



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

MSME Schemes – Ministry of Micro, Small and Medium Enterprises

Dr.P.Ramalakshmi Assistant professor of Commerce SRI.S.R.N.M.College ,Sattur

Abstract

In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. It won't be wrong to refer them as the 'Backbone of the country'. The Government of India has introduced **MSME or Micro, Small, and Medium Enterprises** in agreement with Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities. MSMEs are an important sector for the Indian economy and have contributed immensely to the country's socio-economic development. It not only generates employment opportunities but also works hand-in-hand towards the development of the nation's backward and rural areas. The government also provide more schemes for MSME in development purpose .

Introduction

Micro, small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. MSMEs 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.

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. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country

Classification On MSME

Revised Classification applicable w.e.f 1 July 2020

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover

Classify	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than INR 1 cr and Annual Turnover; not more than INR 5 cr	Investment in Plant and Machinery or Equipment: Not more than INR 10 cr and Annual Turnover; not more than INR 50 cr	Investment in Plant and Machinery or Equipment: Not more than INR 50 cr and Annual Turnover; not more than INR 250 cr

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 in resources and technology. To do this the government provides some schemes, rebates or counselling to these enterprises.

- **Prime Minister Employment Generation Programme (PMEGP)**

PMEGP scheme aims to generate employment opportunities in both rural and urban areas for the MSMEs through setting up of new self-employment projects in the country. This MSME scheme is being managed by Khadi and Village Industries Commission (KVIC) at the national level and being implemented by State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks at the state and districts level

Nature of Assistance	The maximum cost of the project/unit admissible in manufacturing sector is INR 25 lakhs and in the business/service sector, it is INR 10 lakhs.		
	Categories of beneficiaries under PMEGP (for setting up of new enterprises)	Rate of Subsidy (of project cost)	
	Area	Urban	Rural
	General Category	15%	25%
	Special (including SC / ST / OBC / Minorities/Women, Ex-servicemen, Physically handicapped, NER, Hill and Border areas etc.	25%	35%
Who can apply?	<p>Any individual, above 18 years of age. At least VIII standard pass for projects costing above INR 10 lakh in the manufacturing sector and above INR 5 lakh in the business / service sector. Only new projects are considered for sanction under PMEGP. Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme), Institutions registered under Societies Registration Act,1860; Production Co-operative Societies, and Charitable Trusts are also eligible.</p> <p>Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are NOT eligible.</p>		
How to apply?	<p>The State/Divisional Directors of KVIC in consultation with KVIB and Director of Industries of respective states (for DICs) will give advertisements locally through print & electronic media inviting applications along with project proposals from prospective beneficiaries desirous of establishing the enterprise/ starting of service units under PMEGP. The beneficiaries can also submit their application online here and take the printout of the application and submit the same to respective offices along with Detailed Project Report and other required documents.</p>		

Credit Linked Capital Subsidy for Technology Upgradation (CLCSS)

To facilitate technology to MSEs through institutional finance for induction of well established and proven technologies in the specific and approved 51 sub-sector/products. Both upgradation projects (with or without expansion) and new projects are eligible.

Nature of Assistance	Upfront subsidy of 15% on institutional Credit upto INR 1 Crore (i.e. subsidy cap of INR 15 lakh) for identified sectors/ subsectors/ technologies. However, to be considered as eligible, for special benefits there is no restriction for identified sectors.
Who can apply?	Any Micro and Small Enterprise (MSE) having valid Udyam Registration and availing institutional credit to buy new Plant & Machinery approved under the scheme. Special Benefits are applicable in case of SC/ST, Women, NER / Hill States / Aspirational Districts /LWE Districts. The subsidy shall be admissible for investment in acquisition /replacement of Plant & Machinery /equipment's & Technology up-gradation of any kind (Core plant & Machinery). Second hand & fabricated will not be eligible.
How to apply?	Applicant meeting the eligibility criteria should approach to loan lending bank branch / PLI. On behalf of applicant, the lending bank branch will examine & apply for subsidy claim through a dedicated online application & tracking management System (MIS), the application will reach to the Ministry through nodal Banks / Agencies. These are SIDBI, NABARD, SBI, BoB, Andhra Bank (Merged with UBI) and Corporation Bank (Merged with UBI).

Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE)

Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) jointly established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in order to implement Credit Guarantee Scheme for Micro and Small Enterprises. The corpus of CGTMSE is contributed by Government of India and SIDBI. 75% of the loan amount to the bank is guaranteed by the Trust Fund.

Nature of Assistance	Collateral free loan up to a limit of INR 100 lakh is available for individual MSE on payment of guarantee fee to bank by the MSE.
Who can apply?	Both existing and new enterprises are eligible under the scheme.
How to apply?	Candidates meeting the eligibility criteria may approach banks / financial institutions, and select Regional Rural Banks which are eligible under the scheme.

2% Interest Subvention Scheme for MSMEs 2018

Encouraging both manufacturing and service enterprises to increase productivity and provide incentives to MSMEs for onboarding on GST platform which helps in formalization of the economy, while reducing the cost of credit.

Nature of Assistance	The interest relief will be calculated at two percentage points per annum (2% p.a.), on the outstanding balance from time to time from the date of disbursement/drawal or the date of notification of this scheme, whichever is later, on the incremental or fresh amount of working capital sanctioned or incremental or new term loan disbursed by eligible institutions
Who can apply?	All MSMEs who have valid GSTN Number and registered on Udyam portal. Trading activities with KYC are also eligible.
How to apply?	MSMEs may apply directly to eligible lending institutions under the scheme.

INR 20,000 crores Subordinate Debt for Stressed MSMEs

- Subordinate debt will provide a substantial help in sustaining and reviving the MSMEs which have either become NPA or are on the brink of becoming NPA.
- Promoter(s) may infuse this amount in MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio.
- In a situation, where an outright loan is difficult, sub-debt with guarantee will provide the requisite financing to the MSME Units

Nature of Assistance	<p>Promoter(s) of the MSMEs will be given credit equal to 15% of their stake (equity plus debt) or INR 75 lakh whichever is lower.</p> <p>The maximum tenor for repayment will be 10 years. There will be a moratorium of 7 years on payment of principal.</p> <p>Guarantee for the sub-debt: 90% guarantee coverage would come from the scheme / trust and remaining 10% from the concerned promoter(s)</p>
Who can apply?	This Scheme seeks to extend support to the promoter(s) of the operational MSMEs which are stressed and have become NPA as on 30 April 2020
How to apply?	MSMEs meeting the eligibility criteria may approach eligible Banks

Interest Subsidy Eligibility Certificate (ISEC)

The Interest Subsidy Eligibility Certificate (ISEC) Scheme is an important mechanism of funding khadi programme undertaken by khadi institutions. It was introduced to mobilise funds from banking institutions for filling the gap between the actual fund requirements and availability of funds from budgetary sources.

Nature of assistance	Under the ISEC Scheme, credit at a concessional rate of interest of 4% per annum for working capital, is made available as per the requirement of the institutions. The difference between the actual lending rate and 4% is paid by the Central Government through KVIC to the lending banks.
Who can apply?	The Khadi institutions, having valid Khadi certificate and sanctioned khadi programme. The Institutions registered with the KVIC/State Khadi and Village Industries Boards (KVIBs) can avail of financing under the ISEC Scheme, the Scheme supports only the khadi and the polyvastra sector.
How to apply?	The Khadi institutions will apply to the financing bank for working capital along with the ISEC certificate issued by KVIC. Based on the working capital sanctioned, financing bank will raise the reimbursement claim to the nodal branch for the differential interest rate over and above 4%.

Conclusion

The MSME sector holds huge potential for augmentation its contribution to the growth of the Indian economy. To utilize the potential of this sector, hindrance in the growth path of MSME should be removed. Although the Government of India has come up with various policies, the Act and schemes to boost the Performance of MSMEs much depends on the effective and timely implementation of these policies. Creating awareness among MSMEs about the different benefits offered by the various establishments is also equally essential. In the era when the potential of the emerging India economy has been consistently recognized worldwide and every investor is trying to grab the Piece of growth Opportunity available in the country; it is extremely essential for India to tap the potential available in the MSME space of the country. In the Modern context MSME sector also needs to be perceived as an effective tool to facilitate the national goal of promoting “Inclusive Growth” of the Indian economy through employment, enterprises and empowerment.

Reference

- Andersson, S, J Gabriellson and I Wictor (2004): “International Activities in Small Firms: Examining Factors Influencing the Internationalization and Export Growth of Small Firms”, Canadian Journal of Administrative Science, Volume 21, No.1, pp 22-34.
- Bala Subrahmanya, M H (2004): “Small Industry and Globalization: Implications, Performance and Prospects”, Economic and Political Weekly, Volume XXXIX, No.18, pp 1826-1834.
- Bala Subrahmanya, M H (2010): “Small Scale Industry Development for Export Promotion: India’s Experience under Liberalization”, in Keshab Das (ed.), Micro and Small Enterprises in India: The Era of Reforms, Routledge India, New Delhi
- Krishna, M.J.(2004), “World Trade Organization and its Implications on Small scale Industries in Karnataka, SEDME, Vol.31, No.2, June 2004, pp: 91-102
- Mathew. P.M. (2009), The SME Sector-A Golden Chance in the Waiting, the Hindu Survey of Indian Industry, pp: 57-64.
- Ministry of Micro, Small and Medium Enterprises (2011): Annual Report 2010-11, Government of India, New Delhi.
- Ministry of Micro, Small and Medium Enterprises (2012): Annual Report 2012-13, Government of India, New Delhi.