

## Lecture-1

### MSME Act 2006

- MSME stands for Micro, Small and Medium Enterprises which are small sized entities defined in terms of their Investment.
- The classification is done in terms of Investment made in Plant & Machinery if the entities are dealing with manufacturing Sector.
- for service sector, the classification was done in terms of Investment in cost of Equipment.
- for classifying the entities as micro, small or medium enterprises, the govt enacted the MSME Development Act 2006.

### Existing Classification Mechanism Under MSME Act 2006.

- The Act classify the Manufacturing Enterprises as Micro, Small & Medium enterprises as per Investment criteria.
  - (i) Micro - Below 25 Lakh rupees Investment in P&M.
  - (ii) Small - > 25 Lakh to 5 crore (44) "
  - (iii) Medium - > 5 crore to 10 crore (44) "
- for the Service Sector Enterprises the ceiling amount are different.
  - (i) Micro - Below 10 Lakh Investment in Equipment
  - (ii) Small - Between 10 Lakh to 2 crore "
  - (iii) Medium - Between 2 crore to 5 crore "

MSME Amendment Act 2018, define new criteria, for Micro small & medium Enterprises on the basis of "Turnover", Annual Turnover.

Enterprises	Annual Turnover
Micro	Does not exceed ₹ 5 crore
Small	More than ₹ 5 cr but does not exceed ₹ 75 cr.
Medium	More than ₹ 75 cr but does not exceed ₹ 250 cr.

Note: The above criteria will be same for manufacturing & service sector.

MSMEs → Backbone of Nation's Economy.

They constitute the bulk of the industrial base of the nation. They contribute significantly to the Nation's exports & GDP.

Some facts:

MSMEs in India → Contribution:

- (i) 8% of the country's GDP.
- (ii) 45% of the manufactures of
- (iii) 40% of our exports.
- (iv) Provides employment to above 11 crore people through 2.6 cr enterprises.

MSME Sector → Largest generator of employment in India.

Role of MSME

- Provide Employment (above 11 crore population engaged in MSME activities)
- Use of latent Resources.
- Equitable distribution
- Helps in foreign exchange. (1/3rd of export contribution comes from MSMEs).
- Maintain Industrial peace.

## Problems in MSME Sector:

- (1) Absence of adequate & timely banking finance.
- (2) Market Knowledge (Inadequate)
- (3) Non-availability of suitable technology.
- (4) Low production capacity.
- (5) Ineffective Marketing Strategy.
- (6) Labour Laws.
- (7) Non-availability of skilled labour at affordable cost.
- (8) Lack of Infrastructure.