20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **MSME stands for Micro, Small and Medium Enterprises, covering both manufacturing units and service providers in India.**
   The term unifies three enterprise sizes classified together under a single regulatory framework in India.

2. **The MSME sector in India is governed primarily by the MSMED Act, 2006.**
   This Act created the legal framework for classifying and supporting micro, small and medium enterprises.

3. **The MSMED Act, 2006 formally brought the services sector under the MSME definition for the first time.**
   Before this Act, MSME classification focused mainly on manufacturing units.

4. **The Ministry of Micro, Small & Medium Enterprises frames national policy and schemes for the MSME sector.**
   It is the nodal central government body responsible for MSME growth and support.

5. **Under the original MSMED Act, manufacturing MSMEs were classified using investment in plant and machinery.**
   This was the sole yardstick for manufacturing units before the revised composite criterion.

6. **Under the original MSMED Act, service sector MSMEs were classified using investment in equipment.**
   Services used a separate investment yardstick from manufacturing under the old law.

7. **The revised MSME classification uses a composite criterion combining investment and turnover.**
   This composite approach replaced the earlier investment-only method for classifying enterprises.

8. **The revised MSME definition applies the same investment-and-turnover limits to both manufacturing and service enterprises.**
   This removed the earlier gap where manufacturing and services had separate classification criteria.

9. **MSMEs are widely regarded as an engine of economic growth and a vehicle for equitable development.**
   This phrase is a favourite in exam answers linking MSMEs to employment and exports.

10. **MSMEs account for a large majority of India's total industrial enterprises.**
    Their sheer numbers make them central to India's industrial employment and output base.

11 **India's MSME sector produces thousands of value-added products across manufacturing and services.**
This range highlights the sector's diversity beyond any single industry.

12 **MSMEs generally have higher labour intensity than large enterprises, giving them strong employment potential.**
This labour intensity is a key reason banks and policymakers prioritise MSME lending.

13 **Low credit penetration in the MSME sector is largely due to insufficient credit information on borrowers.**
Limited data on small enterprises makes it harder for lenders to assess creditworthiness.

14 **SMERA, the SME Rating Agency of India, was set up to improve credit assessment of small enterprises.**
A better rating helps small firms access bank finance more easily.

15 **SMERA was launched in 2005 and promoted by SIDBI along with Dun & Bradstreet, CIBIL and leading banks.**
This multi-institutional backing gave the rating agency credibility with lenders.

16 **An MSME cluster is a local agglomeration of enterprises producing related or complementary products.**
Clustering lets small units share infrastructure and compete more effectively.

17 **A localised leather industry cluster can include tanning units, finishing units and garment makers.**
This is a classic textbook example of how MSME clusters integrate a supply chain locally.

18 **Common structural problems facing MSMEs include technological obsolescence and outdated machinery.**
Ageing technology limits productivity and competitiveness for many small units.

19 **Persistent fund shortages and credit gaps are recurring structural challenges for MSMEs.**
Access to adequate, timely finance remains one of the sector's biggest constraints.

20 **Under the old MSMED Act, investment in plant and machinery excluded the cost of land and building.**
Only machinery-related original cost counted, keeping the classification focused on production assets.

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