***Government gives a new outlook for MSME classification***

The government has revised the categorisation for MSMEs based on the investments and turnovers of it. According to the new guidelines, a unit with an investment of ₹ 50 crore with a turnover of ₹ 250 crores will be considered as Medium Enterprise, and a unit with ₹ 1 crore investment with a turnover of ₹ 5 crore will be classified as Micro enterprise and units with investment of ₹ 10 crores and ₹ 50 crores of turnover will be listed as a small enterprise.

Over six crore micro, small and medium enterprises across the country will be classified on the basis of the new criteria approved by the government. Also, a new composite formula of classification for manufacturing and services units has been notified. Now, there will be no difference between the manufacturing and service sectors.

Ministry officials further said that the new definition will pave way for strengthening and growth of MSMEs. Particularly, the provision of excluding the exports from counting of turnover will encourage the [MSMEs](https://economictimes.indiatimes.com/topic/MSMEs) to export more and more without fearing to lose the benefits of a [MSME](https://economictimes.indiatimes.com/topic/MSME) unit.

"This is expected to exponentially add to exports from the country leading to more growth and [economic activity](https://economictimes.indiatimes.com/topic/economic-activity) and creation of jobs," an official statement said. "The Union Ministry of Micro, Small and Medium Enterprises has issued a gazette notification to pave the way for implementation of the upward revision in the definition and criteria of MSMEs in the country. The new definition and criterion will come into effect from 1 July, 2020," the statement said.

The existing criterion of definition of MSMEs is based on the [MSMED Act](https://economictimes.indiatimes.com/topic/MSMED-Act), 2006. It was different for manufacturing and services units. It was also very low in terms of financial limits.

Since then, the economy has undergone significant changes. After the package announced on 13th May, 2020, there were several representations that highlighted that announced revision is still not in line with market and price conditions and hence it should be further revised upwardly.

"Keeping in mind these representations, Prime Minister decided to further increase the limit for medium Units. This has been done in order to be realistic with time and to establish an objective system of classification and to provide ease of doing business," the statement said.

MSMEs contribute 29 per cent to India's gross domestic product and comprise almost half of its exports. These units employ over 11 crore workers.