

MSME definition may be revised

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The definition of micro, small and medium enterprises (MSME) sector might be revised by raising the ceiling for investment in each segment. It would mean investing a larger sum, than prescribed under the current definition, would keep the enterprises in the MSME fold.

Other factors likely to get a play in the new definition of MSME include the number of employees in the enterprises and the turnover. The current classification marks enterprises in manufacturing sector with an investment in plant and machinery of up to ₹25 lakh as micro, up to ₹5 crore as small and up to ₹10 crore as medium enterprises. Similarly, the limits for enterprises providing services are set at ₹10 lakh, ₹2 crore and ₹5 crore for micro, small and medium enterprises, respectively.

The MSME ministry wants to change the definition of MSME in the backdrop of changing patterns in the industrial sectors and overall inflationary conditions. Also, the ministry wants to evolve a mechanism so revisions of the definition and investment limits of MSME could be decided by the ministry itself, without the requirement of going to Parliament. "The investment limits should be revised time to time considering various factors, including annual inflation," a senior MSME min-

istry official said.

The last revision was with the enactment of the MSME Act, 2006 and the definition is a part of the Act. The Act defined the MSME sectors overwriting the earlier concept of small-scale industries. Sector analysts and government officials said the definition in India was not in sync with international practices.

While the definition adopted by the MSME Act defines the sectors based on the investment in plant machinery and equipment for manufacturing and services, in many countries the definition is linked to the enterprises' turnover and employee number.

More than 80 per cent of the MSME sector, which comprises micro enterprises, won't be impacted in a big way by the proposed rejig, analysts and government analysts said. Only ones that slip out of the MSME bracket by small investments would be pulled back into the loop, they pointed out.

However, some medium-scale enterprises are critical of raising the limits as it would mean increased competition for government schemes, executives in industry chambers said. This has led to a divided opinion within the bodies representing the SMEs.

A senior official of the Federation of Indian Micro, Small and Medium Enterprises said internal discussions are still on and a conclusion is yet to be arrived at on what inputs has to be given to the government on this issue.