

Does
your business
fall in the
MSME sector?

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What exactly is an MSME?

MSME is the Acronym for Micro, Small and Medium Enterprises.

The enterprises covered under MSME are mentioned in the act. Despite excluding the large enterprises, it constitutes the majority of businesses and accounts for about 27% of GDP, making it the most important sector with a positive multiplier effect on the economy.

Hence, with more than **7.9 million** MSMEs operating across different areas of the country, they have an outsize impact not only on their own families but also on the nation as a whole!

What makes MSMEs the backbone of our economy?

There are several reasons why MSMEs are regarded as India's economic backbone; a few are listed here:

1. Employs more than **11 crore** people
2. Contributes more than **29%** of the GDP
3. Responsible for **50%** of the country's total exports
4. Responsible for **one-third** of India's manufacturing output



Under what Act is the MSMEs covered?

It was introduced by the Government of India in agreement with the MSMED (Micro, Small, and Medium Enterprises Development) Act of 2006.

What are the types of MSMEs?

According to the provisions of the MSMED (Micro, Small & Medium Enterprises Development) Act of 2006, MSMEs are classified into two classes:

Manufacturing enterprises

Refers to businesses that manufacture or produce goods.

Example: Agricultural farm equipment, IT service provider, etc.

Service enterprises

Units that provide or offer services are referred to as service enterprises.

Example: Energy-efficient pumps, Engineering and Fabrication, etc.

The enterprises are further categorized based on their annual turnover and investment.

Criteria of MSMEs in India

Before we dive deeper into the criteria, let's understand the imp terms related to it:

Turnover

- It is the total sales made by a business in a certain period. It's sometimes referred to as 'gross revenue'.
- Turnover is an important measurement for a company that is concerned with its bottom line, and has to work hard to make sure it's growing

Investment

- Investing means putting money to use. It refers to putting capital to use today in order to increase its value over time.

Now comes the question – **What are the MSME criteria?**

DOES YOUR BUSINESS FALL IN THE MSME SECTOR?

On 13th May 2020, a revised MSME definition was released as part of the Atmanirbhar Bharat package, about 14 years after the MSME Development Act came into existence in 2006.

Let's take a look at the criteria to see where your firm stands:

Micro Enterprise: The limit of the micro units was increased to Rs. 1 Crore of investment and Rs. 5 Crore of turnover.

Small Enterprise: The limit of the small units was increased to Rs. 10 Crore of investment and Rs 50 Crore of turnover.

Medium Enterprise: The limit of the medium units was increased to Rs. 20 Crore of investment and Rs. 100 Crore of turnover.

The Government of India (GOI) has decided to change the MSME definition further as of 01.06.2020, increasing the investment amount for **Medium Enterprises** to Rs. 50 Crore and increasing the turnover to Rs. 250 Crore.

Here's a quick view of the existing and revised definitions of MSMEs:

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

So...

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