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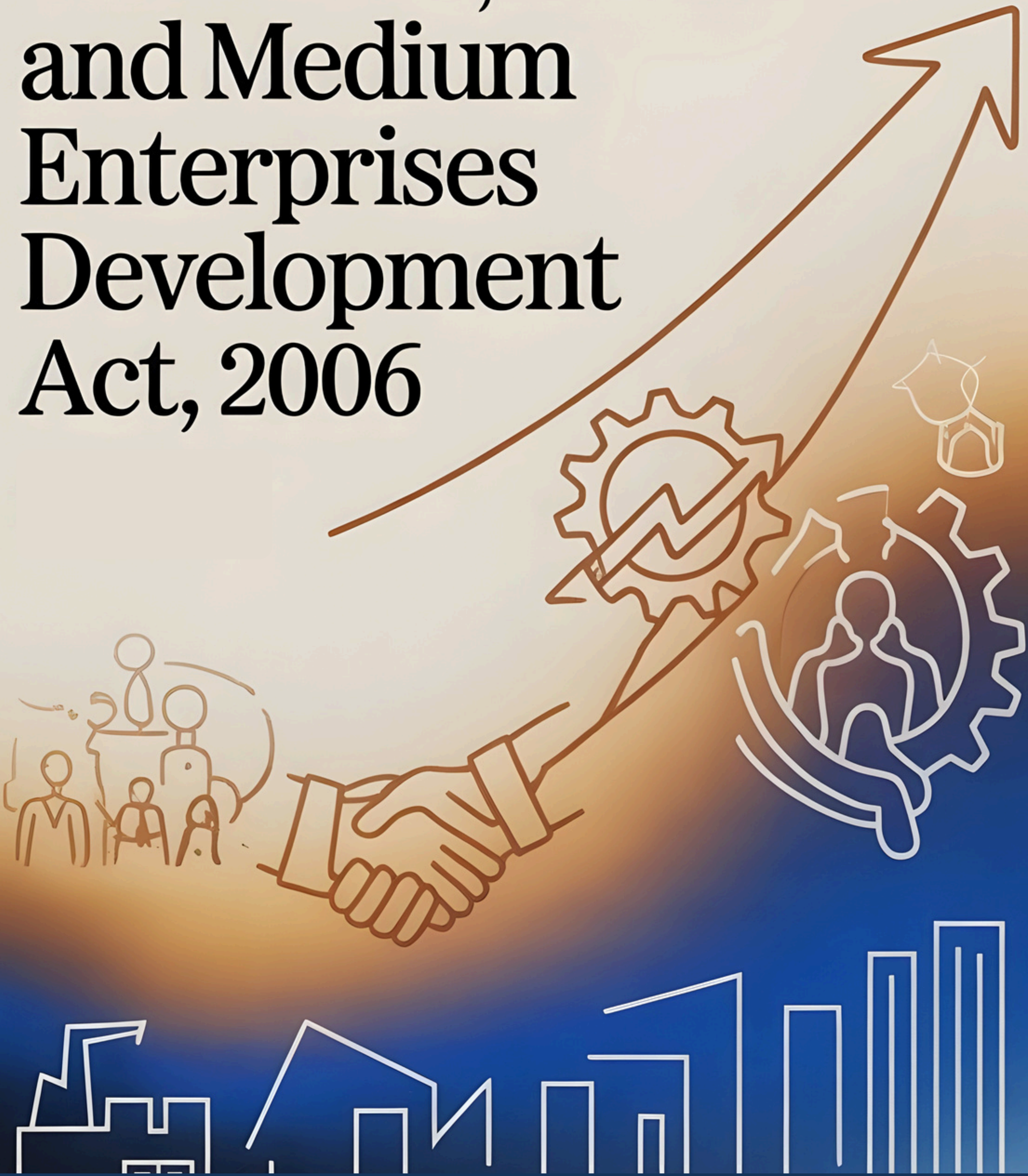
BARE ACT

The Micro, Small and Medium Enterprises Development Act, 2006



Corrida Legal presents the Bare Act Series, sourced from official texts and supported with an executive summary designed to help readers grasp the essence of the law with ease.

NOTE:

An Executive Summary of the Micro, Small and Medium Enterprises Development Act, 2006 (MSME Act) is included towards the end of this document, right after the full bare act of the statute. This summary helps professionals, business owners, compliance officers, HR managers, legal practitioners, and students quickly understand the key provisions relating to the classification of micro, small and medium enterprises, registration procedures, facilitation of credit and finance, delayed payment provisions, role of facilitation councils, promotion of development and competitiveness, penalties for non-compliance, and enforcement mechanisms, without having to read the entire text.

The Micro, Small and Medium Enterprises Development Act, 2006 Summary provides a clear, practical, and time-saving guide for anyone looking to understand India's MSME regulatory framework, ensure compliance with government policies, manage vendor and supplier relationships effectively, and stay aligned with statutory requirements under the MSME Act bare act.

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

ARRANGEMENT OF SECTIONS

CHAPTER I

PRELIMINARY

SECTIONS

1. Short title and commencement.
2. Definitions.

CHAPTER II

NATIONALBOARD FOR MICRO, SMALL AND MEDIUM ENTERPRISES

3. Establishment of Board.
4. Removal of member from Board.
5. Functions of Board.
6. Powers and functions of Member-Secretary of Board.

CHAPTER III

CLASSIFICATION OF ENTERPRISES, ADVISORY COMMITTEE ANDMEMORANDUM OF MICRO, SMALL AND MEDIUM ENTERPRISES

7. Classification of enterprises.
8. Memorandum of micro, small and medium enterprises.

CHAPTER IV

MEASURES FOR PROMOTION, DEVELOPMENT AND ENHANCEMENT OFCOMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES

9. Measures for promotion and development.
10. Credit facilities.
11. Procurement preference policy.
12. Funds.
13. Grants by Central Government.
14. Administration and utilisation of Fund or Funds.

CHAPTER V

DELAYED PAYMENTS TO MICRO AND SMALL ENTERPRISES

15. Liability of buyer to make payment.
16. Date from which and rate at which interest is payable.

SECTIONS

CHAPTER VI

MISCELLANEOUS

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

ACT NO. 27 OF 2006

[16*th June*, 2006.]

An Act to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto.

WHEREAS a declaration as to expediency of control of certain industries by the Union was made under section 2 of the Industries (Development and Regulation) Act, 1951;

AND WHEREAS it is expedient to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto;

BE it enacted by Parliament in the Fifty-seventh Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. Short title and commencement.—(*1*) This Act may be called the Micro, Small and Medium Enterprises Development Act, 2006.

(*2*) It shall come into force on such date[1] as the Central Government may, by notification, appoint; and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. Definitions.—In this Act, unless the context otherwise requires,—

(a) "Advisory Committee" means the committee constituted by the Central Government under sub-section (*2*) of section 7;

(b) "appointed day" means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.

Explanation.—For the purposes of this clause,—

(i) "the day of acceptance" means,—

(a) the day of the actual delivery of goods or the rendering of services; or

(b) where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier;

(ii) "the day of deemed acceptance" means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;

(c) "Board" means the National Board for Micro, Small and Medium Enterprises established under section 3;

(d) "buyer" means whoever buys any goods or receives any services from a supplier for consideration;

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1. 2nd October, 2006, *vide* notification No. S.O. 1154(E) dated 18th July, 2006, *see* Gazette of India, Extraordinary Part II sec.3(*ii*).

(e) "enterprise" means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (55 of 1951) or engaged in providing or rendering of any service or services;

(f) "goods" means every kind of movable property other than actionable claims and money;

(g) "medium enterprise" means an enterprise classified as such under sub-clause (*iii*) of clause (*a*) or sub-clause (*iii*) of clause (*b*) of sub-section (*1*) of section 7;

(h) "micro enterprise" means an enterprise classified as such under sub-clause (*i*) of clause (*a*) or sub-clause (*i*) of clause (*b*) of sub-section (*1*) of section 7;

(i) "National Bank" means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (51 of 1981);

(j) "notification" means a notification published in the Official Gazette;

(k) "prescribed" means prescribed by rules made under this Act;

(l) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);

(m) "small enterprise" means an enterprise classified as such under sub-clause (*ii*) of clause (*a*) or sub-clause (*ii*) of clause (*b*) of sub-section (*1*) of section 7;

(n) "supplier" means a micro or small enterprise, which has filed a memorandum with the authority referred to in sub-section (*1*) of section 8, and includes,—

(i) the National Small Industries Corporation, being a company, registered under the Companies Act, 1956 (1 of 1956);

(ii) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956 (1 of 1956);

(iii) any company, co-operative society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro or small enterprises and rendering services which are provided by such enterprises;

(o) "Small Industries Bank" means the Small Industries Development Bank of India established under sub-section (*1*) of section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989);

(p) "State Government", in relation to a Union territory, means the Administrator thereof appointed under article 239 of the Constitution.

CHAPTER II

NATIONAL BOARDFOR MICRO, SMALLAND MEDIUM ENTERPRISES

3. Establishment of Board.—(*1*) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, a Board to be known as the National Board for Micro, Small and Medium Enterprises.

(2) The head office of the Board shall be at Delhi.

(3) The Board shall consist of the following members, namely:—

(a) the Minister in charge of the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be the *ex officio* Chairperson of the Board;

(b) the Minister of State or a Deputy Minister, if any, in the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be *ex officio* Vice-Chairperson of the Board, and where there is no such Minister of State or Deputy

Minister, such person as may be appointed by the Central Government to be the Vice-Chairperson of the Board;

(c) six Ministers of the State Governments having administrative control of the departments of small scale industries or, as the case may be, micro, small and medium enterprises, to be appointed by the Central Government to represent such regions of the country as may be notified by the Central Government in this behalf, *ex officio*;

(d) three Members of Parliament of whom two shall be elected by the House of the People and one by the Council of States;

(e) the Administrator of a Union territory to be appointed by the Central Government, *ex officio*;

(f) the Secretary to the Government of India in charge of the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises, *ex officio*;

(g) four Secretaries to the Government of India, to represent the Ministries of the Central Government dealing with commerce and industry, finance, food processing industries, labour and planning to be appointed by the Central Government, *ex officio*;

(h) the Chairman of the Board of Directors of the National Bank, *ex officio*;

(i) the chairman and managing director of the Board of Directors of the Small Industries Bank, *ex officio*;

(j) the chairman, Indian Banks Association, *ex officio*;

(k) one officer of the Reserve Bank, not below the rank of an Executive Director,to be appointed by the Central Government to represent the Reserve Bank;

(l) twenty persons to represent the associations of micro, small and midium enterprises, including not less than three persons representing associations of women's enterprises and not less than three persons representing associations of micro enterprises, to be appointed by the Central Government;

(m) three persons of eminence, one each from the fileds of economics, industry and science and technology, not less than one of whom shall be a woman, to be appointed by the Central Government;

(n) two representatives of Central Trade Union Organisations, to be appointed by the Central Government; and

(o) one officer not below the rank of Joint Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises to be appointed by the Central Government, who shall be the Member-Secretary of the Board, *ex officio*.

(4) The term of office of the members of the Board, other than *ex officio* members of the Board, the manner of filling vacancies, and the procedure to be followed in the discharge of their functions by the members of the Board, shall be such as may be prescribed:

Provided that the term of office of an *ex officio* member of the Board shall continue so long as he holds the office by virtue of which he is such a member.

(5) No act or proceedings of the Board shall be invalid merely by reason of—

(a) any vacancy in, or any defect in the constitution of, the Board; or

(b) any defect in the appointment of a person acting as a member of the Board; or

(c) any irregularity in the procedure of the Board not affecting the merits of the case.

(6) The Board shall meet at least once in every three months in a year.

(7) The Board may associate with itself, in such manner and for such purposes as it may deem necessary, any person or persons whose assistance or advice it may desire in complying with any of the

provisions of this Act and a person so associated shall have the right to take part in the discussions of the Board relevant to the purposes for which he has been associated but shall not have the right to vote.

(8) Without prejudice to sub-section (*7*)the Chairperson of the Board shall, for not less than two of the meetings of the Board in a year, invite such Ministers of the State Governments having administrative control of the departments of small scale industries or, as the case may be, the micro, small and medium enterprises, or the Administrators of Union territories and representatives of such other associations of micro, small and medium enterprises, as he may deem necessary for carrying out the purposes of this Act.

(9) It is hereby delcared that the office of member of the Board shall not disqualify its holder for being chosen as, or for being, a member of either House of Parliament.

4. Removal of member from Board.—(*1*) The Central Government may remove a member of the Board from it, if he—

(a) is, or at any time has been, adjudged as insolvent; or

(b) is, or becomes, of unsound mind and stands so declared by a competent court; or

(c) refuses to act or becomes incapable of acting as a member of the Board; or

(d) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(e) has so abused, in the opinion of the Central Government, his position as a member of the Board as to render his continuance in the Board detrimental to the interests of the general public.

(*2*) Notwithstanding anything contained in sub-section (*1*), no member shall be removed from his office on the grounds specified in clauses (*c*) to (*e*) of that sub-section unless he has been given a reasonable opportunity of being heard in the matter.

5. Functions of Board.—The Board shall, subject to the general directions of the Central Government, perform all or any of the following functions, namely:—

(a) examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programmes of the Central Government in regard to facilitating the promotion and development and enhancing the competitiveness of such enterprises and the impact thereof on such enterprises;

(b) make recommendations on matters referred to in clause (*a*) or on any other matter referred to it by the Central Government which, in the opinion of that Government, is necessary or expedient for facilitating the promotion and development and enhancing the competitiveness of the micro, small and medium enterprises; and

(c) advise the Central Government on the use of the Fund or Funds constituted under section 12.

6. Powers and functions of Member-Secretary of Board.—Subject to other provisions of this Act, the Member-Secretary of the Board shall exercise such powers and perform such functions as may be prescribed.

CHAPTER III

CLASSIFICATION OF ENTERPRISES, ADVISORY COMMITTEE AND MEMORANDUM OF MICRO, SMALL AND MEDIUM ENTERPRISES

7. Classification of enterprises.—(*1*) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951 (65 of 1951),the Central Government may, for the purposes of this Act, by notification and having regard to the provisions of sub-sections (*4*) and (*5*), classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called,—

(a) in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (65 of 1951),as—

(i) a micro enterprise, where the investment in plant and machinery does not exceed twenty-five lakh rupees;

(ii) a small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or

(iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

(b) in the case of the enterprises engaged in providing or rendering of services, as—

(i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;

(ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

(iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Explanation 1.—For the removal of doubts, it is hereby clarified that in calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Explanation 2.—It is clarified that the provisions of section 29B of the Industries (Development and Regulation) Act, 1951 (65 of 1951), shall be applicable to the enterprises specified in sub-clauses (*i*) and (*ii*) of clause (*a*) of sub-section (*1*) of this section.

(2) The Central Government shall, by notification, constitute an Advisory Committee consisting of the following members, namely:—

(a) the Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the small and medium enterprises who shall be the Chairperson, *ex officio*;

(b) not more than five officers of the Central Government possessing necessary expertise in matters relating to micro, small and medium enterprises, members, *ex officio*;

(c) not more than three representatives of the State Governments, members, *ex officio*; and

(d) one representative each of the associations of micro, small and medium enterprises, members, *ex officio*.

(3) The Member-Secretary of the Board shall also be the *ex officio* Member-Secretary of the Advisory Committee.

(4) The Central Government shall, prior to classifying any class or classes of enterprises under sub-section (*1*), obtain the recommendations of the Advisory Committee.

(5) The Advisory Committee shall examine the matters referred to it by the Board in connection with any subject referred to in section 5 and furnish its recommendations to the Board.

(6) The Central Government may seek the advice of the Advisory Committee on any of the matters specified in section 9, 10, 11, 12 or 14 of Chapter IV.

(7) The State Government may seek advice of the Advisory Committee on any of the matters specified in the rules made under section 30.

(8) The Advisory Committee shall, after considering the following matters, communicate its recommendations or advice to the Central Government or, as the case may be, State Government or the Board, namely:—

(a) the level of employment in a class or classes of enterprises;

(b) the level of investments in plant and machinery or equipment in a class or classes of enterprises;

(c) the need of higher investment in plant and machinery or equipment for technological upgradation, employment generation and enhanced competitiveness of the class or classes of enterprises;

(d) the possibility of promoting and diffusing entrepreneurship inmicro, small or medium enterprises; and

(e) the international standards for classification of small and medium enterprises.

(9) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951 (65 of 1951) and clause (*h*) of section 2 of the Khadi and Village Industries Commission Act, 1956 (61 of 1956),the Central Government may, while classifying any class or classes of enterprises under sub-section (*1*), vary, from time to time, the criterion of investment and also consider criteria or standards in respect of employment or turnover of the enterprises and include in such classification the micro or tiny enterprises or the village enterprises, as part of small enterprises.

8. Memorandum of micro, small and medium enterprises.—(*1*) Any person who intends to establish,—

(a) a micro or small enterprise, may, at his discretion; or

(b) a medium enterprise engaged in providing or rendering of services may, at his discretion; or

(c) a medium enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (65 of 1951),

shall file the memorandum of micro, small or, as the case may be, of medium enterprise with such authority as may be specified by the State Government under sub-section (*4*) or the Central Government under sub-section (*3*):

Provided that any person who, before the commencement of this Act, established—

(a) a small scale industry and obtained a registration certificate, may, at his discretion; and

(b) an industry engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (65 of 1951),having investment in plant and machinery of more than one crore rupees but not exceeding ten crore rupees and, in pursuance of the notification of the Government of India in the erstwhile Ministry of Industry (Department of Industrial Development) number S.O. 477(E), dated the 25th July, 1991 filed an Industrial Entrepreneur's Memorandum,

shall within one hundred and eighty days from the commencement of this Act, file the memorandum, in accordance with the provisions of this Act.

(2) The form of the memorandum, the procedure of its filing and other matters incidental thereto shall be such as may be notified by the Central Government after obtaining the recommendations of the Advisory Committee in this behalf.

(3) The authority with which the memorandum shall be filed by a medium enterprise shall be such as may be specified, by notification, by the Central Government.

(4) The State Government shall, by notification, specify the authority with which a micro or small enterprise may file the memorandum.

(5) The authorities specified under sub-sections (*3*) and (*4*) shall follow, for the purposes of this section, the procedure notified by the Central Government under sub-section (*2*).

CHAPTER IV

MEASURES FOR PROMOTION, DEVELOPMENT AND ENHANCEMENT OF COMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES

9. Measures for promotion and development.—The Central Government may, from time to time, for the purposes of facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, particularly of the micro and small enterprises, by way of development of skill in the employees, management and entrepreneurs, provisioning for technological upgradation,marketing assistance or infrastructure facilities and cluster development of such enterprises with a view to strengthening backward and forward linkages, specify, by notification, such programmes, guidelines or instructions, as it may deem fit.

10. Credit facilities.—The policies and practices in respect of credit to the micro, small and medium enterprises shall be progressive and such as may be specified in the guidelines or instructions issued by the Reserve Bank, from time to time, to ensure timely and smooth flow of credit tosuch enterprises, minimise the incidence of sickness among and enhance the competitiveness of such enterprises.

11. Procurement preference policy.—For facilitating promotion and development of micro and small enterprises, the Central Government or the State Government may, by order notify from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises, by its Ministries or departments, as the case may be, or its aided institutions and public sector enterprises.

12. Funds.—There shall be constituted, by notification, one or more Funds to be called by such name as may be specified in the notification and there shall be credited thereto any grants made by the Central Government under section 13.

13. Grants by Central Government.—The Central Government may, after due appropriation made by Parliament by law in this behalf, credit to the Fund or Funds by way of grants for the purposes of this Act, such sums of money as that Government may consider necessary to provide.

14. Administration and utilisation of Fund or Funds.—(*1*) The Central Government shall have the power to administer the Fund or Funds in such manner as may be prescribed.

(2) The Fund or Funds shall be utilised exclusively for the measures specified in sub-section (*1*) of section 9.

(3) The Central Government shall be responsible for the coordination and ensuring timely utilisation and release of sums in accordance with such criteria as may be prescribed.

CHAPTER V

DELAYED PAYMENTS TO MICRO AND SMALL ENTERPRISES

15. Liability of buyer to make payment.—Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefor on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day:

Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance.

16. Date from which and rate at which interest is payable.—Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.

17. Recovery of amount due.—For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the amount with interest thereon as provided under section 16.

18. Reference to Micro and Small EnterprisesFacilitation Council.—(*1*) Notwithstanding anything contained in any other law for the time being in force, any party to a dispute may, with regard to any amount due under section 17, make a reference to the Micro and Small Enterprises Facilitation Council.

(2) On receipt of a reference under sub-section (*1*), the Council shall either itself conduct conciliation in the matter or seek the assistance of any institution or centre providing alternate dispute resolution services by making a reference to such an institution or centre, for conducting conciliation and the provisions of sections 65 to 81 of the Arbitration and Conciliation Act, 1996 (26 of 1996) shall apply to such a dispute as if the conciliation was initiated under Part III of that Act.

(3) Where the conciliation initiated under sub-section (*2*) is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer ittoany institution or centre providing alternate dispute resolution services for such arbitration and the provisions of the Arbitration and Conciliation Act, 1996 (26 of 1996) shall then apply to the dispute as if the arbitration was in pursuance of an arbitration agreement referred to in sub-section(*1*) of section 7 of that Act.

(4) Notwithstanding anything contained in any other law for the time being in force, the Micro and Small Enterprises Facilitation Council or the centre providing alternate dispute resolution services shall have jurisdiction to act as an Arbitrator or Conciliator under this section in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.

(5) Every reference made under this section shall be decided within a period of ninety days from the date of making such a reference.

19. Application for setting aside decree, award or order.—No application for setting aside any decree, award or other order made either by the Council itself or by any institution or centre providing alternate dispute resolution services to which a reference is made by the Council, shall be entertained by any court unless the appellant (not being a supplier) has deposited with it seventy-five per cent. of the amount in terms of the decree, award or, as the case may be, the other order in the manner directed by such court:

Provided that pending disposal of the application to set aside the decree, award or order, the court shall order that such percentage of the amount deposited shall be paid to the supplier, as it considers reasonable under the circumstances of the case, subject to such conditions as it deems necessary to impose.

20. Establishment of Micro and Small Enterprises Facilitation Council.—The State Government shall, by notification, establish one or more Micro and Small Enterprises Facilitation Councils, at such places, exercising such jurisdiction and for such areas, as may be specified in the notification.

21. Composition of Micro and Small Enterprises Facilitation Council.—(*1*) The Micro and Small Enterprise Facilitation Council shall consist of not less than three but not more than five members to be appointed from amongst the following categories, namely:—

(i) Director of Industries, by whatever name called, or any other officer not below the rank of such Director, in the Department of the State Government having administrative control of the small scale industries or, as the case may be, micro, small and medium enterprises; and

(ii) one or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and

(iii) one or more representatives of banks and financial institutions lending to micro or small enterprises; or

(iv) one or more persons having special knowledge in the field of industry, finance, law, trade or commerce.

(2) The person appointed under clause (*i*) of sub-section (*1*) shall be the Chairperson of the Micro and Small Enterprises Facilitation Council.

(3) The composition of the Micro and Small Enterprises Facilitation Council, the manner of filling vacancies of its members and the procedure to be followed in the discharge of their functions by the members shall be such as may be prescribed by the State Government.

22. Requirement to specify unpaid amount with interest in the annual statement of accounts.— Where any buyer is required to get his annual accounts audited under any law for the time being in force, such buyer shall furnish the following additional information in his annual statement of accounts, namely:—

(i) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;

(ii) the amount of interest paid by the buyer in terms of section 16, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;

(iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;

(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and

(v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

23. Interest not to be allowed as deduction from income.—Notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961), the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction.

24. Overriding effect.—The provisions of sections 15 to 23 shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force.

25. Scheme for closure of business of micro, small and medium enterprises.—Notwithstanding anything contained in any law for the time being in force, the Central Government may, with a view to facilitating closure of business by a micro, small or medium enterprise, not being a company registered under the Companies Act, 1956 (1 of 1956), notify a Scheme within one year from the date of commencement of this Act.

CHAPTER VI

MISCELLANEOUS

26. Appointment of officers and other employees.—(*1*) The Central Government or the State Government may appoint such officers with such designations and such other employees as it thinks fit for the purposes of this Act and may entrust to them such of the powers and functions under this Act as it may deem fit.

(*2*) The Officers appointed under sub-section (*1*) may, for the purposes of this Act, by order require any person to furnish such information, in such form, as may be prescribed.

27. Penalty for contravention of section 8 or section 22 or section 26.—(*1*) Whoever intentionally contravenes or attempts to contravene or abets the contravention of any of the provisions contained in sub-section (*1*) of section 8 or sub-section (*2*) of section 26 shall be punishable—

(a) in the case of the first conviction, with fine which may extend to rupees one thousand; and

(b) in the case of second or subsequent conviction, with fine which shall not be less than rupees one thousand but may extend to rupees ten thousand.

(*2*) Where a buyer contravenes the provisions of section 22, he shall be punishable with fine which shall not be less than rupees ten thousand.

28. Jurisdiction of courts.—No court inferior to that of a Metropolitan Magistrate or a Magistrate of the first class shall try any offence punishable under this Act.

29. Power to make rules.—(*1*) The Central Government may, by notification, make rules to carry out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the term of office of the members of the Board, the manner of filling vacancies, and the procedure to be followed in the discharge of functions by the members of the Board under sub-section (*4*) of section 3;

(b) the powers and functions of the Member-Secretary under section 6;

(c) the manner in which the Fund may be administered under sub-section (*1*) of section 14;

(d) the criteria based on which sums may be released under sub-section (*3*) of section 14;

(e) the information to be furnished and the form in which it is to be furnished under sub-section (*2*) of section 26; and

(f) any other matter which is to be or may be prescribed under this Act.

(3) Every notification issued under section 9 and every rule made by the Central Government under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the notification or rule or both Houses agree that the notification or rule should not be made, the notification or rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that notification or rule.

30. Power to make rules by State Government.—(*1*) The State Government may, by notification, make rules to carry out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the composition of the Micro and Small Enterprises Facilitation Council, the manner of filling vacancies of the members and the procedure to be followed in the discharge of their functions by the members of the Micro and Small Enterprises Facilitation Council under sub-section (*3*) of section 21;

(b) any other matter which is to be, or may be, prescribed under this Act.

(3) The rule made under this section shall, as soon as may be after it is made, be laid before each House of the State Legislature where there are two Houses, and where there is one House of the State Legislature, before that House.

31. Power to remove difficulties.—(*1*) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(*2*) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.

32. Repeal of Act 32 of 1993.—(*1*) The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993is hereby repealed.

(*2*) Notwithstanding such repeal, anything done or any action taken under the Act so repealed under sub-section (*1*), shall be deemed to have been done or taken under the corresponding provisions of this Act.

The Micro, Small and Medium Enterprises Development Act, 2006 (MSME Act, 2006) Executive Summary PDF

1. Introduction to the Micro, Small and Medium Enterprises Development Act, 2006 (MSME Act, 2006)

When the Micro, Small and Medium Enterprises Development Act, 2006 came into force, it marked an important shift in India's industrial and economic policy. Before this law, small businesses functioned with limited recognition and even less support. They contributed significantly to employment and exports but often struggled with credit, delayed payments, and outdated definitions that failed to reflect their true scale. The Act changed this narrative by creating a legal framework that gave these enterprises structure, protection, and visibility.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF provides a clear understanding of this transformation. It defines the categories of enterprises, establishes mechanisms for registration, and sets out legal remedies against payment delays. The purpose of this law was never limited to regulation; it aimed to create an environment where micro and small businesses could grow with confidence.

The MSME sector has always been the backbone of India's economy. It contributes nearly one-third of the country's GDP and plays a crucial role in employment generation and exports. Yet, before 2006, the absence of uniform definitions made policy-making inconsistent. Credit institutions found it difficult to assess eligibility, and government benefits often failed to reach the intended recipients. The Micro Small and Medium Enterprises Development Act, 2006 filled that gap by creating one standard framework across India.

Some of the most significant improvements brought by the Act include:

- A unified classification of enterprises based on investment and turnover.
- Simplified registration through a single-window digital system.
- Legal protection against delayed payments from buyers.
- Recognition of service sector enterprises alongside manufacturing.
- Stronger institutional support for technology and skill development.
- A structure for dispute resolution through MSME Facilitation Councils.

The legislative intent behind the Act was rooted in both fairness and practicality. The government recognised that for India's economic growth to be inclusive, its small enterprises needed legal recognition and structural support. The law brought these enterprises into the formal economy, linking them with credit institutions, supply chains, and state-level facilitation mechanisms.

For business owners, the Micro Small and Medium Enterprises Development Act, 2006 PDF Download remains a practical guide to understanding eligibility, rights, and obligations. It goes beyond definitions to explain how MSMEs can access financial aid, compete for government tenders, and seek redress in cases of unfair treatment.

In essence, the Act created a bridge between entrepreneurship and the legal framework that sustains it. By offering recognition, protection, and an enabling ecosystem, it turned India's informal enterprise base into a more structured and dependable contributor to national growth.

2. Objective and Scope of the Micro, Small and Medium Enterprises Development Act, 2006

The purpose behind the Micro, Small and Medium Enterprises Development Act, 2006 was never just about defining what counts as a small business. It was about giving millions of entrepreneurs a legal identity and a stronger position in the economy. Before this law, small manufacturers and service providers often operated on the edges — visible but not formally recognised. The Act brought them to the centre of India's industrial policy, ensuring that their role in development was acknowledged, supported, and safeguarded.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF explains that the Act's core objective is to promote the growth and competitiveness of small enterprises while protecting them from structural disadvantages. It covers manufacturing as well as service sectors, bringing both under one umbrella for the first time. It recognises that small enterprises face unique challenges — limited access to finance, lack of bargaining power, and delayed payments from larger entities — and seeks to address each through specific legal provisions.

The Prevention of Money Laundering Act's success lies in enforcement, but the MSME Act's success lies in empowerment. It encourages self-reliance by making compliance easier, access to finance faster, and business operations smoother. The Act ties together state and central initiatives, creating a common policy language across India for how MSMEs should be identified, registered, and supported.

Key objectives of the MSME Development Act 2006 Executive Summary Corrida Legal include:

- Promoting small-scale entrepreneurship and balanced regional development.
- Ensuring timely payments and financial security for MSME suppliers.
- Creating a transparent classification system for enterprises based on investment and turnover.
- Establishing a structured system for registration and access to benefits.
- Facilitating technology upgradation and skill enhancement for better productivity.
- Encouraging the participation of MSMEs in public procurement and exports.

The scope of the Micro Small and Medium Enterprises Act 2006 PDF Download goes far beyond administrative registration. It brings within its reach every small business engaged in production, manufacturing, processing, or providing services that contribute to the economy. Whether it is a rural artisan, a small manufacturing unit, or a growing digital start-up, the Act provides an equal framework of recognition.

One of the most important aspects of this law is its focus on inclusivity. The Act aims to ensure that the smallest enterprises — often family-run or informal — can gradually move into the formal sector without being burdened by complex compliance requirements. By doing this, it not only supports business owners but also strengthens the nation's economic data and policy-making.

The MSME Development Act 2006 Key Provisions and Summary further clarifies how this law operates as a link between policy and practice. It ensures that both central and state governments take coordinated steps to promote MSMEs through credit facilities, training programs, subsidies, and procurement incentives. This cooperative approach makes the law more than just a regulation — it becomes a development strategy.

3. Classification and Coverage under the Micro, Small and Medium Enterprises Development Act, 2006

When the Micro, Small and Medium Enterprises Development Act, 2006 came into effect, it introduced a much-needed structure to classify enterprises based on size and capacity. Earlier, there was little clarity on what truly qualified as a micro, small, or medium enterprise. This created confusion among banks, policymakers, and even the enterprises themselves. The Act corrected that by providing measurable criteria and a uniform system that applied across India.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF describes these classifications not as rigid categories but as practical thresholds that evolve with the economy. The law acknowledges that small businesses grow over time and should not lose all benefits the moment they expand slightly. Instead, it provides flexibility that supports natural growth while maintaining fair access to incentives.

3.1 Definition of Micro, Small, and Medium Enterprises

The first major reform introduced by the Act was a clear definition based on investment and turnover. This replaced earlier inconsistent standards and aligned with global practices.

Under the Micro Small and Medium Enterprises Development Act, 2006 PDF Download, enterprises are classified as follows:

- **Micro Enterprises:** Investment up to ₹1 crore and turnover not exceeding ₹5 crore.
- **Small Enterprises:** Investment up to ₹10 crore and turnover not exceeding ₹50 crore.
- **Medium Enterprises:** Investment up to ₹50 crore and turnover not exceeding ₹250 crore.

This definition, revised in 2020, ensures that both manufacturing and service sectors are treated equally. Earlier, service providers often found themselves excluded from benefits that manufacturing units enjoyed. The updated system corrected that imbalance.

3.2 Purpose Behind Classification

The purpose of this classification, as explained in the MSME Development Act 2006 Executive Summary Corrida Legal, is to create a fair basis for extending financial, policy, and infrastructural support. The government and lending institutions use these categories to determine eligibility for schemes, incentives, and protection under various laws.

The classification also ensures:

- **Equal opportunity** for enterprises across industries.
- **Consistency** in data collection and reporting at state and national levels.
- **Targeted support** for credit, subsidies, and technology upgrades.
- **Simplified registration** under Udyam, based on self-declaration.

This structured classification reduces ambiguity and ensures that no enterprise is denied benefits due to administrative confusion.

3.3 Coverage of the Act

The scope of the MSME Development Act 2006 Key Provisions and Summary extends to every business involved in the manufacture or production of goods and services, regardless of its legal form — be it a proprietorship, partnership, or private limited company. It also covers entities engaged in processing, preservation, or service delivery, provided they fall within the prescribed investment and turnover limits.

The Act applies uniformly across all states and union territories, but it also allows state governments to implement local initiatives that complement central schemes.

Its coverage ensures:

- Protection of suppliers from delayed payments by large buyers.
- Access to institutional credit and government tenders.
- Participation in technology development programs and trade exhibitions.
- Legal standing to approach MSME Facilitation Councils in case of disputes.

This broad coverage has made the Act one of the most inclusive business legislations in India.

3.4 Flexibility and Adaptability under the Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal

One of the defining features of the Act is its ability to adapt with time. Economic conditions change, and so do business realities. The Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal version includes updated notifications that allow the government to revise definitions, modify turnover thresholds, and expand benefits when required.

This flexibility serves multiple purposes:

- It keeps smaller enterprises from being pushed out of the MSME bracket due to inflation or minor expansion.
- It allows policymakers to react quickly to economic slowdowns or crises.
- It ensures continuity for enterprises that depend on MSME benefits for credit or procurement eligibility.

3.5 Impact of Classification on Policy and Growth

The classification framework is not just a legal formality — it directly influences how policies are designed and how benefits reach the ground. The Money Laundering Act India 2002 Summary and Key Provisions may focus on financial integrity, but the MSME Act's classification ensures economic inclusivity. It identifies where assistance is most needed and channels support accordingly.

For example:

- **Micro enterprises** receive easier access to collateral-free loans.
- **Small enterprises** are given incentives for technology upgrades.
- **Medium enterprises** gain entry into global markets through export facilitation.

The Prevention of Money Laundering Act, 2002 Full Text PDF Corrida Legal focuses on accountability, while the MSME Act builds opportunity. Together, they create a balanced legal environment that promotes growth without compromising compliance.

4. Registration and Benefits under the Micro, Small and Medium Enterprises Development Act, 2006

The introduction of a structured registration process under the Micro, Small and Medium Enterprises Development Act, 2006 was a turning point for India's business ecosystem. For decades, countless small businesses operated informally — contributing to production, exports, and jobs, yet remaining invisible to official systems. The MSME Act changed this by creating a simple, technology-driven registration framework that gave small enterprises an official identity. That identity became their key to government schemes, financial assistance, and legal protection.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF lays out this registration procedure in straightforward terms. The earlier system of filing under the “Entrepreneurs Memorandum” has now evolved into Udyam Registration, a completely online process based on self-declaration. It has eliminated paper filings and local verification delays, making it easier for new and existing businesses to register themselves without intermediaries.

4.1 Udyam Registration – A Digital Step Towards Inclusion

Udyam Registration, as detailed in the MSME Development Act 2006 Executive Summary Corrida Legal, represents the government’s shift from traditional bureaucracy to self-certified transparency. Entrepreneurs can register using their Aadhaar number and basic business details, without the need to upload lengthy documentation.

Key features of the Udyam Registration process include:

- **Single-window system** for both manufacturing and service enterprises.
- **Integration** with Income Tax and GST databases for automatic data validation.
- **No renewal requirement**, as the registration remains valid for the life of the enterprise.
- **Instant generation** of an official MSME certificate that can be verified online.
- **Linkage** with government procurement and financial databases for real-time verification.

This simplified approach has helped millions of small business owners formalise their operations, improving their access to institutional credit and government benefits.

4.2 Benefits Available under the MSME Development Act 2006 Key Provisions and Summary

The MSME Act not only creates a legal framework but also provides tangible incentives for registered enterprises. The MSME Development Act 2006 Key Provisions and Summary highlights a wide range of benefits that flow directly from registration, encouraging participation in the formal economy.

Registered MSMEs can avail:

- **Collateral-free loans** under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).
- **Priority sector lending** from banks at lower interest rates.
- **Protection against delayed payments**, including the right to interest and dispute resolution.
- **Access to government tenders** with exemptions from earnest money deposits.
- **Subsidies** for technology upgradation, quality certification, and patent registration.
- **Reimbursement** for ISO and other certification costs.
- **Access to international trade fairs** and marketing support programs.

These benefits make registration not just a compliance step but a strategic business decision.

4.3 Legal Safeguards Against Delayed Payments

One of the most significant features of the Micro Small and Medium Enterprises Act 2006 PDF Download is its protection against delayed payments. Many small enterprises face cash flow issues because large buyers delay payments for months. The Act makes this practice unlawful.

Under Section 15 of the Act:

- Buyers must make payments within 45 days of receiving goods or services.
- If they fail to do so, the supplier is entitled to compound interest at three times the bank rate.
- Disputes are handled through the MSME Facilitation Council, which functions as an arbitration body.

This provision has changed the way MSMEs handle contracts. It gives them legal standing to demand what is rightfully due and ensures that business relationships are governed by fairness.

4.4 Role of Digital Governance and Transparency

As explained in the Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal, the digitalisation of registration and benefits has made the MSME ecosystem more transparent and accountable. By connecting databases of tax authorities, banks, and ministries, the government has built a system where data flows seamlessly, reducing duplication and fraud.

The advantages of this digital governance model include:

- Real-time policy monitoring and impact analysis.
- Better tracking of loan disbursal and subsidy utilisation.
- Faster grievance resolution through centralised platforms.
- Encouragement of self-compliance among enterprises.

This integration has also helped identify inactive or duplicate registrations, improving the credibility of the MSME database.

4.5 Broader Economic Impact under the MSME Development Act 2006 Full Text PDF India

The MSME Development Act 2006 Full Text PDF India shows how registration has reshaped India's economic landscape. It has formalised millions of small businesses, expanded the tax base, and made credit disbursal more structured. More importantly, it has built **trust** — between lenders and borrowers, between buyers and suppliers, and between the government and the business community.

For small business owners, the Act offers more than legal recognition. It provides a sense of belonging to a regulated, growing, and protected economy. For policymakers, it provides reliable data to plan better interventions. And for India, it strengthens the foundation of self-reliance by empowering those who form the backbone of its industrial fabric.

5. Rights and Legal Safeguards for MSMEs under the Micro, Small and Medium Enterprises Development Act, 2006

The Micro, Small and Medium Enterprises Development Act, 2006 was not drafted merely as an economic policy but as a legal assurance to small business owners who lacked protection for years. One of the most critical contributions of this Act is the creation of enforceable rights and legal safeguards that allow MSMEs to conduct business with security and confidence. These safeguards address real-world challenges faced by small enterprises—particularly delayed payments, unfair contract terms, and limited access to legal recourse.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF provides clear guidance on these rights, ensuring that MSMEs are not left powerless when dealing with larger entities. The law places obligations on buyers, strengthens dispute resolution processes, and ensures that justice is not delayed because of procedural hurdles.

5.1 Right to Timely Payment

Every MSME has the right to receive payment for goods and services supplied within a specified period.

Under the Micro Small and Medium Enterprises Development Act, 2006 PDF Download, the buyer must make payment within forty-five days of the date of acceptance or delivery. Failure to do so gives the supplier the legal right to claim compound interest on the outstanding amount.

This interest, calculated at three times the Reserve Bank's notified rate, is not merely punitive—it recognises the economic hardship caused by delayed payments. This provision has proved particularly beneficial for micro and small enterprises whose survival often depends on timely cash flow.

5.2 Protection against Exploitative Practices

The MSME Development Act 2006 Executive Summary Corrida Legal makes it clear that smaller enterprises often operate under unequal bargaining conditions. The Act counters this by discouraging unfair contractual terms and delayed settlements. Buyers who fail to honour payment timelines can be held legally accountable before the MSME Facilitation Council, ensuring that the supplier's right to fair treatment is upheld.

This legal protection is not symbolic—it has resulted in thousands of successful cases where small suppliers have recovered payments that might otherwise have been lost.

5.3 MSME Facilitation Council and Dispute Resolution

The law also establishes MSME Facilitation Councils at the state level. These councils act as independent authorities that help resolve disputes between MSMEs and buyers. The Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal explains that each council has powers similar to an arbitration tribunal, enabling it to summon witnesses, examine documents, and pass binding awards.

The process follows a two-step structure:

- First, the council attempts conciliation between the two parties.
- If conciliation fails, it proceeds to arbitration and passes a legally enforceable order.

This mechanism is one of the fastest and most cost-effective ways for MSMEs to resolve payment disputes without going through lengthy court proceedings.

5.4 Legal Remedies and Enforcement

Once a Facilitation Council issues an award, it carries the same weight as a decree of a civil court. Buyers who ignore or delay compliance can face execution proceedings. The Money Laundering Act India 2002 Summary and Key Provisions focuses on preventing misuse of funds, while the MSME Act ensures fair circulation of earned money. Together, these laws promote financial ethics across the business ecosystem.

In addition to payment-related disputes, the Act allows MSMEs to approach courts or councils in cases where contractual obligations are violated. The law ensures that every small enterprise has a formal path to seek redress.

5.5 Broader Impact under the MSME Development Act 2006 Full Text PDF India

The MSME Development Act 2006 Full Text PDF India has fundamentally changed how small businesses engage with larger corporations. Before this law, the threat of losing clients often forced MSMEs to accept delayed or partial payments without protest. The Act reversed that imbalance by giving them statutory backing.

6. MSME Facilitation Councils and Dispute Resolution Mechanism under the Micro, Small and Medium Enterprises Development Act, 2006

One of the strongest pillars of the Micro, Small and Medium Enterprises Development Act, 2006 is its built-in system for dispute resolution through MSME Facilitation Councils. Before this mechanism existed, small enterprises had very few avenues to recover delayed payments or settle contractual disputes. Going to civil court was time-consuming, costly, and often beyond the capacity of small business owners. The Facilitation Councils changed that by providing a direct, accessible, and time-bound platform for justice.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF lays down how these councils are formed, how they function, and what powers they hold. Each state and union territory is required to set up its own council to ensure that no MSME is left without a forum to raise its concerns.

6.1 Composition and Role of the Facilitation Councils

According to the MSME Development Act 2006 Executive Summary Corrida Legal, each council consists of representatives from the state government, financial institutions, and industry associations. This mix ensures that decisions are practical and grounded in business realities rather than being purely bureaucratic.

The role of the council extends beyond hearing complaints—it also works as a preventive institution that promotes fair trade practices between buyers and suppliers. Its primary responsibilities include:

- Taking up cases of delayed or disputed payments.
- Attempting conciliation between the two parties.
- Conducting arbitration if conciliation fails.
- Issuing binding awards enforceable in law.
- Guiding MSMEs on best practices in contract management and dispute avoidance.

This setup has allowed councils to act swiftly, often resolving cases within months instead of the years that litigation usually takes.

6.2 Procedure for Filing and Resolution

The Micro Small and Medium Enterprises Act 2006 PDF Download explains that any registered MSME supplier can file a complaint before the council if a buyer delays payment beyond the agreed or statutory limit of forty-five days. The application is simple and can be made online in many states.

Once a complaint is filed:

- The council sends a notice to the buyer seeking a response.
- Both parties are given an opportunity to present their case.
- The council first tries to resolve the matter through conciliation.
- If no settlement is reached, it proceeds to arbitration and passes an award.

This procedure gives both sides a fair hearing while ensuring that the process remains efficient and cost-effective.

6.3 Enforcement of Awards and Penalties

As outlined in the MSME Development Act 2006 Key Provisions and Summary, an award passed by a Facilitation Council has the same legal force as a decree of a civil court. The buyer must comply with the decision within the time prescribed. Failure to do so allows the supplier to seek enforcement through the civil courts or the execution process under the Code of Civil Procedure.

If the buyer fails to pay, the council can also direct the payment of compound interest along with the principal amount. This system ensures that delay is penalised and compliance is encouraged.

6.4 Role of State Governments and Coordination

The Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal also highlights the responsibility of state governments in ensuring that councils function effectively. States are expected to appoint sufficient staff, maintain online tracking systems for cases, and publish annual reports on council performance. Many states have adopted digital platforms where enterprises can file and track their cases without visiting offices.

This coordination between state and central authorities has made dispute resolution faster and more transparent. It also encourages buyers to maintain discipline in their payment practices, knowing that enforcement is real and accessible.

6.5 Broader Impact under the MSME Development Act 2006 Full Text PDF India

The establishment of MSME Facilitation Councils has transformed how small business disputes are handled in India. Thousands of MSMEs have recovered their dues through this process without lengthy litigation. More importantly, it has created a culture of accountability among larger buyers who now view payment timelines as a legal responsibility, not just a business courtesy.

The Money Laundering Act India 2002 Summary and Key Provisions focus on preventing misuse of money, while the MSME Act ensures that honest earnings reach the rightful hands. Together, they strengthen the legal foundation of economic ethics.

7. Financial Assistance and Credit Support under the Micro, Small and Medium Enterprises Development Act, 2006

Access to finance has always been one of the biggest challenges for small businesses. Before the Micro, Small and Medium Enterprises Development Act, 2006, lending institutions often viewed small enterprises as high-risk borrowers. Many of them lacked collateral, formal credit history, or detailed documentation. The MSME Act recognised this structural problem and aimed to build a financial ecosystem that gives small entrepreneurs fair access to credit, insurance, and financial incentives without excessive barriers.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF clearly outlines the policy framework for financial support. It mandates both central and state governments to facilitate the flow of credit through banks, cooperatives, and specialised institutions. The goal is not just to provide funding but to ensure that it reaches the right hands at the right time.

7.1 Role of Financial Institutions and Banks

Under the MSME Development Act 2006 Executive Summary Corrida Legal, the Reserve Bank of India (RBI) plays a central role in guiding banks to prioritise MSME lending. RBI has included MSMEs under the Priority Sector Lending (PSL) category, which requires banks to allocate a specific percentage of their total lending to small enterprises.

The key objectives of this financial inclusion policy are:

- To ensure that small businesses have easier access to credit.
- To provide loans at reasonable interest rates.
- To reduce dependence on informal moneylenders.
- To promote entrepreneurship in rural and semi-urban areas.

This system has helped small manufacturers, traders, and service providers secure working capital and term loans without excessive collateral requirements.

7.2 Credit Guarantee and Collateral-Free Loans

The MSME Development Act 2006 Key Provisions and Summary highlights one of the most impactful financial reforms — the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Established by the Government of India and SIDBI, this scheme provides collateral-free loans up to ₹2 crore for eligible MSMEs. The government acts as a guarantor, covering a significant portion of the lender's risk.

The main features of the CGTMSE scheme include:

- Loans without third-party guarantees or collateral.
- Coverage of both term loans and working capital facilities.
- Up to 85% guarantee coverage for micro enterprises.
- Lower guarantee fees for women entrepreneurs and units in the North Eastern region.

By reducing the fear of default among lenders, this scheme has made credit more accessible to thousands of first-time entrepreneurs.

7.3 Financial Support through Subsidies and Incentive Schemes

According to the Micro Small and Medium Enterprises Act 2006 PDF Download, the government offers a variety of financial incentives to help small enterprises modernise and stay competitive. These include:

- **Technology Upgradation Subsidy Schemes** for replacing outdated machinery.
- **Interest Subvention Programs** that reduce borrowing costs for MSME borrowers.
- **Reimbursement Schemes** for ISO, patent, and quality certification expenses.
- **Cluster Development Programs** that promote collective growth through shared infrastructure and training.

These incentives ensure that smaller enterprises do not fall behind in a rapidly evolving market.

7.4 Role of SIDBI and Financial Coordination

The Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal also highlights the role of the Small Industries Development Bank of India (SIDBI) as a nodal financial agency. SIDBI designs and implements targeted programs that focus on capacity building, innovation financing, and credit support for micro and small industries.

SIDBI's work includes:

- Refinancing facilities for banks and NBFCs that lend to MSMEs.
- Start-up funding for new ventures under credit-linked programs.
- Supporting green and digital transformation projects for small units.
- Creating awareness about credit literacy and financial planning.

Through SIDBI's coordination, MSMEs can access both traditional banking support and emerging financial instruments.

7.5 Economic and Social Impact under the MSME Development Act 2006 Full Text PDF India

The MSME Development Act 2006 Full Text PDF India demonstrates that financial inclusion is not just about lending—it is about empowering small businesses to survive competition and grow sustainably. By improving credit access, the law has given rural and urban entrepreneurs alike the confidence to expand their operations, hire more workers, and adopt new technology.

The Money Laundering Act India 2002 Summary and Key Provisions aims to monitor the flow of money, while the MSME Act ensures that legitimate enterprises have enough of it to prosper. Together, they establish a balance between regulation and opportunity.

In practice, the MSME Act has enabled the emergence of a new generation of small business owners—individuals who once operated informally and now function within a recognised, supported, and well-regulated financial structure. This transformation not only strengthens the economy but also uplifts communities by creating jobs and encouraging innovation at the grassroots level.

8. Government Policies, Procurement, and Support Initiatives under the Micro, Small and Medium Enterprises Development Act, 2006

The strength of the Micro, Small and Medium Enterprises Development Act, 2006 lies not only in its legal framework but also in the network of government policies built around it. The Act set the foundation for public procurement, technology advancement, and institutional support programs that collectively empower small businesses to compete on fair terms. Through coordinated efforts by the Ministry of MSME, state governments, and financial bodies, the law has transformed from a legislative document into an active development strategy.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF emphasises that the State must play a proactive role in ensuring that MSMEs have equal access to opportunities. This includes priority in government procurement, easier access to credit-linked schemes, and platforms that promote local manufacturing and services.

8.1 Public Procurement Policy for MSMEs

The Public Procurement Policy, as outlined in the MSME Development Act 2006 Executive Summary Corrida Legal, is one of the strongest pillars of MSME empowerment. This policy requires every central ministry, department, and public sector undertaking (PSU) to procure at least 25 percent of their annual requirements from registered MSMEs. Out of this, a portion is specifically reserved for enterprises owned by women and members of Scheduled Castes and Scheduled Tribes.

The policy promotes inclusivity and ensures that smaller enterprises are not overshadowed by larger corporations in government tenders. Its impact includes:

- Increased participation of MSMEs in national projects.
- Better visibility for local manufacturers and service providers.
- A steady flow of business that strengthens small-scale industries.
- Improved confidence among new entrepreneurs entering public procurement.

This initiative has encouraged thousands of enterprises to register and compete, leading to both economic and social benefits.

8.2 Technology and Innovation Support

To remain competitive in an evolving market, small enterprises must continuously upgrade their technology. The MSME Development Act 2006 Key Provisions and Summary provides for various government programs that help them achieve this. The Credit Linked Capital Subsidy Scheme (CLCSS) and Technology and Quality Upgradation Support (TEQUP) are two such initiatives that help MSMEs adopt energy-efficient and cost-effective technologies.

Government support for technology upgradation includes:

- Financial assistance for replacing outdated machinery.
- Technical guidance through incubation and innovation centres.
- Collaboration with research institutions for product development.

- Subsidies for adopting green and sustainable manufacturing practices.

These initiatives bridge the gap between traditional industry operations and modern production systems, allowing MSMEs to expand without compromising quality or efficiency.

8.3 Skill Development and Capacity Building

The Micro Small and Medium Enterprises Act 2006 PDF Download highlights the importance of human capital. The Act encourages states and central agencies to promote training programs, entrepreneurship development, and skill enhancement through MSME Development Institutes and Technology Centres.

Skill-building initiatives focus on:

- Entrepreneurship awareness and business planning.
- Digital marketing and financial literacy for small business owners.
- Hands-on training in production, design, and quality management.
- Integration of vocational education with MSME-based employment.

These training programs not only improve productivity but also create employment opportunities in semi-urban and rural regions.

8.4 Export Promotion and Market Access

The Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal also recognises that MSMEs contribute significantly to India's exports. To strengthen their global reach, the government has introduced schemes for export promotion, international trade fairs, and market development assistance (MDA).

Through these initiatives, MSMEs receive support in:

- Participating in international exhibitions and buyer-seller meets.
- Accessing export credit at subsidised interest rates.
- Understanding foreign trade regulations and quality standards.
- Marketing products through digital export platforms and e-commerce.

By integrating small industries into the global value chain, these policies enhance competitiveness and foreign exchange earnings.

8.5 Policy Coordination under the MSME Development Act 2006 Full Text PDF India

The MSME Development Act 2006 Full Text PDF India outlines the importance of coordinated policy-making between central and state governments. This alignment ensures that all levels of administration work towards the same objective—sustainable MSME growth. The central government formulates national programs, while states implement region-specific schemes to meet local industry needs.

The Money Laundering Act India 2002 Summary and Key Provisions focuses on financial transparency, while the MSME Act promotes inclusivity through opportunity. Together, they reflect India's broader commitment to ethical and sustainable growth.

9. Key Amendments, Notifications, and Judicial Interpretations under the Micro, Small and Medium Enterprises Development Act, 2006

The Micro, Small and Medium Enterprises Development Act, 2006 has not remained static since its inception. Over the years, it has evolved through various amendments, government notifications, and landmark judicial interpretations that have refined its operation and widened its scope. These changes reflect how the law continues to adapt to modern business realities, digital advancements, and global market pressures.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF records each such update carefully, ensuring that the law remains practical and aligned with the challenges faced by India's entrepreneurs. From redefining enterprise thresholds to simplifying registration and improving payment protection, these amendments have strengthened the MSME framework.

9.1 Major Legislative Amendments

The most significant reform came through the MSME Amendment Notification of 2020, which redefined enterprise classification. Earlier, manufacturing and service enterprises were treated differently, leading to uneven benefits and confusion. The new notification unified both sectors and linked classification to investment and turnover criteria.

As highlighted in the MSME Development Act 2006 Executive Summary Corrida Legal, this reclassification allowed small service providers to enjoy the same privileges as manufacturing units. It also ensured that growing enterprises would not immediately lose their MSME benefits if they slightly exceeded investment limits.

Other legislative changes included:

- Introduction of Udyam Registration to replace the earlier Entrepreneur Memorandum system.
- Integration of registration with Income Tax and GST databases for automatic validation.
- Greater coordination between central and state authorities for enforcement.
- Simplification of compliance for micro enterprises to encourage participation.

These updates marked the law's shift from a procedural system to a more dynamic, data-driven framework.

9.2 Important Government Notifications

The Micro Small and Medium Enterprises Act 2006 PDF Download lists several notifications that guide implementation at the ground level. Some of the most notable ones include:

- Notification regarding the Public Procurement Policy (2012), mandating 25% procurement from MSMEs by central entities.
- Notification on interest rates for delayed payments, standardising calculation methods for easier enforcement.
- Circulars issued for online filing and tracking of disputes through MSME Facilitation Councils.
- Guidelines introducing digital verification of registration certificates to prevent duplication or misuse.

Each notification contributes to operational clarity, helping small business owners and government officials work with consistency and transparency.

9.3 Judicial Interpretations Strengthening MSME Rights

Courts have played an essential role in interpreting and reinforcing the rights granted under the MSME Act. In multiple judgments, the judiciary has recognised that the Act is beneficial in nature and must be interpreted liberally to protect small enterprises.

In *M/s. Silpi Industries v. Kerala State Road Transport Corporation (2021)*, the Supreme Court held that buyers cannot deny MSME benefits merely because the supplier registered after entering into a contract. The Court emphasised that the Act's objective—to ensure fair and timely payment—cannot be defeated by procedural technicalities.

Other decisions have confirmed that awards passed by MSME Facilitation Councils are binding and executable like civil decrees. The MSME Development Act 2006 Key Provisions and Summary thus gains its strength not only from legislative text but also from judicial endorsement.

9.4 Administrative and Policy Updates

The Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal includes recent policy measures that complement the legal framework. The government now encourages self-compliance, online monitoring of council cases, and automatic reminders for payment obligations. The integration of MSME data with financial institutions has allowed banks to verify business status instantly, speeding up loan approvals.

Additionally, states have started implementing e-filing systems for disputes and performance ranking frameworks for councils to ensure consistency. These administrative updates reduce paperwork and make justice more accessible.

9.5 Evolving Economic Context under the MSME Development Act 2006 Full Text PDF India

The MSME Development Act 2006 Full Text PDF India continues to evolve with changing market realities. As the digital economy grows and new industries emerge, the government regularly revises the Act's definitions and schemes to ensure inclusivity. The 2023 budget introduced new measures for easier credit access, enhanced digital onboarding, and cross-border market participation.

The Money Laundering Act India 2002 Summary and Key Provisions focuses on financial accountability, while the MSME Act ensures equitable participation in the economy. Together, these laws promote growth that is transparent, compliant, and inclusive.

The amendments, notifications, and judicial interpretations demonstrate that the MSME Act is not a static statute—it is a living framework. It evolves as small businesses evolve, ensuring that the legal system keeps pace with entrepreneurship, technology, and trade. This adaptability has allowed the MSME Act to remain one of India's most relevant and transformative business legislations, continuing to empower those who form the foundation of India's economic strength.

Conclusion

The Micro, Small and Medium Enterprises Development Act, 2006 stands as one of the most impactful economic legislations in modern India. It has redefined how small enterprises are recognised, supported, and protected within the legal framework. Before this Act, small businesses formed the heart of India's economy but remained largely invisible in policy and law. The Act brought them to the forefront—giving them identity, structure, and a voice in the national growth story.

The Micro Small and Medium Enterprises Development Act 2006 Bare Act PDF captures this transformation in its purest form. It establishes that entrepreneurship at the grassroots level deserves the same protection and respect as large industries. By simplifying registration, ensuring financial inclusion, and protecting against delayed payments, the Act turned the promise of equal opportunity into a practical reality.

For business owners, the MSME Development Act 2006 Executive Summary Corrida Legal provides more than legal information—it provides clarity, confidence, and direction. Entrepreneurs can now operate knowing that the law supports their right to be paid on time, to access formal credit, and to participate in government tenders without discrimination. This security has encouraged innovation, job creation, and resilience across sectors.

The Micro Small and Medium Enterprises Act 2006 PDF Download demonstrates that small businesses are not just beneficiaries of economic growth—they are its creators. Through financial schemes, procurement policies, and dispute resolution mechanisms, the Act has built a comprehensive ecosystem that empowers every level of enterprise to thrive.

Judicial interpretations and continuous policy amendments have further reinforced the spirit of the law, ensuring that it evolves with the economy. As reflected in the Micro Small and Medium Enterprises Law Bare Act PDF Corrida Legal, the Act's flexibility allows it to stay relevant in changing market conditions, whether driven by digital transformation, globalisation, or new modes of production.