

DEFINITION OF SMALL SCALE INDUSTRY

Small scale industries comprise of small enterprises that manufacture goods or provide services with the help of smaller machines and a few workers and employees. The enterprise must fall under the guidelines set by the Government of India. Small scale industries are labour intensive yet require little capital. ...

NEW LOOK MSMEs

CURRENT: LINKED TO INVESTMENT

	Manufacturing	Services
Micro	Up to ₹25 lakh	Up to ₹10 lakh
Small	Over ₹25 lakh to ₹5 crore	Over ₹10 lakh to ₹2 crore
Medium	Over ₹5 crore to ₹10 crore	Over ₹2 crore to ₹5 crore



MANUFACTURING: Plant & machinery investment

Source: Ministry of MSME



SERVICES: Investment in equipment

PROPOSED: LINKED TO TURNOVER

Micro:	Small:	Medium:
Up to ₹5cr	Over ₹5cr to ₹75cr	Over ₹75cr to ₹250cr

Existing and Revised Definition of MSMEs



OLD

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

NEW

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs. 5 cr.	Investment < Rs. 10 cr. and Turnover < Rs. 50 cr.	Investment < Rs. 20 cr. and Turnover < Rs. 100 cr.

Characteristics of Small Scale Industries

1. Labour intensive:

Small-scale industries are fairly labour-intensive. They provide an economic solution by creating employment opportunities in urban and rural areas at a relatively low cost of capital investment.

2. Flexibility:

Small-scale industries are flexible in their operation. They adopt quickly to various factors that play a large part in daily management. Their flexibility makes them best suited to constantly changing environment.

3. One-man show:

A small-scale unit is generally a one-man show. It is mostly set up by individuals. Even some small units are run by partnership firm or company, the activities are mainly carried out by one of the partners or directors. Therefore, they provide an outlet for expression of the entrepreneurial spirit. As they are their own boss, the decision making process is fast and at times more innovative.

4. Use of indigenous raw materials:

Small-scale industries use indigenous raw materials and promote intermediate and capital goods. They contribute to faster balanced economic growth in a transitional economy through decentralization and dispersal of industries in the local areas.

5. Local Area of operation:

Small-scale industries generally restrict their operation to local areas in order to meet the local and regional demands of the people. They cannot enlarge their business activities due to limited resources.

6. Lesser gestation period:

Gestation period is the period after which the return or investment starts. It is the time period between setting the units and commencement production. Small-scale industries usually have a lesser gestation period than large industries. This helps the entrepreneur to earn after a short period of time. Capital will not be blocked for a longer period.

7. Educational level:

The educational level of the employees of small industries is normally low or moderate. Hardly there is any need of specialized knowledge and skill to operate and manage the SSI.

8. Profit motive:

The owners of small industries are too much profit conscious. They always try to keep high margins in their pricing. This is one of the reason for which the unit may lead to closure.