

Micro, Small and Medium Enterprises (MSME)

Micro, Small, Medium Enterprises (MSME's) are entities that are involved in production, manufacturing and processing of goods and commodities.

The concept of MSME was first introduced by the government of India through the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006.

This article will further give details about the MSME within the context of the [IAS Exam](#)

Classification of MSME's

MSME's are classified as per their turnover and investment. The new classifications as per the [Aatma Nirbhar Bharat Abhiyan Scheme](#) in 2020 is given in the table below:

Micro, Small and Medium Enterprises Classification 2020

Size of the Enterprise	Investment and Annual Turnover
Micro	Investment less than Rs. 1 crore Turnover less than Rs. 5 crore
Small	Investment less than Rs. 10 crore Turnover up to Rs. 50 crore
Medium	Investment less than Rs. 20 crore Turnover up to Rs. 100 crore

Ministry of Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises, a branch of the Government of India, is the apex executive body for the formulation and administration of rules, regulations and laws relating to micro, small and medium enterprises in India. The Minister of Micro, Small and Medium Enterprises is Nitin Gadkari and the Minister of State is Pratap Chandra Sarangi since 31 May 2019.

Under the Micro, Small and Medium Enterprises Development Act, 2006, the Government of India established The National Board for Micro, Small and Medium Enterprises (NBMSME) to examine the factors affecting promotion and development of MSME. This board also reviews the existing policies and suggests recommendations to the Government for the growth of the MSME sector

The services provided by the Ministry of MSME are as follows:

- Facilities for testing, training for entrepreneurship development
- Preparation of project and product profiles
- Technical and managerial consultancy

- Assistance for exports
- Pollution and energy audits.

Importance and Features of MSME's

The MSME sector is considered the backbone of the Indian economy that has contributed substantially to the economic development of the nation. It generates employment opportunities and works in the development of backward and rural areas. India has approximately 6.3 crore MSMEs.

In addition, due to the following features, they are considered a viable source of income for those looking to venture into the manufacturing industry

Export Promotion and potential for Indian products

- Funding – Finance & Subsidies
- Government's Promotion and Support
- Growth in demand in the domestic market
- Less Capital required
- Manpower Training
- Project Profiles
- Raw Material and Machinery Procurement

MSMEs contribute to approximately 8% of India's GDP, employ over 60 million people, have an enormous share of 40% in the exports market and 45% in the manufacturing sector. Hence, they are of paramount importance for overall economic development of India.

Frequently Asked Questions Related to MSME

Which enterprise can be classified as and MSME?

The MSME enterprise should be in business for over a year and its annual turnover should be greater than INR 24 Lakhs. The documentation required for loan eligibility includes KYC documents, business registration certificate and the Current Account statement for the last 6 months

What is the example of MSME enterprises?

A few notable examples of an MSME can be manufacturing units involved in the production of Wax candles, Laundry soap, Safety matches etc.