

Budget MSME classification tweak sparks slugfest between micro & mid-sized firms

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THE UNION GOVERNMENT'S decision to revise the classification criteria for micro, small, and medium enterprises (MSMEs), effective April 1, has created unease among some representative bodies, who argue the revision will have an "adverse impact" on micro and small firms.

Announced by Finance

Minister Nirmala Sitharaman in her Budget speech in February, the revision increased the investment cap for each of the three segments by 2.5 times and the turnover cap by two times. In other words, some firms that were previously medium-sized are now small enterprises, while some small firms are now micro enterprises.

In a letter to the Ministry of MSME on March 12, Laghu

Udyog Bharati — a Rashtriya Swayamsevak Sangh (RSS)-affiliated body for micro and small enterprises — flagged that with the revision, erstwhile medium firms will "corner" benefits meant for smaller firms. The Indian Express has learnt. In India, micro and small enterprises benefit from a 25 per cent public procurement quota and MSMEs overall are eligible for priority sector lending, with a sub-target

for micro firms. "Laghu Udyog Bharati foresee the adverse impact of above enhancements on micro and small-scale units who constitute about 99.99 per cent of MSMEs whereas handful of medium level units as they are less than 0.01 per cent are expected to corner such benefits," the letter to SCL Das, MSME Secretary, said. "Hence, revision of classification of MSMEs at this stage will not

serve any useful purpose and it is requested to restore the existing criteria for the time being," it added.

The MSME ministry did not respond to requests for comment. Prior to April 1, micro enterprises were defined as those with investments up to Rs 1 crore and annual turnover up to Rs 5 crore. The threshold for small enterprises was Rs 10 crore in investment and Rs 50 crore in turnover.