

Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

to provide for

*facilitating the promotion and development and
enhancing the competitiveness of micro, small and
medium enterprises*

Jawhar Sircar, Additional Secretary Ministry of SSI & ARI, Govt
of India and Development Commissioner for Small Scale
Industries (DCSSI)

I. Why A New law?

- **SSIs had no legal backing**
 - **except 2 sections of I (D&R) Act, 1951**
- **SSIs dealt with under multiple Laws**
- **Many Committees & Associations demanded**
- **No Statutory Consultative body existed**
- **Most important policies without statutory basis**

2. There was Need to:

- **Define MSME concept**
- **Simplify Registration**
- **Promote Services Sector**
- **Strengthen Delayed Payments Law**
- **Facilitate Closure**

3. Salient Provisions of Act:

Classification of Enterprises [S.7(1)]

NB: Not 'Industries' but 'Enterprises'

Enterprises either:

(i) Manufacture Goods,

or

(ii) Provide Services

4. Manufacturing Investment Limits:

[Plant & Machinery only]

- Micro: up to Rs.25 lakh
- Small: from Rs.25 lakh to Rs. 5 cr.
- Medium: from Rs. 5 cr. to Rs.10 cr.

5. Service Category Investment Limits:

[Equipment only]:

- Micro: up to Rs.10 lakh**
- Small: from Rs.10 lakh to Rs. 2 cr.**
- Medium: from Rs. 2 cr. To Rs. 5 cr.**

6. Filing of Memoranda [Sec.8]

- **No Registration Required:**
- **Only Filing of Memorandum**
- **Memoranda Optional for all, except for
Manufacturing Medium Enterprises**
 - ✓ **DICs to accept Memoranda**
 - ✓ **On Line Filing – may come soon**

7. National Board for Micro, Small & Medium Enterprises(MSME) [Sec.3]

- **Headed by Union SSI Minister & 47 members from among:**
 - ✓ **State Ministers (6)**
 - ✓ **Members of Parliament (3)**
 - ✓ **Central Secretaries (5)**

7. National Board Members:

(cont'd)

- **UT Administration (1)**
- **RBI, SIDBI, NABARD, IBA (4)**
- **Associations of MSME (20)**
 - **including women (3)**
- **Persons of Eminence (3)**
- **Central Trade Union Organisations (2)**

8. National Board, to:

- Be Statutory, unlike previous SSI Boards**
- Hold mandatory Quarterly Meetings to examine factors in MSME development**
- Review Central Policies & Programmes**
- Make recommendations to Central Govt.**
- Advise Govt. on Fund(s) for MSME**

9. Advisory Committee: (Setup) [Sec.7(2)]

Headed by MSME Secretary &

- up to 5 Secretaries of Central Govt.**
- up to 3 State Government Secretaries**
- 1 each from Associations of Micro, Small, Medium sector enterprises**

9. Advisory Committee: (Functions)

Advisory Committee to:

- Examine matters referred by National Board;**
- Advise Central Govt. on matters u/s 7(1), 9, 10, 11, 12 or 14;**
- Advise State Governments on matters specified in Rules u/s 32.**

10. Central Govt. to Notify Programmes for MSMEs u/s 9, for:

- ✓ Skill Development, EDP, MDP**
- ✓ Technology Upgradation**
- ✓ Marketing Assistance**
- ✓ Infrastructure Facilities**
- ✓ Cluster Development**

11. Central Govt. to constitute Fund(s): [Sec.12 to14]

- **For MSMSE Development**
- **Provide money to it /them**
- **Administer the Fund(s)**
- **Release sums & ensure timely utilization**

12. Credit [Sec. 10]

- **The Policies & Practices of Credit to MSMEs shall be progressive, &**
- **Specified by RBI Guidelines for;**
 - ✓ **Ensuring smooth credit flow to MSMEs**
 - ✓ **Ensuring better competitiveness**
 - ✓ **Minimizing sickness among them**

13. Procurement Preference Policies [Sec.11]

- **Central Govt. or State Govt. to notify:**
 - ✓ **Preference Policies for procurement of Goods & Services of MSMEs**
 - ✓ **Statutory for its Ministries, Departments & Aided Organizations**
 - ✓ **Legal force comes in now**

14. Delayed Payments Provisions

[Sec. 14 to 24]

- **Provisions regarding Micro & Small Enterprises Strengthened**
- **Payment period now 45 days not 120**
- **Interest = 3 times RBI Bank Rate**
- **Compounded on Monthly basis**

14. Delayed Payments Provisions

(contd.)

- **State Governments must constitute MSE Facilitation Councils (F Cs)**
- **Include MSE Associations in F Cs**
- **Jurisdiction of State Councils up to wherever buyer is located**

14.Delayed Payments Provisions

(contd.)

- **F Cs may utilise services of any Institution or Centre for conciliation**
- **Reference to be decided in 90 days**
- **Buyers must disclose Outstanding MSE payments in Annual Accounts**

14. Delayed Payments Provision (contd.)

[Sec. 14 to 24]

- Interest paid/payable to supplier not allowed for IT deduction**
- 75% of F C's decreed amount must be deposited before moving Appellate Court**
- Appellate Court may order part payment from deposit to the MSE**

15. Facilitating Closure of Business

[Sec.25]

- **Long pending need for Exit Policy**
- **Now introduced for first time**
- **Central Govt. to Notify Policy by Oct, 07**
- **Suggestions welcome**

CHECK LIST OF TASKS WITH RESPECT TO THE MSMED ACT, 2006

A. Actions Taken by 02.10.06

1. Principal Notification

2. Rules for National Board For MSME

3. Classification of enterprises

**4. Exclusion of certain items for calculating cost
of plant and machinery**

CHECK LIST OF TASKS WITH RESPECT TO THE MSMED ACT, 2006 (Contd.)

- 5. Constitution of 'Advisory Committee'.**
- 6. Form of Memorandum and procedure of filing.**
- 7. Authority for filing by manufacturing medium enterprises.**
- 8. Model Rules for constitution etc of MSEFCs.**

CHECK LIST OF TASKS WITH RESPECT TO THE MSMED ACT, 2006 (Contd.)

B. Under Preparation (Procedural) in GOI

- 1. Notification of schemes and programmes under section 9**
- 2. Policies and practices in respect of credit under section 10**
- 3. Notification for the regions of the country**
- 4. Constitution of NBMSME**

CHECK LIST OF TASKS WITH RESPECT TO THE MSMED ACT, 2006 (Contd.)

C. Actions By States

- 1. Authority for filing Memorandum by MSE.**
- 2. Notification of MSEFC Rules**
- 3. Constitution of MSEFC(s)**
- 4. Procurement Preference Policy**

CHECK LIST OF TASKS WITH RESPECT TO THE MSMED ACT, 2006 (Contd.)

D. Under Preparation (Suggestions Welcome)

- 1. Procurement Preference Policy for GOI**
- 2. Scheme for facilitating closure of business of enterprises, when required**

THANK YOU