

New definition for medium-scale sector finalised

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There will be a clearly demarcated "medium-scale sector" soon, with the Ministry of Small-Scale Industry (SSI) having given its stamp of approval to the Small Industries Development Bank of India's (SIDBI) proposal for a new definition for medium industries. Under the new definition, a medium-scale industry will be one with investment in plant and machinery of Rs 1 crore to Rs 10 crore. The definition has to be notified by the SSI Ministry for it to become operational. "The proposal for having a definition for medium industry has been accepted by the SSI Ministry," a top Finance Ministry official said. The Finance Ministry had already agreed to the SIDBI suggestion. SIDBI had moved the proposal through the Ministry of Finance that had subsequently taken up the issue with the SSI Ministry. Though the term 'small and medium enterprises' (SMEs) have been a common usage in both Government as well as business circles, till date, there is no definition available for industries that do not fall under the small-scale sector. A small-scale industry has been defined as those units that have investment in plant and machinery of up to Rs 1 crore. The absence of the definition had led to a situation where funds dedicated ostensibly for the SME sector, such as the Rs 10,000-crore SME fund announced by the NDA Government, could not be utilised for funding the companies that would now fall into the medium sector after the new definition comes into play. The SME fund is being operationalised by SIDBI. Thus, it is felt that having a definition for industries falling under the medium-scale sector would enable the Government and other authorities to work out definite plans for funding and promoting the industries falling under the category and nurturing them to grow into stronger and larger entities in the long run. Finance Ministry officials, however, said that no decision had yet been taken on SIDBI's request for being allowed to act like a commercial bank by extending working capital assistance to units that are to be funded by it. The request is part of SIDBI's plans to become a one-stop-shop for the funding needs of the SME sector. "We are still examining the proposal (for SIDBI to extend working capital). It is a recent proposal from them. We have yet to take a decision," officials said. Under the SIDBI charter, if the institution has to divert from the mandate specified for it under the memorandum of association it can only do so with the approval of the Government.