

11 RMLNLUJ (2019) 115

Development in Uttar Pradesh After Enactment of Micro, Small and Medium Enterprises Development Act 2006: Special Reference to Saharanpur Division

DEVELOPMENT IN UTTAR PRADESH AFTER ENACTMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT 2006: SPECIAL REFERENCE TO SAHARANPUR DIVISION

by

Vipul Vinod

ABSTRACT

Micro, Small AND Medium Enterprises Development Act, 2006 was enacted by central government on 2nd Oct 2006, with the vision and purpose to facilitate industrial establishments, regulate them and bring them away from bureaucracy and red-tapism. Prior to this Act no pan India legislation was enacted across the India. All the state governments were having their own policies and regulation towards the industrial development. Pushing the vision further U.P. Govt. has made it easier with online submission of memorandum. Now entrepreneurs can submit it from their respective places and get the certificate itself.

In terms of population U.P. is biggest and always been center of attraction due to its natural resources and fertile land. Micro, Small and Medium industries have been established in abundance over the period of time and also there are huge possibilities are for further expansion of industries. It is also pertinent to mention that the industrial development of the U.P. is always fumbling to answers the rapid industrial development expectancies.



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Entrepreneurs always complaining, and forced by several factors to relocate the establishments outside the state. Even then U.P. witnessed establishment of considerable number of industries in the last decade.

This article is proposed to counter the allegations, time and again that data projected by the government is not correct and true in various dimensions. Things are very far from reality. This is not possible to establish industries that too in such a huge number without allocation of any land or power consumption. So it requires proper investigation to find out the quality of the data available in public domain.

Keywords: MSME, Manufacturing Enterprises, Micro, Small AND Medium Enterprises Development Act, 2006

I. MSME- NEW ENGINES OF GROWTH AND EMPLOYMENT

Micro, Small and Medium Enterprises are playing pivotal role in the social and economic development of India. These enterprises on one hand ensures the domestic uninterrupted supplies at large scale and on the other hand provides employments to skilled, semi-skilled and unskilled labors by ensuring self-employment. Even the smallest unit of MSME is strengthening the economy. Presently nearly 65 million MSME units are there in India and providing employment to nearly 120 million people directly and to 20 million people indirectly. It contributes nearly 17 % in the GDP of India. There are few products which keep the export numbers high. This not only provides industrial environment to rural areas but also provides products for local consumption by utilizing locally available raw material. This also goes hand in hand

with the environment. Presently MSME is able to meet modern standards by utilizing new technologies. From here onwards it is not at all possible for the policy makers to ignore importance of MSME.

However, despite being so important sector, there was no independent regulation for the development of this sector after independence for so long. Prior to this there was Industrial (Development and Regulation) Act, 1951 for all types of industries. Primarily there were only 1000 industries reserved for small scale industries, eventually this list goes smaller by time.



In the year 1991 the open market economy removed many restrictions over industrial sector. However it failed to provide any shift to small scale industries as they were not identified independently. To acknowledge the importance and contribution of the small industries central government has enacted Micro, Small and Medium Enterprises Development Act 2006.

There were precisely three most important things which were laid down. Firstly, instead of Industries the word Enterprises, which now includes services, was used and three categories were clearly defined as Micro, Small and Medium.

Secondly, for the development of this sector separate finance, distribution and other encouragement schemes were started. Thirdly, it facilitated the industrialists of this sector for the due payments.

II. DEFINITION OF MSME

In accordance with the provisions of Micro, Small and Medium Enterprises Development Act 2006, the micro, small and medium enterprises are classified in following two classes

- i Manufacturing Enterprises: 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 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The manufacturing enterprises are defined in terms of Investment in plant and machinery.¹
 - a. Micro Enterprises: does not exceed 25 Lakh Rupees;
 - b. Small Enterprises: More than 25 Lakh Rupees but does not exceed five crores;
 - c. Medium Enterprises: more than Five crore rupees but does not exceed ten crore rupees.
- ii. Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment² in plant and machinery are as follows
 - a. Micro Enterprises: does not exceed ten lakh rupees;
 - b. Small Enterprises: more than ten lakh rupees but does not exceed two crore rupees;



c. Medium Enterprises: more than two crore rupees but does not exceed five crore rupees;

Explanation: 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.³

The above discussed definition was most well settled but there was demand from the corporates and other sectors to make a change in the definition as in the present scenario this definition seems outdated and not capable to meet the demands of contemporary world. To acknowledge this Central Government introduced a new bill which included the following definition.

1. A micro enterprise will be defined as a unit where the annual turnover does not exceed Rs. 5 crore.
2. A small enterprise will be defined as unit where the annual turnover is more than Rs. 5 crore but does not exceed Rs. 75 crore.
3. A medium enterprise will be defined as a unit where the annual turnover is more than 75 crores rupees but does not exceed Rs. 250 crores.

In the new definition industries and services are not defined separately. It was assumed that due to this newly introduced definition the MSME sector will have wider domain, which will eventually be associated with annual turnover and GST network. It was followed over the assumption that on the basis of increased turnover, executing long term planning will modernize the MSME.

III. PROMOTIONAL ACTIVITIES

MSME Act 2006 claims to facilitate the MSME sector by wide spectrum of promotional activities, as online registration, development of skills in employees, management and entrepreneurs providing for technical up-gradation, marketing assistance or infrastructure facilities and cluster development. Facilitating easy finance for MSME sector, preference in Governmental purchases, various grants etc. to MSME sector.

IV. PAYMENT FACILITATION

Establishment of facilitating counter at state level, if payment of MSME units is withheld by other units and make provision for interest over withheld payments.



Based on the above three factors if MSME Act is critically examined on Saharanpur commissioner the result is as following:

Western Uttar Pradesh is known for agriculture and industrial development. This region is surrounded by developed neighbors like Delhi, Haryana and Uttarakhand. However other divisions of Uttar Pradesh such as Agra, Meerut, and Moradabad etc. have numbers of districts and stretched over huge area. While Saharanpur division is only division of western Uttar Pradesh which consists of only three districts as Saharanpur, Muzaffarnagar, and Shamli. Muzaffarnagar is known for its paper and Iron industry. Shamli is famous for steel rims and Saharanpur is famous for wooden craft at national level.

Based on MSME Act 2006 definition and proposed definition, it seems these three districts have gained based on the proposed definition, but failed to achieve over previous definition. Earlier those units which failed to make it to MSME sector now

entered the club and that is clearly a gain for MSME sector.

After 2006, the total number of unit established in Saharanpur Commissionery is as following:

After enactment of Micro, Small AND Medium Enterprises Development Act, 2006

<i>Year</i>	<i>Establishment of Industries (In numbers)</i>	<i>Investment (in Lakh Rs.)</i>	<i>Employment (In Numbers)</i>
2007-2008	1922	7179	9740
2008-2009	1929	9476	9945
2009-2010	1945	8566	9879
2010-2011	1983	11579	10529
2011-2012	1984	10857	10069
2012-2013	1680	16265	11681
2013-2014	2043	12463	12729
2014-2015	2070	11730	11602
2015-2016	2050	10690	10710
2016-2017	2080	11715	11730
2017-2018	2070	10370	10610

Source: Office of Joint Director, Saharanpur division, Saharanpur.

The picture is very unclear after the enactment of MSME Act 2006 with reference to Saharanpur Commissionery, as data for past 11 years shows there is increase of only 8% in the establishment of MSME units and it continue for



every year. The average investment is for Rs. 3 to 5 lakhs and average 5 people are employed.

V. CONCLUSION

In view of the data available for Saharanpur Commissionery it seems most of the establishments have been financed by PMSRY and MMSRY. However there are handful of units established by women, backward classes or scheduled classes. MSME is being ignored under MUDRA and Credit Guarantee Trust Fund. This is the main reason for average investment is not more then 3-5 lakhs.

The third important aspect of MSME Act 2006, is the facilitation in cases of payment delay. Things did not go smooth here also. However there is establishment of facilitation council in the headquarters of Industries Department, but no unit established in this region could take benefit of it.

No data is available stating the number of micro industries, small industries and medium industries with reference to Saharanpur region. Which unit has been given benefit of what scheme, out these how many of them are modernized, who all have adopted the new technology, how many of them have proper information as to MSME sector, who all are trying to seek facilities provided by the government etc. are few areas which require deep examination of data and to collect the data first place by in-depth survey.

* Ph.D. (Law), Assistant Professor (Law), Dr. Ram Manohar Lohiya National Law University, Lucknow-226012. <vipull.vinod@gmail.com>.

¹ <http://laghu-udyog.gov.in/faq/faq.htm>.

² *Ibid.*

³ S. 7 of MSME Act, 2006.

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