, a huge list of laws of the country become applicable to them. These laws will be enacted either by the Central Government or State Government. The MSME Act 2006 too lays down certain technicalities for MSMEs. At the same time knowledge of certain important provisions under Industrial (Development and Regulation) Act, 1951 is required. The entrepreneurs may or may not have such technical knowledge and expertise to comply with the innumerable requirements expected of the MSMEs.

The Professionals, being aptly equipped with their varied knowledge are the ideal persons to assist the MSMEs in this respect by performing the following services:

1. Counseling of MSMEs for the rights and benefits available to them. Advising MSME for simpler and faster flow of funds and ensure accurate targeting of the beneficiaries of the schemes.
2. Help MSMEs with skill development and knowledge management
3. Assistance in obtaining credit and finance availability
4. Advisory role in Formation, registration and foreign direct investment.
5. Accounting, Auditing and Taxation. With the introduction of Goods and Services Tax (GST), the professionals will need to perform both advisory and assistance with respect to the same, implementation of E-invoicing etc.
6. Assistance in compliance with the technicalities laid down by the MSMED Act 2006 itself like: Classification of industries; Registration under the Act; Procedure of Registration; Disclosure Requirement etc.
7. Assistance, Advisory & Compliances with the huge number of laws, rules and guidelines applicable to MSMEs.
8. Assistance in obtaining several clearances or permissions depending upon the nature of unit and products manufactured.
9. Help large scale enterprises form systems to ensure that they comply with the deadlines for payment of any goods or services supplied by MSMEs.