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Micro, Small And Medium Enterprises Development Act, 2006: A Critical Analysis

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The role of Micro, Small, and Medium Enterprises (MSME) in assembling the yield, work, and fares of the nation is very huge. The MSME utilizes around 42 million individuals in excess of 13 million all throughout the country. There are more than 6000 items, going from customary to innovative things, which are being fabricated by the Indian MSMEs. Micro, Small, and Medium Enterprises have been acknowledged as the driving force of development for advancing even-handed turn of events. These enterprises have worldwide contributed a major part to their respective economies and are responsible for the growth of the economy to a certain extent. Primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities. The Micro, Small, and Medium Enterprises Development (MSMED) Act of 2006 was presented by the Government of India to encourage and improve, and upgrade the seriousness of MSMEs and for the issue associated therewith or coincidental thereto. MSMED Act was notified in 2006 to address policy issues affecting Micro enterprises, small enterprises, and medium enterprises as well as the coverage and investment ceiling of the sector. In this research paper, the MSMED, Act of 2006 has been explained in detail. It consists of the background of the act, significance, and special features and objectives of the act. The paper also possesses detailed information on the important provisions of the act along with the landmark judgments. MSMED, Act, 2006 serves the Indian economy as well, which has been covered along with the impact of the enterprises during the COVID-19 pandemic. Last but not least the opinion of the Ministry of Finance is also recorded.

Keywords: *micro, MSME, government, economy, covid-19.*

INTRODUCTION

The Government of India published the Micro, Small and Medium Enterprises Development Act, 2006 in the gazette of India on 16th June 2006, however it came into force on the 2nd of October 2006. This act provides the provisions for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or accompanying to that.¹ MSME stands for Micro, Small, and Medium Enterprises, and these enterprises can be referred to as the backbone of any developing economy. And for the promotion of MSMEs, this act was introduced through several schemes and incentives. As an introduction to the research paper, the researcher would like to present a brief format of the research paper. First things first, it contains the objectives of the act, why it is established, and why it is important as MSMEs play a vital role in the Indian economic growth in arrears to their contribution to production, exports, and employment. Further, it consists of the definitions of these enterprises and how they are different from one another i.e., by the investment in plant and machinery to that of investment in equipment. The composition part of the paper consists of the sequence of provisions present in the act which is followed by the important sections of the act. Important sections as in the section that contains the maximum effect on the MSMEs or has the major segment of the act, otherwise the whole act is significant on its own. The provisions like section 7² which classifies the enterprises, and chapter IV which consists of the measures for the promotion and development of enterprises do have involves in various cases, for these, the research paper comprises the certain landmark judgments on the Act. Apart from these, there has been also an explanation of the impact or the role of MSMEs in the Indian economy. The role of MSMEs also includes its contribution to the country's economy. After the enactment of the act, there has been enormous growth observed. And it has put on record the arrangements and resources provided by the same in the economic sector. Further, the paper provides the opinion of the Ministry of MSME over the act. This also entails the schemes or programs undertaken by the Ministry and what they seek

¹ Micro Small and Medium Enterprise Development Act, 2006

² Small and Medium Enterprises Development Act, 2016, s 7

to provide. Lastly, the research consists of the impact of the COVID-19 pandemic on the MSMEs, the losses and challenges that arrived due to that, and all. The overall purpose of the research paper is to critically analyze the Act and the terms attached thereto.

OBJECTIVES OF MSMED ACT, 2006

This Act can be considered essential for small-scale enterprises. A solitary complete representation advancement and guideline of small enterprises had been a long, extraordinary interest of the Sector to liberate it from plenty of laws and guidelines and visit of investigators, which is needed to look with restricted mindfulness and assets. The need has been underlined occasionally by partners at various fora. Likewise, proposals to accommodate an appropriate lawful system for the little area to calm it of the necessities to agree with different principles and guidelines were made by the Committees, for example, the Abid Hussain Committee (1997) and Study Group under Dr. S.P. Gupta (2000). While the limited scale businesses kept on being significant for the economy, in the new years the small-scale administrations have likewise arisen as a critical area contributing generously to the economy and utilizing a great many specialists. Hence, to address all the concerns of both these small-scale industries and services together and recognize them as small enterprises it became necessary as being the worldwide practice. In a fast-growing economy like ours plus being a composite sector internationally, the natural mobility of small enterprises to medium ones must be facilitated through appropriate policy interventions and lawful structure. With these objectives in the picture, the Government of India came up with special legislation for micro, small and medium enterprises known as the Micro, Small, and Medium Enterprises Development Act, 2006.

DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES

As per section 7 of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, these three Enterprises (MSME) are classified into two categories: -

First are the manufacturing Enterprises and the second one is Service Enterprises.

- **Manufacturing Enterprises:** Companies involved in the manufacture or production of goods belonging to the industry are listed in the first schedule of the Industrial Law i.e., Industries (Development Regulation Act 1951). Manufacturing companies are defined in terms of investment in plants and machinery.
- **Service Enterprises:** The enterprises engaged in providing or rendering services and defined in terms of investment in equipment. The limit for investment in plant and machinery/equipment for manufacturing/service enterprises is as follows:

Manufacturing Sector	
Enterprises	Investment in Plant and Machinery
Micro Enterprises	Does not exceed 25 lakh rupees [section 7(1)(a)(i) ³]
Small Enterprises	More than 25 lakh rupees but does not exceed 5 crore rupees [section 7 (1) (a) (ii) ⁴]
Medium Enterprises	More than 5 crore rupees but does not exceed 10 crore rupees [section 7 (1) (a) (iii) ⁵]

Service Sector	
Enterprises	Investment in Equipment

³ Small and Medium Enterprises Development Act, 2016, s 7(1) (a) (i)

⁴ Small and Medium Enterprises Development Act, 2016, s 7(1) (a) (ii)

⁵ Small and Medium Enterprises Development Act, 2016, s 7(1) (a) (iii)

Micro Enterprises	Does not exceed 10 lakh rupees [section 7(1)(b)(i) ⁶]
Small Enterprises	More than 10 lakh rupees but does not exceed 2 crore rupees [section 7 (1) (b) (ii) ⁷]
Medium Enterprises	More than 2 crore rupees but does not exceed 5 crore rupees [section 7 (1) (b) (iii) ⁸]

COMPOSITION OF THE ACT

The Micro, Small, and Medium Enterprises Development (MSMED) Act consists of 32 sections, divided into 6 chapters. The arrangement of the sections is as follows: -

Chapter I (Preliminary) i.e., Section 1 and 2⁹ consists of the short title of the act and definitions of basic terms that have been used in the act respectively, such as advisory committee, board, enterprises, small industries bank, etc. Chapter II (National Board for Micro, Small and Medium Enterprises) i.e., from section 3 to section 6¹⁰ consists of the establishment of the board, removal of the member from the board, functions and powers and functions of the Member-Secretary of the board, respectively. This is basically to examine the factors which affect the promotion and development of MSMEs. To review the policies and programs of the government in the direction to make recommendations for celebrating and enhancing the MSMEs. The National Board under sections 3 to 6 can advise the central government on the utility of the funds, which are constituted under section 12¹¹ of the act.

⁶ Small and Medium Enterprises Development Act, 2016, s 7(1) (b) (i)

⁷ Small and Medium Enterprises Development Act, 2016, s 7(1) (b) (ii)

⁸ Small and Medium Enterprises Development Act, 2016, s 7(1) (b) (iii)

⁹ Small and Medium Enterprises Development Act, 2016, s 1 and s 2

¹⁰ Small and Medium Enterprises Development Act, 2016, s 3-6

¹¹ Small and Medium Enterprises Development Act, 2016, s 12

Chapter III (Classification of Enterprises, Advisory Committee, and Memorandum of MSMEs) i.e., sections 7 and 8¹², talks about the classification and memorandum of the Enterprises, respectively. This classification is made between micro-enterprises, small enterprises, and medium enterprises.

Chapter IV (Measures for promotion, development, and enhancement of competitiveness of MSMEs) i.e., from section 9 to section 14¹³ discusses the promotion and development and extension of credit facilities for the enterprises, procurement preference policy on goods and services, funds, grants by central government and administration and utilization of funds. Chapter V (Delayed payments to Micro and Small Enterprises) i.e., from section 15 to section 25¹⁴, which consists of the liability of the buyer to make payment, the date from which and the rate at which interest is payable, recovery of the due amount, reference to enterprises facilitation council, application for decree or order, establishment and composition of enterprises, the requirement for the specification of amount and interest, overriding effect and schemes for closure of business of enterprises, respectively. This act stipulates that within 45 days of acceptance, the payments for supplies or services have to be done and cleared in favor of the enterprises. In case of delay in payments, it has been made sure that by notification, the government can constitute several facilitation councils to monitor the said matters. Lastly, chapter VI (Miscellaneous) i.e., from section 26 to section 32¹⁵, where section 26¹⁶ talks about the appointment of employers, and section 27¹⁷ which entails the penalty for contravention of section 8 or 22 or 26¹⁸, the jurisdiction of courts in section 28¹⁹, powers to make rules by central

¹² Small and Medium Enterprises Development Act, 2016, s 7 and s 8

¹³ Small and Medium Enterprises Development Act, 2016, s 9-14

¹⁴ Small and Medium Enterprises Development Act, 2016, s 15-25

¹⁵ Small and Medium Enterprises Development Act, 2016, s 26-32

¹⁶ Small and Medium Enterprises Development Act, 2016, s 26

¹⁷ Small and Medium Enterprises Development Act, 2016, s 27

¹⁸ Small and Medium Enterprises Development Act, 2016, s 8, s 22, and s 26

¹⁹ Small and Medium Enterprises Development Act, 2016, s 28

and state government, by notification, in section 29 and 30²⁰ respectively, section 31²¹ comprises the power to remove difficulties and section 32²² talks to repeal of Act 32 of 1993.

LANDMARK JUDGEMENTS

As the act came into force there were many judgments passed over it. Here are some landmark judgments decided by the courts on the Micro, Small and Medium Enterprises Development Act, 2006 that actually changed the definition of the same and somewhere brought it more effectively: -

In the case of *Uttar Haryana Bijli Vitran Nigam Ltd v PM Electronics Ltd (2020)*, the question arose whether micro or small enterprises that are not self-registered under Section 8²³ fall under the definition of “supplier” under Section 2 (n)²⁴. Here, in this case, the Allahabad High Court sustained the verdict of the lower court that had placed reliance on a circular of 2007 by the Government of India, that – “*It is not mandatory for an enterprise to file the memorandum under Section 8. Under this circular, it was clarified that filing of the memorandum is discretionary and there is no limit of 180 days for such filing.*”²⁵

In the case of *GE T&D India Limited v Reliable Engineering Projects and Marketing (2017)*, Delhi High Court held in the light of section 8 which talks about the memorandum of such enterprises that “*An enterprise which does not register itself as a supplier does not cease to be one, as the purpose of registration under Section 8 is only to make it easier for the micro/small enterprises to derive the benefits of the Act. Further, since the enterprise continued to supply to the buyer after registration under Section 8, it would be entitled to avail the benefits under the Act.*”²⁶

²⁰ Small and Medium Enterprises Development Act, 2016, s 29 and s 30

²¹ Small and Medium Enterprises Development Act, 2016, s 31

²² Small and Medium Enterprises Development Act, 2016, s 32

²³ Small and Medium Enterprises Development Act, 2016, s 8

²⁴ Small and Medium Enterprises Development Act, 2016, s 2(n)

²⁵ *Uttar Haryana Bijli Vitran Nigam v M/S P.M. Electronics Ltd.* (2020)

²⁶ *Ge T&D; India Limited v Reliable Engineering Projects* (2017)

In the case of *Principal Chief Engineer v M/S Manibhai and Bros (Sleeper) (2017)*, the question arose whether the dispute resolution mechanism under section 18²⁷ of the Act invalidates the arbitration agreement between the parties. Hence, the Supreme Court upheld the Gujarat High Court's judgment on the interpretation of Section 18 and the High Court observed that – “*Since the Act is a special legislation and has an overriding effect, the parties governed by it are bound to follow the mechanism provided under Section 18 of the Act.*”²⁸

In the case of *M/s Steel Authority of India and Anr. v MSEFC (2010)*, the Court observed that – “*There is no inconsistency between an arbitration undertaken as per Section 18 and the one conducted under the arbitration clause, as both are governed by the provisions of Arbitration Act. Thus, the non-obstante clause under Section 24²⁹ is inapplicable as it only overrides the things which are inconsistent with Sections 15 to 23³⁰. Further, even though Section 18 provides a forum for arbitration, it will not render the independent arbitration agreement ineffective.*”³¹ Similarly, in the case of *M/s. Porwal Sales v M/s. Flame Control Industries (2019)*, in the issue against the Micro and Small Enterprises Facilitation Council, it was observed that – “*The sub-section (1) of Section 18 should be read with sub-section (4)³². It held that Section 18 is only attracted when the jurisdiction of the Council is invoked by a party for an amount due under Section 17³³. Further, the jurisdiction clause under Section 18(4) does not create a bar on seeking the appointment of an arbitrator under Section 11³⁴ of the Arbitration Act. Since the word ‘may’ has been used under Section 18(1), it is not mandatory for the supplier or buyer to initiate proceedings under Section 18.*” However, the Court also held that in cases where a reference has already been made to the Council, the application for the appointment of an arbitrator is not maintainable.³⁵

Another case on Section 18 was *Gujarat State Petronel Ltd v MSEFC (2018)*, where the question arose whether the Facilitation Council can act both as a conciliator and an arbitrator

²⁷ Small and Medium Enterprises Development Act, 2016, s 18

²⁸ *Principal Chief Engineer v M/S Manibhai and Bros (Sleeper) (2017)*

²⁹ Small and Medium Enterprises Development Act, 2016, s 24

³⁰ Small and Medium Enterprises Development Act, 2016, s 15-23

³¹ *M/S. Steel Authority of India Ltd v The Micro (2010)*

³² Small and Medium Enterprises Development Act, 2016, s 18(1) and 18(4)

³³ Small and Medium Enterprises Development Act, 2016, s 17

³⁴ Arbitration and Conciliation Act, 1996, s 11

³⁵ *M/S. Porwal Sales Thr. Its v M/S. Flame Control Industries (2019) Arbitration Petition No. 77/2017*

under Section 18? here the Court held that – “By virtue of sub-sections (2) and (3) of Section 18³⁶, Section 80³⁷ of the Arbitration Act, which bars a conciliator from acting as an arbitrator in the same dispute, is applicable to the proceedings initiated under Section 18. Based on a harmonious reading of both these provisions, the Court held that the Council cannot act as both and it may refer the matter to any centre or institution which provides alternate dispute resolution services.”³⁸ A similar judgement was passed by the Court in the case of *M/S. Pal Mohan Electronics Pvt. Ltd. v The Secretary (2019)* also.³⁹

Now, this might be the most important amongst all, the *Managing Director, KSRTC v Union of India (2009)*, in this case, the constitutionality of section 19 was challenged, that is whether Section 19 is constitutionally valid? Here, the Court by considering the arguments raised by the petitioner, held that – “The intention behind Section 19 is to benefit and help the micro/small enterprises and legislation cannot be challenged on the ground of such inequities. Further, it was held that under Section 19, since the differential treatment of buyers and sellers is on valid grounds, the provision for pre-deposit is not violative of Article 14⁴⁰ of the Constitution.”⁴¹ Counting on this judgment, the Court in the case of *Eden Exports Company v Union of India (2012)* upheld the constitutional validity of Section 19.⁴²

ROLE OF MSMED, ACT IN INDIAN ECONOMY

Since its arrangement, the MSME portion has demonstrated to be an exceptionally powerful Indian economy area. MSMEs produce and assemble an assortment of items for both homegrown just as global business sectors. They have advanced the development and improvement of khadi, town, and coir enterprises. They have teamed up and worked with the concerned services, state governments, and partners towards the childhood of provincial territories. MSMEs have assumed a fundamental part in giving business openings in rustic

³⁶ Small and Medium Enterprises Development Act, 2016, s 18(2) and 18(3)

³⁷ Arbitration and Conciliation Act, 1996, s 80

³⁸ *Gujarat State Petronet Ltd v Micro and Small Enterprises* (2018) Writ Petition No. 5459/2015

³⁹ *M/S. Pal Mohan Electronics Pvt. v The Secretary Department of Small* (2019) Writ Petition No. 9485/2017

⁴⁰ Constitution of India, 1950, art. 14

⁴¹ *The Managing Director v Union of India* (2009) Writ Petition No. 10950/2009

⁴² *M/S. Eden Exports Company v Union of India* (2012) Writ Petition No. 15733/2011

territories. They have helped in the industrialization of these regions with a low capital expense contrasted with the enormous enterprises. Going about as a correlative unit to huge areas, the MSME area has immensely added to its financial turn of events. MSMEs additionally contribute and assume a fundamental part in the country's improvement in various territories like the necessity of low venture, adaptability in tasks, versatility through the areas, the low pace of imports, and a high commitment to homegrown creation.

Providing information, preparation, and expertise through upgrades to specific training centres to create close-knit innovations, fierce competition in the domestic and global business sector, innovative insightful companies, and protectants. Engaged in manufacturing and has the ability to create new businessmen.⁴³

IMPACT OF MSMED ACT, 2006 ON THESE ENTERPRISES

After the enactment of the act, there were a lot of changes made for the benefit and development of these enterprises.

- **Quarterly Meetings:** With the establishment of the National SME Board (Committee), members of the Board are able to immediately address issues related to MSME and take the necessary steps.
- **Concept of Enterprises:** The concept of a company makes a very clear distinction between the production and delivery of services. This makes it easier for MSME to select a branch.
- **Registration:** Filing a memorandum is voluntary for micro and small businesses but required for medium-sized manufacturers, but medium-sized service companies are not subject to this obligation. Registration is not mandatory. A memorandum replaced it. MSME is exempt from registration, so the law is available immediately after the entity is established.

⁴³ 'What is MSME? Meaning, Full Form, Features, Role & Importance in India' (*LendingKart*) <<https://www.lendingkart.com/msme-loan/what-is-msme/#:~:text=The%20Government%20of%20India%20has,preservation%20of%20goods%20and%20commodities>> accessed 20 March 2022

- **Procurement Policies:** The central or state government will provide information on the preferential policies of the goods and services offered by MSMEs. It provides MSME with the opportunity to easily provide products and services, and contribute to the smooth operation of our business.
- **Penalty on delay in payments:** Deductions are not allowed in Section 23 of the MSMED Act of Tax Audit. This clause encourages various procurement agencies to make timely payments to MSMEs and ensures the smooth functioning of MSME units. The payment period for the procurement organization is 45 days. Since the payment deadline, MSME has been able to improve the balance between cash inflows and outflows.
- **Dispute Resolution:** The MSME Facilitation Council has been established to resolve disputes within 90 days. It doesn't cost much in your MSME pocket and makes regular follow-up of issues easier and easier.⁴⁴

MINISTRY OF MSME

The Ministry of Micro, Small, and Medium Enterprises Development (MSMED) Act say that – “The MSMED, Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises and also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of ‘enterprise’ which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with a balanced representation of all sections of stakeholders, particularly the three classes of enterprises, and with a wide range of advisory functions. Establishment of specific funds for the promotion, development, and enhancing the competitiveness of these enterprises, notification of schemes or programs for this purpose, progressive credit policies, and practices, preference in Government

⁴⁴ 'What is MSME? - Meaning, definition and the impact on Indian economy' (*Bajaj Finserv*, 25 May 2021) <<https://www.bajajfinserv.in/insights/what-is-msme-and-impact-on-the-indian-economy#:~:text=MSMEs%20are%20micro%2C%20small%20and,50%25%20in%20the%20coming%20years>> accessed 22 March 2022

procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.”

Further, On May 9, 2007, with the revision of the Government of India (Business Allocation) Regulations in 1961, the former Ministry of Small and Medium Enterprises and the Ministry of Agriculture and Rural Industry became the Ministry of Micro, Small and Medium Enterprises (M/O MSME). The ministry is currently overseeing the implementation, promotion, and facilitation of programs, projects, and schemes aimed at supporting and expanding MSMEs.

- *Schemes or programs under the Ministry*

The essential obligation for the advancement and improvement of MSMEs is of the State Governments. In any case, the Government of India supplements the endeavors of the State Governments through different activities. The part of the Service of MSME and its organizations is to help the States in their endeavours to energize entrepreneurship, employment, and livelihood opportunities and upgrade the competitiveness of MSMEs within the changed financial situation. The schemes or programs undertaken by the Ministry and its organizations seek to facilitate or provide are as follows, (in an exact manner):

“a. adequate flow of credit from financial institutions or banks,

b. support for technology up-gradation and modernization,

c. integrated infrastructural facilities,

d. modern testing facilities and quality certification,

e. access to modern management practices,

f. entrepreneurship development and skill up-gradation through appropriate training facilities,

g. support for product development, design intervention, and packaging,

h. the welfare of artisans and workers,

i. assistance for better access to domestic and export markets, and lastly,

j. cluster-wise measures to promote capacity-building and empowerment of the units and their collectives.”

These are the words of the Ministry of MSME on the Act. They have also covered the organisational setup for the act. The Micro, Small, and Medium Enterprises- Development Organisation (MSME-DO) helps the Ministry in forming, coordinating, executing, and observing various arrangements and projects for the advancement and improvement of MSMEs in the country

IMPACT OF COVID-19 PANDEMIC

Well as per the investigation reports (through study), it's have been shown that interruptions brought about by the Covid-19 pandemic have wedged MSMEs' profit by 20% to 50%, micro and small enterprises confronted the outrageous heat, principally because of financial resources crunch. Enterprise working in fundamental ware business was lucky to be as far as hindered however unsurprising incomes. A few enterprises developed their ways by moving the focus from unnecessary items towards essential wares; like the creation of hand sanitizer and toiletries, PPE units, reusable masks, and so on, and can get by in difficult stretches. MSMEs present in far-off regions likewise confronted heaps of hardships because of hindered store network frameworks and intrastate lockdown arrangements or guidelines.⁴⁵

Further, the Government of India has taken several steps as a follow up on recommendations and the impact of COVID 19. These cover revised definition, easy process of registration, fiscal incentives/concessions, and additional support of Rs. 1500 million in the existing kitty (Rs 3000 million) of credit guarantee funds (28 June 2021), access to non-bank credit, and

⁴⁵ Ageya Triphati, 'Covid-19 effect on Micro, Small and Medium Enterprises (MSMEs)' (*Times of India*, 23 September 2020) <<https://www.google.com/amp/s/timesofindia.indiatimes.com/blogs/ageyeva/covid-19-affect-on-micro-small-and-medium-enterprises-msmes/>> accessed 23 March 2022

expansion of eligible sectors (retail and wholesale trade with 2.5 crore enterprises) to MSME.⁴⁶

CRITICAL ANALYSIS

- *Market Growth*

India has roughly 6.3 crore MSMEs. The number of enlisted MSMEs developed by 18.5% Year over year to arrive at 25.13 lakh units in 2020 from 21.21 lakh units in 2019. The Indian MSMEs area provides about 29% of the GDP through its domestic and international exchange. As per information shared by the MSME Minister in the Rajya Sabha, the enrolled MSME is overwhelmed by micro enterprises at 22.06 lakh units in 2020 from 18.70 lakh units in 2019, while little venture units went up from 2.41 lakh units to 2.95 lakh units. Moderate sized organizations just expanded from 9,403 units to 10,981 units during this period.

MSMEs are being urged to advertise their items on the internet business website, particularly done by Government e-Marketplace (GeM), possessed and run by the public authority, whereon Ministries and PSUs (Public Sector Undertakings) source their obtainment. The stage has noted exchanges worth Rs. 55,048 crores until September 2020. Local business requires a solid monetary improvement with concessional operating capital advances to guarantee satisfactory convertible assets are kept up in business activities by the public authority and monetary organizations.

- *Problems and Challenges*

In the analysis part of the Micro, Small and Medium Enterprises Development Act, 2006, the consideration of the problems and challenges before the act would stand more efficient. As the overall performance and contributions of MSMEs are quite important. They have 45% of industrial production to date. However, MSMEs are facing a lot of problems within the scope of the Indian economy, some of them are as follows: -

⁴⁶ Sidhartha, 'Govt brings retail, wholesale trade under MSME' (*Times of India*, 3 July 2021) <https://www.google.com/amp/s/m.timesofindia.com/business/india-business/govt-brings-retail-wholesale-trade-under-msme/amp_articleshow/84082743.cms> accessed 23 March 2022

- It lacks modern technology,
- There is no sufficient training and skill development for the labours and employers,
- Complexity in the labour laws,
- MSMEs do not possess any marketing organisations, thus their products are unfavourable with respect to large-scale industries,
- There is also unavailability of adequate and timely credits and banking finance, and many more.
- Apart from that, the MSMED, Act has provided several facilities to the labour and employers.⁴⁷

CONCLUSION

As the conclusion of the critical analysis of the Micro, Small and Medium Enterprises Development, Act, 2006, it is quite clear from the above-given data that this Act is important in different aspects at different stages. From labour and employees to machinery and technology, there have been provided various sections in the Act that have their legal entities. The composition of the act to the landmark judgements on the act has been explained. Basically, this Act gave freedom to buy now existing small enterprises to update themselves to medium units as per the roofs in venture and take advantage of the different offices. Enlistment of MSMEs under this Act was not made a commitment and the enrolment part was supplanted by such a memorandum. Presently MSMEs can profit from the advantages of the Act when they are arranged. This Act likewise gives the issue free development of goods and services created by MSMEs starting with one spot then onto the next. Another significant advantage that the MSMEs get under this Act is speedy dispute settlements in this sector by having tribunals for such resolution. MSME assistance Councils are arrangement, and they help in fast disputes settlement in this area.

⁴⁷ Sonia Mukherjee, 'Challenges to Indian micro small scale and medium enterprises in the era of globalization' (2018) 8 (28) Journal of Global Entrepreneurship Research <<https://link.springer.com/article/10.1186/s40497-018-0115-5>> accessed 24 March 2022

Segment 23 under the MSMED Act supports the different obtainment organizations to make convenient installments to MSMEs. Regardless of whether an MSME unit needs to go for liquidation, it can do it effectively under this Act. Thus, in a nutshell, it is pertinent to say that **the** Micro, Small and Medium Enterprises Development, Act, 2006 have had a positive influence on the growth of small and medium enterprises and has proven beneficial to this sector with several facilities corresponding to the act.