

**Date:19 March 2020**

**MSME ACT,2006**

## **Lecture-2**

**1.Establishment of Board (SECTION 3)**—(1) With effect from such date as the Central Government may, by

notification, appoint, there shall be established, for the purposes of this Act, a Board to be known as the **National Board for Micro, Small and Medium Enterprises.**

(2) The head office of the Board shall be at **Delhi.**

- (3) The Board shall consist of the following members, namely

**(a) the Minister in charge of the Ministry or Department of the Central Government** having administrative control of the micro, small and medium enterprises who shall be the ex officio Chairperson of the Board;

**(b) the Minister of State or a Deputy Minister, if any,** in the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be ex officio Vice-Chairperson of the Board, and where there is no such Minister of State or Deputy Minister, such person as may be appointed by the Central Government to be the Vice-Chairperson of the Board;

**(c) six Ministers of the State Governments having administrative** control of the departments of small scale industries or, as the case may be, micro, small and medium enterprises, to be appointed by the Central Government to represent such regions of the country as may be notified by the Central Government in this behalf, ex officio;

**(d) three Members of Parliament** of whom two shall be elected by the House of the People and one by the Council of States;

**(e) the Administrator of a Union territory** to be appointed by the Central Government, ex officio;

**(f) the Secretary to the Government of India in** charge of the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises, ex officio;

**(g) four Secretaries to the Government of India, to represent the Ministries of the Central Government dealing with commerce and industry, finance, food processing industries, labour** and

planning to be appointed by the Central Government, ex officio;

(h) the Chairman of the Board of Directors of the National Bank, ex officio;

(i) the chairman and managing director of the Board of Directors of the Small Industries Bank, ex officio;

(j) the chairman, Indian Banks Association, ex officio;

(k) one officer of the Reserve Bank, not below the rank of an Executive Director, to be appointed by the Central Government to represent the Reserve Bank;

(l) twenty persons to represent the associations of micro, small and medium enterprises, including not less than three persons representing associations of women's enterprises and not less than three persons representing associations of micro enterprises, to be appointed by the Central Government;

(m) three persons of eminence, one each from the fields of economics, industry and science and technology, not less than one of whom shall be a woman, to be appointed by the Central Government;

(n) two representatives of Central Trade Union Organisations, to be appointed by the Central Government; and

(o) one officer not below the rank of Joint Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises to be appointed by the Central Government, who shall be the Member-Secretary of the Board, ex officio.

(4) The term of office of the members of the Board, other than ex officio members of the Board, the manner of filling vacancies, and the procedure to be followed in the discharge of their functions by the members of the Board, shall be such as may be prescribed:

Provided that the term of office of an ex officio member of the Board shall continue so long as he holds the office by virtue of which he is such a member.

(5) No act or proceedings of the Board shall be invalid merely by reason of—

(a) any vacancy in, or any defect in the constitution of, the Board; or

(b) any defect in the appointment of a person acting as a member of the Board; or

(c) any irregularity in the procedure of the Board not affecting the merits of the case.

(6) The Board shall meet at least once in every three months in a year.

(7) The Board may associate with itself, in such manner and for such purposes as it may deem

necessary, any person or persons whose assistance or advice it may desire in complying with any of the provisions of this Act and a person so associated shall have the right to take part in the discussions of the

Board relevant to the purposes for which he has been associated but shall not have the right to vote.

(8) Without prejudice to sub-section (7) the Chairperson of the Board shall, for not less than two of the meetings of the Board in a year, invite such Ministers of the State Governments having administrative control of the departments of small scale industries or, as the case may be, the micro, small and medium enterprises, or the Administrators of Union territories and representatives of such other associations of micro, small and medium enterprises, as he may deem necessary for carrying out the purposes of this Act.

(9) It is hereby declared that the office of member of the Board shall not disqualify its holder for being chosen as, or for being, a member of either House of Parliament.

## **2. Removal of member from Board.**

(1) The Central Government may remove a member of the Board from it, if he—

- (a) is, or at any time has been, adjudged as insolvent; or
- (b) is, or becomes, of unsound mind and stands so declared by a competent court; or
- (c) refuses to act or becomes incapable of acting as a member of the Board; or
- (d) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or
- (e) has so abused, in the opinion of the Central Government, his position as a member of the Board as to render his continuance in the Board detrimental to the interests of the general public.

(2) Notwithstanding anything contained in sub-section (1), no member shall be removed from his office on the grounds specified in clauses (c) to (e) of that sub-section unless he has been given a reasonable opportunity of being heard in the matter.

**3. Functions of Board.**—The Board shall, subject to the general directions of the Central Government, perform all or any of the following functions, namely:—

- (a) examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programmes of the Central Government in regard to

facilitating the promotion and development and enhancing the competitiveness of such enterprises and the impact thereof on such enterprises;

(b) make recommendations on matters referred to in clause (a) or on any other matter referred to it by the Central Government which, in the opinion of that Government, is necessary or expedient for facilitating the promotion and development and enhancing the competitiveness of the micro, small and medium enterprises; and

(c) to advise the Central Government on the use of the Fund or Funds constituted under section 12.

**4.Powers and functions of Member-Secretary of Board.**—Subject to other provisions of this Act,

the Member-Secretary of the Board shall exercise such powers and perform such functions as may be Prescribed.