

## **What is Micro, Small and Medium Enterprises (MSME)?**

MSME stands for Micro, Small and Medium Enterprises. These industries or enterprises form the backbone of our economy and need assistance and protection from other big companies as they lack resources and technology. To do this the government provides some schemes, rebates, or counselling to these enterprises.

MSME are classified into two categories:

- i. Manufacturing enterprise; and
- ii. Service enterprise.

### **MSME Classification**

#### **Manufacturing or the Production Sector or service sector:**

**MICRO** –Investment is less than or equal to Rs 1 Cr. &  
Annual Turnover is less than or equal to Rs. Rs5 Cr.

**SMALL**–Investment is more than Rs. 1 Cr. but limited to Rs. 10Cr.  
Annual Turnover is more than Rs. 5 Cr. but limited to Rs. 50Cr..

**MEDIUM** –Investment is more than Rs. 10 crorebut limited to Rs. 50Cr.  
Annual Turnover more than Rs. . 50 crorebut limited to Rs. 250 Cr.

#### **Who Can Apply for MSME Registration?**

Any entrepreneur having valid Aadhaar Number can apply for MSME Registration Online.

#### **Benefits to MSME**

Indian government has provided many benefits for small scale units or medium small and micro enterprises (MSME). In order to be eligible to get these benefits, any entity should register itself as MSME/SSI enterprise under MSMED Act. Following is a list of such advantages of obtaining SSI/MSME registration in India.

**1. No collateral on loans:** MSME registered companies don't need to pay security to obtain the loan from banks.

**2. Benefits from Banks:** All banks and other financial institutions recognise MSMEs and have created special schemes for them. This usually includes priority sector lending, which means that the likelihood of your business being sanctioned a loan is high, and lower bank interest rates. There may also be preferential treatment in case of delay in repayment.

**3. 1% exemption on interest rate on overdraft**

Enterprises that have MSME Registration can avail benefit of 1% exemption on interest rate on OD.

**4.Subsidy in patent registration:** There is a 50 % subsidy in patent registration for the MSMEs

**5.Subsidy in Trademark registration:** There is a 50 % subsidy in trademark registration for the MSMEs

**6. Government Tenders :** Preference is given in Government tenders

**7. Eligible for Industrial Promotion subsidy:** Enterprises that have MSME Registration are eligible for Industrial Promotion Subsidy

**8. Concession in electricity bills:** MSME can avail Concession on electricity bill by making application to electricity department along with MSME Registration Certificate.

**9. Reimbursement of ISO Certification charges:** MSME Registration Certificate can claim reimbursement of ISO Certification expenses by making application to respective authority.

**10. Protection against delayed payments:** Protection to MSME Registered Business against delay in payments from Buyers and right of interest on delayed payment through conciliation and arbitration and settlement of dispute be done in minimum time.

**11. Entrepreneurial Memorandum policy:** The banks are directed by the Reserve bank of India to allocate certain percentage of their lending to priority sectors like agriculture, Micro, small and medium sized enterprises, loans to poor students for their education, etc. However, medium sized enterprises do not fall under priority sector as they are financially sound. So, filing of entrepreneurial memorandum ensures the MSME enterprises get the benefit lending from banks.

**12. Capital Aid for Technological upgradation for MSMEs:** Some MSMEs may not be able to use their resources to full potential due to lack of the sophisticated technology required. The government, under the Capital Aid for technological upgradation scheme, helps these enterprises upgrade their equipment through latest technology by helping them get low-interest loan from banks.

**13. Reservation Policy:** Reservation policy is one of the most vital benefits given to enterprises in the form of a policy under this sector. To ensure that the MSME sector is not affected by the stiff competition in the market, the central government has given exclusive rights to manufacture certain products only to this sector. Under the Government Stores Purchase Program, the central government has reserved the purchase of more than 300 products exclusively from this sector. For example, wooden furniture and fixtures, pickles, bangles, ground nut oil, mustard oil, bread, jute, brakes and clutches for automobile corporations, among others.

**14. MSME market development assistance for Micro and Small enterprises:** Apart from the reserved products that government has promised to buy from these MSMEs, they are given marketing assistance even to those products, manufactured by them, which do not fall under the purview of Reservation Policy.

**15. Zero Defect Zero Effect:** In this model, goods that are manufactured for export have to adhere to a certain standard so that they are not rejected or sent back to India. To achieve this the government has launched this scheme. In this, if the goods are exported these are eligible for some rebates and concessions.

**Conclusion:** As Micro, Small and Medium sized enterprises (MSMEs) are considered the “engine of growth” for any developed or a developing country, they are being given every possible benefit so as to make them sustain devoid of any economic conditions. Also, the government has made it compulsory for large corporations to buy certain allied products only from these MSMEs.