

MSME ministry may broaden definition of small firms

Move after commerce ministry sought changes to allow foreign single-brand retailers to meet sourcing rules

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The micro, small and medium enterprises (MSME) ministry has initiated a process to broaden the definition of such companies even as minister Vayalar Ravi publicly opposed the move.

The commerce ministry has also sought the change in the definition to allow overseas single-brand retailers such as Swedish furniture retailer Ikea to meet local sourcing rules. Indian laws define SMEs as companies that have invested \$1 million or less in plant and machinery.

Ikea, which plans to invest as much as €1.5 billion in India after the government allowed 100% foreign investment in single-brand retail, has asked the industry department to change the definition of SME to allow it to source from comparatively larger companies. The rules mandate that foreign retailers source 30% from small and medium enterprises; Ikea wants to be allowed to comply over a period of 10 years.

Currently, the parliamentary standing committee attached to the small and medium ministry is looking at the issue as



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part of a review of the implementation of the MSME (micro, small and medium enterprises) Act, said a senior official in the ministry, requesting anonymity.

"We would like a change. In India, the definition is based on investment, in some parts of the world, it is based on turnover or number of labourers. In some countries, it is a mix of two or three criteria," the official said. "There are many options which are possible. We will take a final view after the standing committee submits its report."

The parliamentary standing

committee on industry, headed by the Dravida Munnetra Kazhagam Rajya Sabha member of Parliament Tiruchi Siva, has already held a few rounds of discussion with industry lobbies, Siva said. "We will need another two or three meetings of the committee after the Parliament session is over, before finalizing the report."

V.K. Agarwal, president of lobby group Federation of Indian Micro and Small and Medium Enterprises, also indicated that the federation is open to a change in definition and is currently working on an alter-

native.

"We are also working on a qualitative definition of SME, apart from a quantitative one. We are also looking at sector-wise definitions of SMEs," he said, adding that the federation will finalize its recommendation within a week's time.

Commerce and industry minister Anand Sharma recently had said that the definition of SME may require a change. "If you are an SME, and if you have global majors taking from you, you may not remain an SME. The concerned departments will discuss it. What I am saying is you cannot punish an SME for performing well. This is the issue that is being discussed," he said earlier this month.

Ravi, who holds charge of the ministry for micro, small and medium enterprises, said on Tuesday that any relaxation in norms that affects small companies will not be acceptable. "They (commerce and industry ministry) cannot do it without my consent," he said.

The small and medium enterprises ministry is expected to oppose changes to the sourcing norms by foreign retailers from SMEs.

The official cited earlier said that was part of the ministry's comments in a note which the cabinet has accepted. "Anything that is against the letter and spirit of the cabinet decision cannot be violated. The decision has to be honoured fully. You have to go back to the cabinet in case one wants some change."