

General Information on MSME:

MSME/SSI REGISTRATION

MSME stands for Micro, Small and Medium Enterprise. MSME or SSI enterprises are the foundation of any economy and are an engine of economic growth, advancing impartial improvement for all. MSME registration or SSI registration helps businesses avail multiple government subsidies and benefits MSMED act.

Micro, Small and Medium sized enterprises in both the Manufacturing and Service sector can obtain MSME registration or SSI registration under the MSMED Act. Although getting MSME registration is not mandatory but it is always suggested to small and medium enterprises to get it done as it provides a variety of benefits. Benefits such as rate of interest charged would be very less, tax subsidies, capital investment subsidies and other support from the government sector is provided.

Small Scale and ancillary units (i.e. undertaking with investment in plant and machinery of less than Rs. 10 Crores) should seek registration with the Director of Industries of the concerned State Government.

Registering your SSI Unit:

The main purpose of registration is to maintain statistics and maintain a roll of such units for the purposes of providing incentives and support services.

Benefits of Registering:

The registration scheme has no statutory basis. Units would normally get registered to avail some benefits, incentives or support given either by the Central or State Govt. The regime of incentives offered by the Centre generally contains the following:

- Credit prescription (Priority sector lending), differential rates of interest etc.
- Excise Exemption Scheme
- Exemption under Direct Tax Laws.
- Statutory support such as reservation and the Interest on Delayed Payments Act. (It is to be noted that the Banking Laws, Excise Law and the Direct Taxes Law have incorporated the word SSI in their exemption notifications. Though in many cases they may define it differently. However, generally the registration certificate issued by the registering authority is seen as proof of being SSI).

States/UTs have their own package of facilities and incentives for small scale. They relate to development of industrial estates, tax subsidies, power tariff subsidies, capital investment subsidies and other support. Both the Centre and the State, whether under law or otherwise, target their incentives and support packages generally to units registered with them.

Kindly visit the website below for **Certificate for Registration:**

<http://www.dcmsme.gov.in/publications/forms/SetingNewSSIForms/certaddl.html>

Additional Sheet for **Certificate for Registration:**

<http://www.dcmsme.gov.in/publications/forms/SetingNewSSIForms/certaddl.html>

Objectives of the Registration Scheme

They are summarised as follows:

To enumerate and maintain a roll of small industries to which the package of incentives and support are targeted.

To provide a certificate enabling the units to avail statutory benefits mainly in terms of protection.

To serve the purpose of collection of statistics.

To create nodal centres at the Centre, State and District levels to promote SSI.

Features of the Scheme

Features of the scheme are as follows:

DIC is the primary registering centre

Registration is voluntary and not compulsory.

Two types of registration is done in all States. First a provisional registration certificate is given. And after commencement of production, a permanent registration certificate is given.

PRC is normally valid for 5 years and permanent registration is given in perpetuity.

Provisional Registration Certificate (PRC): This is given for the pre-operative period and enables the units

- To obtain the term loans and working capital from financial institutions/banks under priority sector lending.
- To obtain facilities for accommodation, land, other approvals etc.
- To obtain various necessary NOCs and clearances from regulatory bodies such as Pollution Control Board, Labour Regulations etc.

Kindly visit the website below for **Provisional Registration Certificate (PRC):**

<http://www.dcmsme.gov.in/publications/forms/SetingNewSSIForms/applyprv.html>

Permanent Registration Certificate: It enables the unit to get the following incentives/concessions:

- Income-Tax exemption and Sales Tax exemption as per State Govt. Policy.
- Incentives and concessions in power tariff etc.
- Price and purchase preference for goods produced.
- Availability of raw material depending on existing policy.

- Permanent registration of tiny units should be renewed after 5 years.

Kindly visit the website below for **Permanent Registration Certificate**:

<http://www.dcmsme.gov.in/publications/forms/SetingNewSSIForms/affidavt.html>

Procedure for Registration

Features of the present procedures are as follows:

A unit can apply for PRC for any item that does not require industrial license which means items listed in Schedule-III and items not listed in Schedule-I or Schedule-II of the licencing Exemption Notification. Units employing less than 50/100 workers with/without power can apply for registration even for those items included in Schedule-II.

Unit applies for PRC in prescribed application form. No field enquiry is done and PRC is issued.

PRC is valid for five years. If the entrepreneur is unable to set up the unit in this period, he can apply afresh at the end of five years period.

Once the unit commences production, it has to apply for permanent registration on the prescribed form.

The following form basis of evaluation:

The unit has obtained all necessary clearances whether statutory or administrative. e.g. drug license under drug control order, NOC from Pollution Control Board, if required etc.

Unit does not violate any locational restrictions in force, at the time of evaluation.

Value of plant and machinery is within prescribed limits.

Unit is not owned, controlled or subsidiary of any other industrial undertaking as per notification.

De-Registration

A Small Scale Unit can violate the regulations in the following ways which will make it liable for de-registration:

It crosses the investment limits.

It starts manufacturing any new item or items that require an industrial license or other kind of statutory license.

It does not satisfy the condition of being owned, controlled or being a subsidiary of any other industrial undertaking.

How to apply for MSME registration?

You can visit the website below for online MSME registration.

http://udyogaadhaar.gov.in/UA/UAM_Registration.aspx

Also one can visit nearest MSME DI for MSME registration.

What can be done for self-employment?

A micro or small or medium enterprise can easily be set up for self-employment.

One can choose an activity depending upon their interest and suitability not only to become self-employed but also to generate employment for others.

What is a Micro, Small or Medium Enterprise?

The earlier concept of 'Industries' has been changed to 'Enterprises'

• Enterprises have been classified broadly into:

(i) Enterprises engaged in the Manufacture / production of Goods pertaining to any industry; &

(ii) Enterprises engaged in providing / Rendering of services.

• **Manufacturing enterprises** have been defined in terms of investment in plant and machinery (excluding land & buildings) and further classified into :

- **Micro** Enterprises - investment up to Rs.25 lakh.

- **Small** Enterprises - investment above Rs.25 lakh & up to Rs. 5 crore

- **Medium** Enterprises - investment above Rs. 5 crore & up to Rs.10 crore.

• **Service enterprises** have been defined in terms of their investment in equipment (excluding land & buildings) and further classified into:

- **Micro** Enterprises - investment up to Rs.10 lakh.

- **Small** Enterprises - investment above Rs.10 lakh & up to Rs.2 crore.

- **Medium** Enterprises-investment above Rs. 2 crore & up to Rs. 5 crore

It is not necessary to engage in manufacturing activity for self-employment. One can set up service enterprises as well .

How do I select an activity for self-employment?

For selecting an activity or enterprise, you will have to consider the following significant issues:

1. Where do you want to promote the enterprise?
2. What resources are available near the location of the enterprise?
3. What kind of market or consumer pattern exists near the site of enterprise?
4. What kind of contacts you have to exploit to your advantage for marketing of the product?
5. What infrastructure is available at the location of your enterprise?
6. How much capital is available?

There are many other considerations including availability of skilled manpower, raw material, technology etc. before you narrow down your choice for selection of industry or activity.

Who will assist in identifying the activity?

MSME Development Institutes can assist you in identifying the activity based on the Industrial Potential Survey and product specific market studies. District Industries Centers/State Directorate of Industries also facilitate in identification of a suitable activity.

What steps are required for identifying the activity?

A preliminary market study of product(s) or service(s) needs to be undertaken to analyse consumption and availability pattern. If there is a gap in demand and supply, the activity considered ideal for selection.

Where is market information available?

Market information is available with MSME Development Institutes (MSMEDIs) and DIC's of respective states/ areas. Market Survey reports on various items and Industrial potential surveys of particular areas provide the information about the market potential of items. Industry and Trade associations, specialized institutions like PPDC can also provide such information.

How can market potential be ascertained?

Market potential can be ascertained by conducting preliminary study by prospective entrepreneur to get an insight of the product/ services to be setup. An entrepreneur can estimate local demand, demand within the state or country, export market and future prospects of product(s)/service(s). Visit to wholesale and retail markets, bulk consumers etc. provides accurate information on market potential.

Is there any agency providing guidance on marketing potential?

MSMEDl and State Governments agencies viz. DICs and SIDCs provide guidance on market potential. The gap in demand & supply can be established through potential surveys and market assessments with the help of these agencies.

Where can the enterprise be set up?

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What are the inputs required for setting up an enterprise?

The following major inputs are required for setting up an enterprise:

1. Land, building or shed
2. Machinery and equipments
3. Raw Materials
4. Power and Water
5. Skilled manpower
6. Capital

Are there any projects suitable for non-technical and inexperienced entrepreneurs?

There are many projects, which are suitable for non-technical and inexperienced entrepreneurs. Skilled manpower and technical personnel can be hired according to needs. Entrepreneurs can also join special short term training programmes.

MSMEDIs, DICs, NSIC etc. provide intensive consultancy to such first generation entrepreneurs.

How can a new entrepreneur compete with the existing manufacturers?

A prospective entrepreneur can take the advantage of opting for the latest technology and production process and operate at higher volume of operation. This leads to reduced production cost and production of quality goods and services. A new entrepreneur can thus provide improved quality goods and services at lower cost and further tap the market with innovative marketing approach.

Financial Assistance :

Which are the agencies providing financial assistance?

Financial assistance is available from institutions such as Nationalised Banks, Small Industries Development Bank of India, Regional Rural Banks, National Small Industries Corporation, State Financial Corporations etc. depending upon the project requirement and promoters background. Financial assistance has two components. Loan for fixed capital is used to acquire Plant and Machinery, land and building. Working capital loan is used to meet day to day operational cost of the production. State Financial Corporation and National Small Industries Corporation generally provide working capital. However under a package assistance, State Financial Corporations also provide a composite loan covering plant and machinery and working capital

How to choose the most suitable source of funding?

Any of the financial institutions can be approached to get funds keeping in view their specific schemes. Evaluate and compare the terms and conditions, including rate of interest and repayment period of loan offered by the different financial institutions. Select the financial institution, which offers funds at minimum interest rate as per your repayment plan to suit your project. Choose the Institution which is in close proximity to the project site if other terms and conditions are similar.

What are the eligibility criteria for getting a loan?

The major eligibility criteria is return on the investment and profitability of the project proposed to be set up. Any financial institution will support the project if repayment is assured.

How much money the entrepreneur is required to invest out of his own resources?

Some portion of total investment has to be contributed by the Entrepreneur out of own sources. This is called margin money. Financial Institutions insist on 10 to 25 per cent margin money depending upon the category of the entrepreneur, risk factor and existing scheme under which the project will be financed.

What to do if an entrepreneur does not have any money of his own?

It is simple. One can arrange for loan for margin money under the scheme being operated by the State Commissioner/Directorate of Industries or State Bank of India. But this scheme is generally offered to professionally qualified entrepreneurs. Alternately you may have to prune down the size of your project in tune with available margin money. The financial institutions will prefer to support an entrepreneur, who is willing to put his/her own stake to some extent.

What is the procedure for getting a loan?

An entrepreneur should approach the concerned financial institution viz. State Financial Corporation, NSIC, Bank branches etc. Application in prescribed proforma has to be submitted along with project report including proof of ownership/availability of land/building, proof of residence, collateral securities (wherever applicable) etc. The loan is given by the institution if the application meets the norms.

Can the loan be used to cover all types of investment in the project?

The amount of loan can be used to cover all types of investment required in the project, such as machinery & equipment, and working capital, land and building. The lending agency for each component of loan may be same or different.

Is there any agency for funding the land and building costs?

The Banks and State Financial Corporations offer assistance for land/building/shed to certain extent. However, some qualifying parameters have been laid down by these institutions. In addition, Housing Development Corporation also provides funds for land /building.

What are the general conditions for availing financial assistance?

The general conditions for getting financial assistance are:

1. Eligibility criteria
2. Technical /Economic viability
3. Promoters contribution
4. Capacity to repay loan
5. Collateral securities/ guarantee

Is loan available from any other source for small projects?

Loan is also offered under some special schemes like P.M.R.Y. which are directed towards creation of self-employment.

Project Report :

What is a project report?

The project report is a document, which gives an account of the project proposal to ascertain the prospects of the proposed plan/activity. The project report contains detailed information about

1. Land & building required
2. Manufacturing Capacity per annum
3. Manufacturing Process

4. Machinery & equipment along with their prices and specifications
5. Requirements of raw materials
6. Power & Water required.
7. Manpower needs.
8. Marketing.
9. Cost of the project and production.
10. Financial analyses & economic viability of the project.

How is a Project Report Prepared?

A project report is prepared with the help of prescribed guidelines available with MSMEDI's, DIC's & financial institutions. Information about prices of machinery & equipment, raw material and other various inputs required for setting up an enterprise need to be collected from the market.

Is there any standard model for preparing the project report?

A model proforma for preparing the project report is available with MSMEDI's, DIC's & financial institutions. Every institution has its own model proforma. However contents of all the proforma are almost similar.

Is a model project report available?

Yes, Model project profiles are available with the MSMEDIs(formerly Small Industries Service Institute's) & DIC's for the guidance of entrepreneurs.. However, these project profiles have to be recast in accordance with specific needs of the entrepreneurs and the current prices of inputs

Which agency assists in preparation of Project Report?

MSMEDIs, NSIC and State Govt. agencies viz. DICs, SFCs can help you in preparing the Project Report. You can also prepare the Project Report yourself by collecting detailed information on various points.

What details are required for preparation of Project Report?

Information in detail is required about the technical process, requirements of plant and machinery, raw materials, manpower requirement, market information and statutory representations (like pollution control and public safety) etc. The details of power and water tariff, land/shed/building and selling prices etc. needs to be collected as prevalent in the market.

Which agencies can be approached for obtaining information for preparation of the Project Report?

Entrepreneur can approach MSMEDIs and state Govt. agencies viz. Directorate of Industries, SFCs, DICs and market channels for getting information.

Who can help in selecting production process, equipment etc?

Micro, Small & Medium Enterprises Development Institute's (formerly Small Industries Service Institutes), Design and Development Centers like MSME Technology Development Center's (formerly PPDC's) /Tool Room's, Research and Developmental agencies such as NRDC's and Regional Research Laboratories can help you in selecting the right production process, suitable equipment's etc

Training

What basic training is required for setting up an enterprise?

Basic training differs from product to product but will necessary involve sharpening of entrepreneurial skills. Need based technical training is provided by the Govt. & State Govt. technical Institutions.

What are the other types of training relevant for a new entrepreneur?

One can acquire entrepreneurial skills by under going Entrepreneurial Development Programme and Management Development programme.

What is the duration of such courses?

These are short-term courses of 2 week's to 4 week's duration

Which are the agencies providing such training?

There are a number of Government organisations as well as NGOs who conduct EDPs and MDPs. These EDPs and MDPs are conducted by MSME's, NIESBUD, NSIC, IIE, NISIET, Entrepreneurship Development Institutes and other state government developmental agencies.

Is different type of training available for different categories of entrepreneurs?

Need based training courses are available for different categories of entrepreneurs. For example, Central Footwear Training Institute's provide training for footwear. Tool Room and Tool Design Institutes provide training in Engineering Industry. Likewise other technical training is provided by various institutions of centre and state government.

Are there any short terms courses available?

Short term technical training courses are conducted by SISIs and other technical institutions, which vary from 3 to 6 months of duration depending on nature of training. In addition, short-term training programmes for managers & supervisors are also conducted by MSME's to upgrade their knowledge and skills.

Does any agency give on the spot training for installation and commissioning of equipment?

Normally the suppliers of machinery & equipment provide on the spot training as well as facilities on the spot for installation and commissioning of equipment. However, SISIs also assist the entrepreneurs for installation and commissioning of machinery equipment at their premises.

Is there any agency providing training for skill upgradation?

Skill development/upgradation courses are offered by SISIs, NSIC, PPDCs etc. in different disciplines to skilled workers engaged in the micro, small and medium enterprises with a view to equip them with better and improved technologies of production.

Which are the organisations providing training to improve management of an enterprise?

SISIs, Management Development Institute's, NPC, NSIC etc. offer Management Development Programmes for acquiring knowledge about the different aspects of the management required for an operation of industry. Short-term courses of two to four weeks are available on Production Management, Marketing Management, Financial Management, Export Management, Export Procedure & Documentation, Packaging for Exports, Cost Reduction, Material Management etc.

Are there institutions providing consultancy for development or setting up of project?

SISIs, DICs and State industrial development corporations can provide consultancy for development or setting up of project. Suitable technologies are also offered by CSIR Laboratories, PPDC's, NRDCs, R&D institutions also offer consultancy at nominal charges.

What kind of consultancy is offered by these agencies?

The consultancy provided by these institutions includes identification of suitable product, market, technologies, Raw Materials, production method, regulatory requirement etc. In fact any problem can be addressed by these institutions for setting up or running of the enterprise. Which agencies provide information on plant and machinery, raw materials and other equipments? SISIs, DIC, CSIR Laboratories, PPDC's, NRDC, R&D institutions etc. provide information on plant and machinery, raw materials and other equipments.

Marketing

How does a new entrepreneur market the product?

This is an era of globalization and liberalization. The manufacturers have to offer goods and services of desired quality at optimum cost. Select the right market/consumers identified at the time of planning the unit. Establish Direct marketing channels or a network of dealers as per requirement of the product based upon initial survey. Highlight strengths of the product.

How does one popularise the new product?

You may create awareness among the buyers or consumers about your product's strong points in order to convince them of the utility of the product. Publicity in various available forms has to be arranged within the budgetary constraints. Sell your quality, to gain consumer's confidence. Review consumer feed back. Resort to live demonstration. MSME /NSIC help in popularising the product through domestic and international trade fairs/exhibitions.

Are there any specialized agencies which offer marketing assistance?

There are Governmental and non-governmental specialised agencies which provide marketing assistance. NSIC & KVIC are the devoted govt. agencies for providing marketing assistance to MSME units.

Is there any other assistance offered by NSIC for marketing MSME Product?

Besides promotion of MSME products through exhibitions, NSIC directly market the MSME produce in the domestic and overseas market. NSIC also manages a single point registration scheme for manufacturers for Govt. purchase. Units registered under this scheme get the benefits of free tender documents and exemption from earnest money deposit and performance guarantee.

Does any agency help in exhibition of the product?

MSME & NSIC help the micro, small and medium enterprises for exhibiting products of MSME in the domestic and international exhibition.

Does any agency help in promoting exports?

ITPO, DGFT, FIEO & Chambers of commerce in different countries Ministry of Commerce provide assistance in promoting exports. Office of the Development Commissioner (MSME), Government of India provides financial assistance to micro, small and medium scale entrepreneurs to display their products in overseas fairs and also for sales-cum-study tours abroad.

Are there any special benefits for exports?

MSME units get special benefits such as duty draw back, advance licensing for import of capital goods and raw materials, pre-shipment and post-shipment credit against firm export orders and marketing development assistance. Income tax benefit is available on exports earning.

Promotional Schemes**What is the policy of Government for promoting a micro, small and medium enterprises ?**

Government accords the highest preference to development of MSME by framing and implementing suitable policies and promotional schemes. Besides providing developed land and sheds to the entrepreneurs on actual cost basis with appropriate infrastructure, special schemes have been designed for specific purposes like quality upgradation, common facilities, entrepreneurship development and consultancy services at nominal charges.

What is the incentive provided for quality upgradation ?

Government of India has been executing the incentive scheme for providing reimbursement of charges for acquiring ISO 9000 certification to the extent of 75% of the cost subject to a maximum of Rs. 75,000/- in each case. ISO 9000 is a mechanism to facilitate adoption of consistent management practices and production technique as decided by the entrepreneur himself. This facilitates achievement of desired level of quality while keeping check on production process and management of the enterprise.

Is there any concession on Excise Duty payable by small units ?

MSME units with a turnover of Rs. 1 crore or less per year have been exempted from payment of Excise Duty. Moreover there is a general scheme of excise exemption for MSME brought out by the Ministry of Finance which covers most of the items.

Under this, units having turnover of less than Rs. 3 crores are eligible for concessional rate of Excise Duty. Moreover, there is an exemption from Excise Duty for MSME units producing branded goods in rural areas.

Is priority there any on providing credit to MSME ?

Credit to micro, small and medium scale sector has been covered under priority sector lending by banks. Small Industries Development Bank of India (SIDBI) has been established as the apex institution for financing the MSME. Specific schemes have been designed for implementation through SIDBI, SFCs, Scheduled Banks, SIDCs and NSIC etc. Loans upto Rs. 5 lakhs are made available by the banks without insisting on collaterals. Further Credit Guarantee Fund for micro, small and medium enterprises has been set up to provide guarantee for loans to MSME up to Rs. 25 lakhs extended by Commercial Banks and some Regional Rural Bank.

What are the policies and schemes for promotion of MSME being implemented by State Governments ?

All the State Governments provide technical and other support services to small units through their Directorates of Industries, and District Industries Centres.

Although the details of the scheme vary from state to state, the following are the common areas of support

1. Development and management of industrial estates
2. Suspension/ deferment of Sales Tax
3. Power subsidies
4. Capital investment subsidies for new units set up in a particular district
5. Seed Capital/Margin Money Assistance Scheme
6. Priority in allotment of power connection, water connection.
7. Consultancy and technical support.

