

MSMED ACT-2006

- Manufacturing enterprises have been defined in terms of investment in plant and machinery(excluding land and buildings) and further classified into:
- Micro(earlier called Tiny) Enterprises – investment up to Rs 25 Lakhs.
- Small enterprises- investment above 25 Lakh and upto Rs 5 crores.
- Medium enterprises- investment above Rs 5 crore and up to Rs 10 crore

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- Service enterprises have been defined in terms of their investment in equipment(excluding land and buildings) and further classified as:
- Micro enterprises- investment upto Rs 10 Lakhs.
- Small enterprises- investment above Rs 10 Lakhs and upto 2 crore.
- Medium enterprises- investment above Rs 2 crore and upto Rs 5 crore

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

NOTIFICATION

New Delhi, the 26th June, 2020

1. Classification of enterprises.-An enterprise shall be classified as a micro, small or medium enterprise on the basis of the following criteria, namely:--

- (i) a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- (ii) a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
- (iii) a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

Objectives of small scale industries

1. Creation of greater employment opportunities.
2. reduction of regional imbalances by encouraging setting up of small scale industries in under developed regions.
3. Contribution to overall industrial development of the country.
4. To meet consumer needs by supplying products and services at reasonable prices.
5. Optimum utilization of skills at local level.
6. To develop products that can replace imported goods thus saving foreign exchange

Objectives of small scale industries

- 7. To reduce disparities in income and wealth.
- 8. Attainment of self reliance.
- 9. To improve standard of living.
- 10. To create decentralized pattern of ownership.
- 11. To encourage local entrepreneurship.

Characteristics of small scale industries.

1. Capital investment is less.
2. Number of people employed per unit is less.
3. Generally they are family owned and organized as sole ownership organizations. Some of them are formed on partnership basis with 2 or 3 partners.
4. Employees of the SSI are generally unorganized.
5. Fixed assets of SSI form the largest component of investments.
6. Success of the unit depends on the entrepreneurial ability of the owners.

Characteristics of small scale industries.

7. Competition is very high among small units.
8. Incidents of infant mortality is very high and only few small scale units grow up into large scale organizations.
9. It is found that many units indulge in exploitation of natural and human resources.
10. Profits margins are generally very low.
11. Generally engage in production of light consumer goods.
12. Entrepreneurs savings contributes major portion of investments.

Advantages of small scale industries.

1. They do not require high investments.
2. They do not require high level of technology as they are labour intensive.
3. They can be set up in shorter time and start production activities quickly.
4. They can save foreign exchange to the country by producing imports substitution goods.
5. They can understand local customers needs well and meet these needs well.
6. They can make use of the local resources.

Advantages of small scale industries.

7. They can create huge employment opportunities.
 8. Help in development of backward and rural regions.
 9. They help in meeting demand for many consumer goods.
 10. They help in reducing imbalance by ensuring equitable distribution of national income.
 11. They also contribute in promotion of exports.
 12. They can cater to the needs of large scale industries.
 13. They offer wide variety of products.
 14. They help in bringing social equilibrium.
- They encourage innovation.

Steps to start a SSI

Various steps involved in starting a SSI are as follows.

1. Selection of industry.
2. Arrange for know-how and technology.
3. Study of resource requirement.
4. Selection of land and premises.
5. Study of investment requirement.
6. Study of requirement of plant and equipment.
7. Requirement of raw material and source of supply.

Steps to start a SSI

8. Study of economic viability like marketing and pricing strategy, financing, staffing, SWOT analysis, break even analysis, return on investment.. Etc.
9. Preparation of project report.
10. Application to financial institutions for loan/ for fixed assets and working capital.
11. Application to directorate of industries, for no objection certificate, registration as SSI, power and permission.
12. Get NOC and permission from local body.
13. Apply for power connection.

Steps to start a SSI

14. Recruit staff and workers.
15. Order for plant and machinery.
16. Order for raw materials.
17. Trial runs.
18. Production and sales.
19. Profits and pay creditors.

Impact of Liberalization, Privatization and Globalization.

- L P G process started in India in July 1991 that has changed the face of the industry.
- it has attracted new areas in development, foreign direct investments and new business areas which were unheard before 80,s. this made Indian economy to grow to new heights.
- New entrepreneurs have started many SSI's which otherwise was not possible due to non availability of certain raw materials and resources, liberalization helped in getting them from abroad and use them.

Impact of Liberalization, Privatization and Globalization.

- Privatization also helped the growth of SSI's in a big way. Earlier, certain product/services were produced only by government organizations and no competition existed. Now it is open to private organization. For ex: manufacture of telephone and insurance.
- Globalization has helped in setting up of many small scale industries. It made possible the exports of goods produced by SSI's.
- Indian entrepreneurs in pharma sector, I.T sector have gone to many countries to start many new ventures. Investments and quality of goods and services have increased. Spectacular growth is observed in BPO, transport, repair services, entertainment and hospitality sector.

Impact of Liberalization, Privatization and Globalization.

- There has been a big growth of entrepreneurial activities in rural India in the areas like food processing, ready –to-eat foods, exports of food products like fish, meat, prawns etc., due to LPG.

Role of SSIs in Economic development

- In India, Micro and small enterprises account for almost 40% of total industrial production and 34% of exports. They manufacture over 6000 products ranging from handloom sarees, carpets, and soaps to pickles, papads, and machine parts for large industries.
- The small-sector is the second largest employer in India after agriculture. The total employment from SSI sector in the country is around 249 Lakhs.
- It contributes about 5 to 6% of the GDP.
- This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices.

Role of SSIs in Economic development

- The promotional and protective policies of the government have ensured the presence of this sector in an astonishing range of products, particularly in consumer goods. However the bugbear of the sector has been inadequacies in capital, technology and marketing. The process of liberalization coupled with government support will therefore attract the infusion of just these things in the sector.

World Trade Organization- Objectives

- Make optimum utilization of world's resources for improving the incomes and standard of living, promoting employment and expanding production and trading activities among various countries.
- Encourage sustainable development and ensure that environment care and developmental activities together.
- Efforts should be made that poor countries as well as developing countries get an opportunities to have a share in the growth of the world trade.

Functions of WTO

- It covers all commodities that are internationally traded and have formulated rules and procedures for each category as guidelines to member countries.
- Though WTO does not interfere in economic and political issues of the member countries. It does involve in case of policies regarding international trade.
- WTO has various expert committees and subcommittees for different categories to review various subjects and also work as consultants.
- It arranges visits of its experts to various countries for training and development activities.

Functions of WTO

- WTO acts as an arbitrator to sort out disputes between various countries in the international trade.
- It reviews and advises trade policies of various countries so that such policies are conducive for international trade.

Impact of WTO on small scale industries

India is signatory to WTO and WTO has altered framework of international trade, and now we have moved towards market oriented policies. Volume of trade is increasing, and it has intensified competition. SSI's are thus facing global competition, and the need for very high quality at lower prices has made them to restructure to meet this demands of global competitiveness. But the impact of WTO on SSI's is more evident due to the following issues.

1. The country's awareness and preparedness of WTO is limited, of SME units even worse.
2. SMEs sector are most vulnerable to WTO

Impact of WTO on small scale industries

3. Import of consumer goods from east Asia and china.
4. shift in procurement by large companies from SSI's to overseas suppliers.
5. Inability of SMEs to implement anti-dumping measures and counter other unfair practices such as moves by competitors to patent traditional Indians products and brands.
6. Continuing of imports through illegal channels via neighboring countries.

Response to challenges.

1. Create awareness regarding WTO issues.
2. Identify and tap new markets.
3. Promote interregional trade.
4. Encourage linkages with large corporates.
5. Improve governance and environmental/social compliance.
6. Increase competitiveness by, improving man power skills, moving up the value chain, international benchmarking, build intellectual property rights.