20 True or False

Decide, then check the answer and reason below each statement.

Question 1

MSME stands for Micro, Small and Medium Enterprises.

TRUE

This is the official meaning of the acronym used across Indian banking and regulation.

Question 2

The MSMED Act, 2006 governs the classification and regulation of MSMEs in India.

TRUE

This Act is the primary legislation covering micro, small and medium enterprises.

Question 3

The MSMED Act, 2006 excluded the services sector from the MSME definition.

FALSE

The Act formally included services alongside manufacturing in the MSME definition.

Question 4

The Ministry of Micro, Small & Medium Enterprises is the central government body responsible for MSME policy.

TRUE

It frames schemes and drives growth initiatives for the sector.

Question 5

Under the original MSMED Act, manufacturing MSMEs were classified solely by annual turnover.

FALSE

The original Act used investment in plant and machinery, not turnover, for manufacturing units.

Question 6

Under the original MSMED Act, service sector MSMEs were classified by investment in equipment.

TRUE

Equipment investment was the classification yardstick for services under the old law.

Question 7

The revised MSME definition uses both investment and turnover as classification criteria.

TRUE

This composite criterion replaced the earlier investment-only approach.

Question 8

The revised MSME definition still applies different limits to manufacturing and service enterprises.

FALSE

The revision removed the manufacturing-versus-services gap, applying the same limits to both.

Question 9

MSMEs are often described as an engine of economic growth and equitable development.

TRUE

This phrase captures their dual role in output and inclusive employment.

Question 10

MSMEs make up only a small minority of India's total industrial enterprises.

FALSE

MSMEs actually account for a large majority of India's industrial enterprise base.

Question 11

Low credit penetration among MSMEs is partly caused by insufficient credit information on borrowers.

TRUE

Limited borrower data makes credit risk assessment harder for lenders.

Question 12

SMERA is a banking regulator that supervises MSME lending in India.

FALSE

SMERA is a rating agency, not a regulator; the RBI regulates banking, not SMERA.

Question 13

SMERA was promoted by SIDBI along with credit information partners such as Dun & Bradstreet and CIBIL.

TRUE

This multi-institutional promotion gave SMERA ratings credibility with lenders.

Question 14

SMERA ratings have no effect on an MSME's ability to access bank finance.

FALSE

A good SMERA rating actually improves transparency and eases access to bank finance.

Question 15

An MSME cluster is a local grouping of enterprises producing related or complementary goods and services.

TRUE

Clustering allows small units to share infrastructure and gain collective strength.

Question 16

A leather industry cluster typically contains only one type of unit, such as tanning alone.

FALSE

A leather cluster typically integrates tanning, finishing, garment-making and related units together.

Question 17

Technological obsolescence is listed as a common structural problem facing MSMEs.

TRUE

Outdated machinery limits productivity and competitiveness for many small units.

Question 18

MSMEs face no meaningful competition from larger domestic or global players.

FALSE

Rising domestic and global competition is actually cited as a common MSME challenge.

Question 19

Under the old MSMED Act, investment in plant and machinery excluded the original cost of land and building.

TRUE

Land and building costs were excluded from the plant-and-machinery investment calculation.

Question 20

The exact current MSME investment and turnover limits never change and require no verification.

FALSE

These thresholds are periodically revised, so students must confirm the latest official limits.