

REPORT NO.

268



सत्यमेव जयते

PARLIAMENT OF INDIA

**RAJYA SABHA**

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE  
ON INDUSTRY

**TWO HUNDRED AND SIXTY EIGHTH REPORT**

**ON**

**MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (AMENDMENT)  
BILL, 2015**

*PERTAINING TO*

*THE MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES*

*(PRESENTED TO THE RAJYA SABHA ON 5<sup>TH</sup> AUGUST, 2015)*

*(LAID ON THE TABLE OF LOK SABHA ON 5<sup>TH</sup> AUGUST, 2015 )*



**Rajya Sabha Secretariat, New Delhi**

**August, 2015/Shravana, 1937 (Saka)**

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**COMPOSITION OF THE COMMITTEE**  
***(CONSTITUTED W.E.F. 1<sup>ST</sup> SEPTEMBER, 2014)***

**RAJYA SABHA**

1. Shri K.C. Tyagi                      –                      *Chairman*
2. Shri Ramdas Athawale
3. Shri Vivek Gupta
4. Shri Bhupinder Yadav
5. Shri T. K. Rangarajan
6. Shri Narendra Budania
7. Shri Ashk Ali Tak
8. Shri Pramod Tiwari
9. Shri Shamsheer Singh Manhas
10. Dr. Chanderpal Singh Yadav

**LOK SABHA**

11. Shri Deepak Adhikari (Dev)
12. Shri E.T. Mohammed Basheer
13. Shri Birendra Kumar Chaudhary
14. Shri Mohammad Asrarul Haque
15. Smt. Darshana Vikram Jardosh
16. Shri Rabindra Kumar Jena
17. Smt. Poonamben Maadam

18. Shri Bidyut Baran Mahato
19. Shri S. P. Muddahanumegowda
20. Dr. Prasanna Kumar Patasani
21. Shri M. Srinivasa Rao
22. Shri Ramsinh Rathwa
23. Shri Konda Veshweshwar Reddy
24. Shri Y. V. Subba Reddy
25. Shri Rajkumar Saini
26. Shri B. Senguttuvan
27. Shri Rajveer Singh (Raju Bhaiya)
28. Shri Rameshwar Teli
29. Smt. Savitri Thakur
30. Smt. Dev Varma (Moon Moon Sen)
31. Shri Rajan Vichare

**SECRETARIAT**

Shri A.K. Singh, Joint Secretary

Smt. Sunita Sekaran, Director

Shri Roshan Lal, Joint Director

Shri Ranjan Chaturvedi, Assistant Director

## INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Industry, having been authorized by the Committee, hereby present this Two Hundred and Sixty Eighth Report on Micro, Small and Medium Enterprises Development (Amendment) Bill, 2015 pertaining to the Ministry of Micro, Small and Medium Enterprises.

2. The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2015 was introduced in the Lok Sabha on 20<sup>th</sup> April, 2015 and referred to the Committee on 21<sup>st</sup> May, 2015 for examination and report.

3. The Committee heard the representatives of Ministry of Micro, Small and Medium Enterprises, Ministry of Law and Justice (Departments of Legal Affairs and Legislative Department), Ministry of Panchayati Raj and received valuable inputs on the issue.

4. The Committee in its meeting held on 30<sup>th</sup> July, 2015 considered and adopted the report.

K.C.TYAGI

*Chairman*

*Department -related Parliamentary*

*Standing Committee on Industry*

New Delhi,

July, 2015

## Report

The MSME Development (Amendment) Bill, 2015 (**Annexure**) was introduced in Lok Sabha on 20<sup>th</sup> April 2015 and has been referred to this Committee on 21<sup>st</sup> May 2015 for examination and Report within 3 months.

2. The Bill has two substantive clauses seeking to amend Sections 7 (1) and 7 (9) of the Act. The Bill also proposes to introduce a new clause as Section 7 (1 A) in the parent Act. By amending Section 7 of the Act, this Bill seeks to increase the investment limits for Micro, Small and Medium Enterprises in view of inflation and evolving market dynamics. Through the proposed new Clause i.e., Section 7(1A), the Bill seeks to empower the Government to further enhance investment limits in future through notification.

3. The proposed Amendment in Section 7 (9) of the Act defines the criterion of higher investment for small and medium enterprises and will enable the Government to classify Village Enterprises as Medium Enterprises which were earlier classified as small enterprises.

4. A consequential amendment to Section 29 (3) is also proposed in order to give power to Government to frame Rules as per the amendments in Section 7(1), (1A) and (9).

5. The Statement of Objects and Reasons of the Bill states :

*The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 was enacted to address policy issues affecting MSMEs as well as to classify the enterprises as micro, small or medium based on their investment in plant and machinery/equipments. The existing limits under the MSMED Act were fixed in 2006. Since then, there has been a significant increase in the price index and cost of inputs. There has also been a change in the business environment with many MSMEs becoming part of the domestic and global value chains. Hence, it is proposed to amend the MSMED Act to enhance the existing limit for investment in plant and machinery considering*

*changes in price index and cost of inputs consistent with the emerging role of the MSMEs in various global value chains.*

2. *The MSMED Act, at present, states that the Central Government may, while classifying any class or classes or enterprises, vary, from time to time, the criterion of investment and also consider criteria or standards in respect of employment or turnover of the enterprises. These provisions enable the Central Government to classify micro tiny enterprises or the village enterprises as part of small enterprises. The current proposal is to enable Central Government to classify micro or tiny enterprises or the village enterprises not only as small enterprises but also as medium enterprises. This may also be based on criteria of higher investment and also on consideration of criteria or standard in respect of employment or turnover of the enterprises. It will open the doors of growth to MSMEs and will enable them to go to next level of value chain.*

3. *Since the MSMEs are defined in the Act, any variation could be done only by way of an amendment. Considering the inflation and dynamic market situation, there is a need to periodically revise the criterion of investment. Revising the investment limits by way of notification will facilitate timely action. Hence, it is proposed to amend the MSMED Act to empower Central Government to vary by way of a notification, the investment limits, which shall not exceed thrice the limits, specified in clauses (a) and (b) of sub-section (1) of section 7 for the purposes of development of micro, small and medium enterprises.*

4. *The Bill seeks to achieve the above objects.”*

6. In his presentation before the Committee, the Secretary, M/o MSME explained the objectives of the Bill and submitted as under :

*“Let me submit before the Chairman and the hon. Members of the Committee that this is one of the smallest amendments possible because you must have, as law makers, come across various types of*

*bills which suggest amendment. Very rarely an amendment is brought in where the amendment is only for two sections of that. In Section 7, the amendment that is being proposed is actually on the monetary limits. That means we are not touching the heart by the amendment. We are touching some outer things. Why? Because a certain monetary limit, which was prescribed several years ago, may not be valid today. In fact, the correct procedure would have been, at that point of time, to suggest or plead before the Parliament saying this monetary limit must be something which should be left to the inflationary tendencies and a periodic adjustment should be possible. That way, a short request has been made that we may also be permitted to enhance this limit or vary this limit but there is an upper limit placed not exceeding three times. So, one is in Section 7 and the other is in Section 9. In Section 9, Sir, because it is a smaller issue, let me plead that first. All that has been done is that to permit the Government of India that such of the village industries which were earlier being classified as small enterprises can also be classified as medium enterprises It is not changing the whole scenario. It is only expanding where we are trying to have a play. ”*

7. The Secretary, Ministry of MSME further elaborated on the rationale of the proposed amendments in context of the dynamic market conditions in his submission before the Committee on 17<sup>th</sup> June, 2015:

*“the MSMEs are characterised by very low levels of technology. In the MSME Development Act itself, as well as from the industry perspective, there have been demands for enabling small enterprises to improve their technology. When we improve the technology, which is in the context of MSME, it is not necessarily done by internal innovation but by bringing in better machinery for purposes of production or service delivery. Then, that machinery has to be purchased at the current cost and in doing so, many of the MSMEs would cease to be MSMEs. The micro would become small, small would become medium and medium would cease to be in that domain. That was the second consideration.*

*The third consideration was the emergence of value chains in global economy. In a given value chain you have the Original Equipment*

*Manufacturer, Tier-1, 2, 3 and below the suppliers, who support that value chain. These value chains have to be globally competitive if we have to stand anywhere in the global market. The competitiveness of the value chain would depend on each of the elements, not only the OEM being competitive, but even Tier-1, 2, 3 and all other ancillary and service providers to that value chain being competitive. Therefore, there is a need to improve the productivity of the value chain in which the MSMEs constitute a big part and also with productivity, the competitiveness vis a vis other countries.*

*The bigger part of the value chain, the top-most layers like Tier-1 and mostly the Tier-2 suppliers are already outside the domain of the MSMEs. In some cases, Tier-3 is within the MSME segment but MSMEs are actually falling even below the Tier-3 level. As a result, what has happened is that, many of the Tier-3 or Tier-2 suppliers are actually engaging the so-called MSMEs as a kind of outsourced agencies to fulfil certain jobs which are required in the manufacturing process. There is another difficulty in the outsourcing part which is imposition of the Service Tax. If a job connected with the manufacture of a particular product is outsourced, then, that entity to which it is being outsourced will have to pay the Service Tax also. The Service Tax is levied on it. So the integration of the MSMEs in the value chain has been a problem and it is important that in the given value chains, at least the MSMEs come to occupy the level of Tier-3 and Tier-2.”*

8. He further stressed:

*“Now, if the whole nature of the manufacturing is actually turning from manufacture of individual components to sub-assemblies and system integration by the OEMs, in that context, it becomes important in our opinion to at least keep pace with the technology and to enable the MSMEs to access technologies through development programmes of the Government, whether it is at the State level or at the Central level, Sir.”*

**Committee’s earlier discussion on the issue : Emphasis on delivering Government Schemes to Micro sector**

9. The Committee had in its 245<sup>th</sup> Report has extensively examined the implementation of the MSMED Act, 2006 and had given recommendations pertaining Chapters IV and V of the parent Act. The Committee had generally agreed to enhance the investment limits for the classification of MSME sector in view of inflation. It had observed :

**“Considering the inflation and dynamic market situation, the Committee feels that definition of MSMEs as provided in the Act may be revised every five years.”**

10. Subsequently, the Committee in its 264<sup>th</sup> Report on the Demands for Grants (2015-16) of the Ministry of MSME, took a more nuanced position as it enquired about the accessibility of the Government’s schemes to the unregistered and unorganized sector mainly consisting of micro enterprises. The Committee observed:

*“On being asked whether the Ministry’s schemes were reaching to remaining unregistered and unorganized sector, the Committee was informed in a written reply that the Ministry has not done any survey whether its Schemes are reaching to unorganized sector nor has it taken steps so far to facilitate doing business for the unorganized sector.”*

11. The Committee had also raised the issue of inaccessibility of Government schemes for the unorganized sector and recommended as under –

*“.... Considering the Ministry’s admission that its schemes are mostly targeted to Registered Units, and that only a miniscule minority of MSMEs is registered, the Committee finds the situation unacceptable. The MSMED Act, 2006 does not make it obligatory upon micro enterprises to register. In excluding unorganized sector, the Ministry has gone against the statutory provisions of the Act in respect of registration. Unorganised sector is at the margins of even marginalized MSME sector. The Ministry should do a comprehensive survey if its Schemes are reaching to unregistered micro enterprises who essentially seek ease of doing business. The Ministry has highlighted involvement of multiple Ministries and State Governments for facilitating conducive business environment. The Ministry has conveniently confined itself to the role of advocacy. However, the MSMED Act provides for National MSME Board with representation from all the relevant Ministries and the State Governments. The Ministry*

*has not informed that this issue was ever discussed or likely to be discussed in future, in the National Board so that a comprehensive actionable national policy on “Ease of Doing Business” particularly for the unorganized unregistered sector, could be evolved.”*

12. The Committee was of the view that the benefits of Ministry’s Schemes had not reached unorganized sectors and any further increase in limits of investment, may further marginalise the unorganized units with micro investment. It had recommended:

*“The Committee therefore recommends that the Ministry must survey that its Schemes must reach the largely unorganized micro sector even as it proposes to increase the investment limit.”*

### **The Bill**

13. The Committee held three meeting on the Bill, with the representatives of M/o MSME and the Legislative Department and Department of Legal Affairs ( M/o Law and Justice) and M/o Panchayati Raj.

### **Need for greater inclusion of Micro Sector**

14. As the Committee awaited the Action taken note on its recommendations/observations contained in its 264<sup>th</sup> Report, the Government brought the new MSME Development (Amendment) Bill, 2015 in Lok Sabha which was referred to the Committee for examination.

15. In his remarks the Chairman of the Committee observed :

“While Ministry has chosen to act upon Committee’s recommendation selectively, it has not followed-up with the Committee’s observations contained in its recent report on Demands for Grants (2015-16) for the Ministry. The Committee had asked the Ministry if it had conducted any survey to ensure whether its scheme reached the unorganized unregistered micro sector. In its reply, the Ministry had informed that no such survey was done nor had it taken any steps to facilitate such micro units in doing business. In his presentation before the Committee, the Secretary defended the exemption given to micro units from registration as it may bring them

into the ambit of multiple inspections. The Committee noted that while exemption from registration was given to facilitate the micro unit in doing their business, however, without registration these units remained effectively excluded from the Government's schemes. The Committee in its Report had observed that the exclusion of micro units from Government's Schemes was contrary to statutory position as prescribed in the Act."

16. The Committee was inclined to recommend making registration mandatory and convenient even for micro units based on PAN or ADHAR numbers. Specific provision may be incorporated to exempt micro units from any inspections. If registration is necessary to avail the Government's Scheme then it should be made easier and least intrusive.

17. In this regard the Secretary, M/o MSME submitted before the Committee:

*" If we submitted before you that mandatory registration will send a wrong signal, please emphasise the word "mandatory". If you mandate anything, then, the next step is the follow up and regulation. Then, what will happen? If registration becomes mandatory, my officers will go and check. If we do not go and check, we will be asked questions by you, and three Organisations like CVC, C&AG and CBI... "*

18. He further informed the Committee:

*" After the K.V. Kamath Committee -- Mr K.V. Kamath was formerly Chairman of the ICICI Bank and now going as the Chairman of the BRICS Bank -- has made a suggestion that can there be an Adhaar sort of registration. And one-page registration format has been developed, it is on our website. We have written to all the State Governments in this regard. After the advise by the Standing Committee on this point, we have reminded them. I will take up with various State Governments to get their feeling, and registration is somehow going on. "*

19. In absence of any survey as recommended in the Report, the Committee apprehends marginalization of micro sector.

20. In this regard, the Committee during its study visit in June 2015 took note of PM's MUDRA Yojna, announced in the Budget speech 2015-16, to meet the credit requirements for the Micro sector. During its study visit the Committee interacted with the CMD of SIDBI, which is the nodal agency to implement the MUDRA Scheme and the select Public sector Banks regarding the Yojna. The Committee found that MUDRA Yojna launched in April, 2015 is designed to cater to the credit requirements of micro sector through a network of micro finance institutions. Same time benefits of other Government schemes need to be delivered to the micro sector.

### Need for an Amendment Bill

21. The Committee considered whether there was need to bring the present Amendment Bill. When Section 7 (1) of the parent Act empowers the Government to classify any class of Enterprises through Notification after having the recommendations of Advisory Committee and the National MSME Board. The Government could have revised the classification only through the notification instead of bringing an Amendment.

22. On this issue, the representative of the Legislative Department informed in his submission before the Committee on 17<sup>th</sup> June, 2015:

*“regarding the first point about classification of industries by notification, initially they proposed only by notification, they want to amend the Act. But the Department of Legal Affairs objected to this point. The Department of Legal Affairs observed that if some maximum monetary limit is specified in the Act, within that limit, a notification can be issued. That is the observation of the Department of Legal Affairs. So, accordingly, the Bill was drafted and thrice the existing limit was specified in the Bill.”*

23. In its written opinion, the Department of Legal Affairs too underlined the need for an Amendment Bill to change the existing investment limit in plant and machinery as no specific power was conferred under the existing provisions of Section 7(1) of the parent Act.

**Need to bring Village Industry under the ambit of Act in supersession of the KVIC Act**

24. The Committee sought to know the substantive objective of Amendment proposed in Section 7 (9) to classify village industries under Medium Enterprise, when the village industries are being governed under the KVIC Act which is being administered by the same Ministry.

25. The Ministry in their written submission stated as under:

*“Since Government has had no intention to include village industries as medium industries, this issue was not placed before the National MSME Board or the National KVI Board.”*

26. The Committee in its 259<sup>th</sup> Report on KVIC Act too had appreciated the need to enhance the investment limit in case of KVIC Act. Then what was the need to bring Village industry under MSMED Act just to classify them as Medium Industry. Whether the Ministry has intention to subsume the Village Industry into MSMEs, then what was the relevance and need to retain KVIC Act? The Committee sought to know why should the Village Enterprises be administered under two Acts of the same Ministry?

27. The Ministry stated:

*“The Ministry of MSME has no intention either to subsume the village industries under the MSMEs nor, the KVIC Act under the MSMED Act. Village industries would continue to be administered under the KVIC Act and not under the MSMED Act. In view of the aforesaid position, Government is separately considering certain amendments in the KVIC Act, 1956. One of the amendments relates to change in definition of “Village Industry”. The amendment in the definition of “Village industry” has been proposed primarily for making changes into the fixed capital investment per head of an artisan or a worker taking into account inflation and also to widen the reach of the existing schemes for providing necessary capital to raise employment levels.”*

28. In this regard, the Ministry in its written reply also stated:

*‘Village Industries would continue to be classified as village industry as per the definition given under Section (2) (h) of the KVIC Act, 1956. The existing provision in Section 7(9) empowers the Central Government to classify village industries as part of small enterprises only to cover the process of natural growth of a village industry graduating to the level of small enterprises. Since such an eventuality may also include the level of medium enterprises, the words “medium enterprises” are proposed to be inserted.’*

29. In the Committee’s meeting on 24<sup>th</sup> July, 2015, the Secretary read out the definition of Village Industry in the KVIC Act to elaborated on the issue further:

*“I am reading it from the KVIC Act, 1956. It says, ‘any industry located in a rural area’. So the first condition is, it must be located in a rural area. It further says, ‘which produces any goods or renders any service’. That means there is no restriction as to what you are going to produce or what you are going to do. There is no restriction over services. It further says, ‘with or without the use of power’. Again, there is no restriction, whether you are using power or not. So the only condition is the rural area. It further says, ‘in which the fixed capital investment per head of an artisan or a worker does not exceed rupees one lakh’. So, there are two essential conditions. The second condition is whether it is in a rural area or not. If it is not in a rural area, it is not a village industry. Even if it is in rural area and the investment per artisan is more than rupees one lakh, it is out of it. If it is less than rupees one lakh, it is possible. “*

30. He reaffirmed before the Committee that the character of Village Industry will not be changed :

*“The other point, which the hon. Member mentioned, is that even a village industry, today, can be declared as a ‘small enterprise’. The character of the ‘village industry’ will not go.*

*It will be both -- a village industry under the KVIC Act and a small enterprise under the MSME Act. All we are trying to say is that give us the permission to declare the village industries without cutting the roots of village industries. Earlier, we could only call that 'also a small enterprise'. Now, we are seeking permission to call it, if possible, 'also a small' or 'also a medium'. “*

31. The Committee sought to assess the proposed amendment in Section 7(9) in a context. In absence of any survey on status of village small units, the Committee felt that the “Ministry has created a hypothetical scenario for organic growth of village industry into a Medium enterprise. The Census figures recently released, pointed out that only 1.6% of rural household are engaged in non-farming enterprises. 50% of the rural households depend on contractual labour. ... Rural sector is under severe distress. In such abysmal situation, does the Ministry realistically envisage a village enterprise of Rs 5 crores and above?” The Committee sought to know if the provisions of the Act are limited only to the village industries listed in Schedule of the KVIC Act?

32. The Ministry replied:

*The MSMED Act does not define a ‘village industry’. An industry located in a village and engaged in production or manufacture of an item or the activity mentioned in the Schedule to the KVIC Act is classified as ‘village industry’ in terms of the definition given in Section 2 (h) of the KVIC Act for the purposes of the KVIC Act only.*

**33. The issue of including village industries under the ambit of MSMED Act also pertained to definition of ‘village industry’. Under the MSMED Act, the classification is done on the basis of investment in ‘plant and machinery’ whereas under the KVIC Act, a village industry is defined in terms of investment which includes land and building. The KVIC Act also defines the ‘Rural area’ where the Village industries are supposed to be located. The Committee wondered if extending the MSMED Act to the village industry, not bring the issue of conflicting definitions? And in absence of any definition of Village Industry and**

**Rural Area in the MSMED Act, such provisions will be prone to conflicting interpretations.**

34. Regarding possible conflict in definition of Village Industry, the Ministry in its written reply tried to justify such difference in definition:

*“According to the KVIC Act, 1956, a village industry is defined in terms of the amount of the fixed capital investment including investment in plant and machinery and land and building (Section (2) (cc) &(h)). Since the village industries have been traditionally based on skills and craft of artisan with little investment in equipment, the cost of land and building is taken into consideration for the purpose of their categorisation. In the event, such a village industry grows in terms of increased business and turnover and wishes to graduate to the higher scale with induction of new technologies and equipment, it should be allowed to come under the umbrella of the MSMED Act through the proposed amendment to the Act, instead of the KVIC Act. As such, there is apparently no conflict in the respective definitions.”*

35. During the meeting on 24<sup>th</sup> July, 2015, the Secretary, M/o MSME conceded that there was no consultation in respect of Village Industries being classified as Medium Industries. He reaffirmed that the proposed amendment will not change the character of village industries. The Secretary also informed the Committee that Government will bring a comprehensive Bill to amend the KVIC Act, 1956 including the definitions of Village industries to enhance the investment limit per worker/artisan.

**36. The Committee noted that only 4 States and 3 UTs responded to the Amendments sought in the Bill. The Committee expressed concern whether the views of only 4 States and 3 UTs could be taken as representatives of remaining States. The Committee is of view that comments of remaining States may also be obtained and taken into consideration.**

37. The Secretary, in his submission informed the Committee about the consultative process followed before bringing the Bill:

*“We have the MSME Development Board, in which this issue was actually raised by the State Governments, and by the industry associations. Then, we put this proposal on our website for comment by anybody, including the associations, etc. Then, we requested the States...”*

38. He informed the Committee that he himself had written letters to the Chief Secretaries of the States, soliciting their comments and inputs on the Bill.

39. However, the Committee has doubt whether the issue of increasing the investment limit was ever conclusively discussed in details in the National MSME Board. The issue was raised by two industry organizations and only one State Government of MP, who later did not even respond to the provisions of Amendment Bill. One industry organization opposed the proposal. However, nothing was decided conclusively in the Board. The Committee is not aware if the issue pertaining Section 7(9) of the Act regarding Village Industries too was ever discussed in the National MSME Board or the KVIC. The Committee wondered that apart from its own recommendations, if adequate consultations have been done in the Government and among States on the issue.

40. The Secretary, M/o MSME pleaded:

*“There is one question that you have raised also that "Did you consult?" The answer is yes. There was consultation in various fora. The only thing is that during consultation there was unanimity, but did not get recorded in the shape of a conclusion, or, in the shape of a resolution. But even today there is almost unanimity. In the last few days some people from the Industry Association came and met me. Their view is that if you do not amend that effectively, quite a few people would be shut out of the MSME Act.”*

41. However, in the meeting held on 24<sup>th</sup> July, 2015, the Secretary, M/o MSME informed that as per the Committee’s observations, a meeting of National MSME Board was convened and that there was general consensus over the issue of raising investment limit in plant and machinery in respect of MSMEs.

*“, Sir, after the last meeting and before today’s meeting, a meeting of the National Board was convened and in the meeting of the National*

*Board, we, specifically, raised this point and we also listed out who the speakers are who are speaking in favour. It is my pleasure to inform you that we got almost complete support on that. Some speakers did not mention this issue. “*

**42. The Committee express its appreciation that the National MSME Board considered the issue and that there was general agreement.**

**Limited Amendment: Status of Committee’s earlier recommendations on the MSMED Act, 2006**

**43. In addition to the proposed amendments, the Committee in its 245<sup>th</sup> Report had made comprehensive recommendations pertaining National MSME Board, for making Industrial Facilitation Council more effective tool for timely recovery of dues to the MSE suppliers, inclusion of autonomous bodies and State Governments in the purchase preference policy for MSEs, protection of unorganised micro sector in wake of FDI policy and credit related issues. It was expected that those recommendations will be reflected in the Amendment Bill. However, the Bill is being brought only for a very limited purpose to increase the investment limits.**

**44. Regarding other steps taken by the Government, in conformity with the provisions of the Act, the Secretary, informed the Committee :**

*“Sir, I would also like to point out in this context the other enabling provisions in the MSME Development Act. There are a number of provisions under which Facilitation Council has been set up, under which the Ministry and the Government are empowered to issue notifications for the development of MSMEs and also for issues connected with the credit inflow to the MSME sector. We have so far brought about two important notifications. One is relating to the procurement from the micro and small enterprises. Very recently another notification has been issued dealing with the issue of relief and rehabilitation of the MSMEs and to address the problem of*

*incipient sickness, its early identification and addressing it through a mechanism which has been prescribed in a notification in consultation with the Reserve Bank of India. “*

45. The Ministry in its written reply further submitted:

*“This Ministry has proposed to amend the MSMED Act with the limited purpose to raise the investment ceiling as early as possible so that the coverage of benefits available to micro and small enterprises is widened under the revised ceilings. The comprehensive review of the MSMED Act in the light of the recommendations of the Hon’ble Committee as well as other relevant factors may be taken up after the detailed examination of the issues involved.”*

**46. The Committee reiterates its earlier recommendations contained in its 245<sup>th</sup> Report and is of the view after reading the written comments of the Ministry that adequate consultation has to be done on the need to bring amendments in the existing parent Act.**

#### **Committee’s observations**

47. After a detailed examination of the Bill and discussions with the concerned Ministries/Departments, in addition to detailed discussion and observations on above issues, the Committee also draws following conclusions:

**48. The Committee in its 259<sup>th</sup> Report on KVIC Act had recommended amendments in the definition regarding investment limit for Village Industry and Rural Areas. The Committee wonders that despite such recommendation the Ministry chose not to enhance investment limit under KVIC Act and has instead proposed to bring Village Industries under the enlarged ambit of MSMED Act. In absence of any empirical study on the coverage of Government schemes of small village industries and in view of recent census figures reflecting severe economic distress in rural areas, the Committee cautions that classifying Village Industries as Medium Industry may not achieve the stated objectives and even lead to conflicting interpretations of definitions under two Acts. The Committee is of the view that Government may**

**consider including the definition of Village Industry as given in the KVIC Act with commensurate modifications, in the MSMED Act.**

**49. The Committee reiterates its concern regarding non-accessibility of Government schemes to largely unregistered micro sector and reaffirms its recommendation in 264<sup>th</sup> Report in this respect. The Committee acknowledges that recent PM's MUDRA Yojna may meet the credit requirements of micro sector, however, other Government schemes too should reach the micro sector.**

**50. The Committee also appreciates the initiatives taken by the Ministry to encourage the micro units to register on the basis of ADHAR or PAN with a one page form. The Committee recognizes that micro units are usually apprehensive that registration may lead to intrusive inspections. The Committee therefore recommends that if registration is essential for availing Govt. schemes then it should be made convenient and non intrusive.**

**51. The Committee reiterates its recommendations in 245<sup>th</sup> Report and feels that proposed amendments are only partial. The 245<sup>th</sup> report was the outcome of Committee's detailed examination of actual working of various provisions of the parent MSME Development Act, 2006, over last decade. The Committee had identified certain issues and had made recommendations. The Committee believes that its recommendations should have been incorporated in this Amendment Bill and it feels that its recommendations will be a useful reference for future comprehensive amendment of the parent Act.**

## **Adoption of the Bill**

On the 24<sup>th</sup> July, 2015, the Committee had clause by clause discussion and adopted the Bill as under:-

### **(1) Short title and Commencement**

(1) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2015.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

### **(2) Amendment of Section 7**

In the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as the Principal Act) in Section 7-

**(a) In sub-section (1),-**

**(i) In clause (a)**

(A) In sub-clause (i) for the words "twenty-five lakh rupees", the words "fifty lakh rupees" shall be substituted.

(B) for sub-clauses (ii) and (iii), the following sub-clauses shall be substituted, namely:

(ii) a small enterprise, where the investment in plant and machinery is more than fifty lakh rupees but does not exceed ten crore rupees.

(iii) a medium enterprise, where the investment in plant and machinery is more than ten crore rupees but does not exceed thirty crore rupees,"

**(ii) in clause (b) -**

(A) in sub-clause (i) for the words "ten lakh rupees" , the words "twenty lakh rupees" shall be substituted;

(B) for sub-clauses (ii) and (iii), the following sub-clauses shall be substituted, namely :-

"(ii) a small enterprise, where the investment in equipment is more than twenty lakh rupees but does not exceed five crore rupees.

(iii) a medium enterprise, where the investment in equipment is more than five crores rupees but does not exceed fifteen crore rupees."

**(b) after sub-section (1), the following sub-section shall be inserted, namely :-**

(1A) The Central Government may, by notification, vary the investment limits, which shall not exceed thrice the limits, specified in clauses (a) and (b) of sub-section (1) for the purposes of development of micro, small and medium enterprises."

**(c) in sub-section (9) -**

- (i) for the words "criterion of investment", the words "criterion of higher investment" shall be substituted;
  - (ii) for the words "as part of small enterprises", the words "as part of small and medium enterprises" shall be substituted.
- (3) **Amendment of Section 29.**

2. In the principal Act, in Section 29, in sub-section (3), for the words and figure "under section 9" the words, brackets, figures and letter "under sub-section (1A) of Section 7, section 9" shall be substituted.

**The Committee adopted the Amendment Bill without any change.**

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