

**GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:2242
ANSWERED ON:06.12.2012
IMPACT OF FDI ON SMEs
Semmalai Shri S. ;Tomar Shri Narendra Singh

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

- (a) whether the Government has taken note that Small and Medium Enterprises (SMEs) in India is being affected and targeted by the entry of foreign companies through Foreign Direct Investment (FDI) in single brand retail;
- (b) if so, the details thereof;
- (c) whether SMEs are likely to be benefited from FDI;
- (d) if so, the details thereof and the manner in which they are likely to be benefited; and
- (e) the action taken by the Government to safeguard the interests of SMEs in the country?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) FOR MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI K.H.MUNIYAPPA)

(a)& (b): Madam, the existing policy, allows for 100 per cent Foreign Direct Investment (FDI), in single-brand trade, subject to the condition that in respect of proposals involving FDI beyond 51 per cent, sourcing of 30 per cent of the value of goods purchased, will be done from India, preferably from micro, small & medium enterprise (MSMEs), village and cottage industries, artisans and craftsmen, in all sectors as per Circular 1 of 2012 – Consolidated FDI Policy of DIPP.

(c)&(d): FDI complements and supplements domestic investment. The small and medium enterprises (SMEs) would be benefited through FDI, by way of enhanced access to supplementary capital & state-of-the-art technologies, exposure to global managerial practices and technologies as well as opportunities for integration into global markets.

(e): As per existing policy, FDI in MSEs (as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) is subject to the sectoral caps, entry routes and other relevant sectoral regulations.