

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

UNSTARRED QUESTION NO:108

ANSWERED ON:17.02.2009

IMPACT OF RECESSION ON SMES

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

- (a) whether small and medium enterprises (SMEs) have been affected by global recession;
- (b) if so, the number and percentage of such enterprises alongwith the names of the products being manufactured by them;
- (c) the details of loss of jobs caused due to recession;
- (d) whether the Government has formulated a scheme to bail out these enterprises;
- (e) if so, the details thereof and if not,the reasons therefor: and
- (f) the number of enterprises provided benefits under the said bail out scheme?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHABIR PRASAD)

(a) to (c): The global recession has adversely impacted the Indian economy,including the micro, small and medium enterprises (MSMEs).While there is no separate information on MSMEs,as per the sample survey conducted by the Ministry of Labour and Employment,about 5 lakh workers are estimated to have lost their jobs during October-December 2008. The most affected sectors were Gems and Jewellery, Transport and Automobiles.

(d) to (f): Keeping in view the impact of global recession on MSME-s,the Government,the Reserve Bank of India (RBI) and the Public Sector Banks ihave taken several measures for protecting and providing a stimulus to the MSMEs which, inter alia, include: (i) extending the loan limit under Credit Guarantee Scheme from Rs.50 lakh to Rs.1 crore with a guarantee cover of 50 per cent; (ii) increasing the guarantee cover under Credit Guarantee Scheme from 80 per cent to 85 per cent for credit facility up to Rs.5 lakh; (iii) an advisory to Central Public Sector Enterprises to ensure prompt payment of bills of MSMEs; (iv) interest subvention of 2 per cent in pre and post- shipment export credit to small and medium enterprises (SME) sector up to 31.3.2009; (v) refinance limit of Rs.7,000 crore to Small Industries Development Bank of India (SIDBI) for incremental on- lending to the micro and small enterprises (MSB) sector; (vi) grant of need-based ad hoc working capital demand loans up to 20 per cent of the existing lund-based limits; and (vii) reduction in interest rates for borrowing by micro enterprises by 1 per cent and in respect of SMEs by 0.5 per cent. The details of credit flow to enterprises (including MSMEs) is collected by the RBI through the banking system and published on an annual basis. An indication of the credit flow to the MSMEs in the period after the package will, therefore, be inferable from the RBI's report for the year 2008-09.