

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES
RAJYA SABHA
QUESTION NO 27.11.2009
ANSWERED ON
FOREIGN DIRECT INVESTMENT IN MSES.

1014

MISS MABEL REBELLO

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state :-

(a) whether to help cash-strapped micro and small enterprises and to attract higher overseas investment, Government has liberalized the FDI norms for the sector, replacing the current 24 percent ceiling on foreign holding with the sectoral caps;

(b) if so, whether these industries will now be guided like other large enterprises as far as the FDI is concerned; (

(c) whether the present policy on FDI in MSE permits FDI subject only to the sectoral equity caps, entry routes and other relevant regulations; and

(d) if so, to what extent these easier FDI guidelines have helped the small scale sector?

ANSWER

MINISTER OF STATE (INDEPENDENT CHARGE), MICRO, SMALL AND MEDIUM ENTERPRISES

(SHRI DINSHA PATEL)

(a) to (d) The norms for FDI in MSEs were changed in February, 2009. The present policy permits FDI in MSEs subject only to the sectoral equity caps, entry routes & other relevant sectoral regulations, as is applicable to other large industries.

However, for manufacturing items reserved for the MSE sector (presently 21 items), any industrial undertaking which is not an MSE, will require an industrial license under Industries Act. The issue of Industrial License will be subject to a few general conditions and the specific condition that the undertaking shall undertake to export a minimum of 50% of the new or additional annual production of the MSE reserved items to be achieved within a maximum period of three years. Such an undertaking would also require prior approval of the Government (FIPB) where foreign investment is more than 24% in the equity capital.

It is expected that with easier FDI guidelines, Micro and Small Enterprises will attract more FDI.