

The Perks of Being a Registered MSME in India

written by Rajeev Rambhatla | July 4, 2020



Micro, Small and Medium Enterprises ('MSME') play a crucial role in a developing country like India. MSME industries are in fact the backbone of the economy as has been quoted by many economists. The MSME sector contributes to roughly 45% of India's total industrial employment, approximately 50% of India's total exports and almost 95% of all industrial units of the country and around 6000 types of products are manufactured in these industries^[1].

What are The Perks of Being a Registered MSME in India?

With the growth of MSMEs, the country's economy grows as a whole and prospers. Whether the company is in manufacturing or services, registrations or applications thereof are governed by the Micro Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The MSMED Act came into force on 02nd October 2006. It was established to promote, facilitate and develop MSMEs.

As the world is currently reeling from the wrath of the ongoing Coronavirus pandemic, India and Indian businesses have been no exception. Even big businesses and established companies have been forced to undertake extreme cost-cutting measures in order to cope with the effects of the pandemic induced lockdown and to keep their businesses afloat. One can imagine the plight of smaller businesses like the MSMEs.

Several small businesses have even been forced to shut down their operations completely or go neck-deep in debt in order to try and survive this tough period. The Government of India in order to support the rehabilitation and ensure the upliftment is in the process of implementing a major economic stimulus with a special focus on MSMEs in order to better equip them given the current situation. By virtue of their registration as an MSME/SSI ('Small Scale Industries') under the MSMED Act, they are entitled to certain benefits. Some of the benefits are:

- Collateral Free Bank Loans:

The Government of India has recently notified that collateral-free credit shall be available to all companies in all small and micro business sectors. This initiative ensures funds for MSMEs/SSIs. Under this initiative, existing as well as the new enterprises can claim the benefits enshrined herein. A trust by the name of the Credit Guarantee Trust Fund Scheme was introduced by the Government of India, Small Industries Development Bank of India ('SIDBI')

and the Ministry of Micro, Small and Medium Enterprise Development to ensure this scheme is implemented for all MSMEs/SSIs.

- **Patent Registration:**

A significant subsidy of 50% is given to registered MSMEs/SSIs. This subsidy can be availed for patent registration only by furnishing a copy of the application to the respective ministry.

- **Exemption of Interest Rates on Overdrafts:**

Registered MSMEs/SSIs are eligible to avail a benefit of 1% on overdrafts however the implementation of this scheme differs from bank to bank and clarity needs to be sought from the bank extending the overdraft facility.

- **Eligibility for Industrial Promotion Subsidy:**

The Government of India also ensures that registered MSMEs/SSIs are eligible for subsidies on amounts spent towards Industrial Promotion. The Micro, Small and Medium Enterprises Ministry regulates the quantum of the subsidy and the same is a regular feature in the budget as well.

- **Protection against delayed payments:**

Very often buyers of services or products from MSMEs/SSIs usually tend to delay/default on the payments to be made to them. The Ministry of Micro, Small and Medium Enterprise, Government of India with the intention of providing support to these enterprises enshrined upon them the right to charge interest on the payments that are delayed from their buyers/customers. For the quick and easy settlement of such disputes, the government has issued guidelines advising such settlement must be done in minimum time through conciliation and arbitration and other such measures. In case, if any MSME/SSI registered enterprise supplies/provides any goods/services to a buyer/customer then the buyer/customer is required to make the complete payment on or before the agreed date of payment as per the arrangement between the parties or within 15 days from the day they had accepted the goods and services from MSME/SSI registered business in cases where the date of payment is not mentioned.

If the buyer/customer causes a delay in the payment for more than 45 days after accepting/consuming the products or services then the buyer/customer is liable to be charged compound interest on the amount that was agreed to be paid for the products/services provided/rendered. The interest rate is usually three times the rate that is notified by the Reserve Bank of India ('RBI').

- **Concession on electricity bills:**

This fixed rate of concession is available to all registered MSMEs/SSIs by simply furnishing an application to the Electricity Department or their respective DISCOM, such application shall be accompanied with a copy of the MSME/SSI registration obtained under the MSMED Act.

- **Reimbursement of ISO Certification charges:**

Any amount spent towards obtaining an ISO certification by registered MSMEs/SSIs is eligible for reimbursement from the Government of India on filing of an application to that effect along with the requisite set of documentation.

Conclusion

MSMEs are indeed the backbone of our economy and it is important for more and more small businesses to obtain the registration under the MSMED Act in order to be beneficiaries of the aforementioned benefits. The Government of India is indeed taking the term 'ease of business' very seriously especially for

MSMEs/SSIs and this is clearly visible from the benefits being offered to registered MSMEs/SSIs and even the recently announced economic stimulus package which has several policies that are designed specifically with MSMEs in mind.

[1] www.msme.gov.in

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